

Registered number: 1048359

M&G FA Limited

Annual Report and Financial Statements

For the Year Ended 31 December 2021

TUESDAY

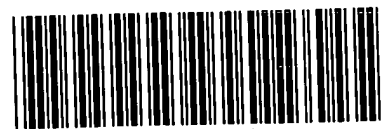


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COMPANIES HOUSE

M&G FA Limited

Company Information

Directors	R Thomson (resigned 27 April 2021) C J Bousfield (resigned 6 December 2021) M Howells (appointed 19 July 2021) S Moffatt (appointed 19 July 2021) P D Cooper (appointed 19 July 2021, resigned 25 April 2022) L Bullen (appointed 19 July 2021) S A Fitzgerald (appointed 4 April 2022)
Company secretary	M&G Management Services Limited
Registered number	1048359
Registered office	10 Fenchurch Avenue London EC3M 5AG
Independent auditor	KPMG LLP 15 Canada Square London E14 5GL

M&G FA Limited

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M&G FA Limited

Strategic Report For the Year Ended 31 December 2021

Business review

M&G FA Limited (the 'Company') is a member of the M&G plc group, the UK and international savings and investments business. The Company is a member of the sub group headed by M&G Group Limited ("M&G" or the "M&G Group") and is an indirect subsidiary of M&G plc.

The principal activity of the Company is the management of the operating subsidiaries of the M&G Group. The subsidiary undertakings undertake the management of collective vehicles (unit trusts, OEICs, SICAVs and investment trusts), investment management and related activities. The Company bears the costs of the M&G Group undertakings and recharges these to the operating subsidiaries. It also earns income from shareholdings in, and loans to, other group companies.

The profit before tax for the Company for the year was £176,768,000 (2020: £247,175,000). Further details of the results for the year are set out in the Profit and Loss Account and Other Comprehensive Income statement shown on page 16.

Branches

As at the reporting date the Company includes a tax branch in Ireland.

Principal risks and uncertainties

Overview

The Company is subject to M&G plc 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 M&G plc Group are designed to manage, rather than eliminate, the risk of failure to meet business objectives. The Company generates shareholder value by taking exposure to risks where such risks are adequately rewarded, and can be appropriately quantified and managed to safeguard the Company's ability to meet commitments to customers, comply with regulations, and protect its reputation.

The RMF requires all entities within the M&G plc Group, including the Company, to establish processes for identifying, measuring, managing, monitoring and reporting key risks. The RMF is designed to manage risk within agreed appetite levels which are aligned to delivering the Company and M&G plc Group strategy for customers, clients and shareholders. The RMF is approved by the M&G plc Group Risk Committee and operates based on the concept of three lines of defence: (1) risk identification and management; (2) risk oversight, advice and challenge; and (3) independent assurance.

The Company is exposed to a number of risks. Some are inherent in conducting the Company's principal activities and are not unique; others are unique and result from business strategy and structure. The outcome of risks may result in harm to customer and clients, the firm and / or the market. These risks may be categorised as follows:

Business environment risk

The Company acknowledges and accepts its exposure to business environment risk. Senior management continually assess the business environment and will take appropriate measures when necessary.

Strategic Report (continued)
For the Year Ended 31 December 2021

Principal risks and uncertainties (continued)

Operational risk and resilience

The Company defines operational risk as the risk of financial and non-financial impact (for example, regulatory and reputational) resulting from inadequate or failed internal processes, or from personnel and systems, or from external events. The Company does not actively seek to take operational risk to generate returns. Instead, it accepts a level of risk that means the controls in place should prevent material impacts but should also not excessively restrict business activities. The Company has a robust risk management framework, established risk governance arrangements and effective risk management processes to ensure appropriate challenge and oversight of operational risk exposures and continued effectiveness of controls in the context of risk appetite.

Financial risk

Financial risk is the risk that the Company is unable to maintain adequate capital and liquidity to meet its clients' and stakeholders' requirements under normal and stressed conditions. Financial risk encompasses credit and liquidity.

Credit risk is the exposure to loss arising from counterparty's failure to meet its contractual obligations, either as a result of business failure or intentional withholding of amounts due. In order to help ensure the profitability and solvency of the Company, the Company provides ongoing monitoring of key credit risk exposures on its balance sheet and actively manages these exposures via established governance forums.

Liquidity risk is the risk that the Company, although solvent, does not have available financial resources to enable it to meet its obligations as they fall due, or that the Company can secure such resources only at excessive cost. The Company expects to hold sufficient liquidity to ensure the continuity of its business under normal and stressed conditions.

Ukraine conflict

The conflict in Ukraine has the potential to impact our risk profile including but not limited to: adverse and volatile economic and market conditions; impacts on investment performance and underlying assets; increased cyber risk; and regulatory risk from sanctions. The uncertainties around these impacts requires us to continually monitor and assess developments. We have responded to events by mobilising resources and standing up incident response protocols. The impact on assets under management and in turn revenue is not considered significant.

Capital requirements and conflict management

In accordance with the Capital Requirements Directive, the Pillar 3 disclosures for the M&G Group, along with the M&G Group's compliance with the provisions of the FCA's Remuneration Code, are published on the Internet at:

<https://www.mandgplc.com/~media/Files/M/MandG-Plc/documents/mandg-investments-policies/MGG-Pillar-3-Disclosures-as-at-31-Dec-2020.pdf>

The M&G Group operates administrative and organisational arrangements to identify and manage conflicts of interest that might adversely affect its clients including:

- effective procedures to restrict the exchange of information where such exchange might harm clients;
- effective segregation of duties with appropriate supervision; and
- charging and remuneration policies that are reasonably designed to align the long-term interests of the Company, employees and clients.

Strategic Report (continued)
For the Year Ended 31 December 2021

Section 172(1) Statement

Section 172 of the Companies Act 2006 requires a director of a company to act in the way they consider, in good faith, would most likely promote the success of the Company for the benefit of its members as a whole. In doing this section 172 requires a director to have regard, amongst other matters, to the:

- likely consequences of any decisions in the long-term;
- interests of the Company's employees;
- need to foster the Company's business relationships with suppliers, customers and others;
- impact of the Company's operations on the community and environment;
- desirability of the Company maintaining a reputation for high standards of business conduct, and
- need to act fairly as between members of the Company.

In discharging the section 172 duties the Directors have regard to the factors set out above. It is also recognised that the matters considered as a Board can have unique characteristics. It can be required to have regard to additional factors which are relevant to the specific matter under consideration. There is an acknowledgement from the Board that the relative importance of each factor considered will vary depending on the decision being taken. Across all decisions, the Board is mindful of the Company's purpose, regulatory obligations, strategic priorities and alignment with the M&G plc overarching culture, vision and values.

As is normal for large companies, authority for day to day management of the Company is delegated to executives and management is then engaged with execution of the business strategy and related policies. Financial and operational performance as well as risk are reviewed by the Board at each regular Board meeting. Other areas are also reviewed over the course of the financial year including the Company's business strategy; financial reporting; key risks; stakeholder related matters; diversity and inclusivity; environmental matters; corporate responsibility; material outsource partners and, governance, compliance and legal matters. This is done through the consideration and discussion of reports which are sent in advance of each Board meeting and through presentations to the Board.

The Company's key stakeholders are its ultimate beneficial owner, M&G plc, and the stakeholder groups set out in M&G plc's Annual Report. The views and impact of the Company's activities on those stakeholders are an important consideration for the Directors when making relevant decisions. While there are cases where the Board itself judges that it should engage directly with certain stakeholder groups on certain issues, for example, interaction with regulators, the size and spread of both stakeholders and the M&G plc Group means that other stakeholder engagement takes place at Group level. It has been found that as well as being a more efficient and effective approach, this also helps to achieve a greater positive impact on environmental, social and other issues than by working alone as an individual Company. For details on the some of the engagement that takes place with the Company's stakeholders please refer to the M&G plc 2021 Annual Report.

During the period, information has been provided to enhance the understanding of the interests and views of the Company's key stakeholders and other relevant factors when making decisions. This information was distributed in a range of different formats including in reports and presentations on financial and operational performance, non-financial key performance indicators, risk and environmental, social and governance matters. As a result of this, there has been an overview of engagement with stakeholders and other relevant factors which allows the Directors to understand the nature of the stakeholders' concerns and to comply with section 172 duty to promote the success of the Company.

Strategic Report (continued)
For the Year Ended 31 December 2021

Principal Decision

Set out below is an example of how the Directors have had regard to the matters set out in section 172(1)(a)-(f) have been regarded when discharging the section 172 duty and the effect of that on decisions taken. Principal decisions are defined as both those that are material to the Company, but also those that are significant to any key stakeholders. In making the following principal decisions, the Board considered the relevant impact on stakeholders as well as the need to maintain a reputation for high standards of business conduct:

Principal decision – dividends to parent

Each year the Board makes an assessment of the strength of the Company's balance sheet and future prospects relative to uncertainties in the external environment and makes decisions about the payment of dividends. In 2021, the Board decided to pay dividends totaling £142m to its parent, M&G Group Limited. In making these decisions the Board received detailed financial planning materials and considered a range of factors. These factors included any impact on the Company in the short to medium term as well as the long-term viability of the Company; its expected cash flow and financing requirements; and the ongoing need for strategic investment in the business, the activities of its subsidiaries, including the workforce and the expectations of its parent, M&G plc.

Financial key performance indicators

Administrative expenses

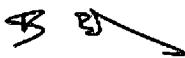
Administrative expenses increased by 4% from £634,559,000 in 2020 to £662,648,000 in 2021, primarily driven by an increase in transformational project costs.

Net assets and financial position

The Company's net assets have increased by 15% to £514,696,000 in 2021 from £447,047,000 in 2020 as a result of profits being in excess of dividends paid.

