

Registered No: 793051

## PRUDENTIAL HOLBORN LIFE LIMITED

Annual Report and Financial Statements for the year ended 31 December 2019

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## **PRUDENTIAL HOLBORN LIFE LIMITED**

Incorporated and registered in England and Wales. Registered No. 793051.  
Registered office: 10 Fenchurch Avenue, London EC3M 5AG.

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**PRUDENTIAL HOLBORN LIFE LIMITED**

**Directors**

S Fitzgerald (appointed 31 May 2019)

J Owens

**Secretary**

M&G Management Services Limited

**Auditor**

KPMG LLP, London

## **PRUDENTIAL HOLBORN LIFE LIMITED**

### **STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019**

#### **Principal activity**

The principal activity of Prudential Holborn Life Limited (the Company) was previously to act as the holding company of Prudential Vietnam Finance Company Limited (PVFC) of which it owned 100%.

On 14 June 2019, the Company sold its entire holding in PVFC. The Company, therefore, ceased trading as a holding company from this date.

As the Company has ceased trading as a holding company and the Directors do not intend to acquire a replacement trade, the Directors have not prepared the financial statements on a going concern basis. The effect of this is explained in note 14.

#### **Business review**

##### **Market review and strategy**

The Company acted as the holding company of PVFC until completion of the sale on 14 June 2019. The Company ceased trading as a holding company from this date.

The operations of the Company are managed as part of the M&G plc business. M&G plc became the ultimate parent of the Company following a demerger from Prudential plc on 21 October 2019. M&G plc is a public limited company, limited by shares, incorporated and registered in England and Wales and is the parent company of the M&G plc group ('the Group'). The Group is an international financial services group, with significant operations in the United Kingdom and overseas.

M&G plc was previously named M&G Prudential Limited. It registered as a public limited company M&G Prudential plc on 24 July 2019 and changed its name to M&G plc on 16 September 2019.

##### **Performance and measurement**

The following table sets out the key performance indicators for the Company. These are considered to be the key metrics for the Company.

<b>Key Performance Indicators</b>	<b>2019 £'000</b>	<b>2018 £'000</b>
Profit on ordinary activities before tax	95,062	—
Shareholder funds	10	21,633

The profit on ordinary activities before tax primarily reflects the profit on sale of PVFC less sale costs incurred. Shareholder funds have decreased as the Company reduced share capital in the year and paid an interim dividend.

##### **Risks and uncertainties**

The Company is a wholly owned subsidiary of the M&G plc group and is subject to the Group's internal control and risk management processes as detailed in the Group Governance Framework (GGF) and associated Group Risk Management Framework (RMF). The control procedures and systems established within the Group are designed to manage, rather than eliminate the risk of failure to meet business objectives. As such, they can only provide reasonable rather than absolute assurance against material misstatement or loss, and focus on optimising the levels of risk and reward within a clearly defined risk appetite, with the aim of achieving the business objectives.

The RMF requires all business units and functions within the Group, including the Company, to establish processes for identifying, evaluating and managing key risks. The RMF for the Company is approved by the Group Board Risk Committee and operates based on the concept of three lines of defence: risk management, risk oversight and independent assurance.

The Company's results and financial condition are exposed to both financial and non-financial risks. The key risk factors mentioned below should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties.

## **PRUDENTIAL HOLBORN LIFE LIMITED**

### **STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)**

#### **Financial Risks**

The Company is exposed to minimal financial risk, the only financial asset being a debtor for amounts owed by group undertakings.

#### **Non-Financial Risks**

##### **a) Business environment risk**

The Group continues to monitor the effects of the coronavirus (COVID-19) outbreak which has been declared as a pandemic by the World Health Organization. COVID-19 has caused significant numbers of sickness and death globally, along with social distancing measures and isolation of individuals and households with confirmed or suspected cases of infection. The outbreak has not only prompted widespread health concerns, but has caused recent deteriorations in global market conditions. The eventual outcome is highly uncertain and is largely dependent on how successful authorities are at containing and managing the outbreak. Due to the Company having ceased trading during the year, the impact on the Company is expected to be limited.

