Registered No. 793051

PRUDENTIAL HOLBORN LIFE LIMITED

Annual Report and Financial Statements for the year ended 31st December 2009

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 2009

CONTENTS **Page**

Directors	1
Directors' report	2-4
Statement of directors’ responsibilities	5
Independent auditors' report	6
Profit and loss account	7-8
Reconciliation of movements in shareholders' funds	9
Balance sheet	10
Notes on the financial statements	11-30

PRUDENTIAL HOLBORN LIFE LIMITED

Directors

D J Belsham (Chairman)
F A O'Dwyer

Secretary

Prudential Group Secretarial Services Limited

Auditors

KPMG Audit Plc
Chartered Accountants
Registered Auditor
1 Canada Square
Canary Wharf
London
E14 5AG

PRUDENTIAL HOLBORN LIFE LIMITED

Incorporated and registered in England and Wales. Registered no. 793051

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2009

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 2010.

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 an additional capital contribution of US$14.5m (2008: 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 2009, 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, The 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 £4,996,000 (2008:£19,623,000).

The shareholders' funds of the Company total £84,149,000 (2008:£73,638,000).

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.

PRUDENTIAL HOLBORN LIFE LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2009 (continued)

Corporate responsibility

The Company is a wholly owned subsidiary within the Prudential Group and corporate responsibility (CR) is a philosophy that is firmly embedded in Prudential's operations around the world as an integral part of how the organisation does business. The organisation strives to minimise the social, ethical and environmental impact of its activities and to maximise the opportunities. The importance of engaging with stakeholders and responding to their concerns is recognised. To do this the organisation maintains a regular dialogue and conducts periodic research on the issues that matter most to them.

In 2009, financial institutions came under continued scrutiny as a result of the market turmoil. Insurance companies are, however, fundamentally different from banks because they invest in assets for the long-term. During the financial turmoil the organisation played a significant role to help stabilise the market by providing liquidity during difficult times to the benefit of the whole economy.

Insurance companies have a unique role in society by helping people manage uncertainty and plan for a more secure future. In this way, the organisation's commercial value is linked to the social value of what is offered to its customers.

The approach to CR is underpinned by the organisation's founding values of integrity, security and prudence. Throughout its 160-year history the organisation has been committed to helping its customers safeguard their financial security and protect their families. This, together with the contribution to the well-being of the communities in which the organisation operates, is as strong today as it has always been.

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. In late 2008, the CR framework was enhanced to further drive sustainability performance, provide greater focus to programmes and activities, and to enable a more consistent approach to reporting. The CR activities are framed around five core themes:

1. Insightful and transparent products meeting customer needs
2. Best people for the best performing business
3. Protecting the environment
4. Supporting local communities
5. Accountability and governance

While the Group sets the overall strategy for CR, the framework gives the Company the flexibility to implement programmes that best meets its markets. This recognises that the people on the ground are closest to their customers, and their communities, and know best how to meet their needs and expectations.

The Prudential plc Board discusses the Group's CR performance at least once a year and also reviews and approves the Group CR Report and strategy on an annual basis. Below the Board, the Responsibility Committee comprises senior representatives from relevant Group functions and each of our core businesses, such as the Company. This committee is responsible for monitoring the Group's CR activities and for raising issues that need to be addressed.

Accounts

The state of affairs of the Company at 31 December 2009 is shown in the balance sheet on page 10. The profit and loss account appears on pages 7 to 8.

Share capital

The Company issued new share capital during 2009 for £9,884,792 making the total issued capital £20,884,792 (2008 £11,000,000).

Post balance sheet events

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

PRUDENTIAL HOLBORN LIFE LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2009 (continued)

Dividends

No dividend is proposed for the year (2008: 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.
Mr F A O'Dwyer was appointed as director of the Company on 5 January 2009.
Mr A S E Allen resigned as a director of the Company on 31 December 2009.
There were no other changes during the year.