The current asset ratio as at 31 December 2021 is 1.3:1 compared with 1.1:1 as at 31 December 2020.

This report was approved by the board and signed on its behalf.



M&G Management Services Limited
Company Secretary

Date: 07 June 2022

M&G FA Limited

**Directors' Report
For the Year Ended 31 December 2021**

The Directors present their report and the financial statements for the year ended 31 December 2021.

Directors' responsibilities statement

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 the Directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 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 accounting 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.

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 are responsible for 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, 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.

Results and dividends

The profit for the year, before taxation, amounted to £176,768,000 (2020: £247,175,000).

Dividends paid in the year amounted to £142,000,000 (2020: £185,000,000).

Directors

The Directors who served during the year were:

R Thomson (resigned 27 April 2021)
C J Bousfield (resigned 6 December 2021)
M Howells (appointed 19 July 2021)
S Moffatt (appointed 19 July 2021)
P D Cooper (appointed 19 July 2021, resigned 25 April 2022)
L Bullen (appointed 19 July 2021)

Directors' Report (continued)
For the Year Ended 31 December 2021

Political contributions

The Company made no political contributions during the year (2020: £nil)

Charitable donations

During the year the Company made charitable donations of £nil (2020: £nil).

Employment policies

The M&G Group relies heavily on the quality of key talent and management in each of the regions and countries in which it operates. The success of M&G's operations is dependent on, amongst other things, the ability to attract and retain highly qualified professional people. Competition for highly qualified professional people in most countries in which the M&G Group operates is intense. The M&G Group's ability to attract and retain key people is dependent on a number of factors, including prevailing market conditions, culture and working environment and compensation packages offered by companies competing for the same talent.

The Group is committed to providing all employees with a safe, healthy and engaging working environment. All of our leaders are accountable for ensuring our culture promotes diversity, inclusion and authenticity. To perform at their best for clients and customers, all employees need to enjoy working for the Company and be comfortable that the Company's culture is free from any form of bullying, harassment or victimisation.

In 2019 the Group launched new people policies with the simple aim of becoming a leading flexible employer which recognises that employees work to live. M&G supports all employees with the 'moments that matter' to them through either our market leading family leave policy or other types of paid leave that aim to support employees of all ages, family constructs or faiths. The policies include:

- The M&G Code of Conduct
- Our M&G values and behaviours
- Our Diversity & Inclusion strategy, policy and colleague networks
- Transitioning at Work policy (for transgender colleagues)
- Code of Ethics
- Our 'Speak Out' and 'Raising Concerns at Work' policies

Seeking feedback from employees on the Group's performance in this area is essential. There are a number of ways in which the Company achieves this including the ongoing and valued relationships with the M&G Colleague Forum, Union and through the annual One Voice colleague survey.

The Group seeks to achieve an inclusive working environment and through our Diversity and Inclusion Policy embraces difference and removes barriers to inclusivity. All employees are treated so that they have an equal opportunity, so far as is justifiable, to be selected, trained and promoted. Every reasonable effort will be made to enable disabled persons to be employed by the Group by making adjustments to roles where possible.

Both internal and external training opportunities are provided where they are appropriate to an employee's current role and/or development. Where appropriate, the Human Resources and Learning and Talent Development teams ensure that suitable arrangements can be made with regard to the venue or format of the event to enable all employees to participate.

Qualifying third party indemnity provisions

Qualifying third party indemnity provisions (as defined by section 234 of the Companies Act 2006) were accordingly in force during the course of the financial year ended 31 December 2021 for the benefit of the then Directors and, at the date of this report, are in force for the benefit of the Directors in relation to certain losses and liabilities which may occur (or have occurred) in connection with their duties, power or office.

Directors' Report (continued)
For the Year Ended 31 December 2021

Going concern

The Directors have a reasonable expectation that the Company has adequate resources to continue its operations for a period of at least 12 months from the date that the financial statements are approved. In making this assessment the Directors have considered the solvency, liquidity and operational resilience of the Company, taking into account current performance and financial position, factors likely to affect the Company's future development, and key risks in the current economic climate. Regarding solvency the Directors assessed the resilience of the Company's financial position in a high inflationary environment, and also considered different COVID scenarios taking into account the global roll out of the vaccination programme. Additionally the Directors reviewed the liquidity projections of the Company and, in a stress scenario, the ability of the M&G Group, of which the Company is a member, to access external funding sources and the management actions that could be used to manage liquidity.

The results of the assessment demonstrated the ability of the Company to meet all obligations and future business requirements for the foreseeable future. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements.

Engagement with Stakeholders

Engagement with M&G's key stakeholder groups helps foster and maintain relationships and forms an important part the wider Company's operation.

Not all stakeholder engagement is reported directly to the Board or takes place directly with the Board. However, the output of engagement across the wider Company informs business level decisions and proposals, with an overview of developments and relevant feedback being reported to the M&G Board and/or its Committees. The purpose of this is to ensure that the M&G Board can understand and consider the views of relevant stakeholders when making decisions.

The customer is at the heart of everything M&G does. Throughout 2021, the M&G Board has focused specific attention on improved customer service, ESG, sustainability and impact.

Disclosure of information to auditor

Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Post balance sheet events

On 26 April 2022 the company issued 10 million ordinary shares at a premium for a total of £6.50 per share to its immediate parent Company M&G Group Ltd.

On 2 May 2022 the Company acquired a controlling stake in responsAbility Investments AG, a leader in impact investing focused on private debt and private equity across emerging markets. From the date of acquisition the investment will be held as a subsidiary undertaking.

M&G FA Limited

**Directors' Report (continued)
For the Year Ended 31 December 2021**

Auditor

On 28 October 2020, the ultimate parent of the Company (M&G plc) approved the appointment of PricewaterhouseCoopers LLP (PwC) as its auditor for the year ending 31 December 2022. Consequently, KPMG LLP will resign as the Company's statutory auditor at the conclusion of the 2021 audit and the Company will resolve to appoint PwC, subject to shareholder approval at the M&G plc 2022 Annual General meeting.

This report was approved by the Board and signed on its behalf.

A handwritten signature in black ink, appearing to be 'S B' followed by a long horizontal stroke.

M&G Management Services Limited
Company Secretary

Date: 07 June 2022

Independent Auditor's Report to the Members of M&G FA Limited

Opinion

We have audited the financial statements of M&G FA Limited (the "Company"), which comprise the balance sheet as at 31 December 2021, the statements of profit or loss account and other comprehensive income and the statement of changes in equity for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion the accompanying financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of the Company's profit for the year then ended;
- are properly prepared in accordance with United Kingdom accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- 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 FRC Ethical Standards. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements (the "going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate; and
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.

Independent Auditor's Report to the Members of M&G FA Limited

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- reading minutes of meetings of those charged with governance; and
- using analytical procedures to identify any unusual or unexpected relationships.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because the Company's revenue streams are non-judgmental and simple in nature with respect to accounting policy choice, and are easily verifiable to external data sources or agreements with little or no requirement for estimation from management. We did not identify any additional fraud risks.

We performed procedures including

- Identifying journal entries and other adjustments to test based on risk criteria and comparing any identified entries to supporting documentation; and
- incorporating an element of unpredictability in our audit procedures.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with management (as required by auditing standards), and discussed with management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

The Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

The Company is subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of litigation or impacts on the Company's ability to operate. We identified Company law as being the area most likely to have such an effect. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Independent Auditor's Report to the Members of M&G FA Limited

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remains a higher risk of non-detection of fraud, as this may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

The Directors' report and Strategic 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 8, the directors are responsible for: the preparation of the financial statements including 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.

Independent Auditor's Report to the Members of M&G FA 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.

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 its members, as a body, for our audit work, for this report, or for the opinions we have formed.



Bano Sheikh (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

Date: 07 June 2022

M&G FA Limited

**Profit and Loss Account and Other Comprehensive Income
For the Year Ended 31 December 2021**

	Note	2021 £000's	2020 £000's
Turnover	3	616,228	631,911
Administrative expenses	5,6,7	(662,648)	(634,559)
Operating loss	4	(46,420)	(2,648)
Income from fixed assets investments	8	205,187	244,368
Interest receivable and similar income	9	21,147	7,741
Interest payable and similar charges	10	(3,146)	(2,286)
Profit on ordinary activities before tax		176,768	247,175
Tax on profit on ordinary activities	11	4,503	(1,611)
Profit for the financial year		181,271	245,564
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Remeasurement of defined benefit pension scheme surplus	25	36,495	(39,237)
Income tax on items that will not be reclassified to profit or loss		(8,899)	6,737
Foreign exchange reserve		(2)	(17)
		27,594	(32,517)
Total comprehensive income for the period		208,865	213,047

The notes on pages 21 to 57 form part of these financial statements.

M&G FA Limited
Registered number: 1048359

Balance Sheet
As at 31 December 2021

	Note	2021 £000's	2020 £000's
Fixed assets			
Intangible assets	13	11,028	13,619
Tangible fixed assets	14	31	118
Fixed asset investments	15	264,000	283,170
		<u>275,059</u>	<u>296,907</u>
Current assets			
Deferred tax assets: amounts falling due after more than one year	21	26,212	24,452
Debtors within one year	16	231,257	346,781
Financial asset investments	17	37,912	30,911
Held for sale	17	143,961	31,814
Bank and cash balances	18	48,121	74,559
		<u>487,463</u>	<u>508,517</u>
Creditors: amounts falling due within one year	19	(342,413)	(409,299)
Net current assets		<u>145,050</u>	<u>99,218</u>
Total assets less current liabilities		<u>420,109</u>	<u>396,125</u>
Creditors: amounts falling due after more than one year	20	(32,395)	(52,677)
		<u>387,714</u>	<u>343,448</u>
Provision for liabilities			
Deferred tax	21	(43,193)	(26,169)
Other provisions	22	—	(4,921)
		<u>(43,193)</u>	<u>(31,090)</u>
Net assets excluding pension scheme surplus		<u>344,521</u>	<u>312,358</u>
Pension scheme surplus	25	170,175	134,689
Net assets		<u><u>514,696</u></u>	<u><u>447,047</u></u>

M&G FA Limited
Registered number: 1048359

Balance Sheet (continued)
As at 31 December 2021

	Note	2021 £000's	2020 £000's
Capital & Reserves			
Called up share capital	23	9,360	9,360
Share premium account		30,115	30,115
Pension reserve		24,985	(2,611)
Foreign exchange reserve		(19)	(17)
Profit and loss account		450,255	410,200
		<u>514,696</u>	<u>447,047</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

S A Fitzgerald

S A Fitzgerald
Director

Date: 07 June 2022

The notes on pages 21 to 57 form part of these financial statements.