##### **b) Group risk**

The Company was previously exposed to group risk, through its investment in PVFC and reliance on other Group members to protect the value of the investment. This risk has been eliminated with the sale of PVFC.

Signed for and on behalf of the Board of Directors of the Company



H Archbold  
Signed for and on behalf of M&G Management Services Limited  
Company Secretary  
19 June 2020

## **PRUDENTIAL HOLBORN LIFE LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019**

#### **Introduction**

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2019.

#### **Future developments**

Likely future developments in the business of the Company are discussed in the strategic report in accordance with section 414C(11) of the Companies Act 2006 (the Act).

#### **Ultimate parent company**

The Company is a wholly owned subsidiary undertaking of The Prudential Assurance Company Limited. The Prudential Assurance Company Limited is a wholly owned subsidiary of M&G plc. M&G plc became the ultimate parent of the Company following a demerger from Prudential plc on 21 October 2019. M&G plc is a public limited company, limited by shares, incorporated and registered in England and Wales.

#### **Corporate responsibility**

The Company is a wholly owned subsidiary within M&G plc and Corporate Responsibility ('CR') is integral to the way the Group does business.

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.

As a savings and investment business with roots stretching back more than 170 years, the Group has a proud heritage of making a difference and creating positive long lasting impact. The Group believes it is important to be active and engaged to make its business and society stronger and more resilient. The Group aspires to ensure its investment has a sustainable benefit for its communities, its customers and its business.

The Group establishes long-term relationships with its charity partners on local, national and international programmes to improve lives and build communities and provide support not only through funding, but also with the experience and expertise of its colleagues. The Group ensures that the projects it supports are sustainable, and it works closely with its partners to ensure that the programmes continuously improve.

The Group has three principal themes:

1. Urban regeneration - investing in essential needs for communities to thrive
2. Economic empowerment - equipping people with the tools they need to be financially secure
3. Skills and education - providing opportunities to prepare communities for future prosperity

#### **Governance**

The Group has established an operating model for CR across M&G plc which provides guidance to support each office and market to manage charitable activities within the framework of a consistent, business-wide approach.

A CR Governance Committee is in place, with senior management representation, which oversees community investment activity and agrees strategy and spend. The Group Executive Committee and the Board review the CR strategy and performance on an annual basis.

The M&G plc CR team manages activities across the business: devising community investment initiatives, measuring impact and spend, tracking performance against annual competitor benchmarking, as well as refining issues of key social importance to the business and determining where the business can have the greatest social impact.

#### **Post balance sheet events**

The Group continues to monitor the effects of the coronavirus (COVID-19) outbreak which has been declared as a pandemic by the World Health Organization. COVID-19 has caused significant numbers of sickness and death globally, along with social distancing measures and isolation of individuals and households with confirmed or suspected cases of infection. The outbreak has not only prompted widespread health concerns, but has caused recent deteriorations in global market conditions. The eventual outcome is highly uncertain and is largely dependent

## **PRUDENTIAL HOLBORN LIFE LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)**

on how successful authorities are at containing and managing the outbreak. Due to the Company having ceased trading during the year, the impact on the Company is expected to be limited.

#### **Accounts and dividends**

The state of affairs of the Company at 31 December 2019 is shown in the Statement of Financial Position on page 11. The Statement of Comprehensive Income appears on page 9.

An interim dividend of £96.9m was paid in 2019. No dividends were declared or paid in 2018.

#### **Share capital**

On 30 July 2019, the Directors approved a Share Capital reduction. The Company now has 1 ordinary share (2018: 20,884,792 ordinary shares).

#### **Directors**

The present directors are shown on page 1. Mr S Fitzgerald was appointed as a Director on 31 May 2019. Mr M Hawes resigned as a Director on 20 February 2019. Mr R Webster resigned as a Director on 31 May 2019. There have been no further changes.