Disclosure 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 ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

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

Julie McLeod
On Behalf of Prudential Group Secretarial Services
Secretary
26 March 2010

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 Director's 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).

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

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

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

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

D J Bell

D J Belsham
Chairman

26 March 2010

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 2009 set out on pages 7 to 30. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' 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

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/UKNP.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2009 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Chris Moulder (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
1 Canada Square
Canary Wharf
London
E14 5AG
26 March 2010

PRUDENTIAL HOLBORN LIFE LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2009

Technical Account - Long Term Business	**Note**	**2009 £000**	**2008 £000**
Earned premiums, net of reinsurance			
Gross premiums written	2	666	37,352
Outwards reinsurance premiums	2	1,004	692
		1,670	38,044
Investment income	3	73,281	134,985
Unrealised gains/(losses) on investments	3	305,407	(372,270)
		380,358	**(199,241)**
Claims incurred, net of reinsurance			
Claims paid - gross amount		(39,111)	(27,265)
- reinsurers' share		12,019	11,097
		(27,092)	(16,168)
Change in the provision for claims – gross amount	12	881	2,491
		(26,211)	**(13,677)**
Change in other technical provisions, net of reinsurance			
Long term business provision, net of reinsurance			
- gross amount		11,046	(34,830)
- reinsurers' share		(13)	(77)
	12	11,033	(34,907)
Change in technical provision for linked liabilities, net of reinsurance	12	(183,298)	319,262
		(172,265)	**284,355**
Other charges			
Net operating expenses			
- Administrative expenses		(1,300)	(1,044)
Investment expenses and charges	3	(162,613)	(59,852)
Tax attributable to long term business	4	(14,637)	3,489
		(178,550)	**(57,407)**
Balance on the technical account - long term business		**3,332**	**14,030**

All of the amounts above are in respect of continuing operations.
The notes on pages 11 to 30 form an integral part of these financial statements.

PRUDENTIAL HOLBORN LIFE LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2009 (continued)

Non-Technical Account	**Notes**	**2009 £000**	**2008 £000**
Balance on the long term business technical account		**3,332**	**14,030**
Tax credit attributable to the long term business technical account	4	4,311	3,557
Balance on the long term business technical account before tax		7,643	17,587
Investment income	3	262	1,324
Unrealised (losses)/gains on investment	3	(2,909)	712
Profit on ordinary activities before tax		4,996	19,623
Tax charge on profit on ordinary activities	4	(4,370)	(3,912)
Profit for the financial year	12	**626**	**15,711**

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 30 form an integral part of these financial statements.

PRUDENTIAL HOLBORN LIFE LIMITED

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
FOR THE YEAR ENDED 31 DECEMBER 2009

	2009 £000	2008 £000
Profit for the financial year	**626**	**15,711**
Shareholders' funds at beginning of year	73,638	57,927
Issue of Shares	9,885	-
Shareholders' funds at end of year	**84,149**	**73,638**

The notes on pages 11 to 30 form an integral part of these financial statements.

PRUDENTIAL HOLBORN LIFE LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2009

ASSETS	Notes	2009 £000	2008 £000
Investments			
Investments in group undertakings and participating interests	7	17,518	10,542
Other financial investments	7	91,981	99,577
Assets held to cover linked liabilities	10	1,734,672	1,620,116
Reinsurers' share of technical provisions			
Long term business provision	12	-	13
Technical provision for linked liabilities	12	127,265	117,879
		127,265	117,892
Debtors			
Other debtors	11	11,218	14,998
Other assets			
Cash at bank and in hand	17	6,664	8,645
Prepayments and accrued income			
Accrued interest		45	62
Total assets		1,989,363	1,871,832
LIABILITIES			
Capital and reserves			
Called up share capital	18	20,885	11,000
Profit and loss account		63,264	62,638
Total shareholders' funds attributable to equity interests		84,149	73,638
Technical provisions			
Long term business provision	12,13	26,275	37,321
Claims outstanding	12	1,969	2,850
		28,244	40,171
Technical provisions for linked liabilities	12,14	1,860,672	1,727,331
Creditors			
Creditors arising out of reinsurance operations		4,788	7,789
Other creditors including taxation and social security	16	11,510	22,903
		16,298	30,692
Total liabilities		1,989,363	1,871,832

The accounts on pages 7 to 30 were approved by the Board of directors on 26 March 2010.