M&G FA Limited

Statement of Changes in Equity
For the Year Ended 31 December 2021

	Share capital	Share premium account	Foreign exchange reserve	Pension reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000	£000
At 1 January 2021	9,360	30,115	(17)	(2,611)	410,200	447,047
Comprehensive income for the year						
Profit for the year	—	—	—	—	181,271	181,271
Remeasurement of defined benefit pension scheme surplus (note 25)	—	—	—	36,495	—	36,495
Currency translation differences	—	—	(2)	—	—	(2)
Deferred tax on remeasurement of defined benefit pension scheme	—	—	—	(8,899)	—	(8,899)
Total comprehensive income for the year	—	—	(2)	27,596	181,271	208,865
Dividends	—	—	—	—	(142,000)	(142,000)
Share-based payments	—	—	—	—	1,794	1,794
Deferred tax on share-based payments	—	—	—	—	(1,022)	(1,022)
Current tax movement	—	—	—	—	12	12
At 31 December 2021	9,360	30,115	(19)	24,985	450,255	514,696

The notes on pages 21 to 57 form part of these financial statements.

M&G FA Limited

Statement of Changes in Equity
For the Year Ended 31 December 2020

	Share capital	Share premium account	Foreign exchange reserve	Pension reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000	£000
At 1 January 2020	9,360	30,115	—	29,889	347,206	416,570
Comprehensive income for the year						
Profit for the year	—	—	—	—	245,564	245,564
Remeasurement of defined benefit pension scheme surplus (note 25)	—	—	—	(39,237)	—	(39,237)
Currency translation differences	—	—	(17)	—	—	(17)
Deferred tax on remeasurement of defined benefit pension scheme	—	—	—	6,737	—	6,737
Total comprehensive income for the year	—	—	(17)	(32,500)	245,564	213,047
Dividends	—	—	—	—	(185,000)	(185,000)
Share-based payments	—	—	—	—	941	941
Deferred tax on share-based payments	—	—	—	—	1,489	1,489
At 31 December 2020	9,360	30,115	(17)	(2,611)	410,200	447,047

The notes on pages 21 to 57 form part of these financial statements.

**Notes to the Financial Statements
For the Year Ended 31 December 2021**

1. Accounting policies

1.1 Basis of preparation of financial statements

M&G FA Limited (the "Company") is a company incorporated and domiciled in the UK.

The financial statements have been prepared under the historical cost convention except that the following assets and liabilities are stated at their fair value: derivative financial instruments, financial instruments classified as fair value through the profit or loss, and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of UK-adopted international accounting standards ("Adopted IFRSs"), 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.

The preparation of financial statements in compliance with FRS 101 can require the use of certain critical accounting estimates (Note 2).

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.

1.2 Financial reporting standard 101 – reduced disclosure exemptions

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

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share-based payment
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - paragraph 79(a)(iv) of IAS 1
 - paragraph 73(e) of IAS 16 Property, Plant and Equipment
 - paragraph 118(e) of IAS 38 Intangible Assets
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- the requirements in IAS 24 to disclose compensation of Key Management Personnel; and
- the requirements of IAS 24 to disclose transactions with a management entity that provides key management personnel services to the Company.

The Company is a subsidiary undertaking of M&G plc which is the ultimate parent company incorporated in England and Wales. Consolidated financial statements are prepared by M&G plc and copies of these are available to the public and may be obtained from the registered office at 10 Fenchurch Avenue, London, EC3M 5AG.

**Notes to the Financial Statements
For the Year Ended 31 December 2021**

1. Accounting policies (continued)

1.2 Financial reporting standard 101 – reduced disclosure exemptions (continued)

As the consolidated financial statements of M&G plc include the equivalent disclosures the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

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

1.3 Going concern

The Directors have a reasonable expectation that the Company has adequate resources to continue its operations for a period of at least 12 months from the date that the financial statements are approved. In making this assessment the Directors have considered the solvency, liquidity and operational resilience of the Company, taking into account current performance and financial position, factors likely to affect the Company's future development, and key risks in the current economic climate. Regarding solvency the Directors assessed the resilience of the Company's financial position in a high inflationary environment, and also considered different COVID scenarios taking into account the global roll out of the vaccination programme. Additionally the Directors reviewed the liquidity projections of the Company and, in a stress scenario, the ability of the M&G Group, of which the Company is a member, to access external funding sources and the management actions that could be used to manage liquidity.

The results of the assessment demonstrated the ability of the Company to meet all obligations and future business requirements for the foreseeable future. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements.

1.4 Foreign currency

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transaction and balances

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated back to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

**Notes to the Financial Statements
For the Year Ended 31 December 2021**

1. Accounting policies (continued)

1.4 Foreign currency (continued)

Exchange differences arising from this translation of foreign operations are reported as an item of other comprehensive income and accumulated in the foreign exchange reserve or non-controlling interest, as the case may be.

1.5 Turnover

Turnover principally represents the recharge of costs borne on behalf of other group undertakings.

Carried interest revenue is based on the achievement of prescribed performance hurdles. It is only recognised when the performance obligations are satisfied or upon the crystallisation event occurring and when it is highly probable that a significant reversal will not occur.

1.6 Interest receivable and similar income

Interest receivable is recognised in profit or loss as it accrues.

Foreign currency gains are reported on a net basis, if applicable. Interest income and net gains on financial assets designated at fair value through profit or loss or held for sale are recognised in the profit and loss account as they accrue.

1.7 Interest payable and similar charges

Interest payable is recognised in profit or loss as it accrues.

Foreign currency losses are reported on a net basis, if applicable. Net losses on financial assets designated at fair value through profit or loss or held for sale are recognised in the profit or loss account as they accrue.

1.8 Taxation

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 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 will be provided where there are temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

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.

Notes to the Financial Statements
For the Year Ended 31 December 2021

1. Accounting policies (continued)

1.8 Taxation (continued)

The calculation of the total tax charge inherently involves a degree of estimation and judgement. The positions taken in tax returns, where applicable tax regulation is subject to interpretation, are recognised in full in the determination of the tax charge in the financial statements if the Company considers that it is probable that the taxation authority will accept those positions. Otherwise, the Company considers an uncertain tax position to exist and a provision is recognised to reflect that a taxation authority, upon review of the positions, could alter the tax returns. From recognition, the provision is measured based on management's judgement and estimate of the likely amount of the liability or recovery. This is achieved by providing for the single best estimate of the most likely outcome or the weighted average expected value where there are multiple possible outcomes, taking into account external advice where appropriate. Each uncertain tax treatment is considered separately or together as a group, depending on management's judgement as to which approach better predicts the resolution of the uncertainty. It is assumed that tax authorities will examine the uncertain tax treatments and they have full knowledge of all related information. The judgments and estimates made to recognise and measure the effect of uncertain tax positions are reassessed whenever circumstances change or when there is new information that affects those judgments.

1.9 Dividends

Equity dividends are recognised when they become legally payable.

1.10 Intangible assets

Expenditure on internally generated goodwill and brands is recognised in the profit and loss account as an expense as incurred.

Other intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and less accumulated impairment losses.

Amortisation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date they are available for use.

The estimated useful lives range as follows:

Placement agent fees	-	life of funds
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1.11 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of property, plant and equipment.

Notes to the Financial Statements
For the Year Ended 31 December 2021

1. Accounting policies (continued)

1.11 Tangible fixed assets (continued)

Depreciation is charged to the income statement on a straight line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives are as follows:

Leasehold improvements	5 – 10 years
Equipment and fittings	5 – 7 years
Motor vehicles	4 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

1.12 Intra group financial instruments

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within the M&G Group, the Company considers these to be insurance arrangements. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

1.13 Pensions

The Company participates in a M&G Group wide defined benefit pension plan ("the M&G Group Pension Scheme"), and a small unfunded defined benefit plan which has two members. These schemes are all closed to new members.

For those employees who are not members of the defined benefit schemes, contributions are made by the Company to a defined contribution plan.

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets (at bid price) are deducted. The Company determines the net interest on the net defined benefit asset for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit asset. The discount rate is the yield at the reporting date on bonds that have a credit rating of at least AA, maturity dates approximating to the terms of the Company's obligations and that are denominated in the currency in which the benefits are expected to be paid.

**Notes to the Financial Statements
For the Year Ended 31 December 2021**

1. Accounting policies (continued)

1.13 Pensions (continued)

Remeasurements arising from defined benefit plans comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The Company recognises them immediately in other comprehensive income and all other expenses related to defined benefit plans in employee benefit expenses in profit or loss.

When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised immediately in profit or loss when the plan amendment or curtailment occurs.

The calculation of the defined benefit obligation is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognised asset is limited to the present value of benefits available in the form of any future refunds from the plan or reductions in future contributions and takes into account the adverse effect of any minimum funding requirements.

