

Prudential Holborn Life Limited

Incorporated in England and Wales Registered No. 793051

Laurence Pountney Hill, London, EC4R 0HH

Annual FSA Insurance Returns for the year ended

31 December 2010

IPRU(INS) Appendices 9.1, 9.3, 9.4, 9.6

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

Global business

Financial year ended **31 December 2010**

Solo solvency calculation

Company registration number	GL/UK/CM	day	month	year	Units	
R2	793051	GL	31	12	2010	£000
			As at end of this financial year		As at end of the previous year	
			1		2	

Capital resources

Capital resources arising within the long-term insurance fund	11			15207
Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund	12		23505	50207
Capital resources available to cover long-term insurance business capital resources requirement (11+12)	13		23505	65414

Guarantee fund

Guarantee fund requirement	21		3040	3883
Excess (deficiency) of available capital resources to cover guarantee fund requirement	22		20465	61531

Minimum capital requirement (MCR)

Long-term insurance capital requirement	31			11649
Resilience capital requirement	32			2800
Base capital resources requirement	33		3040	3128
Individual minimum capital requirement	34		3040	14449
Capital requirements of regulated related undertakings	35			
Minimum capital requirement (34+35)	36		3040	14449
Excess (deficiency) of available capital resources to cover 50% of MCR	37		21985	58189
Excess (deficiency) of available capital resources to cover 75% of MCR	38		21225	54577

Enhanced capital requirement

With-profits insurance capital component	39			
Enhanced capital requirement	40			14449

Capital resources requirement (CRR)

Capital resources requirement (greater of 36 and 40)	41		3040	14449
Excess (deficiency) of available capital resources to cover long-term insurance business CRR (13-41)	42		20465	50965

Contingent liabilities

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

Name of insurer **Prudential Holborn Life Limited**
Global business
Financial year ended **31 December 2010**

----- **R A Devey** **Chief Executive**

----- **D J Belsham** **Director**

----- **F A O'Dwyer** **Director**

Date 28 March 2011

Components of capital resourcesName of insurer **Prudential Holborn Life Limited**

Global business

Financial year ended **31 December 2010**

	Company registration number	GL/ UK/ CM	day month year			Units
R3	793051	GL	31	12	2010	£000
		General insurance business	Long-term insurance business	Total as at the end of this financial year	Total as at the end of the previous year	
		1	2	3	4	

Core tier one capital

Permanent share capital	11		20885	20885	20885
Profit and loss account and other reserves	12		16668	16668	63264
Share premium account	13				
Positive valuation differences	14				
Fund for future appropriations	15				
Core tier one capital in related undertakings	16				
Core tier one capital (sum of 11 to 16)	19		37553	37553	84149

Tier one waivers

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

Other tier one capital

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

Total tier one capital before deductions (19+24+25+26+27+28)	31		37553	37553	84149
Investments in own shares	32				
Intangible assets	33				
Amounts deducted from technical provisions for discounting	34				
Other negative valuation differences	35				9454
Deductions in related undertakings	36				
Deductions from tier one (32 to 36)	37				9454
Total tier one capital after deductions (31-37)	39		37553	37553	74695

Components of capital resources

Name of insurer

Prudential Holborn Life Limited

Global business

Financial year ended

31 December 2010

	Company registration number	GL/ UK/ CM	day month year			Units	
	R3	793051	GL	31	12	2010	£000
		General insurance business	Long-term insurance business	Total as at the end of this financial year	Total as at the end of the previous year		
		1	2	3	4		

Tier two capital

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

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

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

Components of capital resourcesName of insurer **Prudential Holborn Life Limited**

Global business

Financial year ended **31 December 2010**

	Company registration number	GL/ UK/ CM	day	month	year	Units	
	R3	793051	GL	31	12	2010	£000
		General insurance business	Long-term insurance business	Total as at the end of this financial year		Total as at the end of the previous year	
		1	2	3		4	

Total capital resources

Positive adjustments for regulated non-insurance related undertakings	71					
Total capital resources before deductions (39+69+71)	72		37553	37553		74695
Inadmissible assets other than intangibles and own shares	73					
Assets in excess of market risk and counterparty limits	74		1029	1029		
Deductions for related ancillary services undertakings	75					
Deductions for regulated non-insurance related undertakings	76		13019	13019		9281
Deductions of ineligible surplus capital	77					
Total capital resources after deductions (72-73-74-75-76-77)	79		23505	23505		65414

Available capital resources for GENPRU/INSPRU tests

Available capital resources for guarantee fund requirement	81		23505	23505		65414
Available capital resources for 50% MCR requirement	82		23505	23505		65414
Available capital resources for 75% MCR requirement	83		23505	23505		65414

Financial engineering adjustments

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

Analysis of admissible assetsName of insurer **Prudential Holborn Life Limited**

Global business

Financial year ended **31 December 2010**Category of assets **Total other than long term insurance business assets**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	793051	GL	31	12	2010	£000	1
					As at end of this financial year	As at end of the previous year	
					1	2	
Land and buildings			11				