D J Belsham
Chairman

PRUDENTIAL HOLBORN LIFE LIMITED

NOTES ON THE FINANCIAL STATEMENTS

1. Accounting policies

(a) Change in accounting policies

The Company has implemented the following changes in preparing its results for the year ended 31 December 2009. These standards closely reflect the requirements of International Financial Reporting Standards (IFRS) and form part of the continuing convergence of IFRS in the UK.

Amendments to FRS 29 – Improving Disclosures About Financial Instruments

In May 2009 the Accounting Standards Board (ASB) approved the 'Amendments to FRS 29 – Improving Disclosures About Financial Instruments', effective from 1 January 2009, which requires enhanced disclosures about fair value measurements and liquidity risk. The amendments include the introduction of a three-level hierarchy for fair value measurement disclosures and additional disclosures about the relative reliability of fair value measurements. This has been included in Note 8.

Amendments to FRS 8 – Related Party Transactions

The amendments to FRS 8 'Related Party Transactions' became effective for the Company in 2009. The Company is required under the amendment to disclose any transactions with subsidiaries which are not wholly-owned. The Company did not have any disclosable transactions under this amendment.

Additionally, in 2009, the Company also adopted the following new accounting pronouncements for which their adoption has no material impact on the financial statements of the Company:

- Amendment on FRS 26 financial instruments – eligible hedged items
- Amendments to UITF Abstract 42 and FRS 26 – Embedded Derivatives
- Amendments to FRS 20 'Share-based Payment – Vesting Conditions and Cancellations'
- Improvements to Financial Reporting Standards

(b) Basis of Preparation

The financial statements are prepared in accordance with Part 15 of the Companies Act 2006 and Schedule 3 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008. 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) Cash Flow Statements from preparing a cash flow statement. The Company has not presented a capital position statement with supporting disclosures under FRS 27 Life Assurance 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 Plc group financial statements which provide information on a group basis complying with this requirement.

Going Concern

The directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future and thus continue to adopt the going concern basis of accounting in preparing the financial statements. This conclusion has been based upon the following: the Company is a subsidiary within the Prudential Group and it, its parent company and the ultimate parent company are continuing to trade and there are no plans for liquidation, the Company has a healthy solvency margin, well in excess of the Minimum Capital Requirement (MCR) (Note 9 on page 27), generates positive cashflows and has very low debt-financing. In addition consideration has also been given to the Company's performance, the market in which it operates, its strategy and risks and uncertainties, as set out in the Business Review on page 2, the management of financial risk as set out in Note 8, including its exposure to liquidity risk and credit risk.

1. Accounting policies (continued)

(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.

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) Reinsurance

In the normal course of business the Company seeks to reduce loss exposure by reinsuring certain levels of risk in various areas of exposure with other insurance companies or reinsurers. An asset or liability is recognised in the balance sheet representing premiums due to or payments due from reinsurers and the share of benefits and claims recoverable from reinsurers. The measurement of reinsurance assets is consistent with the measurement of the underlying direct insurance contracts.

NOTES ON THE FINANCIAL STATEMENTS (continued)

1. Accounting policies (continued)

(e) 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 and derivatives which deemed to be held for trading. These investments are valued at fair value with all changes thereon being recognised in the profit and loss account. An analysis of net gains/losses are disclosed separately in Note 3 on page 15.

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.

(ii) 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.

(f) 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.)

(g) Technical provision for linked liabilities

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

PRUDENTIAL HOLBORN LIFE LIMITED

NOTES ON THE FINANCIAL STATEMENTS (continued)

1. Accounting policies (continued)

(h) 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.

(i) 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.

