

Registered No. 793051

PRUDENTIAL HOLBORN LIFE LIMITED

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

PRUDENTIAL HOLBORN LIFE LIMITED

Incorporated and registered in England and Wales Registered no: 793051

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

Annual report and accounts 2007

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PRUDENTIAL HOLBORN LIFE LIMITED

Directors

A Allen
D J Belsham
G Shaughnessy
M Sheppard

Secretary

Prudential Group Secretarial Services Limited

Auditors

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

PRUDENTIAL HOLBORN LIFE LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2007

Principal activity

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

Business review

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

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

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

Market review and strategy

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

Risks & uncertainties

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

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

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

Performance and measurement

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

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

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

PRUDENTIAL HOLBORN LIFE LIMITED

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

Corporate responsibility

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

It is also believed that performance in key areas of conduct such as corporate governance, environmental management and employment practices can have a significant impact on its financial performance. The Group, of which the Company is a part, has developed a Group Governance Framework which is underpinned by a Group Governance Manual and associated processes. This encompasses all key policies and procedures, for example the Group Code of Business Conduct, the CR policy and Health and Safety Policy. "Treating Customers Fairly" is a key ethic on which the Company conducts its business.

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

Post balance sheet events

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

Accounts

The state of affairs of the Company at 31 December 2007 is shown in the balance sheet on page 10. The profit and loss account appears on pages 7 to 8.

Share capital

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

Dividends

No dividend is proposed for the year (2006: Nil).

Payment policy

The Company does not have any trade creditors and therefore codes or standards on payment practice and disclosure of trade creditor days are not applicable.

Directors

The present directors of the Company are shown on page 1.

Ms M Sheppard was appointed a director of the Company on 22 January 2007.

Mrs R Harris resigned as a director on 2 February 2007.

Mr G Shaughnessy was appointed a director of the Company on 21 February 2008.

Mr A Allen was appointed a director of the Company on 29 February 2008.

There were no other changes during the year.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he / she ought to have taken as a director to make himself / herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of section 234ZA of the Companies Act 1985.

PRUDENTIAL HOLBORN LIFE LIMITED

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

Financial Instruments

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

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

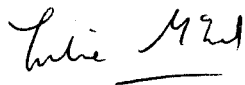
Auditor

In accordance with Section 487(2) of the Companies Act 2006, KPMG Audit Plc will be deemed to be re-appointed auditor of the Company for the current financial year.

Directors' and Officers' Protection

Prudential plc has arranged appropriate insurance cover in respect of legal action against directors and senior managers of companies within the Prudential Group. In addition, the Articles of Association of the Company provide that, to the extent permitted by law, every director, manager, Secretary and other officer or servant of the Company shall be indemnified by the Company against, and it shall be the duty of the Directors out of the funds of the Company to pay to him, all costs, losses and expenses which he may incur or become liable to by reason of any contract entered into or any act or deed done by him as such officer or servant or in any way in the discharge of his duties.

On behalf of the board of directors



On behalf of Prudential Group Secretarial Services
Secretary

27 March 2008

PRUDENTIAL HOLBORN LIFE LIMITED

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

The directors are responsible for preparing the Directors' Report and financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.



D J Belsham
Chairman

27 March 2008

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

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

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

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditors

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

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

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

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

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

Basis of Audit Opinion

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

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements:

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

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

27 March 2007

PRUDENTIAL HOLBORN LIFE LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2007

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

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

PRUDENTIAL HOLBORN LIFE LIMITED

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

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

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

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

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

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

PRUDENTIAL HOLBORN LIFE LIMITED

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

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

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

PRUDENTIAL HOLBORN LIFE LIMITED
BALANCE SHEET AS AT 31 DECEMBER 2007

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

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

D J Belsham
Chairman



PRUDENTIAL HOLBORN LIFE LIMITED

NOTES TO THE ACCOUNTS

1. Accounting policies

(a) Change in accounting policies

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

FRS 29 "Financial instruments: disclosures"

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

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

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

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

(b) Basis of Preparation

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

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

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