#### **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 they ought to have taken as a director to make themselves 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.

#### **Auditor**

KPMG LLP is deemed to be re-appointed as auditor of the Company in accordance with the provisions of S487(2) of the Companies Act 2006.

#### **Directors' and Officers' Protection**

M&G plc has arranged appropriate insurance cover in respect of legal action against directors and senior managers of companies within the M&G plc 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. M&G plc also provides protections for directors and senior managers of companies within the Group against personal financial exposure they may incur in their capacity as such. These include qualifying third party indemnity provisions (as defined by the relevant Companies Act) for the benefit of directors of M&G plc, including, where applicable, in their capacity as a director of the Company and other companies within the Group. These indemnities were in force during 2019 and remain in force.

Signed for and on behalf of the Board of Directors of the Company



H Archbold  
Signed for and on behalf of M&G Management Services Limited  
Company Secretary  
19 June 2020

## **PRUDENTIAL HOLBORN LIFE LIMITED**

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS**

The directors are responsible for preparing the Strategic Report, the Directors' Report and the 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), including FRS 101, *Reduced Disclosure Framework*.

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 its profit or loss for that period. In preparing the 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so. As explained in note 14, the Directors do not believe it is appropriate to prepare these financial statements on a going concern basis.

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 Act. They are responsible for such internal control as they determine is necessary to enable preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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.



## **PRUDENTIAL HOLBORN LIFE LIMITED**

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

#### **Opinion**

We have audited the financial statements of Prudential Holborn Life Limited ("the company") for the year ended 31 December 2019 which comprise the Statement of Financial Position, Statement of Comprehensive Income and Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- Give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended.
- Have been properly prepared in accordance with UK accounting standards, including *FRS 101 Reduced Disclosure Framework*.
- Have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

#### **Emphasis of matter - non going concern basis of preparation**

We draw attention to the disclosure made in note 1 to the financial statements which explains that the financial statements have not been prepared on a going concern basis for the reasons set out in that note. Our opinion is not modified in respect of this matter.

#### **Strategic report and directors' report**

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

#### **Matters on which we are required to report by exception**

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

#### **Directors' responsibilities**

As explained more fully in their statement set out on page 4, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

## **PRUDENTIAL HOLBORN LIFE LIMITED**

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

#### **Auditor's responsibilities**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

#### **The purpose of our audit work and to whom we owe our responsibilities**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of 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 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.



**William Greenfield (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
Chartered Accountants  
15 Canada Square  
Canary Wharf  
London E14 5GL  
19 June 2020

**PRUDENTIAL HOLBORN LIFE LIMITED****STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019**

	<b>2019</b> <b>£'000</b>	<b>2018</b> <b>£'000</b>	<b>Note</b>
Profit on sale of subsidiary	<b>95,059</b>	—	2
Interest income	<b>3</b>	—	
<b>Profit before tax</b>	<b>95,062</b>	—	
Tax charge	<b>(19,809)</b>	—	3
<b>Profit and comprehensive income for the financial year</b>	<b>75,253</b>	—	

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

The accounting policies on pages 12 to 14 along with the accompanying notes on pages 12 to 17 form an integral part of these financial statements.

**PRUDENTIAL HOLBORN LIFE LIMITED****STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019**

	<b>Share Capital £'000</b>	<b>Profit &amp; Loss Account £'000</b>	<b>Total £'000</b>
Balance at 1 January 2018	20,885	748	21,633
<b>Total comprehensive income for the year</b>			
Profit	—	—	—
Total comprehensive income for the year	—	—	—
Total dividends	—	—	—
Total distribution to owners recognised directly in equity	—	—	—
Balance at 31 December 2018	20,885	748	21,633
<b>Balance at 1 January 2019</b>	<b>20,885</b>	<b>748</b>	<b>21,633</b>
<b>Total comprehensive income for the year</b>			
Profit	—	75,253	75,253
Total comprehensive income for the year	—	75,253	75,253
Share capital reduction	(20,885)	20,885	—
Total dividends	—	(96,876)	(96,876)
Total distribution to owners recognised directly in equity	(20,885)	(75,991)	(96,876)
<b>Balance at 31 December 2019</b>	<b>—</b>	<b>10</b>	<b>10</b>

The accounting policies on pages 12 to 14 along with the accompanying notes on pages 12 to 17 form an integral part of these financial statements.