(j) Cash flow Statement

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

(k) 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.

(l) Investment in group undertakings

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

(m) Dividend Policy

Dividends are recognised in the period in which they are declared. Dividends declared after the balance sheet in respect prior reporting period are treated as a non-adjusting event.

PRUDENTIAL HOLBORN LIFE LIMITED

NOTES ON THE FINANCIAL STATEMENTS (continued)

2. Segmental analysis

(a) Gross Premiums

	2009 £000	2008 £000
Regular premiums - direct	666	742
Single premiums		
- intragroup reassurance accepted	-	36,610
- outwards reassurance	1,004	692
Net premiums	**1,670**	**38,044**

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 (2008: £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 £125,314,000 (2008:£158,960,000).

(b) Assets attributable to the long term business fund

Of the total amount of assets shown on page 10, £1,925,828,000 (2008:£1,827,767,000) is attributable to the long-term business fund.

3. Investment return

	Long term business technical account		Non technical account	
	2009 £000	2008 £000	2009 £000	2008 £000
Investment Income				
Land and buildings	4,389	5,390	-	-
Loans and receivables	3,807	4,301	262	1,324
Shares and collective investment schemes	64,558	111,314	-	-
Other Investments	527	13,980	-	-
	73,281	134,985	262	1,324
Investment expenses and charges				
Investment managers' expenses	(16,809)	(21,154)	-	-
Interest payable on death claims	(90)	(1)	-	-
Losses on the realisation of investments	(145,714)	(38,697)	-	-
Unrealised (losses)/gains on investments				
Land and buildings	(31,415)	(15,369)	-	-
Other Investments	336,822	(356,901)	(2,909)	712
Total investment return	**216,075**	**(297,137)**	**(2,647)**	**2,036**

PRUDENTIAL HOLBORN LIFE LIMITED

NOTES ON THE FINANCIAL STATEMENTS (continued)

4. Taxation

	Long term business technical account		Non technical account	
	2009 £000	2008 £000	2009 £000	2008 £000
(a) Analysis of charge in the period				
Current tax				
UK Corporation tax on profits of the period	14,401	10,367	59	355
Adjustments in respect of prior years	236	(2,769)	-	-
Total current tax	14,637	7,598	59	355
Deferred tax				
Origination and reversal of timing differences	-	(10,873)	-	-
Adjustments in respect of prior years	-	(214)	-	-
	-	(11,087)	-	-
Shareholder tax attributable to the balance on the long term technical account				
Current tax	-	-	5,000	4,729
Deferred tax	-	-	(689)	(1,172)
	-	-	4,311	3,557
Tax charge/(credit) on profit on ordinary activities	**14,637**	**(3,489)**	**4,370**	**3,912**

(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.

	2009 £000	2008 £000
Profit on ordinary activities before tax	4,996	19,623
Profit on ordinary activities multiplied by effective rate of corporation tax in the UK of 28.0% (2008 : 28.5%)	1,399	5,593
Effects of		
Permanent differences	3,147	(5,238)
Adjustments in respect of prior years	513	4,729
Current tax charge for the period	**5,059**	**5,084**

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 was therefore 28.5%.

5. Auditors' remuneration

The remuneration of the auditors in respect of the audit of the Company's accounts amounted to £31,000 (2008 total audit fee: £27,800). The remuneration of the auditors in respect of other services pursuant to legislation, including the audit of the regulatory return amounted to £5,376 (2008: £8,000). The remuneration of the auditor in respect of the audit of the subsidiary accounts amounted to £10,558 (2008: £11,094).

6. Directors' emoluments and staff costs

The directors of the Company received emoluments of £3,561 during the year in connection with services to the Company (2008: £4,385). There was no compensation for loss of office (2008: £Nil).

