Registered No: 793051

PRUDENTIAL HOLBORN LIFE LIMITED

Annual Report and Financial Statements for the year ended 31 December 2014

PRUDENTIAL HOLBORN LIFE LIMITED

Incorporated and registered in England and Wales. Registered No. 793051.
Registered office: Laurence Pountney Hill, London EC4R 0HH.

CONTENTS

Directors

J Warburton
J S Deeks

Secretary

Prudential Group Secretarial Services Limited

Auditor

KPMG LLP, London

Principal activity

The principal activity of the Company is to act as the holding company of Prudential Vietnam Finance Company Limited. This activity will continue in 2015.

Business review

The Company has 100% ownership of a subsidiary, Prudential Vietnam Finance Company Limited. The subsidiary's principal activity is consumer finance and its country of incorporation is Vietnam. Prudential Vietnam Finance Company Limited aims to provide financing solutions to the general public which allows them to improve their lifestyle, and acquire key assets such as homes and household goods.

There have been no 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 2014, it continued its strategy of selectively competing in areas of the retirement savings and income markets where it can generate attractive returns.

The Company's Vietnam consumer finance subsidiary has continued to grow in 2014 as compared to 2013, recording a profit before tax of £5.9m (2013: £3.6m). This increase is mainly attributed to the strong volume of sales in 2014 leading to higher loan portfolio balances coupled with maintaining healthy margins. In addition, the company's growing focus on mid to high income segments have yielded better portfolio health resulting in well controlled credit losses. In 2014 the subsidiary has continued its strategy of providing financial solutions to the general public while maintaining its strong risk management culture.

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.

Key Performance Indicators	2014	2013	Change
	£000	£000	%
Profit on ordinary activities before tax	5,597	2,648	111%
Shareholder funds	47,462	41,883	13%

The results for 2014 and 2013 were dominated by the results of the Vietnam subsidiary together with the impact of exchange rate movement on the value of the subsidiary.

Risks & uncertainties

The Company is a wholly owned subsidiary of the Prudential Group and is subject to the Group's internal control and risk management processes as detailed in the Group Governance Manual and Group Risk Framework. 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 provide strong but not absolute assurance against material misstatement or loss and focus on optimising the levels of risk and reward with the aim of achieving the business objectives.

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

The Company's business involves the acceptance and management of risk. 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.

Financial Risks

A number of risk factors affect the Company's operating results and financial condition. The financial risk factors affecting the Company include the effects of market risk, credit risk and liquidity risk on the financial instruments of the Company.

The predominant financial risks faced by the Company relate to its 100% owned subsidiary, Prudential Vietnam Finance Company Limited and holdings in UK gilts.

Further information on the financial risk management objectives and policies of the Company and exposure of the Company to financial risk factors is given in Note 16.

Non Financial Risks

Although operationally dormant, as a UK regulated insurer, the Company has a limited exposure to regulatory risk and will need to respond appropriately to new requirements resulting from the split in UK regulation between the Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA) in 2013.

The Company is also exposed to group risk, through its investment in Prudential Vietnam Finance Company Limited and reliance on other Group members to protect the value of the investment.

On behalf of the Board of directors

E Doornenbal

E Doornenbal
On behalf of Prudential Group Secretarial Services Limited
Company Secretary
27 March 2015

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2014

Introduction

None of the information required to be included in the Directors' Report under Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended by The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013) has been set out in the Company's Strategic Report.

Corporate responsibility

The Company is a wholly owned subsidiary within the Prudential Group 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 for example, the Group Code of Business Conduct.

As a business that provides savings, income, investment and protection products and services, social value is created through the day-to-day operations. The Group provides customers with ways to help manage uncertainty and build a more secure future. In seeking to match the long-term liabilities the Group has towards its customers with similarly long-term financial assets, it provides capital that finances businesses, builds infrastructure and fosters growth in both developed and developing markets.