**PRUDENTIAL HOLBORN LIFE LIMITED**

**STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019**

	<b>2019</b> <b>£'000</b>	<b>2018</b> <b>£'000</b>	<b>Note</b>
<b>Assets</b>			
<b>Current assets</b>			
Investments in group undertakings and participating interests - held for sale	—	21,595	7
Other debtors	41	1	10
Cash at bank and in hand	—	37	8
<b>Total assets</b>	<b>41</b>	<b>21,633</b>	
<b>Equity and liabilities</b>			
<b>Capital and reserves</b>			
Called up share capital	—	20,885	9
Profit and loss account	10	748	
<b>Total shareholder's funds attributable to equity interests</b>	<b>10</b>	<b>21,633</b>	
<b>Creditors</b>			
Other creditors including taxation	31	—	11
<b>Total equity and liabilities</b>	<b>41</b>	<b>21,633</b>	

The financial statements on pages 9 to 17 were approved by the Board of directors on 19 June 2020.

The accounting policies on pages 12 to 14 along with the accompanying notes on pages 12 to 17 form an integral part of these financial statements.



S Fitzgerald  
Director  
19 June 2020

## **PRUDENTIAL HOLBORN LIFE LIMITED**

### **NOTES ON THE FINANCIAL STATEMENTS**

#### **1. Accounting Policies**

##### **A. Company Information**

Prudential Holborn Life Limited (the Company) is a private limited company incorporated and domiciled in England and Wales.

The address of its registered office is 10 Fenchurch Avenue, London EC3M 5AG.

##### **B. Basis of Preparation**

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* (FRS 101), Part 15 of the Companies Act 2006 and Schedule 1 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("EU-adopted" IFRS's), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

IFRS 16 Leases ('IFRS 16') introduces a single model for all leases, eliminating the distinction in accounting treatment between operating and finance leases for lessees. This standard is effective from 1 January 2019 and replaces IAS 17 Leases ('IAS 17'). The adoption of the standard does not have any impact on the financial statements of the Company as the Company does not have any lease agreements.

There were no other significant accounting pronouncements taking effect from 1 January 2019.

The immediate parent company is The Prudential Assurance Company Limited. The Company's ultimate parent undertaking, M&G plc, includes the Company in its consolidated financial statements. The consolidated financial statements of M&G plc are prepared in accordance with IFRS. Copies of these accounts can be obtained from the Company Secretary at 10 Fenchurch Avenue, London EC3M 5AG.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital;
- Disclosures in respect of transactions between wholly owned subsidiaries within the Group;
- The effects of new but not yet effective accounting standards;
- Disclosures in respect of the compensation of Key Management Personnel; and
- Disclosures in respect of revenue from contracts with customers.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Until 14 June 2019, the Company's principal activity was to act as the holding company for its subsidiary. However, as the Company has sold the subsidiary, the Directors took the decision to cease trading as a holding company. As the Directors do not intend to acquire a replacement trade, they have not prepared the financial statements on a going concern basis. The effect of this is explained in note 14.

This decision does not affect the presentation of the financial statements as the Company made no significant profit, other than on the sale of the subsidiary, in the current year or prior year and all assets and liabilities are already classified as current and recoverable or payable within one year.