The Company recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs. The gain or loss on a settlement is the difference between the present value of the defined benefit obligation being settled as determined on the date of settlement and the settlement price, including any plan assets transferred and any payments made directly by the Company in connection with the settlement.

1.14 Short term employee benefit

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short term cash bonus or profit sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past services provided by the employee and the obligation can be estimated reliably.

1.15 Long term incentive plans (LTIP)

Long-term incentive plans are long-term bonus schemes earned over more than one year, linked to business or fund performance. Long-term incentive plans are measured on an undiscounted basis and are expensed over the amortisation period. A liability is recognised for the amount expected to be paid under long term incentive plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

1.16 Share based payments

All share-based payments made to employees for services rendered are measured based on the fair value of the equity instrument granted. The fair value takes into account the impact of market-based vesting conditions and non-vesting conditions, but excludes any impact of non-market-based vesting conditions. The related share-based payment expense is recognised over the vesting period. The fair value may be determined using an option pricing model such as Black-Scholes or a Monte Carlo simulation where appropriate, taking into account the terms and conditions of the award.

For equity-settled share-based payments, the fair value of service rendered is based on the fair value of the equity instrument at grant date, which is not remeasured subsequently. The share-based payment expense is recognised over the vesting period and is based on the number of equity instruments expected to vest, with the corresponding entry to equity.

Notes to the Financial Statements
For the Year Ended 31 December 2021

1. Accounting policies (continued)

1.16 Share based payments (continued)

A cancellation of an award without the grant of a replacement equity instrument is accounted for as an acceleration of vesting. Accordingly, any share-based expense that would have been recognised over the remaining vesting period is recognised immediately.

Where replacement equity instruments are granted to employees in place of the cancelled equity instruments, the replacement award is treated as a modification of the original award. At the point of replacement, the awards are remeasured to the fair value at the date of replacement, which forms the basis of recognising the expense over the remaining vesting period.

1.17 Provisions for liabilities

A provision is recognised on the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, which can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

1.18 Non-current assets held for sale

The Company classifies assets as held for sale when the carrying amount is expected to be recovered through a sale transaction usually within one year and management are committed to the sale.

Assets held for sale are shown separately on the balance sheet and are measured at the lower of their carrying amount and their fair value less costs to sell. No depreciation or amortisation is charged on an asset which is classified as held for sale.

1.19 Financial instruments

(i) Recognition and initial measurement

Trade receivables issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit and loss, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

(a) Classification

On initial recognition, a financial asset is classified as measured at: amortised cost.

Financial assets are not reclassified subsequent to their initial recognition unless the Company 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.

Notes to the Financial Statements
For the Year Ended 31 December 2021

1. Accounting policies (continued)

1.19 Financial instruments (continued)

A financial asset is measured at amortised cost if it meets both of the following conditions:

- 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.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment by investment basis.

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit and loss.

Investments in associates and subsidiaries are accounted for at cost less impairment.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management.

(b) Subsequent measurement and gains and losses

- Financial assets at fair value through profit and loss - These assets 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 - These assets 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 derecognition is recognised in profit or loss.

Financial liabilities and equity

Financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- they include no contractual obligations upon the group 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 group; and
- where the instrument will or may be settled in the group's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the group's own equity instruments or is a derivative that will be settled by the group's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the group's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Notes to the Financial Statements
For the Year Ended 31 December 2021

1. Accounting policies (continued)

1.19 Financial instruments (continued)

Financial liabilities are classified as measured at amortised cost and are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit and loss. Any gain or loss on derecognition is also recognised in profit and loss.

Impairment

The Company recognises loss allowances for expected credit losses on financial assets measured at amortised cost. Loss allowances are measured at an amount equal to lifetime expected credit losses, except for other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition, which are measured as 12 month expected credit loss. Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime expected credit loss.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward looking information.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument. 12 month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months) The maximum period considered when estimating expected credit losses is the maximum contractual period over which the group is exposed to credit risk.

Measurement of expected credit losses

Expected credit losses 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 group expects to receive). Expected credit losses are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the group assesses whether financial assets carried at amortised cost are credit impaired. A financial asset is 'credit impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Write-offs

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.

Notes to the Financial Statements
For the Year Ended 31 December 2021

1. Accounting policies (continued)

1.20 Adopted IFRS not yet applied

The following UK-adopted IFRSs have been issued but have not been applied in these financial statements. Their adoption is not expected to have a material effect on the financial statements unless otherwise indicated:

- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current (effective date deferred to no earlier than 1 January 2024).
- Amendments to IAS 37: Onerous Contracts—Cost of Fulfilling a Contract (effective date 1 January 2022).
- Amendments to References to the Conceptual Framework in IFRS 3 (effective date 1 January 2022).
- Amendments to IAS 16: Property, Plant and Equipment—Proceeds before Intended Use (effective date 1 January 2022).
- Annual Improvements to IFRS Standards 2018-2020 (effective date 1 January 2022).
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to introduce a new definition for accounting estimates (effective date 1 January 2023).
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statements 2 Making Materiality Judgements (effective date 1 January 2023).
- Interest Rate Benchmark Reform—Phase 2—Amendments to IFRS 9, IAS 39, and IFRS 7
- Amendments to IAS 12 Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (effective date 1 January 2023).

The Company is not expecting these pronouncements to have a significant impact on the Company's financial statements.

2. Accounting estimates and judgements

In the process of applying the accounting policies listed above, key assumptions and judgements have been made at the balance sheet date. The estimates and judgements that could have a significant effect on the carrying amounts of assets and liabilities are:

Estimates

Trade and other payables – long term incentive plans

The Group's Long-Term Incentive Plan (LTIP) are long-term employee benefits. Long-term employee benefit liabilities include the constructive obligation to employees from past practice and are subject to the achievement of performance criteria, typically over a period of not less than three years. In particular, the long-term employee benefit liability measurement may include assumptions regarding vesting conditions and the performance of each employee's business unit and/or performance of M&G funds that each respective employee directly influences.

Pension schemes

The costs and obligations under defined benefit pension plans are determined using actuarial valuations. Actuarial valuations contain assumptions including expected returns on assets, future salary increases, mortality rates, future pension increases and discount rates. Due to the long-term nature of the defined benefit plans, such estimates are subject to significant uncertainty. M&G plc annual accounts provides further details on defined benefit pension plan assumptions and estimates. Further assumptions have been used to calculate the allowance for the Company's guaranteed minimum pension equalisation. The Company has a projected unit credit method using unbiased assumptions, in accordance with IAS 19 requirements for the M&G Group Pension Scheme and in line with group policy.

**Notes to the Financial Statements
For the Year Ended 31 December 2021**

2. Accounting estimates and judgements (continued)

Judgements

Seed capital investments are investments issued by the Company for the purpose of supporting new investment strategies. The Company undertakes a full assessment of individual investments to determine the correct treatment within the Company financial statements. Where there is determined to be an intention to divest within 12 months of the balance sheet date, these investments are classified as held for sale under IFRS 5. If the intention is to hold the seed capital for longer than 12 months and it is concluded that the Company has control the investment will be treated as a subsidiary. If it is concluded that the Company does not control the fund then the investment will be treated as a fair value through profit or loss investment under IFRS 9.

3. Analysis of Turnover

An analysis of turnover by class of business is as follows:

	2021	2020
	£000	£000
Intercompany recharges	600,720	576,212
Other income	12,942	15,594
Carried interest	2,566	40,105
	616,228	631,911

All turnover arose within the United Kingdom.

4. Notes to the Profit and Loss Account

Included in profit or loss are the following:

	2021	2020
	£000	£000
Depreciation of tangible fixed assets	19	230
Amortisation of intangible assets	2,469	3,067
Loss on sale of tangible assets	(7)	—
	2,481	3,297

5. Auditor's remuneration

Amounts receivable by the Company's auditor and its associates in respect of services to the Company and its associates, other than the audit of the Company's financial statements, 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, M&G Group plc.

Amounts receivable by the Company's auditor and its associates in respect of the audit of financial statements of associated pension schemes is £24,967 (2020: £24,000).

M&G FA Limited

**Notes to the Financial Statements
For the Year Ended 31 December 2021**

6. Employees

Staff costs, including directors' remuneration, were as follows:

	2021	2020
	£000	£000
Wages and salaries	254,324	274,943
Social security costs	33,474	36,098
Defined benefit scheme	6,546	4,437
Defined contribution scheme	16,168	15,849
Share-based payments	13,470	16,338
	<u>323,982</u>	<u>347,665</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2021	2020
	No.	No.
Employees	<u>1,554</u>	<u>1,665</u>

7. Directors' remuneration

	2021	2020
	£000	£000
Directors' emoluments	54	107
Amounts receivable under long term incentive schemes	69	44
Company contributions to defined contribution pension schemes	33	—
	<u>156</u>	<u>151</u>

For the highest paid director the aggregate of emoluments was £23,911 (2020: £63,342) and amounts receivable under long-term incentive schemes were £36,793 (2020: £25,018). Company pension contributions of £nil (2020: £nil) were made to a defined contribution scheme on their behalf. During the year, the highest paid director exercised nil share options.