Investments in group undertakings and participating interests

UK insurance dependants	Shares	21		
	Debts and loans	22		
Other insurance dependants	Shares	23		
	Debts and loans	24		
Non-insurance dependants	Shares	25	3427	8237
	Debts and loans	26		
Other group undertakings	Shares	27		
	Debts and loans	28		
Participating interests	Shares	29		
	Debts and loans	30		

Other financial investments

Equity shares	41		
Other shares and other variable yield participations	42		
Holdings in collective investment schemes	43		
Rights under derivative contracts	44		
Fixed interest securities	Approved	45	19723
	Other	46	
Variable interest securities	Approved	47	
	Other	48	
Participation in investment pools	49		
Loans secured by mortgages	50		
Loans to public or local authorities and nationalised industries or undertakings	51		
Loans secured by policies of insurance issued by the company	52		
Other loans	53	3289	4261
Bank and approved credit & financial institution deposits	One month or less withdrawal	54	41547
	More than one month withdrawal	55	
Other financial investments	56		
Deposits with ceding undertakings	57		
Assets held to match linked liabilities	Index linked	58	
	Property linked	59	

Analysis of admissible assetsName of insurer **Prudential Holborn Life Limited**

Global business

Financial year ended **31 December 2010**Category of assets **Total other than long term insurance business assets**

R13	Company registration number	GL/UK/CM	day month year			Units	Category of assets
	793051	GL	31	12	2010	£000	1
						As at end of this financial year	As at end of the previous year
						1	2

Reinsurers' share of technical provisions

Provision for unearned premiums	60		
Claims outstanding	61		
Provision for unexpired risks	62		
Other	63		

Debtors and salvage

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

Other assets

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	1175	204
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83		
Accrued interest and rent	84	41	5
Deferred acquisition costs (general business only)	85		
Other prepayments and accrued income	86		

Deductions from the aggregate value of assets	87		
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Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	89	27655	54254
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Analysis of admissible assetsName of insurer **Prudential Holborn Life Limited**

Global business

Financial year ended **31 December 2010**Category of assets **Total other than long term insurance business assets**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	793051	GL	31	12	2010	£000	1
					As at end of this financial year	As at end of the previous year	
					1	2	

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

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	27655	54254
Admissible assets in excess of market and counterparty limits	92	1029	
Inadmissible assets directly held	93		
Capital resources requirement deduction of regulated related undertakings	94	6832	4004
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95		
Inadmissible assets of regulated related undertakings	96	6187	5277
Book value of related ancillary services undertakings	97		
Other differences in the valuation of assets (other than for assets not valued above)	98		
Deferred acquisition costs excluded from line 89	99		
Reinsurers' share of technical provisions excluded from line 89	100		
Other asset adjustments (may be negative)	101		
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 101)	102	41703	63535
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103	3289	4261

Analysis of admissible assetsName of insurer **Prudential Holborn Life Limited**

Global business

Financial year ended **31 December 2010**Category of assets **Total long term insurance business assets**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	793051	GL	31	12	2010	£000	10
					As at end of this financial year	As at end of the previous year	
					1	2	
Land and buildings			11				

Investments in group undertakings and participating interests

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

Other financial investments

Equity shares	41		
Other shares and other variable yield participations	42		
Holdings in collective investment schemes	43		482
Rights under derivative contracts	44		
Fixed interest securities	Approved	45	8660
	Other	46	
Variable interest securities	Approved	47	
	Other	48	
Participation in investment pools	49		
Loans secured by mortgages	50		
Loans to public or local authorities and nationalised industries or undertakings	51		
Loans secured by policies of insurance issued by the company	52		164
Other loans	53		
Bank and approved credit & financial institution deposits	One month or less withdrawal	54	41128
	More than one month withdrawal	55	
Other financial investments	56		
Deposits with ceding undertakings	57		
Assets held to match linked liabilities	Index linked	58	1261
	Property linked	59	1733411

Analysis of admissible assetsName of insurer **Prudential Holborn Life Limited**

Global business

Financial year ended **31 December 2010**Category of assets **Total long term insurance business assets**

R13	Company registration number	GL/UK/CM	day month year			Units	Category of assets
			31	12	2010		
	793051	GL	31	12	2010	£000	10
						As at end of this financial year	As at end of the previous year
						1	2

Reinsurers' share of technical provisions

Provision for unearned premiums	60		
Claims outstanding	61		
Provision for unexpired risks	62		
Other	63		

Debtors and salvage

Direct insurance business	Policyholders	71	
	Intermediaries	72	
Salvage and subrogation recoveries		73	
Reinsurance	Accepted	74	
	Ceded	75	
Dependants	due in 12 months or less	76	
	due in more than 12 months	77	
Other	due in 12 months or less	78	6957
	due in more than 12 months	79	