Retirement benefits are accruing to one of the directors under the Group's defined benefit scheme and one 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	
	2009	**2008**	**2009**	**2008**
	£000	**£000**	**£000**	**£000**
Investments in group undertakings and participating interests	17,518	10,542	21,595	11,710

In 2009 the Company contributed USD 14,500,000 to the Prudential Vietnam Finance Company Limited. This was the Company's only subsidiary undertaking at 31 December 2009 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	
	2009	**2008**	**2009**	**2008**
	£000	**£000**	**£000**	**£000**
Shares and other variable yield securities and units in unit trusts	482	507	482	507
Debt securities and other fixed income securities	8,660	9,322	8,198	8,198
Loans secured by insurance policies	164	164	164	164
Deposits with credit institutions	82,675	89,584	82,675	89,584
	91,981	**99,577**	**91,519**	**98,453**

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

8. Financial assets and liabilities

a. Financial instruments

(i) Designation and fair values

All financial assets of the Company are designated as either fair value through profit and loss or loans and 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 FRS 26 and the ABI SORP as described in the Accounting Policies section.

2009	**Fair value through profit and loss**	**Loans and receivables**	**Total carrying value**	**Fair value**
	£000	**£000**	**£000**	**£000**
Financial Assets				
Deposits with credit institutions	-	82,675	82,675	82,675
Shares and other variable yield securities and units in unit trusts	482	-	482	482
Debt securities	8,660	-	8,660	8,660
Other debtors	-	4,299	4,299	4,299
Cash at bank and in hand	-	6,664	6,664	6,664
	9,142	**93,638**	**102,780**	**102,780**

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**

8. Financial assets and liabilities (continued)

2009	Amortised cost	Total carrying value	Fair value
	£000	£000	£000
Financial Liabilities			
Creditors arising out of reinsurance operations	4,788	4,788	4,788
Other creditors	11,510	11,510	11,510
	16,298	**16,298**	**16,298**

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**

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 the financial assets and liabilities as shown in the table above have been determined on the following bases.

The fair values of the financial instruments for which fair valuation is required under UK GAAP are determined by the use of current market bid prices for quoted investments, or by using quotations from independent third-parties, such as brokers and pricing services or by using appropriate valuation techniques. Investments valued using valuation techniques include financial investments which by their nature do not have an externally quoted price based on regular trades and financial investments for which markets are no longer active as a result of market conditions e.g. market illiquidity. The valuation techniques used include comparison to recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option adjusted spread models and, if applicable, enterprise valuation.

These techniques 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. When determining the inputs into the valuation techniques used priority is given to publicly available prices from independent sources, when available but overall, the source of pricing is chosen with the objective of arriving at a fair value measurement which reflects the price at which an orderly transaction would take place between market participants on the measurement date.

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 holdings of a particular financial instrument, nor do they consider the tax impact of the realisation of unrealised gains or losses from selling the financial instrument being fair valued. 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 financial instruments reflects the estimated amount the Group would receive or pay in an arm's length transaction. This amount is determined using quoted prices if exchange listed, quotations from independent third-parties or valued internally using standard market practices.

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.

Level 1, 2 and 3 fair value measurement hierarchy of financial instruments

In May 2009 FRS 29 'Financial Instruments: Disclosures' was amended by the ASB to require certain additional disclosures to be included in the financial statements. This includes, as is presented below, a table of financial instruments carried at fair value analysed by level of the FRS29 defined fair value hierarchy. This hierarchy is based on the inputs to the fair value measurement and reflects the lowest level input that is significant to that measurement. FRS29 does not require comparatives to be provided in the year of adoption.

The classification criteria and its application to the Company can be summarised as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets and liabilities

Level 1 principally includes exchange listed equities, mutual funds with quoted prices, exchange traded derivatives such as futures and options, and national government bonds unless there is evidence that trading in a given instrument is so infrequent that the market could not possibly be considered active. It also includes other financial instruments where there is clear evidence that the year end valuation is based on a traded price in an active market

NOTES ON THE FINANCIAL STATEMENTS (continued)

8. Financial assets and liabilities (continued)

Level 2 – inputs other than quoted prices included within level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 2 principally includes corporate bonds and other non-national government debt securities which are valued using observable inputs, together with over-the-counter derivatives such as forward exchange contracts and non-quoted investment funds valued with observable inputs. It also includes investment contract liabilities that are valued using observable inputs.