Retirement benefits are accruing to the following number of directors under:

	2021	2020
	No.	No.
Defined contribution schemes	3	—
Defined benefit schemes	1	—

M&G FA Limited

**Notes to the Financial Statements
For the Year Ended 31 December 2021**

	2021 No.	2020 No.
The number of directors who exercised share options was	1	–
The number of directors for whom shares were received or receivable under long term incentive schemes was	5	2
8. Income from investments		
	2021 £000	2020 £000
Dividends received from subsidiaries	<u>205,187</u>	<u>244,368</u>
9. Interest receivable and similar income		
	2021 £000	2020 £000
Interest receivable from group companies	1,065	1,313
Net foreign exchange gain	2,781	2,254
Net interest on net defined benefit pension plan assets	1,717	3,638
Interest income from unimpaired financial assets	416	490
Net gain on financial assets designated at fair value through profit or loss	15,168	46
	<u>21,147</u>	<u>7,741</u>
10. Interest payable and similar expenses		
	2021 £000	2020 £000
Research & development expenditure credit	142	360
Net loss on financial assets designated at fair value through profit or loss	2,436	1,850
Net foreign exchange loss	536	–
Loans from group undertakings	32	76
	<u>3,146</u>	<u>2,286</u>

M&G FA Limited

**Notes to the Financial Statements
For the Year Ended 31 December 2021**

11. Taxation

	2021	2020
	£000	£000
Corporation tax		
Current tax on profits for the year	(5,195)	1,379
Adjustments in respect of previous periods	(4,704)	2,213
	(9,899)	3,592
Foreign tax		
Foreign tax suffered	53	169
	53	169
Total current tax	(9,846)	3,761
Deferred tax		
Origination and reversal of timing differences	(845)	(1,026)
Changes to tax rates	4,966	594
Changes in respect of prior periods	1,222	(1,718)
	5,343	(2,150)
Taxation on profit on ordinary activities	(4,503)	1,611

Factors affecting tax charge for the year

The tax assessed for the year is lower (2020: lower) than the standard rate of corporation tax in the UK and the differences are explained below:

	2021	2020
	£000	£000
Profit on ordinary activities before tax	176,768	247,175
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	33,586	46,963
Effects of:		
Adjustments to tax charge in respect of prior periods	(3,481)	495
Expenses not deductible	145	3,003
Non-taxable income	(39,030)	(46,453)
Adjustments arising due to a change in tax rates	4,966	594
Foreign tax recoverable	(17)	(88)
Deferred gains	59	-
Share options	(731)	(2,903)
Total tax charge for the year	(4,503)	1,611

Notes to the Financial Statements
For the Year Ended 31 December 2021

11. Taxation (continued)

Factors that may affect future tax charges

An increase in the standard rate of Corporation Tax in the UK from 19% to 25% with effect from 1 April 2023 was substantively enacted on 24th May 2021. This will increase any future tax charge for the company accordingly. Deferred tax is provided at the tax rates enacted at the balance sheet date applicable to when the temporary differences are expected to reverse. The impact of the expected increase in the tax rate is therefore recognised in the deferred tax movement for the year.

12. Dividends

	2021 £000	2020 £000
On 9,359,999 ordinary shares of £1 each	<u>142,000</u>	<u>185,000</u>

13. Intangible assets

	Placement agent fees £000
Cost	
At 1 January 2021	39,345
Effect of movements in foreign exchange	(122)
At 31 December 2021	<u>39,223</u>
Amortisation	
At 1 January 2021	25,726
Change during period	2,469
At 31 December 2021	<u>28,195</u>
Net book value	
At 31 December 2021	<u>11,028</u>
At 31 December 2020	<u>13,619</u>

M&G FA Limited

Notes to the Financial Statements
For the Year Ended 31 December 2021

14. Tangible fixed assets

	Motor vehicles £000	Total £000
Cost or valuation		
At 1 January 2021	244	244
Disposals	(171)	(171)
At 31 December 2021	<u>73</u>	<u>73</u>
Depreciation		
At 1 January 2021	126	126
Charge for the period	19	19
Disposals	(103)	(103)
At 31 December 2021	<u>42</u>	<u>42</u>
Net book value		
At 31 December 2021	<u>31</u>	<u>31</u>
At 31 December 2020	<u>118</u>	<u>118</u>

M&G FA Limited

**Notes to the Financial Statements
For the Year Ended 31 December 2021**

15. Fixed assets investments

	Investments in subsidiary companies £000	Investments in associates £000	Financial assets at fair value through profit or loss £000	Total £000
Cost or valuation				
At 1 January 2021	179,319	736	103,115	283,170
Additions	2,090	—	53,563	55,653
Disposals	(8,681)	—	(66,204)	(74,885)
Revaluations	—	—	7,063	7,063
Transfer between classes	736	(736)	—	—
Transfer from to current assets investments	—	—	(7,001)	(7,001)
At 31 December 2021	<u>173,464</u>	<u>—</u>	<u>90,536</u>	<u>264,000</u>
Net book value				
At 31 December 2021	<u>173,464</u>	<u>—</u>	<u>90,536</u>	<u>264,000</u>
At 31 December 2020	<u>179,319</u>	<u>736</u>	<u>103,115</u>	<u>283,170</u>

Investments in subsidiaries

On 4 July 2021, M&G Group acquired a further 0.13% of the share capital of MandG Investments Southern Africa (Pty) Limited (formerly known as Prudential Portfolio Managers (South Africa) (Pty) Ltd ('MGSA') for a cash consideration of £0.2m. The transaction increased the Company's direct holding in MGSA from 49.99% to 50.12% and therefore the investment is held as a subsidiary in the Company's financial statements.

Refer to next page for full list of subsidiary undertakings.

Financial assets

Financial assets designated at fair value through profit or loss consist of equity securities.

M&G FA Limited

**Notes to the Financial Statements
For the Year Ended 31 December 2021**

15. Fixed assets investments (continued)

15 (a) Direct subsidiary undertakings

The following were direct subsidiary undertakings of the Company:

Subsidiaries	Registered Office	Registered Number	Class of Equity Held	Ownership %	
				2021	2020
M&G Alternatives Investment Management Limited	10 Fenchurch Avenue, London, EC3M 5AG	2059989	Ordinary shares	100%	100%
M&G Alternatives GP Sarl	8, rue Lou Hemmer, L-1748 Findel	B240017	Ordinary shares	100%	100%
M&G Emerging Markets Monthly Income Fund	10 Fenchurch Avenue, London, EC3M 5AG	IC000552	Class L shares	98%	98%
M&G Financial Services Limited	10 Fenchurch Avenue, London, EC3M 5AG	923891	Ordinary shares	100%	100%
M&G Founders 1 Limited	10 Fenchurch Avenue, London, EC3M 5AG	4401042	Ordinary shares	100%	100%
M&G General Partner Inc.	190 Elgin Avenue, George Town, Grand Cayman KY1-9005, Cayman Islands	151319	Ordinary shares	100%	100%
M&G (Guernsey) Limited	Dory Court, St Peter Port, Guernsey	21432	Ordinary shares	100%	100%
M&G IMPPP 1 Limited	10 Fenchurch Avenue, London, EC3M 5AG	4382172	Ordinary shares	100%	100%
M&G International Investments Nominees Limited	10 Fenchurch Avenue, London, EC3M 5AG	4195540	Ordinary shares	100%	100%
M&G International Investments SA	16 Boulevard Royal, L-2449, Luxembourg	B213164	Ordinary shares	100%	100%
M&G Investment Management Limited	10 Fenchurch Avenue, London, EC3M 5AG	936683	Ordinary shares	100%	100%
M&G Investments (Americas) Inc	251 Little Falls Drive, Wilmington, DE, 19801	6843211	Ordinary shares	100%	100%
M&G Investments (Australia) Pty Ltd	Level 16, Grosvenor Place, 225 George Street, Sydney, Australia, NSW 2	629 169 160	Ordinary shares	100%	100%
M&G Investments (Hong Kong) Limited	6th Floor, Alexandra House, Hong Kong	1730458	Ordinary shares	100%	100%
M&G Investments Japan Co., LTD	3-1 Toranomon, 4 Chome Minato-ko, Tokyo	010401 124078	Common stock	100%	100%
M&G Investments (Singapore) Pte. Ltd.	138 Market Street, Level 35 Capitagreen, Singapore, 048946	201131425R	Ordinary shares	100%	100%
MandG Investments Southern Africa (Pty) Ltd	PO Box 44813, Claremont 7735, South Africa	1993/004503/07	Ordinary shares and A class shares	50%	50%
M&G Luxembourg S.A.	16 Boulevard Royal, L-2449, Luxembourg	B170483	Ordinary shares	100%	100%
M&G (Lux) Emerging Markets Corporate ESG Bond Fund	49, Avenue J.F. Kennedy, L - 1855 Luxembourg	B210615	SICAV Shares	55%	55%
M&G (Lux) Global Enhanced Equity Premia Fund	49, Avenue J.F. Kennedy, L - 1855 Luxembourg	B210615	SICAV Shares	100%	100%
M&G (Lux) Reserved Investment Funds (2) GP S.à.r.l	16 Boulevard Royal, L-2449, Luxembourg	B219359	Ordinary shares	100%	—%
M&G Management Services Limited	10 Fenchurch Avenue, London, EC3M 5AG	5286403	Ordinary shares	100%	100%
M&G Nominees Limited	10 Fenchurch Avenue, London, EC3M 5AG	3469213	Ordinary shares	100%	100%
M&G PFI 2018 GP1 Limited	10 Fenchurch Avenue, London, EC3M 5AG	10954144	Ordinary shares	100%	100%
M&G PFI 2018 GP2 Limited	10 Fenchurch Avenue, London, EC3M 5AG	10954003	Ordinary shares	100%	100%
M&G PFI Carry Partnership 2016 LP	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SL028237	Limited Partner Capital	25%	25%

M&G FA Limited

**Notes to the Financial Statements
For the Year Ended 31 December 2021**

15. Fixed assets investments (continued)

15 (a) Direct subsidiary undertakings (continued)