The Group's sustainable approach to business is reinforced by the Group-wide CR strategy. While the Group believes that CR is best managed on the ground by those closest to the customer and local stakeholders, the Group approach is underpinned by four global CR themes:

- Serving its customers: The Group aims to provide fair and transparent products that meets the customers' needs
- Valuing its people: The Group aspires to retain and develop highly engaged employees
- Supporting local communities: The Group seeks to make a positive contribution to its communities through long-term partnerships with charitable organisations that make a real difference
- Protecting the environment: The Group takes responsibility for the environment in which it operates.

These themes demonstrate the Group's CR commitments and principles to its stakeholders and provide clarity to its businesses, including the Company, on where they should focus their CR efforts and resources in the context of their individual markets.

The Prudential plc Board discusses the Group's performance in the areas of social and environmental management at least once a year and also reviews and approves the Group's corporate responsibility report and strategy on an annual basis.

Post balance sheet events

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

Accounts and dividends

The state of affairs of the Company at 31 December 2014 is shown in the balance sheet on page 10. The statement of comprehensive income appears on page 8. No dividend is proposed for the year (2013: Nil).

Share capital

There were no changes in the Company's share capital during 2014.

Directors

The present directors are shown on page 1.

Mr Deeks was appointed as a director on 13 January 2014. Mr Belsham resigned as a director on 07 July 2014. 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 he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Auditor

Due to an internal reorganisation within KPMG, KPMG Audit Plc resigned as auditor with effect from 6 October 2014. To fill this casual vacancy, the directors approved the appointment of KPMG LLP, an intermediate parent of KPMG Audit Plc, as auditor of the Company, on 15 October 2014.

An ordinary resolution of the Company for the re-appointment of KPMG LLP as auditor of the Company will be proposed to the members of the Company in accordance with Section 485(4)(a) of the Companies Act 2006.

Directors' and Officers' Protection

Prudential plc has arranged appropriate insurance cover in respect of legal action against directors and senior managers of companies within the Prudential Group. In addition, the Articles of Association of the Company permit the directors, officers and employees of the Company to be indemnified in respect of liabilities incurred as a result of their office. Prudential 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 indemnities were in force during 2014 and remain in force.

On behalf of the Board of directors

E Doornenbal

E Doornenbal
On behalf of Prudential Group Secretarial Services Limited
Company Secretary
27 March 2015

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

The directors are responsible for preparing the Strategic Report and 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 the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

• select suitable accounting policies and then apply them consistently;

• make judgements and estimates that are reasonable and prudent;

• state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and

• prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

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

J Warburton
Director
27 March 2015

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 2014 set out on pages 8 to 23. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

Robert Lewis

Robert Lewis (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
Canary Wharf
London
E14 5GL
27 March 2015

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2014

Non-Technical Account	Note	**2014** £000	2013 £000
Investment income	2	**201**	333
Unrealised gains on investments	2	**5,396**	2,315
Profit on ordinary activities before tax		**5,597**	2,648
Tax on profit on ordinary activities	3	**(18)**	(108)
Profit and comprehensive income for the financial year		**5,579**	2,540

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

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2014

	Share Capital	Profit & Loss Account	Total
	£000	£000	£000
Balance at 1 January 2013	20,885	18,458	39,343
Total comprehensive income for the year			
Profit	—	2,540	2,540
Other comprehensive income	—	—	—
Total comprehensive income for the year	—	2,540	2,540
Balance at 31 December 2013	20,885	20,998	41,883
Balance at 1 January 2014	**20,885**	**20,998**	**41,883**
Total comprehensive income for the year			
Profit	—	**5,579**	**5,579**
Other comprehensive income	—	—	—
Total comprehensive income for the year	—	**5,579**	**5,579**
Balance at 31 December 2014	**20,885**	**26,577**	**47,462**

The accounting policies and notes on pages 11 to 23 form an integral part of these financial statements.