In addition level 2 includes debt securities that are valued internally using standard market practices. Of the total level 2 debt securities of £9.2m, £0.2m are valued internally. The majority of such securities use matrix pricing, which is based on assessing the credit quality of the underlying borrower to derive a suitable discount rate relative to government securities. Under matrix pricing, the debt securities are priced taking the credit spreads on comparable quoted public debt securities and applying these to the equivalent debt instruments factoring a specified liquidity premium. The significance of the parameters used in this valuation technique are readily observable in the market and, therefore, are not subject to interpretation.

Level 3: Significant inputs for the asset or liability that are not based on observable market data (unobservable inputs)

Level 3 principally includes investments in private equity funds, investments in property funds which are exposed to bespoke properties or risks, investments which are internally valued or subject to a significant number of unobservable assumptions and certain derivatives which are bespoke or long dated. It also includes debt securities which are rarely traded or traded only in privately negotiated transactions and hence where it is difficult to assert that these have been based on observable market data. The inherent nature of the vast majority of these assets means that, in normal market conditions, there is unlikely to be significant change in the specific underlying assets classified as level 3.

At 31 December 2009 the Company held no level 3 financial instrument.

	31 December 2009		
Unit Linked	**Level 1**	**Level 2**	**Total**
	£000	**£000**	**£000**
Equity securities	1,576,686	-	1,576,686
Debt Securities	9,005	178	9,183
Total financial investments net of derivative liabilities	1,585,691	178	1,585,869
Percentage of total	99.99%	0.01%	100.00%

8. Financial assets and liabilities (continued)

Reconciliation of movements in level 3 financial instruments measured at fair value

The following table reconciles the value of level 3 financial instruments at 1 January 2009 to that presented at 31 December 2009. Total gains and losses recorded in the long-term technical account in the period represents realised gains and losses, including interest and dividend income, unrealised gains and losses on financial instruments classified at fair value through profit and loss and foreign exchange movements on overseas investments. All these amounts are included within "investment income" and "unrealised gains (losses) in the long-term technical account.

Unit Linked	At 1 Jan 2009 **£000**	Total gains or (losses) in long-term technical account **£000**	Sales **£000**	At 31 Dec 2009 **£000**
Debt Securities	72	(11)	(61)	-
Total financial investments net of derivative liabilities		(11)	(61)	-

Transfers between level 1 and level 2

There have been no significant transfers between level 1 and level 2 during the year.

The interest expense on financial liabilities not at fair value through profit and loss was nil for the year ended 31 December 2009.

b. Market Risk

The financial assets and liabilities attaching to the Company's life assurance business are, to varying degrees, subject to market risk that may have a material effect on the profit or loss and equity.

Market risk is the risk that the fair value or future cash flows of a financial instrument or, in the case of liabilities of insurance contracts, their carrying value will fluctuate because of changes in market prices.

Market risk comprises four types of risk, namely:

- Interest rate risk: due to changes in market interest rates,
- Liquidity risk: inability 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
- Currency risk: due to changes in foreign exchange rates, and
- Other price risk: due to fluctuations in market prices (other than those arising from interest rate risk or currency risk).

The Company's business principally comprises unit-linked business. The financial assets covering the liabilities for this type of business are subject to market risk.

The liabilities of the unit-linked business change in line with the matching linked assets. Other liabilities of the Company are broadly insensitive to market risk.

8. Financial assets and liabilities (continued)

Interest rate risk

The following table shows an analysis of the classes of financial assets and liabilities and their 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.