Other assets

Tangible assets	80	
Deposits not subject to time restriction on withdrawal with approved institutions	81	6460
Cash in hand	82	
Other assets (particulars to be specified by way of supplementary note)	83	
Accrued interest and rent	84	40
Deferred acquisition costs (general business only)	85	
Other prepayments and accrued income	86	

Deductions from the aggregate value of assets	87	
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Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	89	1798563
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Analysis of admissible assetsName of insurer **Prudential Holborn Life Limited**

Global business

Financial year ended **31 December 2010**Category of assets **Total long term insurance business assets**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	793051	GL	31	12	2010	£000	10
					As at end of this financial year	As at end of the previous year	
					1	2	

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

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91		1798563
Admissible assets in excess of market and counterparty limits	92		
Inadmissible assets directly held	93		
Capital resources requirement deduction of regulated related undertakings	94		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95		
Inadmissible assets of regulated related undertakings	96		
Book value of related ancillary services undertakings	97		
Other differences in the valuation of assets (other than for assets not valued above)	98		
Deferred acquisition costs excluded from line 89	99		
Reinsurers' share of technical provisions excluded from line 89	100		127265
Other asset adjustments (may be negative)	101		
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 101)	102		1925828
Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103		

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

Global business

Financial year ended **31 December 2010**Total business/Sub fund **Ordinary Long Term**Units **£000**

As at end of this financial year 1	As at end of the previous year 2
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Mathematical reserves, after distribution of surplus	11		1769136
Cash bonuses which had not been paid to policyholders prior to end of the financial year	12		
Balance of surplus/(valuation deficit)	13		15207
Long term insurance business fund carried forward (11 to 13)	14		1784343
Claims outstanding	Gross	15	1969
	Reinsurers' share	16	
	Net (15-16)	17	1969
Provisions	Taxation	21	
	Other risks and charges	22	
Deposits received from reinsurers	23		
Creditors	Direct insurance business	31	
	Reinsurance accepted	32	3369
	Reinsurance ceded	33	1419
Debenture loans	Secured	34	
	Unsecured	35	
Amounts owed to credit institutions	36		
Creditors	Taxation	37	
	Other	38	7463
Accruals and deferred income	39		
Provision for "reasonably foreseeable adverse variations"	41		
Total other insurance and non-insurance liabilities (17 to 41)	49		14220
Excess of the value of net admissible assets	51		
Total liabilities and margins	59		1798563

Amounts included in line 59 attributable to liabilities to related companies, other than those under contracts of insurance or reinsurance	61		2710
Amounts included in line 59 attributable to liabilities in respect of property linked benefits	62		1733411

Total liabilities (11+12+49)	71		1783356
Increase to liabilities - DAC related	72		
Reinsurers' share of technical provisions	73		127265
Other adjustments to liabilities (may be negative)	74		(9454)
Capital and reserves and fund for future appropriations	75		24661
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (71 to 75)	76		1925828

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

Global business

Financial year ended **31 December 2010**

	Company registration number	GL/ UK/ CM	day	month	year	Units	
	R15	793051	GL	31	12	2010	£000
						As at end of this financial year 1	As at end of the previous year 2

Technical provisions (gross amount)

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

Provisions and creditors

Provisions	Taxation	21			
	Other risks and charges	22			
Deposits received from reinsurers		31			
Creditors	Direct insurance business	41			
	Reinsurance accepted	42			
	Reinsurance ceded	43			
Debenture loans	Secured	44			
	Unsecured	45			
Amounts owed to credit institutions		46			
Creditors	Taxation	47		8	
	Foreseeable dividend	48			
	Other	49		4142	4047
Accruals and deferred income		51			
Total (19 to 51)		59		4150	4047
Provision for "reasonably foreseeable adverse variations"		61			
Cumulative preference share capital		62			
Subordinated loan capital		63			
Total (59 to 63)		69		4150	4047

Amounts included in line 69 attributable to liabilities to related insurers, other than those under contracts of insurance or reinsurance	71			4047
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Amounts deducted from technical provisions for discounting	82			
Other adjustments (may be negative)	83			
Capital and reserves	84		37553	59488
Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (69-82+83+84)	85		41703	63535

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

Global business

Financial year ended **31 December 2010**

		Company registration number	GL/ UK/ CM	day	month	year	Units	
		R16	793051	GL	31	12	2010	£000
				This financial year			Previous year	
				1			2	
Transfer (to)/from the general insurance business technical account	From Form 20		11					
	Equalisation provisions		12					
Transfer from the long term insurance business revenue account			13				12000	
Investment income	Income		14			276		262
	Value re-adjustments on investments		15					
	Gains on the realisation of investments		16					
Investment charges	Investment management charges, including interest		17					
	Value re-adjustments on investments		18			1157		2909
	Loss on the realisation of investments		19					
Allocated investment return transferred to the general insurance business technical account			20					
Other income and charges (particulars to be specified by way of supplementary note)			21					
Profit or loss on ordinary activities before tax (11+12+13+14+15+16-17-18-19-20+21)			29			(881)		9353
Tax on profit or loss on ordinary activities			31			54		59
Profit or loss on ordinary activities after tax (29-31)			39			(935)		9294
Extraordinary profit or loss (particulars to be specified by way of supplementary note)			41					
Tax on extraordinary profit or loss			42					
Other taxes not shown under the preceding items			43					
Profit or loss for the financial year (39+41-(42+43))			49			(935)		9294
Dividends (paid or foreseeable)			51			21000		
Profit or loss retained for the financial year (49-51)			59			(21935)		9294