BALANCE SHEET AS AT 31 DECEMBER 2014

	Note	2014 £000	2013 £000
Assets			
Investments			
Investments in group undertakings and participating interests	7	**26,115**	20,601
Other financial investments	7	**17,967**	18,264
Debtors			
Other debtors	8	**4,549**	4,507
Other assets			
Cash at bank and in hand	9	**2,886**	2,708
Prepayments and accrued income		**261**	130
Total assets		**51,778**	46,210
Liabilities			
Capital and reserves			
Called up share capital	10	**20,885**	20,885
Profit and loss account		**26,577**	20,998
Total shareholders' funds attributable to equity interests		**47,462**	41,883
Creditors			
Other creditors including taxation and social security	12	**4,316**	4,327
Total liabilities		**51,778**	46,210

The accounts on pages 8 to 23 were approved by the board of directors on 27 March 2015.
The accounting policies and notes on pages 11 to 23 form an integral part of these financial statements.

J Warburton
Director

1. Accounting Policies

A. Basis of presentation

Prudential Holborn Life Limited is a company incorporated and domiciled in the UK.

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS101"), Part 15 of the Companies Act 2006 and Schedule 3 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 ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS101 disclosure exemptions has been taken.

The immediate parent company is The Prudential Assurance Company Limited. The Company's ultimate parent undertaking, Prudential plc includes the Company in its consolidated financial statements. The consolidated financial statements of Prudential plc are prepared in accordance with IFRS and are available to the public. Copies of these accounts can be obtained from the Company Secretary, Laurence Pountney Hill, London EC4R 0HH.

In these financial statements, the Company has applied the exemptions available under FRS101 in respect of the following disclosures:

- a Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital;
- Disclosures in respect of transactions between wholly owned subsidiaries within the Prudential Group;
- The effects of new but not yet effective IFRSs;
- An additional balance sheet for the beginning of the earliest comparative period following the retrospective change in accounting policy to adopt FRS101 and
- Disclosures in respect of the compensation of Key Management Personnel.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements and in preparing an opening FRS101 IFRS balance sheet at 1 January 2013 for the purposes of the transition to FRS101.

The directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future and thus continue to adopt the going concern basis of accounting in preparing the financial statements. This conclusion has been based upon the following: the Company is a subsidiary within the Prudential Group and it, its parent company and the ultimate parent company are continuing to trade and there are no plans for liquidation, the Company has a healthy solvency margin, well in excess of the regulatory capital resource requirement (Note 11) and generates positive cashflows. In addition consideration has also been given to the Company's performance, the market in which it operates, its strategy and risks and uncertainties, as set out in the Strategic Report, the management of financial risk as set out in Note 16, including its exposure to liquidity risk and credit risk.

B. Change in accounting policies

In these financial statements, the Company has early adopted FRS101 and for the first time.

In the transition to FRS101, the Company has applied IFRS1 whilst ensuring that its assets and liabilities are measured in compliance with FRS101. The Company has made no measurement and recognition adjustments and as such there has been no impact on the previously reported financial position and financial performance of the Company.

C. Classification of instruments issued by the Company

Having adopted FRS101, IAS32 is being applied to financial instruments issued by the Company and are treated as equity only to the extent that they meet the following two conditions:

(i) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and
(ii) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

D. Financial instruments

Financial assets

Under IAS39, upon initial recognition financial investments are recognised at fair value. The Company is permitted, subject to specific criteria, to designate its investments as either financial investments at fair value through profit and loss, financial investments held on an available-for-sale basis, financial investments held to maturity, or loans and receivables. The Company holds financial investments on the following bases:

(i) Financial investments at fair value through profit and loss – this comprises assets designated by management as fair value through profit and loss on inception. These investments are valued at fair value with all changes thereon being recognised in the profit and loss account.

The Company uses bid prices to value its quoted financial investments. Actively traded investments without quoted prices are valued using external broker bid prices. If there is no active established market for an investment, the Company applies an appropriate valuation technique such as discounted cash flow technique.