Subsidiaries	Registered Office	Registered Number	Class of Equity Held	Ownership %	
				2021	2020
M&G Platform Nominees Limited	10 Fenchurch Avenue, London, EC3M 5AG	9581702	Ordinary shares	100%	100%
M&G Real Estate Limited	10 Fenchurch Avenue, London, EC3M 5AG	3852763	Ordinary shares	100%	100%
M&G RED II Employee Feeder GP Limited	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SC430540	Ordinary shares	100%	100%
M&G RED II GP Limited	La Plaiderie Chambers La Plaiderie, St Peter Port, Guernsey, GY1 1WG	55378	Ordinary shares	100%	100%
M&G RED II SLP GP Limited	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SC430535	Ordinary shares	100%	100%
M&G RED II SLP LP	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SL011176	Limited Partner Capital	28%	28%
M&G RED III Employee Feeder GP Limited	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SC434132	Ordinary shares	100%	100%
M&G RED III GP Limited	La Plaiderie Chambers La Plaiderie, St Peter Port, Guernsey, GY1 1WG	55393	Ordinary shares	100%	100%
M&G RED III SLP GP Limited	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SC434193	Ordinary shares	100%	100%
M&G RED III SLP LP	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SL011512	Limited Partner Capital	25%	25%
M&G Securities Limited	10 Fenchurch Avenue, London, EC3M 5AG	90776	Ordinary shares	100%	100%
M&G SFF (CIP GP) Sàrl	51 Avenue J.F. Kennedy, L-1855, Luxembourg, Luxembourg	B220304	Ordinary shares	100%	100%
M&G SFF (GP) Sàrl	51 Avenue J.F. Kennedy, L-1855, Luxembourg, Luxembourg	B219359	Ordinary shares	100%	100%
M&G SIF Management Company (Ireland) Limited	78 Sir John Rogerson's Quay, Dublin 2	511747	Ordinary shares	100%	100%
M&G UKCF II GP Limited	10 Fenchurch Avenue, London, EC3M 5AG	8214036	Ordinary shares	—%	100%
M&G UKEV (SLP) LP	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SL032565	Limited Partner Capital	75%	80%
Canada Property Holdings Limited	10 Fenchurch Avenue, London, EC3M 5AG	4415746	Ordinary shares	100%	100%
Digital Infrastructure Investment Partners GP1 Limited	10 Fenchurch Avenue, London, EC3M 5AG	10713853	Ordinary shares	100%	100%
Digital Infrastructure Investment Partners SLP GP1 Limited	10 Fenchurch Avenue, London, EC3M 5AG	10715067	Ordinary shares	100%	100%
Digital Infrastructure Investment Partners SLP GP2 Limited	10 Fenchurch Avenue, London, EC3M 5AG	10715126	Ordinary shares	100%	100%
Embankment GP Limited	10 Fenchurch Avenue, London, EC3M 5AG	10747140	Ordinary shares	100%	100%
Falan GP Limited	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SC463668	Ordinary shares	100%	100%
Genny GP Limited	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SC536481	Ordinary shares	100%	100%
Genny GP 2 Limited	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SC547302	Ordinary shares	100%	100%
George Digital GP Limited	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SC576789	Ordinary shares	100%	100%
George Digital GP 2 Limited	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SC577098	Ordinary shares	100%	100%
GGE GP Limited	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SC504237	Ordinary shares	100%	100%
Green GP Limited	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SC569021	Ordinary shares	100%	100%

M&G FA Limited

**Notes to the Financial Statements
For the Year Ended 31 December 2021**

15. Fixed assets investments (continued)

15 (a) Direct subsidiary undertakings (continued)

Subsidiaries	Registered Office	Registered Number	Class of Equity Held	Ownership %	
				2021	2020
Greenpark (Reading) General Partner Limited	10 Fenchurch Avenue, London, EC3M 5AG	6529374	Ordinary shares	—%	100%
GS R100 GP Limited	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SC620882	Ordinary shares	—%	100%
Highcross Leicester (GP) Limited	Kings Place, 90 York Way, London, N1 9GE	10530428	Ordinary shares	50%	50%
ICP (Finch) GP1 Limited	10 Fenchurch Avenue, London, EC3M 5AG	13716580	Ordinary shares	100%	—%
ICP (Finch) GP2 Limited	10 Fenchurch Avenue, London, EC3M 5AG	13716590	Ordinary shares	100%	—%
Infracapital (AIRI) GP Limited	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SC553164	Ordinary shares	100%	100%
Infracapital (Belmond) GP Limited	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SC576332	Ordinary shares	100%	100%
Infracapital (Bio) GP Limited	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SC516021	Ordinary shares	100%	100%
Infracapital (Churchill) GP 1 Limited	10 Fenchurch Avenue, London, EC3M 5AG	11460502	Ordinary shares	100%	100%
Infracapital (GC) GP Limited	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SC500778	Ordinary shares	100%	100%
Infracapital (Gigaclear) GP 1 Limited	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SC602700	Ordinary shares	100%	100%
Infracapital (Gigaclear) GP 2 Limited	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SC602698	Ordinary shares	100%	100%
Infracapital (IT PPP) GP Limited	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SC550062	Ordinary shares	100%	100%
Infracapital (Leo) GP Limited	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SC611979	Ordinary shares	100%	100%
Infracapital (Novos) GP Limited	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SC636445	Ordinary shares	100%	100%
Infracapital (Sense) GP Limited	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SC553170	Ordinary shares	100%	100%
Infracapital (TLSB) GP Limited	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SC486888	Ordinary shares	100%	100%
Infracapital DF II Limited	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SC389185	Ordinary shares	100%	100%
Infracapital Employee Feeder GP Limited	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SC347134	Ordinary shares	100%	100%
Infracapital F1 GP2 Limited	10 Fenchurch Avenue, London, EC3M 5AG	9180200	Ordinary shares	100%	100%
Infracapital F2 GP Limited	10 Fenchurch Avenue, London, EC3M 5AG	9180249	Ordinary shares	100%	100%
Infracapital F2 GP1 Limited	10 Fenchurch Avenue, London, EC3M 5AG	9183883	Ordinary shares	100%	100%
Infracapital GP II Limited	Unit 2 Spinnaker Court 1c, Becketts Place, Hampton Wick, Kingston Upon Thames, KT1 4 EQ	7372931	Ordinary shares	—%	100%
Infracapital GP Limited	10 Fenchurch Avenue, London, EC3M 5AG	5455448	Ordinary shares	100%	100%
Infracapital Greenfield Partners 1 SLP GP1 Limited	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SC554629	Ordinary shares	100%	100%
Infracapital Greenfield Partners 1 SLP GP2 Limited	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SC554631	Ordinary shares	100%	100%
Infracapital Greenfield Partners I GP Limited	10 Fenchurch Avenue, London, EC3M 5AG	9901632	Ordinary shares	100%	100%
Infracapital Greenfield Partners I GP 2 Limited	Unit 2 Spinnaker Court 1c, Becketts Place, Hampton Wick, Kingston Upon Thames, KT1 4 EQ	9901644	Ordinary shares	—%	100%
Infracapital Greenfield Partners I Subholdings GP Limited	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SC578139	Ordinary shares	100%	100%

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**Notes to the Financial Statements
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15. Fixed assets investments (continued)

15 (a) Direct subsidiary undertakings (continued)

Subsidiaries	Registered Office	Registered Number	Class of Equity Held	Ownership %	
				2021	2020
Infracapital Greenfield Partners II GP S.à r.l	6 rue Eugène Ruppert, L-2453, Luxembourg	B231185	Ordinary shares	100%	100%
Infracapital Greenfield Partners II Subholdings GP1 Limited	10 Fenchurch Avenue, London, EC3M 5AG	12338577	Ordinary shares	100%	100%
Infracapital Greenfield Partners II Subholdings GP2 Limited	10 Fenchurch Avenue, London, EC3M 5AG	12338790	Ordinary shares	100%	100%
Infracapital Partners II Subholdings GP Limited	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SC578127	Ordinary shares	100%	100%
Infracapital Partners III GP S.a.r.l	6, rue Eugene Ruppert, L-2453 Luxembourg	B217179	Ordinary shares	100%	100%
Infracapital Partners III Subholdings GP1 Limited	10 Fenchurch Avenue, London, EC3M 5AG	11347638	Ordinary shares	100%	100%
Infracapital Partners III Subholdings GP2 Limited	10 Fenchurch Avenue, London, EC3M 5AG	11347641	Ordinary shares	100%	100%
Infracapital Sisu GP Limited	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SC521443	Ordinary shares	100%	100%
Infracapital SLP Limited	10 Fenchurch Avenue, London, EC3M 5AG	5455461	Ordinary shares	100%	100%
Leo DOF IV Limited	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SC662801	Ordinary shares	100%	100%
London Green Investments II SLP GP1 Limited	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SC648885	Ordinary shares	100%	100%
London Green Investments II SLP GP2 Limited	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SC648886	Ordinary shares	100%	100%
London Green Investments II SLP2 GP Limited	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SC648887	Ordinary shares	100%	100%
London Stone Investments F3 I Limited	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SC583847	Ordinary shares	100%	100%
London Stone Investments F3 II Limited	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SC583856	Ordinary shares	100%	100%
MOLE GP 1 Limited	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SC664317	Ordinary shares	100%	100%
MOLE GP 2 Limited	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SC664318	Ordinary shares	100%	100%
Ox GP 1 Limited	50 Lothian Road, Festival Square, Edinburgh, EH3 9WJ, United Kingdom	SC677634	Ordinary shares	100%	100%
PPM Capital (Holdings) Limited	10 Fenchurch Avenue, London, EC3M 5AG	3852755	Ordinary shares	100%	100%
PPM Managers GP Limited	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SC452033	Ordinary shares	100%	100%
Prudential / M&G UKCF GP Limited	10 Fenchurch Avenue, London, EC3M 5AG	6570276	Ordinary shares	—%	100%
Prudential Credit Opportunities GP S.a.r.l	Rue Hildegard von Bingen 1, 1282 Luxembourg, Luxembourg	B210013	Ordinary shares	100%	100%
Prudential GP Limited	Craigforth, Stirling, FK9 4UE	SC206683	Ordinary shares	100%	100%
Prudential Greenfield GP1 Limited	10 Fenchurch Avenue, London, EC3M 5AG	9183905	Ordinary shares	100%	100%
Prudential Greenfield GP2 Limited	10 Fenchurch Avenue, London, EC3M 5AG	9183929	Ordinary shares	100%	100%
Prudential Loan Investments GP S.a.r.l	Rue Hildegard von Bingen 1, 1282 Luxembourg, Luxembourg	B212677	Ordinary shares	100%	100%
Prudential Trustee Company Limited	10 Fenchurch Avenue, London, EC3M 5AG	1863305	Ordinary shares	100%	100%
Prudential Unit Trusts Limited	10 Fenchurch Avenue, London, EC3M 5AG	1796126	Ordinary shares	100%	100%
Rift GP 1 Limited	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SC425352	Ordinary shares	—%	100%