Long-term insurance business : Revenue account

Name of insurer **Prudential Holborn Life Limited**
 Total business / subfund **Ordinary Long Term**
 Financial year ended **31 December 2010**
 Units **£000**

Financial year 1	Previous year 2
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Income

Earned premiums	11	137074	125679
Investment income receivable before deduction of tax	12	60552	76823
Increase (decrease) in the value of non-linked assets brought into account	13	471	(652)
Increase (decrease) in the value of linked assets	14	90486	160345
Other income	15		
Total income	19	288583	362195

Expenditure

Claims incurred	21	184372	209524
Expenses payable	22	20518	21690
Interest payable before the deduction of tax	23	25	90
Taxation	24	9327	14637
Other expenditure	25		
Transfer to (from) non technical account	26		12000
Total expenditure	29	214242	257941

Business transfers - in	31		
Business transfers - out	32	1858684	
Increase (decrease) in fund in financial year (19-29+31-32)	39	(1784343)	104254
Fund brought forward	49	1784343	1680089
Fund carried forward (39+49)	59		1784343

Long-term insurance business : Analysis of premiums

Name of insurer **Prudential Holborn Life Limited**
 Total business / subfund **Ordinary Long Term**
 Financial year ended **31 December 2010**
 Units **£000**

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

Gross

Regular premiums	11	528			528	666
Single premiums	12	136849			136849	125314

Reinsurance - external

Regular premiums	13					
Single premiums	14	303			303	301

Reinsurance - intra-group

Regular premiums	15					
Single premiums	16					

Net of reinsurance

Regular premiums	17	528			528	666
Single premiums	18	136546			136546	125013

Total

Gross	19	137377			137377	125980
Reinsurance	20	303			303	301
Net	21	137074			137074	125679

Long-term insurance business : Analysis of claims

Name of insurer **Prudential Holborn Life Limited**
 Total business / subfund **Ordinary Long Term**
 Financial year ended **31 December 2010**
 Units **£000**

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

Gross

Death or disability lump sums	11	20624			20624	36488
Disability periodic payments	12					
Surrender or partial surrender	13	172596			172596	183787
Annuity payments	14					
Lump sums on maturity	15	1112			1112	1268
Total	16	194332			194332	221543

Reinsurance - external

Death or disability lump sums	21	4816			4816	4972
Disability periodic payments	22					
Surrender or partial surrender	23	5144			5144	6995
Annuity payments	24					
Lump sums on maturity	25					52
Total	26	9960			9960	12019

Reinsurance - intra-group

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

Net of reinsurance

Death or disability lump sums	41	15808			15808	31516
Disability periodic payments	42					
Surrender or partial surrender	43	167452			167452	176792
Annuity payments	44					
Lump sums on maturity	45	1112			1112	1216
Total	46	184372			184372	209524

Long-term insurance business : Analysis of expenses

Name of insurer **Prudential Holborn Life Limited**
 Total business / subfund **Ordinary Long Term**
 Financial year ended **31 December 2010**
 Units **£000**

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

Gross

Commission - acquisition	11				
Commission - other	12				
Management - acquisition	13				
Management - maintenance	14	20008		20008	21293
Management - other	15	510		510	397
Total	16	20518		20518	21690

Reinsurance - external

Commission - acquisition	21				
Commission - other	22				
Management - acquisition	23				
Management - maintenance	24				
Management - other	25				
Total	26				

Reinsurance - intra-group

Commission - acquisition	31				
Commission - other	32				
Management - acquisition	33				
Management - maintenance	34				
Management - other	35				
Total	36				

Net of reinsurance

Commission - acquisition	41				
Commission - other	42				
Management - acquisition	43				
Management - maintenance	44	20008		20008	21293
Management - other	45	510		510	397
Total	46	20518		20518	21690

Long-term insurance business : Linked funds balance sheet

Name of insurer **Prudential Holborn Life Limited**
 Total business
 Financial year ended **31 December 2010**
 Units **£000**

Financial year 1	Previous year 2
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Internal linked funds (excluding cross investment)

Directly held assets (excluding collective investment schemes)	11		166308
Directly held assets in collective investment schemes of connected companies	12		1439537
Directly held assets in other collective investment schemes	13		132273
Total assets (excluding cross investment) (11+12+13)	14		1738118
Provision for tax on unrealised capital gains	15		
Secured and unsecured loans	16		
Other liabilities	17		4707
Total net assets (14-15-16-17)	18		1733411