(ii) Loans and receivables – this comprises investments that have fixed or determinable payments and are not designated as fair value through profit and loss. These investments include unsecured loans and receivables. These investments are carried at amortised cost using the effective interest method and subject to impairment reviews. The Company measures the amount of the impairment loss by comparing the amortised cost with the present value of its estimated future cash flows discounted at the original effective interest rate.

Financial liabilities

Financial liabilities are designated as either fair value through profit and loss or amortised cost.

The Company holds financial liabilities that are valued at amortised cost and creditors are shown at settlement value.

E. Revenue recognition

Investment income and realised and unrealised gains are included in the non-technical account.

Realised gains are determined as the difference between net proceeds on disposal and the purchase price. Movements in unrealised gains comprise the change in the value of investments held at the balance sheet date and the reversal of unrealised investment gains and losses recognised in earlier accounting periods in respect of investment disposals.

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 balance sheet 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 balance sheet 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

Investments in group undertakings are designated as fair value through profit and loss, in accordance with IAS 39.

NOTES ON THE FINANCIAL STATEMENTS (continued)

2. Revenue and investment return

	Non-Technical Account	
	2014	2013
	£000	£000
Investment income from debt securities	**663**	896
Bank and other interest receivable	**15**	18
Losses on the realisation of investments at fair value through profit and loss	**(477)**	(581)
	201	333
Unrealised gains on investments	**5,396**	2,315
Total revenue and investment return	**5,597**	2,648

3. Tax

(a) Tax charged/(credited)

	Non-Technical Account	
	2014	2013
	£000	£000
Current tax		
UK Corporation tax on profits of the period	**18**	108
Total current tax	**18**	108
Tax charge on profit on ordinary activities	**18**	108

(b) Factors affecting the tax charge for the period

The reduction in the UK corporation tax rate to 21% from 1 April 2014 and the further reduction to 20% from 1 April 2015 have been reflected in the financial statements for the year ended 31 December 2014.

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.

	2014	2013
	£000	£000
Profit on ordinary activities before tax	**5,597**	2,648
Profit on ordinary activities multiplied by effective rate of corporation tax in the UK of 21.50% (2013: 23.25%)	**1,203**	616
Effects of		
Permanent differences	**(1,185)**	(508)
Current tax charge for the period	**18**	108

4. Staff costs

The Company has no employees (2013: Nil).

5. Directors' emoluments

During the year the directors of the Company received the following emoluments in respect of work on behalf of the Company:

	2014 £000	2013 £000
Aggregate emoluments and benefits	**1**	2

Retirement benefits are accruing to 2 (2013: 2) of the directors under the Group's defined benefit scheme and none (2013: 1) under the Group's defined contribution scheme.

6. Auditors' remuneration

	2014 £000	2013 £000
Audit of these financial statements	**19**	19
Other services pursuant to legislation including the audit of the regulatory return	**3**	3
	22	22

Amounts receivable by the Company's auditor and its associates in respect of services to the Company and its associates, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the Company's ultimate parent, Prudential plc.

7. Investments

Investments in group undertakings and participating interests

The Company's only subsidiary undertaking at 31 December 2014 was Prudential Vietnam Finance Company Limited. The Company holds 100% of the ordinary share capital of the subsidiary. The subsidiary's principal activity is consumer finance and its country of incorporation is Vietnam.

As at 31 December 2014 the cost value of the investment in group undertakings was £21,595k (2013: £21,595k). As at 31 December 2014 and 2013 the fair value of the investment in group undertakings was equal to its carrying value.

Other financial investments

	Carrying value		**Cost**	
	2014	2013	**2014**	2013
	£000	£000	**£000**	£000
Debt securities	**17,967**	18,264	**18,085**	18,578

All debt securities are listed on a recognised UK investment exchange.

8. Other debtors

All debtors are due within one year.