M&G FA Limited

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15. Fixed assets investments (continued)

15 (a) Direct subsidiary undertakings (continued)

Subsidiaries	Registered Office	Registered Number	Class of Equity Held	Ownership %	
				2021	2020
Rift GP 2 Limited	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SC425365	Ordinary shares	—%	100%
Selly Oak Shopping Park (General Partner) Ltd	10 Fenchurch Avenue, London, EC3M 5AG	11104396	Ordinary shares	100%	100%
Sayer DOF IV Limited	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SC662796	Ordinary shares	100%	100%
Stableview Limited	10 Fenchurch Avenue, London, EC3M 5AG	5506654	Ordinary shares	100%	100%
Staple Nominees Limited	10 Fenchurch Avenue, London, EC3M 5AG	2076846	Ordinary shares	—%	100%
Sustainable Multi Asset Balanced Fund	10 Fenchurch Avenue, London, EC3M 5AG	IC 160	Class L shares	100%	100%
Sustainable Multi Asset Cautious Fund	10 Fenchurch Avenue, London, EC3M 5AG	IC 160	Class L shares	100%	100%
Sustainable Multi Asset Growth Fund	10 Fenchurch Avenue, London, EC3M 5AG	IC 160	Class L shares	100%	100%
The First British Fixed Trust Company Limited	10 Fenchurch Avenue, London, EC3M 5AG	255830	Ordinary shares	100%	100%

15 (b) Indirect subsidiary undertakings

Group Subsidiaries	Registered Office	Registered Number	Class of Equity Held	Ownership %	
				2021	2020
M&G European Enhanced Value GP S.à r.l.	16, boulevard Royal, L - 2449 Luxembourg	B262105	Ordinary shares	100%	—%
M&G European Living Property Fund (GP) S.à r.l.	16, boulevard Royal, L - 2449 Luxembourg	B262005	Ordinary shares	100%	—%
MandG Investment Managers (Pty) Limited	7th Floor, Protea Place, 30 Dreyer Street, Claremont, Western Cape, 7708	2013/051515/07	Ordinary shares and A class shares	50%	—%
MandG Investments (Namibia) (Pty) Limited Namibia	Unit 3, 2nd Floor, Ausspann Plaza, Dr Agostinho Neto Road, Ausspannplatz, Windhoek, Namibia	1996/185	Ordinary shares and A class shares	75%	—%
M&G International Investments Switzerland AG	Bahnhofstrasse 100, Zurich, Switzerland	CHE-286.542.158	Ordinary shares	100%	100%
MandG Investments Life South Africa (RF) Limited	7th Floor, Protea Place, 30 Dreyer Street, Claremont, Western Cape, 7708	2008/013338/06	Ordinary shares and A class shares	50%	—%
MandG Investments Unit Trusts South Africa (RF) Limited	7th Floor, Protea Place, 30 Dreyer Street, Claremont, Western Cape, 7708	1999/05242/06	Ordinary shares and A class shares	50%	—%
M&G Investments (USA) Inc	251 Little Falls Drive, Wilmington, DE, 19801	7520082	Common stock	100%	100%
M&G PFI 2018 GP LLP	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SO306178	Limited Liability Partnership Capital	100%	100%
M&G Real Estate Asia Holding Company Pte. Ltd	138 Market Street, Level 35 Capitagreen, Singapore, 048946	201543062C	Ordinary shares	67%	67%
M&G Real Estate Asia Pte. Ltd	138 Market Street, Level 35 Capitagreen, Singapore, 048946	200610218G	Ordinary shares	67%	67%
M&G RE Espana 2016 S.L.	Plaza de Colon, Torre II, Planta 14, 28046 Madrid	B87676896	Ordinary shares	100%	100%
M&G RE UKEV 1 Limited	10 Fenchurch Avenue, London, EC3M 5AG	11163869	Ordinary shares	100%	100%

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15. Fixed assets investments (continued)

15 (b) Indirect subsidiary undertakings (continued)

Group Subsidiaries	Registered Office	Registered Number	Class of Equity Held	Ownership %	
				2021	2020
M&G RE UKEV (GP1) LLP	10 Fenchurch Avenue, London, EC3M 5AG	OC420581	Limited Liability Partnership Capital	100%	100%
M&G Real Estate Funds Management Sarl	16 Boulevard Royal, L-2449, Luxembourg	B175545	Ordinary shares	100%	100%
M&G Real Estate France SAS	8 Avenue Hoche, 75008, Paris, France	893124842	Ordinary shares	100%	100%
M&G Real Estate Japan Co. Ltd	Shiroyama Trust Tower, Tokyo, Japan	0100-01-148048	Common stock	67%	67%
M&G Real Estate Korea Co. Ltd	Kyobo Building, 1 Jongno, Jongno-gu, Seoul, 110-714, Korea	110111-4931831	Common stock	67%	67%
M&G Real Estate UKEV (GP) LLP	10 Fenchurch Avenue, London, EC3M 5AG	OC418419	Limited Liability Partnership Capital	100%	100%
M&G RPF GP Limited	10 Fenchurch Avenue, London, EC3M 5AG	8407747	Ordinary shares	100%	100%
M&G RPF Nominee 1 Limited	10 Fenchurch Avenue, London, EC3M 5AG	8409413	Ordinary shares	100%	100%
M&G RPF Nominee 2 Limited	10 Fenchurch Avenue, London, EC3M 5AG	8410027	Ordinary shares	100%	100%
M&G Shared Ownership GP Limited	10 Fenchurch Avenue, London, EC3M 5AG	12416522	Ordinary shares	100%	100%
M&G Shared Ownership REIT PLC	10 Fenchurch Avenue, London, EC3M 5AG	12596933	Ordinary shares	100%	100%
M&G UK Property GP Limited	10 Fenchurch Avenue, London, EC3M 5AG	8462545	Ordinary shares	100%	100%
M&G UK Property Nominee 1 Limited	10 Fenchurch Avenue, London, EC3M 5AG	8494699	Ordinary shares	100%	100%
M&G UK Property Nominee 2 Limited	10 Fenchurch Avenue, London, EC3M 5AG	8494704	Ordinary shares	100%	100%
M&G UK Shared Ownership Limited	10 Fenchurch Avenue, London, EC3M 5AG	12199619	Ordinary shares	100%	100%
M&G UKEV (SLP) General Partner LLP	10 Fenchurch Avenue, London, EC3M 5AG	OC420257	Limited Liability Partnership Capital	100%	100%
Canada Property (Trustee) No. 1 Limited	180 Dundas Street West, Suite 1200, Toronto ON M5G 1Z8, Canada	1060750-9	Ordinary shares	100%	100%
Digital Infrastructure Investment Partners GP LLP	10 Fenchurch Avenue, London, EC3M 5AG	OC416887	Limited Liability Partnership Capital	65%	65%
Digital Infrastructure Investment Partners SLP GP LLP	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SO306056	Limited Liability Partnership Capital	100%	100%
Embankment Nominee 1 Limited	10 Fenchurch Avenue, London, EC3M 5AG	10749686	Ordinary shares	100%	100%
Embankment Nominee 2 Limited	10 Fenchurch Avenue, London, EC3M 5AG	10750266	Ordinary shares	100%	100%
Genny GP 1 LLP	10 Fenchurch Avenue, London, EC3M 5AG	OC414130	Limited Liability Partnership Capital	100%	100%
George Digital GP 1 LLP	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SO306174	Limited Liability Partnership Capital	100%	100%
Greenpark (Reading) Nominee No.1 Limited	10 Fenchurch Avenue, London, EC3M 5AG	6562317	Ordinary shares	—%	100%

M&G FA Limited

**Notes to the Financial Statements
For the Year Ended 31 December 2021**

15. Fixed assets investments (continued)

15 (b) Indirect subsidiary undertakings (continued)