Directly held linked assets

Value of directly held linked assets	21		
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Total

Value of directly held linked assets and units held (18+21)	31		1733411
Surplus units	32		
Deficit units	33		
Net unit liability (31-32+33)	34		1733411

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

Name of insurer **Prudential Holborn Life Limited**
 Total business
 Financial year ended **31 December 2010**
 Units **£000**

Financial year 1	Previous year 2
---------------------	--------------------

Income

Value of total creation of units	11	161193	124180
Investment income attributable to the funds before deduction of tax	12	60110	75547
Increase (decrease) in the value of investments in the financial year	13	90755	160642
Other income	14		
Total income	19	312058	360369

Expenditure

Value of total cancellation of units	21	185365	196050
Charges for management	22	20251	21616
Charges in respect of tax on investment income	23	11797	13900
Taxation on realised capital gains	24	1771	2739
Increase (decrease) in amount set aside for tax on capital gains not yet realised	25	3163	2105
Other expenditure	26	1823122	
Total expenditure	29	2045469	236410

Increase (decrease) in funds in financial year (19-29)	39	(1733411)	123959
Internal linked fund brought forward	49	1733411	1609452
Internal linked funds carried forward (39+49)	59		1733411

Long-term insurance business : Summary of new businessName of insurer **Prudential Holborn Life Limited**

Total business

Financial year ended **31 December 2010**Units **£000**

UK Life 1	UK Pension 2	Overseas 3	Total Financial year 4	Total Previous year 5
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**Number of new policyholders/
scheme members for direct
insurance business**

Regular premium business	11					
Single premium business	12					
Total	13					

**Amount of new regular
premiums**

Direct insurance business	21					
External reinsurance	22					
Intra-group reinsurance	23					
Total	24					

**Amount of new single
premiums**

Direct insurance business	25					
External reinsurance	26					
Intra-group reinsurance	27	160840			160840	125314
Total	28	160840			160840	125314

Long-term insurance business : Analysis of new business

Name of insurer

Prudential Holborn Life Limited

Total business

Financial year ended

31 December 2010

Units

£000

UK Life / Reinsurance accepted intra-group

Product code number	Product description	Regular premium business		Single premium business	
		Number of policyholders / scheme members	Amount of premiums	Number of policyholders / scheme members	Amount of premiums
1	2	3	4	5	6
700	Life property linked single premium				160840

Long-term insurance business : Summary of mathematical reserves

Name of insurer **Prudential Holborn Life Limited**
 Total business / subfund **Ordinary Long Term**
 Financial year ended **31 December 2010**
 Units **£000**

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

Gross

Form 51 - with-profits	11				
Form 51 - non-profit	12				21005
Form 52	13				
Form 53 - linked	14				1860676
Form 53 - non-linked	15				13459
Form 54 - linked	16				1261
Form 54 - non-linked	17				
Total	18				1896401

Reinsurance - external

Form 51 - with-profits	21				
Form 51 - non-profit	22				
Form 52	23				
Form 53 - linked	24				127265
Form 53 - non-linked	25				
Form 54 - linked	26				
Form 54 - non-linked	27				
Total	28				127265

Reinsurance - intra-group

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

Net of reinsurance

Form 51 - with-profits	41				
Form 51 - non-profit	42				21005
Form 52	43				
Form 53 - linked	44				1733411
Form 53 - non-linked	45				13459
Form 54 - linked	46				1261
Form 54 - non-linked	47				
Total	48				1769136

Long-term insurance business : Distribution of surplus

Name of insurer **Prudential Holborn Life Limited**
 Total business / subfund **Ordinary Long Term**
 Financial year ended **31 December 2010**
 Units **£000**

Financial year	Previous year
1	2

Valuation result

Fund carried forward	11		1784343
Bonus payments in anticipation of a surplus	12		
Transfer to non-technical account	13		12000
Transfer to other funds / parts of funds	14	23277	
Subtotal (11 to 14)	15	23277	1796343
Mathematical reserves	21		1769136
Surplus including contingency and other reserves held towards the capital requirements (deficiency) (15-21)	29	23277	27207

Composition of surplus

Balance brought forward	31	15207	16710
Transfer from non-technical account	32		
Transfer from other funds / parts of fund	33		
Surplus arising since the last valuation	34	8070	10497
Total	39	23277	27207

Distribution of surplus

Bonus paid in anticipation of a surplus	41		
Cash bonuses	42		
Reversionary bonuses	43		
Other bonuses	44		
Premium reductions	45		
Total allocated to policyholders (41 to 45)	46		
Net transfer out of fund / part of fund	47	23277	12000
Total distributed surplus (46+47)	48	23277	12000
Surplus carried forward	49		15207
Total (48+49)	59	23277	27207

Percentage of distributed surplus allocated to policyholders

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

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

Global business

Financial year ended **31 December 2010**Units **£000**

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

Insurance death risk capital component

Life protection reinsurance	11	0.0%				
Classes I (other), II and IX	12	0.1%				
Classes I (other), II and IX	13	0.15%				
Classes I (other), II and IX	14	0.3%				
Classes III, VII and VIII	15	0.3%				
Total	16					