2009	**Fair value interest rate risk**	**Cash flow interest rate risk**	**Not directly exposed to interest rate risk**	**Total**
	£000	**£000**	**£000**	**£000**
Financial Assets				
Deposits with credit institutions	-	82,675	-	82,675
Debt securities	8,660	-	-	8,660
Cash at bank and in hand	-	6,664	-	6,664
	8,660	89,339	-	97,999

2008	**Fair value interest rate risk**	**Cash flow interest rate risk**	**Not directly exposed to interest rate risk**	**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	98,229	-	107,551

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. To correctly classify interest rate risk Cash at bank and in hand for 2008 has been restated by moving it from "Not directly exposed to interest rate risk" to Cash flow interest rate risk".

2009	**Balance of financial instruments not at fair value through profit and loss**	**Range of effective interest rates applicable as at 31 Dec 2009**	
		Lower end	**Higher end**
Financial Assets	**£000**	**%**	**%**
Deposits with credit institutions	82,675	0.40	0.55
Cash at bank and in hand	6,664	0.40	0.40

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

PRUDENTIAL HOLBORN LIFE LIMITED

NOTES ON THE FINANCIAL STATEMENTS (continued)

8. Financial assets and liabilities (continued)

Liquidity Analysis

Contractual maturities of financial assets and liabilities

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. The following table sets out the contractual maturities and re-pricing dates for applicable classes of financial assets and liabilities.

2009	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	82,675	-	-	82,675
Debt securities	-	851	7,809	8,660
	82,675	**851**	**7,809**	**91,335**

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**

Maturity profile for investment contracts

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

	Non Profit - Investment		Non Profit - Investment	
	2009	**2008**	**2009**	**2008**
	%	**%**	**£000**	**£000**
0-5 years	34%	36%	854,987	802,574
5-10 years	21%	21%	525,987	473,601
10-15 years	15%	15%	378,504	332,273
15-20 years	11%	11%	281,833	240,524
20-25 years	8%	8%	205,319	170,848
Over 25 years	10%	9%	243,716	188,668
			2,490,346	2,208,488

Sensitivity to interest rate movement

The estimated sensitivity of the Company to a movement in interest rates of 1% and 2% as at 31 December 2009 are as follows.

2009	Fall of 1%	Rise of 1%	Fall of 2%	Rise of 2%
	£000	£000	£000	£000
Interest on Deposits	**(393)**	**827**	**(393)**	**1,654**
Value of Gilts	**1,154**	**(1,154)**	**2,308**	**(2,308)**
Related tax effects	**(213)**	**92**	**(536)**	**183**
Net sensitivity of profit after tax and shareholders' fund	**548**	**(236)**	**1,379**	**(471)**

Currency Risk

As at 31 December 2009, all of the financial assets and liabilities of the Company are held in sterling.

8. Financial assets and liabilities (continued)

c. Derivatives and Hedging

As at 31 December 2009, the Company held no derivatives or forward contracts (2008: Nil).

d. Credit risk

The financial assets held as at 31 December 2009 are all UK gilts or sterling denominated deposits with UK banks. The following table summarises by rating the securities held by the Company as at 31 December 2009 and 2008.

	2009 £000	2008 £000
AAA	8,660	9,322
AA	-	30,000
A	82,675	59,584
Below BBB or not rated	646	671
	91,981	99,577
Linked Assets	1,734,672	1,620,116
Total assets bearing credit risk	**1,826,653**	**1,719,693**

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

Reinsurer's share of technical provisions

Of the reinsurer's share of technical provisions of £127.3 million at 31 December 2009, all of the balance relates to a reinsurer outside of the Prudential Group with S&P's rating of A+ (2008: AA-).

e. 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.

(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.

9. Capital Requirements and Management

The available capital of £65.4m (2008: £50.2m) reflects the excess of regulatory basis assets over liabilities of the Company before deduction of the regulatory capital resources requirement of £14.4m (2008: £17.1m). 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.