	2014	2013
	£000	£000
Amounts owed by group undertakings	4,549	4,507
	4,549	4,507

9. Bank current accounts

Under the terms of the Company's arrangements with the Prudential Group's main UK banker, the bank has a right of set-off between credit balances (other than those of long term business funds) and all overdrawn balances of those Group undertakings with similar arrangements.

10. Share capital

	2014	2013
	£000	£000
Issued and fully paid		
20,884,792 ordinary shares (2013: 20,884,792) of £1 each	20,885	20,885

There has been no increase in the share capital in the year.

11. Capital requirements and management

Regulatory capital requirements apply at both an individual company level and at the Prudential Group level, of which the Company is a part, for life assurance and investment management business. The Prudential Group is currently subject to the solvency requirements of the Insurance Groups Directive (IGD) as implemented by the Prudential Regulation Authority (PRA) (formerly the FSA). Under the IGD a parent company continuous solvency test is applied. Under this test the surplus unrestricted capital held in each of the regulated subsidiaries, including the Company, is aggregated with the free assets of non-regulated subsidiaries. From this total, Prudential Group borrowings are deducted, other than subordinated debt issues which qualify as capital.

In addition to obligations under subsidiary and Prudential Group regulatory requirements, the Prudential Group applies an economic framework to its management of capital. Economic capital provides a realistic and consistent view of the Group's capital requirements, allowing for diversification benefits. At the Company level, the PRA rules which govern the prudential regulation of insurance form part of the Prudential Sourcebook for Insurers, the General Prudential Sourcebook and Interim Prudential Sourcebook for Insurers. Overall, the net requirements of the General Prudential Sourcebook are intended to align the capital adequacy requirements for insurance business more closely with those of banking and investment firms and building societies, for example, by addressing tiers of capital, rather than looking at net admissible assets. An insurer must hold capital resources equal at least to the Minimum Capital Requirement (MCR).

The Prudential Sourcebook for Insurers also contains rules on Individual Capital Assessments. Under these rules and the rules of the General Prudential Sourcebook all insurers must assess for themselves the amount of capital needed to back their business. If the PRA views the results of this assessment as insufficient, it may draw up its own Individual Capital Guidance for a firm, which can be superimposed as a requirement.

The available capital of £22.3m (2013: £22.7m) reflects the excess of regulatory basis assets over liabilities of the Company before deduction of the regulatory capital resources requirement of £2.9m (2013: £3.1m). This excess of available capital over capital resources requirement is monitored during the year. In addition, a realistic assessment of available capital and capital requirements sufficient to cover a 1 in 200 year event is undertaken. Additional capital is sought from the parent company as necessary.

	2014	2013
	£000	£000
Shareholders' equity	**47,462**	41,883
Adjustments to regulatory basis		
Other adjustments to restate these amounts to a regulatory basis	**(25,191)**	(19,202)
Total available capital resources on regulatory basis	**22,271**	22,681

NOTES ON THE FINANCIAL STATEMENTS (continued)

12. Creditors

All creditors are payable within one year.

	2014	2013
	£000	£000
Amount due to group undertakings	4,316	4,278
Tax payable	—	49
	4,316	4,327

The amount owed to group undertakings as at 31 December 2014 represents a sum of £4.3m (2013: £4.3m), which represents one commercial loan (including interest at 12 months LIBOR cumulative) repayable to Prudential plc. The loan and interest on the loan are repayable at any time at the request of either party.

13. Related party transactions

The Company has taken advantage of the exemption under paragraph 8(k) of Financial Reporting Standard 101 (FRS101) from disclosing transactions with other subsidiary undertakings of the Prudential Group. There were no other transactions with related parties.

14. Immediate and ultimate parent company

The immediate parent company is The Prudential Assurance Company Limited. The ultimate parent company is Prudential plc which is the only parent company which prepares group accounts. Copies of these accounts can be obtained from the Company Secretary, Laurence Pountney Hill, London EC4R 0HH.