Insurance health risk and life protection reinsurance capital component

Class IV supplementary classes 1 and 2 and life protection reinsurance	21					3969
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Insurance expense risk capital component

Life protection and permanent health reinsurance	31	0%				
Classes I (other), II and IX	32	1%				1
Classes III, VII and VIII (investment risk)	33	1%				180
Classes III, VII and VIII (expenses fixed 5 yrs +)	34	1%				1202
Classes III, VII and VIII (other)	35	25%				4833
Class IV (other)	36	1%				231
Class V	37	1%				
Class VI	38	1%				
Total	39					6446

Insurance market risk capital component

Life protection and permanent health reinsurance	41	0%				
Classes I (other), II and IX	42	3%				2
Classes III, VII and VIII (investment risk)	43	3%				540
Classes III, VII and VIII (expenses fixed 5 yrs +)	44	0%				
Classes III, VII and VIII (other)	45	0%				
Class IV (other)	46	3%				692
Class V	47	0%				
Class VI	48	3%				
Total	49					1234

Long term insurance capital requirement	51					11649
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PRUDENTIAL HOLBORN LIFE LIMITED

Appendix 9.4

VALUATION REPORT ON PRUDENTIAL HOLBORN LIFE LIMITED

INTRODUCTION

1. (1) The investigation relates to 31 December 2010.

The assets and liabilities of the insurer relating to long-term insurance business were transferred to The Prudential Assurance Company Limited (PAC) on 31 October 2010 in accordance with Part VII of the Financial Services and Markets Act 2002. No new contracts have been effected since the date of transfer. Consequently the insurer had no in force long term insurance business at the date of the investigation.

- (2) The previous investigation related to 31 December 2009.
- (3) No interim valuations have been carried out for the purposes of rule 9.4 since 31 December 2009.

PRODUCT RANGE

2. Not applicable.

DISCRETIONARY CHARGES AND BENEFITS

3. (1) Not applicable.
- (2) Not applicable.
- (3) Not applicable.
- (4) Not applicable.
- (5) Not applicable.
- (6) Not applicable.
- (7) Not applicable.
- (8) Not applicable.
- (9) Not applicable.
- (10) Not applicable.

VALUATION BASIS (OTHER THAN FOR SPECIAL RESERVES)

4. (1) Not applicable.
- (2) Not applicable.
- (3) Not applicable.
- (4) Not applicable.
- (5) Not applicable.

PRUDENTIAL HOLBORN LIFE LIMITED

Appendix 9.4 (continued)

- (6) Not applicable.
- (7) Not applicable.
- (8) Not applicable.
- (9) Not applicable.
- (10) Not applicable.
- (11) Not applicable.
- (12) Not applicable.

OPTIONS AND GUARANTEES

- 5. (1) Not applicable.
- (2) Not applicable.
- (3) Not applicable.
- (4) Not applicable.

EXPENSE RESERVES

- 6. (1) Not applicable.
- (2) Not applicable.
- (3) Not applicable.
- (4) Not applicable.
- (5) Not applicable.
- (6) Not applicable.

MISMATCHING RESERVES

- 7. (1) Not applicable.
- (2) Not applicable.
- (3) Not applicable.
- (4) Not applicable.
- (5) Not applicable.
- (6) Not applicable.
- (7) Not applicable.

PRUDENTIAL HOLBORN LIFE LIMITED

Appendix 9.4 (continued)

OTHER SPECIAL RESERVES

8. Not applicable.

REINSURANCE

9. (1) Not applicable.
(2) Not applicable.
(3) Not applicable.

REVERSIONARY BONUS

10. Not applicable.

PRUDENTIAL HOLBORN LIFE LIMITED

Financial Year ended 31 December 2010

Notes to the returns

Form 2

0201 There are no waivers issued disapplying or modifying any of the provisions of the Accounts and Statements Rules in respect of long-term insurance business.

0204 On 31 October 2010, the insurer transferred its long term business to The Prudential Assurance Company Limited in accordance with Part VII of the Financial Services and Markets Act 2002.

Form 3

0301 Reconciliation of net admissible assets to total capital resources after deductions	2010 £000
Form 13 Line 89 (Long term) Grand total of admissible assets	0
Form 14 Line 11 Mathematical reserves, after distribution of surplus	0
Form 14 Line 49 Total other insurance and non-insurance liabilities	0
Form 13 Line 89 (Other than long term) Grand total of admissible assets	27,655
Form 15 Line 69 Total	(4,150)
	<hr/> 23,505
Form 3 Line 79 Capital resources after deductions	23,505
Difference	<hr/> <hr/> 0

0313 Reconciliation of profit and loss account change	2010 £000
Profit and loss account and reserves b/fwd	63,264
Profit and loss account and reserves c/fwd	16,668
Movement	<hr/> (46,596)
Movement in additional reserves held for FSA	9,454
Movement in unallocated surplus	15,207
Form 16 Line 59 Profit retained for the financial year	<hr/> <hr/> (21,935)

PRUDENTIAL HOLBORN LIFE LIMITED

Financial Year ended 31 December 2010

Notes to the returns (continued)

Form 13

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

1301 Assets specified in IPRU(INS) Form 13 instruction 5

The Company held no unlisted investments, listed investments that are not readily realisable, or any other investments specified in IPRU(INS) Form 13 instruction 5.