## **PRUDENTIAL HOLBORN LIFE LIMITED**

### **NOTES ON THE FINANCIAL STATEMENTS (continued)**

#### **C. Financial instruments - recognition and measurement**

##### **Financial assets**

##### **Recognition and initial measurement**

A financial asset is initially measured at fair value plus, for a financial asset not measured at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

##### **Classification and subsequent measurement**

On initial recognition, a financial asset is classified and measured at either amortised cost or fair value through profit or loss (FVTPL).

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets that do not meet the criteria for being measured at amortised cost, as described above, are measured at FVTPL. This includes assets that are held for trading or are part of a portfolio that is managed on a fair value basis. Derivatives are included in this category.

Financial assets are not reclassified subsequent to their initial recognition unless the entity changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Financial assets at FVTPL are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on de-recognition is recognised in profit or loss.

##### **Financial liabilities**

Financial liabilities are classified as measured at amortised cost (using the effective interest method) or FVTPL. A financial liability is classified as at FVTPL if it is held-for-trading or a derivative. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on de-recognition is also recognised in profit or loss.

#### **D. Financial instruments - Impairment**

Impairment is recognised on financial assets measured at amortised cost based on expected credit losses (ECLs). ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the entity expects to receive).

The impact of any collateral and financial guarantees is taken into account when determining ECL.

ECLs are discounted at the effective interest rate of the financial asset.

A financial instrument is considered to have low credit risk where it has an external credit rating of 'investment grade'. The Company has determined that the cash balances and deposits with credit institutions are considered to have low credit risk and therefore impairment is based on a twelve month ECL for these assets. Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs, where material.

## **PRUDENTIAL HOLBORN LIFE LIMITED**

### **NOTES ON THE FINANCIAL STATEMENTS (continued)**

#### **E. Revenue recognition**

Investment income and realised and unrealised gains are included in the statement of comprehensive income.

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 Statement of Financial Position date and the reversal of unrealised investment gains and losses recognised in earlier accounting periods in respect of investment disposals.

#### **F. Tax**

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the Statement of Financial Position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future are not provided for. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the Statement of Financial Position date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

#### **G. Foreign currencies**

Foreign currency assets and liabilities are translated at year end exchange rates. 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.

#### **H. Investment in group undertakings (held for sale)**

Prior to the sale of its subsidiary, the Company measured its subsidiaries (held for sale) at the carrying amount (i.e. cost less impairment).

### **2. Profit on sale of subsidiary**

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Gain realised on sale of subsidiary	<b>98,303</b>	—
Exchange gains	<b>159</b>	—
Transaction costs	<b>(3,403)</b>	—
<b>Total profit on sale of subsidiary</b>	<b><u>95,059</u></b>	<b><u>—</u></b>



**PRUDENTIAL HOLBORN LIFE LIMITED****NOTES ON THE FINANCIAL STATEMENTS (continued)****3. Tax****(a) Tax charged**

	2019 £'000	2018 £'000
<b>Current tax</b>		
UK Corporation tax on profits of the year	31	—
	<u>31</u>	<u>—</u>
Foreign tax	19,778	—
<b>Total current tax</b>	<u>19,809</u>	<u>—</u>
<b>Tax charge on profit on ordinary activities</b>	<u>19,809</u>	<u>—</u>

**(b) Factors affecting the tax charge for the period**

Other than the effects of permanent differences and adjustments in respect of previous periods, it is not expected that the tax charge will deviate from that calculated by applying the standard rate of corporation tax to the profit before tax of the Company.

	2019 £'000	2018 £'000
Profit on ordinary activities before tax	95,062	—
Profit on ordinary activities multiplied by effective rate of corporation tax in the UK of 19.00% (2018: 19.00%)	18,062	—
Effects of overseas tax rates	1,747	—
<b>Total tax charge for the period</b>	<u>19,809</u>	<u>—</u>

The standard rate of Corporation Tax in the UK was due to change from 19% to 17% with effect from 1 April 2020. Following the budget announcement on 11 March 2020, the repeal of the legislation to reduce the tax rate was substantively enacted on 17 March 2020. Accordingly, the reduction in tax rate will no longer take place.