15. Assets and liabilities

A. Assets and liabilities – classification and measurement

All assets are designated as either fair value through profit and loss or loans and receivables. Liabilities are designated as amortised cost.

2014	Fair value through profit and loss	Cost / Amortised Cost	Total carrying value	Fair value where applicable
	£000	£000	£000	£000
Investments in group undertakings	26,115	—	26,115	26,115
Debt securities	17,967	—	17,967	17,967
Other debtors	—	4,549	4,549	4,549
Cash at bank and in hand	—	2,886	2,886	2,886
Accrued investment income	—	261	261	261
Total assets	44,082	7,696	51,778	
	£000	£000	£000	£000
Other creditors	—	4,316	4,316	4,316
Total liabilities	—	4,316	4,316	

2013 Restated for FRS 101	Fair value through profit and loss	Cost / Amortised Cost	Total carrying value	Fair value where applicable
	£000	£000	£000	£000
Investments in group undertakings	20,601	—	20,601	20,601
Debt securities	18,264	—	18,264	18,264
Other debtors	—	4,507	4,507	4,507
Cash at bank and in hand	—	2,708	2,708	2,708
Accrued investment income	—	130	130	130
Total assets	38,865	7,345	46,210	
	£000	£000	£000	£000
Other creditors	—	4,327	4,327	4,327
Total liabilities	—	4,327	4,327	

B. Financial assets and liabilities - determination of fair value

The fair values of the financial assets and liabilities included in the table above have been determined on the following bases.

The fair values of the financial instruments are determined by the use of current market bid prices for quoted investments. The fair value of the investment in group undertakings is determined by the performance and financial position of the Company's subsidiary undertaking.

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

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

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

Level 1 principally includes national government bonds unless there is evidence that trading in a given instrument is so infrequent that the market could not possibly be considered active.

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

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

Level 3 includes the Company's investments in group undertakings.

A fair value hierarchy has not been produced for items held at amortised cost where a fair value is disclosed because the carrying value approximates to the fair value.

	31 December 2014			
	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Investments in group undertakings	—	—	26,115	26,115
Debt securities	17,967	—	—	17,967
Total	17,967	—	26,115	44,082
Percentage total	41%	0%	59%	100%

	31 December 2013 Restated for FRS 101			
	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Investments in group undertakings	—	—	20,601	20,601
Debt securities	18,264	—	—	18,264
Total	18,264	—	20,601	38,865
Percentage total	47%	0%	53%	100%

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

The following table reconciles the value of level 3 financial instruments at 1 January 2014 to that presented at 31 December 2014.

2014	**At 1 Jan 2014**	**Total gains or (losses) in non technical account**	**At 31 Dec 2014**
	£000	**£000**	**£000**
Investments in group undertakings	**20,601**	**5,514**	**26,115**

2013 Restated for FRS 101	At 1 Jan 2013	Total gains or (losses) in non technical account	At 31 Dec 2013
	£000	£000	£000
Investments in group undertakings	18,416	2,185	20,601

Transfers between level 1 and level 2

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

Exposure to sovereign debt and bank debt

The Company exposure to UK sovereign debt held in non-linked funds is £18.0m (2013: £18.3m). The Company holds no foreign sovereign debt securities or bank debt securities.

C. Market Risk

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

NOTES ON THE FINANCIAL STATEMENTS (continued)

Market risk comprises three types of risk, namely:
- Interest rate risk: due to changes in market interest rates,
- Currency risk: due to changes in foreign exchange rates, and
- Other price risk: due to fluctuations in market prices (other than those arising from interest rate risk or currency risk).

The Company's business is principally acting as a holding company. The financial assets are subject to market risk. The liabilities of the Company are broadly insensitive to market risk.

(i) Interest rate risk

The following table shows an analysis of the classes of financial assets with direct exposure to interest rate risk. Each applicable class of the Company's assets are analysed between those exposed to fair value interest rate risk and those exposed to cash-flow interest rate. Interest rate risk is minimal for the shareholder assets as the deposits are all less than one month.