1304 Statement on set-off

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

1305 Maximum Counterparty Limits

The Company's investment guidelines set maximum counterparty limits in order to maintain the admissibility of assets in accordance with INSPRU 2.1.22. During the financial year the balance exceeded the INSPRU 2.1.22 limit. This was due to an intragroup loan with The Prudential Assurance Company Ltd amounting to £4,318k at 2010 year end of which £1,029k was over the counterparty limit and unsecured loans issued by the company's Vietnamese subsidiary amounting to £5,849k of which £4,205k was over the counterparty limit. In respect of the Company's main working capital bank accounts within both the other than long-term and long-term funds, the balances are reviewed daily and compared to expected cashflows to ensure the Company is technically solvent. The balances did not exceed the INSPRU 2.1.22 limit during the year.

1306 Counterparty exposures at year end

Counterparty exposures were held at year end that were greater than five percent of the sum of the base capital resources requirement and long term insurance liabilities, excluding property linked liabilities and net of reinsurance ceded. This was held as cash at bank with HSBC Bank £1.2m.

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

1308 Assets specified in IPRU(INS) Form 13 instruction 5

The Company held no unlisted investments, listed investments that are not readily realisable, or any other investments specified in IPRU(INS) Form 13 instruction 5.

PRUDENTIAL HOLBORN LIFE LIMITED

Financial Year ended 31 December 2010

Notes to the returns (continued)

***1310* Statement on set-off**

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

***1312* Counterparty Exposures at Year End**

Counterparty exposures were not held at year end that were greater than five percent of the sum of the base capital resources requirement and long term insurance liabilities, excluding property linked liabilities and net of insurance ceded.

***1319* Maximum Counterparty Limits**

The Company's investment guidelines set maximum counterparty limits in order to maintain the admissibility of assets in accordance with INSPRU 2.1.22. The limits were not breached throughout the financial year.

PRUDENTIAL HOLBORN LIFE LIMITED

Financial Year ended 31 December 2010

Notes to the returns (continued)

Form 14

1402 Details of charges over assets, etc.

- (a) In the normal course of business certain reinsurance liabilities were secured by a floating charge, ranking these liabilities equally with amounts due under unsecured direct (non-reassurance) policies, over the long term insurance assets of the company. The amount secured by a charge of this nature and included in Form 14 Line 11 was nil.
- (b) The long-term business fund held no provision for potential tax on capital gains in respect of linked business in the long term business fund, in line 21 of Form 14 as at 31 December 2010 (2009: Nil).
- (c) There were no contingent liabilities at the year end.
- (d) There were no guarantees, indemnities or other contractual commitments other than in the ordinary course of insurance business in respect of related companies.
- (e) There were no fundamental uncertainties.

PRUDENTIAL HOLBORN LIFE LIMITED

Financial Year ended 31 December 2010

Notes to the returns (continued)

Form 15

1501 Provision for Adverse Changes

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

1502 Details of charges over assets, etc.

- (a) There were no charges attributable to the other than long term business assets.
- (b) There was no potential tax liability arising in the other than long-term fund.
- (c) There were no contingent liabilities at the year end.
- (d) There were no guarantees, indemnities or other contractual commitments other than in the ordinary course of insurance business and in respect of related companies.
- (e) There were no fundamental uncertainties.

Form 16

1601 Foreign Currencies

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

Form 17

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

Form 40

4004 Details of transfers of contracts to another insurer

On 31 October 2010 the long term insurance business of Prudential Holborn Life Limited was transferred to The Prudential Assurance Company Limited in accordance with Part VII of the Financial Services and Markets Act 2000. The balance at Line 32 represents the value of the fund transferring to The Prudential Assurance Company Limited.

PRUDENTIAL HOLBORN LIFE LIMITED

Financial Year ended 31 December 2010

Notes to the returns (continued)

***4008* Provision of Management Services**

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

***4009* Details of material connected party transactions**

Until the Part VII transfer on 31 October 2010 the Company had two reinsurance agreements with a related Company, The Prudential Assurance Company Limited.

The first reinsurance agreement remained in force throughout the period and provides for the reinsurance of linked benefits. Included in earned premiums for the period is an amount of £160.8m received under this reinsurance agreement. Also included within claims incurred is an amount of £178.0m arising from claims under this reinsurance agreement. The reinsurance agreement was drawn up under normal commercial terms which reflect the level of business transacted with the Company. There were no amounts written off in the period in respect of debts due to or from connected parties. The rebate of fund management charge to The Prudential Assurance Company Limited for the period amounted to £18.6m (2009: £19.4m). In addition, The Prudential Assurance Company Limited met the expenses associated with this business.