**4. Staff costs**

The Company has no employees (2018: none).

**5. Directors' emoluments**

The directors of the Company received the following emoluments in respect of work on behalf of the Company which were borne by the immediate parent company, The Prudential Assurance Company Limited:

	2019 £'000	2018 £'000
Aggregate emoluments and benefits	<u>4</u>	<u>2</u>

The Company's directors perform services for other group companies. These costs are not included in the amounts charged to the Company as shown in the table above.

**6. Auditor's remuneration**

	2019 £'000	2018 £'000
Audit of these financial statements	<u>5</u>	<u>13</u>

## **PRUDENTIAL HOLBORN LIFE LIMITED**

### **NOTES ON THE FINANCIAL STATEMENTS (continued)**

Auditor's remuneration for the audit of the Company's financial statements is borne by the immediate parent company, The Prudential Assurance Company Limited.

No non-audit services were provided by the auditor in 2019 or 2018.

#### **7. Investments**

##### **Investments in group undertakings and participating interests (held for sale)**

The Company sold its only subsidiary, Prudential Vietnam Finance Company (PVFC), in June 2019. Up to the point of sale, the investment was classified as held for sale.

#### **8. Cash and bank balances**

The Company bank account was closed in November 2019. Under the terms of the Company's arrangements with the Group's main UK banker, the bank had 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.

#### **9. Share capital**

	<b>2019</b> <b>£'000</b>	<b>2018</b> <b>£'000</b>
Issued and fully paid		
1 ordinary share (2018: 20,884,792) of £1 each	<u>—</u>	<u>20,885</u>

On 30 July 2019, the Directors approved a Share Capital reduction. The Company now has 1 ordinary share (2018: 20,884,792).

#### **10. Other debtors**

All debtors are receivable within one year.

	<b>2019</b> <b>£'000</b>	<b>2018</b> <b>£'000</b>
Amounts owed by group undertakings	<b>41</b>	—
Tax recoverable	<u>—</u>	<u>1</u>
<b>Total other debtors</b>	<u><b>41</b></u>	<u><b>1</b></u>

#### **11. Creditors**

All creditors are payable within one year.

	<b>2019</b> <b>£'000</b>	<b>2018</b> <b>£'000</b>
Tax payable	<u><b>31</b></u>	<u><b>1</b></u>

#### **12. Immediate and ultimate parent company**

The immediate parent company is The Prudential Assurance Company Limited and copies of its accounts are available from the Company Secretary, 10 Fenchurch Avenue, London EC3M 5AG. The ultimate parent company is M&G plc which is the only parent company which prepares group accounts. Copies of the M&G plc accounts can be obtained from the Company Secretary, 10 Fenchurch Avenue, London EC3M 5AG.

#### **13. Post balance sheet events**

The Group continues to monitor the effects of the coronavirus (COVID-19) outbreak which has been declared as a pandemic by the World Health Organization. COVID-19 has caused significant numbers of sickness and death globally, along with social distancing measures and isolation of individuals and households with confirmed or suspected cases of infection. The outbreak has not only prompted widespread health concerns, but has caused

## **PRUDENTIAL HOLBORN LIFE LIMITED**

### **NOTES ON THE FINANCIAL STATEMENTS (continued)**

recent deteriorations in global market conditions. The eventual outcome is highly uncertain and is largely dependent on how successful authorities are at containing and managing the outbreak. Due to the Company having ceased trading during the year, the impact on the Company is expected to be limited.

#### **14. Going concern**

As the company ceased to trade as a holding company from 14 June 2019, and is not expected to do so in the foreseeable future, the Directors have not prepared the financial statements on a going concern basis.

This decision does not affect the presentation of the financial statements as the company made no significant profit, other than on the sale of the subsidiary, in the current year or prior year and all assets and liabilities are already classified as current and recoverable or payable within one year.