2014	**Fair value interest rate risk £000**	**Cash flow interest rate risk £000**	**Total £000**
Financial Assets			
Debt securities	17,967	—	17,967
Cash at bank and in hand	—	2,886	2,886
	17,967	2,886	20,853

2013	Fair value interest rate risk £000	Cash flow interest rate risk £000	Total £000
Financial Assets			
Debt securities	18,264	—	18,264
Cash at bank and in hand	—	2,708	2,708
	18,264	2,708	20,972

(ii) Currency risk

The Company does not hold any financial assets or liabilities in currencies other than the functional currency, Sterling.

(iii) Other price risk

The Company does not hold any investment property or equity securities other than it's subsidiary, so is not exposed to other price risk.

D. Liquidity Risk

Sensitivity to interest rate movement

The estimated sensitivity of the Company to a movement in interest rates (including assumed investment returns for all asset classes, market values of debt securities and all risk discount rates) of 1% and 2% is as follows:

	31 December 2014			
	Fall of 1% £000	**Fall of 2% £000**	**Rise of 1% £000**	**Rise of 2% £000**
Carrying value of debt securities	122	244	(122)	(244)
Related tax effects	(26)	(52)	26	52
Net sensitivity of profit after tax and shareholders' funds	96	192	(96)	(192)

	31 December 2013			
	Fall of 1%	Fall of 2%	Rise of 1%	Rise of 2%
	£000	£000	£000	£000
Carrying value of debt securities	59	118	(59)	(118)
Related tax effects	(14)	(27)	14	27
Net sensitivity of profit after tax and shareholders' funds	45	91	(45)	(91)

E. Derivatives and hedging

As at 31 December 2014, the Company held no derivatives or forward contracts (2013: nil).

F. Credit Risk

(i) Concentration of credit risk

The following table summarises by rating the securities held by the Company as at 31 December 2014 and 2013.

	2014	2013
	£000	£000
AA	**17,967**	18,264
Total assets bearing credit risk	**17,967**	18,264

16. Financial risk management

The Company's business involves the acceptance and management of risk. The Company has in place a risk management process, which is undertaken in accordance with the Group Risk Framework adopted by the Prudential Group.

A number of risk factors affect the Company's operating results and financial condition. The financial risk factors affecting the Company include the effects of market risk, credit risk and liquidity risk on the financial instruments of the Company.

The predominant financial risks faced by the Company relate to it's 100% owned subsidiary, Prudential Vietnam Finance Company Limited and holdings in UK gilts.

(a) Market risk

Market risk is the risk of loss or adverse change in the financial condition of the Company, resulting directly or indirectly from fluctuations in the level and/or volatility of market prices of assets and liabilities and changes in interest rates and exchange rates.

The Company's holdings in UK gilts are exposed to adverse movements in interest rates.

The principal activity of the Company's subsidiary is the provision of credit products and personal finance services in Vietnam. There is currency risk associated with the subsidiary's operations (denominated in the local currency) arising due to the volatility of the Vietnamese Dong and the impact that has on the value of the subsidiary's assets and liabilities.

(b) Credit risk

Credit risk is the risk that a counterparty or an issuer of securities, which the Company holds in its asset portfolio, defaults or another party fails to perform according to the terms of the contract.

The principal activity of the Company's subsidiary is the provision of credit products and personal finance services in Vietnam. The subsidiary's operations are subject to credit risk on the loans that they have advanced to individuals.

(c) Liquidity risk

Liquidity risk is the risk that the Company although solvent on a balance sheet basis is not able to liquidate assets in a timely manner to meet its cash obligations as they fall due or can access liquidity only at excessive cost.

The principal activity of the Company's subsidiary is the provision of credit products and personal finance services in Vietnam. There is liquidity risk associated with the subsidiary's operations arising due to the differing maturity profiles of the asset and liability portfolios and also due to the risk of customers defaulting on their loan arrangements.