The second reinsurance agreement was recaptured on 1 April 2010 and provided for the reinsurance of outstanding PHI claims in payment. Earned premiums for the period are stated net of a recapture premium of £24.0m paid to the cedant under this reinsurance agreement. The reinsurance agreement was drawn up under normal commercial terms. There were no amounts written off in the period in respect of debts due to or from connected parties.

Form 44

***4401* Valuation of Linked Assets**

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

PRUDENTIAL HOLBORN LIFE LIMITED

Financial Year ended 31 December 2010

Notes to the returns (continued)

Form 45

4502 Particulars of other expenditure

On 31 October 2010 the long term insurance business of Prudential Holborn Life Limited was transferred to The Prudential Assurance Company Limited in accordance with Part VII of the Financial Services and Markets Act 2000. The balance at Line 26 represents the value of internal linked funds transferring to The Prudential Assurance Company Limited.

Form 51

5100 Form 51 has been omitted, as the amounts required to be shown would be zero.

Form 53

5300 Form 53 has been omitted, as the amounts required to be shown would be zero.

Form 54

5400 Form 54 has been omitted, as the amounts required to be shown would be zero.

Form 55

5500 Form 55 has been omitted, as the amounts required to be shown would be zero.

PRUDENTIAL HOLBORN LIFE LIMITED

Global Business

Financial year ended 31 December 2010

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

We certify:

1. (a) that the return has been properly prepared in accordance with the requirements in IPRU(INS), GENPRU, and INSPRU; and:
 - (b) we are satisfied that:
 - (i) throughout the financial year in question, the insurer has complied in all material respects with the requirements of SYSC and PRIN as well as the provisions of IPRU(INS), GENPRU, INSPRU and
 - (ii) it is reasonable to believe that the insurer has continued so to comply subsequently, and will continue so to comply in future.
2. that the statements required by paragraph 2 of Part 1 of Appendix 9.6 of the Interim Prudential Sourcebook for Insurers have been omitted as the insurer no longer carries on long-term insurance business.

.....

R A Devey
Chief Executive

.....

D J Belsham
Director

.....

F A O'Dwyer
Director

28 March 2011

PRUDENTIAL HOLBORN LIFE LIMITED

Global Business

Financial year ended 31 December 2010

Independent auditor's report to the Directors pursuant to rule 9.35 of IPRU (INS) the Interim Prudential Sourcebook for Insurers

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

- Forms 2, 3, 13 to 16, 40 to 45, 58 and 60, (including the supplementary notes) on pages 1 to 25 ('the Forms') and pages 29 to 35;
- the statement required by IPRU(INS) rule 9.29 on page 39 ('the Statement');
- the valuation report required by rule IPRU(INS) 9.31(a) (i) ('the valuation report').

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

- Forms 46, 47, 50 to 55 (including the supplementary notes) on pages 21 to 23;
- the statement required by IPRU(INS) rule 9.30 on page 40;
- the certificate required by IPRU(INS) rule 9.34 on page 36 ('the certificate').

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

Respective responsibilities of the company and its auditors

The insurer is responsible for the preparation of an annual return (including the Forms, the Statement, the valuation report) under the provisions of the Rules. Under IPRU(INS) rule 9.11 the Forms, the Statement, and the valuation report, are required to be prepared in the manner specified by the Rules and to state fairly the information provided on the basis required by the Rules.

The methods and assumptions determined by the insurer and used to perform the actuarial investigation as set out in the valuation report are required to reflect appropriately the requirements of INSPRU 1.2.

It is our responsibility to form an independent opinion as to whether the Forms, the Statement, the valuation report meet these requirements, and to report our opinions to you. We also report to you if, in our opinion:

- 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 Forms, the Statement and the valuation report are not in agreement with the accounting records and returns; or
- we have not received all the information we require for our examination.

Basis of opinion

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

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

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

Opinion

In our opinion:

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

Chris Moulder
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
15 Canada Square,
Canary Wharf,
London
E14 5GL

Date 28 March 2011

PRUDENTIAL HOLBORN LIFE LIMITED

Financial Year ended 31 December 2010

Rule 9.29 Statement on Derivative Contracts

a. **Investment Guidelines**

During 2010, investment guidelines allowed the use of derivative contracts in the Distribution, Fixed Interest, Managed and Constant Proportion Portfolio Insurance internal linked funds. The derivatives and use thereof was restricted to that permitted by Appendix 3.2. The use of derivatives was not permitted in the non-linked funds.

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

b. **Derivatives where exercise is unlikely**

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

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

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

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

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

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

The investment guidelines did not allow the writing of options.

PRUDENTIAL HOLBORN LIFE LIMITED

Financial Year ended 31 December 2010

Rule 9.30 Statement on Shareholder Controllers

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