	2009 £000	2008 £000
Shareholders' equity		
Held outside long-term funds	50,207	33,489
Held in long-term funds	33,942	40,149
Total shareholders' equity	84,149	73,638
Adjustments to regulatory basis		
Other adjustments to restate these amounts to a regulatory basis	18,735	23,439
Total available capital resources on FSA regulatory basis	**65,414**	**50,199**

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

	2009 £000	2008 £000
Land and buildings	50,623	61,971
Shares and units in unit trusts	1,576,204	1,268,450
British government securities - fixed income	-	5,419
Debentures and loan stocks	4,390	157,755
Deposits with credit institutions	50,001	49,092
Other assets held to cover linked liabilities	53,454	77,429
	1,734,672	**1,620,116**
Assets held to cover linked liabilities - at cost	1,640,580	1,906,621

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

	2009 £000	2008 £000
Shares and other variable yield securities and units in unit trusts	1,576,204	1,268,450
British government securities - fixed income	-	5,419
Debentures and loan stocks	4,390	157,755
	1,580,594	**1,431,624**

Land and buildings include £45.3m freehold and £5.3m leasehold.

PRUDENTIAL HOLBORN LIFE LIMITED

NOTES ON THE FINANCIAL STATEMENTS (continued)

11. Other debtors

All debtors are due within a period of five years

	2009 £000	2008 £000
Tax recoverable	6,919	10,304
Intragroup debtors	4,299	4,694
	11,218	**14,998**

Included within Intragroup debtors at 31 December 2009 was an amount of £4.3m (2008: £4.1m), 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 2009	37,308	2,850	1,609,452	62,638
Deposits received from policyholders under investment contracts	-	-	124,009	-
Payments made to policyholders of investment contracts	-	-	(183,352)	-
Movement in technical provisions for the year	(11,033)	(881)	183,298	-
Movement in profit and loss account	-	-	-	626
Net balance at 31st December 2009	**26,275**	**1,969**	**1,733,407**	**63,264**

Of the reinsurer’s share of technical provisions of £127.3 million at 31 December 2009, all of the balance relates to a reinsurer outside of the Prudential Group with S&P's rating of A+ (2008: AA-).

Of the balance on the profit and loss account at 31 December 2009, the amount required not to be treated as realised profits in determining the company's profits available for distribution is £12.3m (2008: £29.8m)

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. The level of expenses allowed for has been updated to reflect the Capita tariff arrangements and the latest expenses for the retained organisation. In addition, an explicit allowance has been made for the effect of regular income withdrawals.

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

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

13. Long term business provision (continued)

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

	2009	2008
Discount Rate	2.60% net	2.60% net
Fund Growth	4.60% net	4.00% net
Expense Inflation	4.25% pa	3.50% pa
Mortality	AM/AF92-3	AM/AF92-3
Expenses - Single Premium*	£60.68 gross	£43.07 gross
Expenses - Regular Premium - per policy*	£100.24 gross	£73.63 gross

* For 2009 the expenses are split into 2 elements, those attributable to Prudential and those from Capita. The expense shown here is a combined expense.

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

	2009 £000	2008 £000
Provision for deferred tax		
Capital allowances	1,938	1,726
Policy reserves	756	155
Unrealised (losses)/gains	(2,694)	(1,881)
Undiscounted provision for deferred tax liability	-	-
Deferred tax at start of period	-	11,087
Deferred tax credited to technical account for the period	-	(11,087)
Deferred tax liability at the end of the period	-	-

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 £33m (2008: £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.

	2009 £000	2008 £000
Amounts due to group undertakings	11,276	13,508
Sundry creditors	234	9,395
	11,510	**22,903**

Included within amounts owed to group undertakings at 31 December 2009 was an amount of £4.0m (2008: £3.9m), which represents one commercial loan (including interest at 12 months LIBOR cumulative) repayable to Prudential plc. The loan and interest on the loan are repayable at any time at the request of either party. The remainder is intercompany balances which are cleared regularly and are not interest bearing.

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 issued and fully paid up share capital of the Company amounts to 20,884,792 ordinary shares of £1 each (2008 11m). During the year the company issued new ordinary shares of 9,884,792 which are fully paid up.

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.