Group Subsidiaries	Registered Office	Registered Number	Class of Equity Held	Ownership %	
				2021	2020
Greenpark (Reading) Nominee No.2 Limited	10 Fenchurch Avenue, London, EC3M 5AG	6562424	Ordinary shares	—%	100%
Holborn Bars Nominees Limited	10 Fenchurch Avenue, London, EC3M 5AG	2334947	Ordinary shares	—%	100%
ICP (Finch) GP LLP	10 Fenchurch Avenue, London, EC3M 5AG	OC439806	Limited Liability Partnership Capital	100%	—%
IGP Realisations I GP LLP	Unit 2 Spinnaker Court 1c Becketts Place, Hampton Wick, Kingston Upon Thames, KT1 4EQ	OC403293	Limited Liability Partnership Capital	100%	100%
Infracapital (Churchill) GP LLP	10 Fenchurch Avenue, London, EC3M 5AG	OC423386	Limited Liability Capital	100%	100%
Infracapital (Gigaclear) GP LLP	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SO306478	Limited Liability Partnership Capital	100%	100%
Infracapital DF II GP LLP	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SO305002	Limited Liability Partnership Capital	100%	100%
Infracapital Employee Feeder GP 1 LLP	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SO305006	Limited Liability Partnership Capital	100%	100%
Infracapital GP 1 LLP	10 Fenchurch Avenue, London, EC3M 5AG	OC395042	Limited Liability Partnership Capital	100%	100%
Infracapital GP 2 LLP	Unit 2 Spinnaker Court 1c, Becketts Place, Hampton Wick, Kingston Upon Thames, KT1 4 EQ	OC395043	Limited Liability Partnership Capital	100%	100%
Infracapital Greenfield DF GP LLP	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SO306200	Limited Liability Partnership Capital	100%	100%
Infracapital Greenfield Partners I Employee Feeder LP	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SL030887	Limited Partner Capital	73%	76%
Infracapital Greenfield Partners 1 SLP EF GP LLP	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SO305944	Limited Liability Partnership Capital	100%	100%
Infracapital Greenfield Partners I SLP LP	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SL029954	Limited Partner Capital	37%	37%
Infracapital Greenfield Partners I SLP2 LP	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SL032352	Limited Partner Capital	100%	100%
Infracapital Greenfield Partners II Subholdings (Euro) GP LLP	10 Fenchurch Avenue, London, EC3M 5AG	OC429843	Limited Liability Partnership Capital	100%	100%
Infracapital Greenfield Partners II Subholdings (Sterling) GP LLP	10 Fenchurch Avenue, London, EC3M 5AG	OC429842	Limited Liability Partnership Capital	100%	100%
Infracapital Greenfield Partners II Subholdings Nominee Limited	10 Fenchurch Avenue, London, EC3M 5AG	12401417	Ordinary shares	100%	100%
Infracapital Partners III Subholdings (Euro) GP LLP	10 Fenchurch Avenue, London, EC3M 5AG	OC422333	Limited Liability Partnership Capital	100%	100%

M&G FA Limited

**Notes to the Financial Statements
For the Year Ended 31 December 2021**

15. Fixed assets investments (continued)

15 (b) Indirect subsidiary undertakings (continued)

Group Subsidiaries	Registered Office	Registered Number	Class of Equity Held	Ownership %	
				2021	2020
Infracapital Partners III Subholdings (Sterling) GP LLP	10 Fenchurch Avenue, London, EC3M 5AG	OC422334	Limited Liability Partnership Capital	100%	100%
Infracapital SLP II LP	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SL008358	Limited Partner Capital	40%	34%
Infracapital SLP EF II GP LLP	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SC305007	Limited Partner Capital	100%	100%
London Green Investments II SLP1 Employee Feeder GP LLP	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SO306860	Limited Partner Capital	100%	100%
London Green Investments II SLP2 LP	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SL034195	Limited Partner Capital	100%	100%
London Stone Investments F3 Employee Feeder GP LLP	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SO306260	Limited Liability Partnership Capital	100%	100%
London Stone Investments F3 SP GP LLP	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SO306261	Limited Liability Partnership Capital	100%	100%
Mole GP LLP	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SO306971	Limited Liability Partnership Capital	100%	100%
Ox GP LLP	50 Lothian Road, Festival Square, Edinburgh, EH3 9WJ, United Kingdom	SO307059	Limited Liability Partnership Capital	100%	100%
PPM Managers Partnership CI VII (A) LP	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SL013387	Limited Partner Capital	25%	25%
PPM Ventures (Asia) Limited	Gloucester Tower, 15 Queens Road, Central Hong Kong	663554	Ordinary shares	100%	100%
Prudential Greenfield GP LLP	10 Fenchurch Avenue, London, EC3M 5AG	OC394904	Limited Liability Partnership Capital	100%	100%
Prudential Greenfield SLP GP LLP	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SC304997	Limited Liability Partnership Capital	—%	100%
Prudential Property Investment Managers Limited	10 Fenchurch Avenue, London, EC3M 5AG	8732334	Ordinary shares	100%	100%
Selly Oak Shopping Park (Nominee 1) Limited	10 Fenchurch Avenue, London, EC3M 5AG	11105117	Ordinary shares	100%	100%
Selly Oak Shopping Park (Nominee 2) Ltd	10 Fenchurch Avenue, London, EC3M 5AG	11105380	Ordinary shares	100%	100%

M&G FA Limited

**Notes to the Financial Statements
For the Year Ended 31 December 2021**

16. Debtors

	2021	2020
	£000	£000
Amounts falling due within one year		
Trade debtors	3,692	18,486
Amounts owed by group undertakings	210,803	308,355
Other debtors	10,496	10,482
Prepayments and accrued income	6,253	9,458
Tax recoverable	13	—
	231,257	346,781

17. Financial asset investments

	2021	2020
	£000	£000
Financial assets designated at fair value through profit or loss	37,912	30,911
Financial assets held for sale	143,961	31,814
	181,873	62,725

Current financial assets designated at fair value through profit or loss consist of equity securities.

18. Cash at bank and in hand

	2021	2020
	£000	£000
Cash at bank and in hand	48,121	74,559

19. Creditors: amounts falling due within one year

	2021	2020
	£000	£000
Amounts owed to group undertakings	121,442	159,826
Corporation tax	3,592	6,621
Taxation and social security	238	8,171
Other creditors	11,617	7,403
Accruals and deferred income	205,524	227,265
Financial instruments	—	13
	342,413	409,299

M&G FA Limited

**Notes to the Financial Statements
For the Year Ended 31 December 2021**

20. Creditors: amounts falling due after more than one year

	2021	2020
	£000	£000
Accruals and deferred income	<u>32,395</u>	<u>52,677</u>

21. Deferred taxation

	2021	2020
	£000	£000
Asset - falling due after more than one year	26,212	24,452
Liability – falling due after more than one year	<u>(43,193)</u>	<u>(26,169)</u>
	<u>(16,981)</u>	<u>(1,717)</u>

	2021
	£000
At 1 January 2021	(1,717)
Charged to profit or loss	(4,121)
Charged to other comprehensive income for the year	(8,918)
Charged to equity for the year	930
Adjustments in respect of prior year	(3,155)
At 31 December 2021	<u><u>(16,981)</u></u>

The deferred tax balance is made up as follows:

	2021
	£000
Fixed assets	588
Long term incentive plans	3,677
Holiday pay	859
Bonus	12,823
Sales commission	4
Defined benefit pension scheme	(43,193)
Unfunded pension scheme	618
Share options	7,643
	<u><u>(16,981)</u></u>

Notes to the Financial Statements
For the Year Ended 31 December 2021

21. Deferred taxation (continued)

Factors that may affect future tax charges

Deferred tax assets are recognised to the extent that they are regarded as recoverable. On the assessment of all available evidence, the asset is recognised if it can be regarded as probable that there will be suitable taxable profits from which the future reversal of the underlying temporary differences can be deducted.

An increase in the standard rate of Corporation Tax in the UK from 19% to 25% with effect from 1 April 2023 was substantively enacted on 24th May 2021. This will increase any future tax charge for the company accordingly. Deferred tax is provided at the tax rates enacted at the balance sheet date applicable to when the temporary differences are expected to reverse. The impact of the expected increase in the tax rate is therefore recognised in the deferred tax movement for the year.

Deferred tax assets are recognised for tax loss carry forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The company did not recognise deferred tax assets of £304,615 (2020: £304,615) in respect of losses amounting to £1,603,236 (2020: £1,603,236) that can be carried forward against future taxable income.

22. Provisions

	Dilapidations provision £000
Provisions	
At 1 January 2021	4,921
Utilised in the year	(4,921)
At 31 December 2021	<u><u>–</u></u>

23. Share capital

	2021 £000	2020 £000
Allotted, called up and fully paid		
9,359,999 (2020 - 9,359,999) Ordinary shares shares of £1.00 each	<u>9,360</u>	<u>9,360</u>

Notes to the Financial Statements
For the Year Ended 31 December 2021

24. Share-based payments

a) Description of the plans

The Group operates various share-based payment schemes that award M&G plc schemes to participants upon meeting the required vesting conditions. Details of those schemes are stated below:

Discretionary schemes:

Long-term Incentive Plan (LTIP)

Long-term incentive plans are long-term bonus schemes earned over three years, linked to the business performance.

Group Deferred Bonus Plan (GDBP)

Under these plans, a participant's annual bonus is paid in the form of a share award that vests after three years. Other than the service condition, there are no other performance conditions associated with this plan.

Performance Share Plan (PSP)

The PSP is a conditional share plan: the shares awarded will ordinarily be released to participants after a predetermined period, usually three years, to the extent that performance conditions have been met. If performance conditions are not achieved in full, the unvested portion of any award lapses.

Deferred Incentive Plan (DIP)

Under these plans, part of the participant's Annual Bonus is paid in the form of a share award that vests after three or four years. Other than the service condition, there are no other performance conditions associated with this plan.

Approved schemes:

Save As You Earn (SAYE) plans

The Group operates Save-as-you-earn (SAYE) plans, which allow eligible employees the opportunity to save a monthly amount from their salaries, over either a three or five year period, which can be used to purchase shares in M&G plc at a predetermined price subject to the employee remains in employment for three years after the grant date of the options and that the employee satisfying the monthly savings requirement.

Share Incentive Plan (SIP)

In addition, to celebrate the demerger, all eligible employees were provided with M&G plc shares with a value of £2,000. The awards vest subject to the employee remaining in employment for 2 years.

All approved schemes are accounted for as equity-settled as the awards would be settled in M&G plc shares.

Notes to the Financial Statements
For the Year Ended 31 December 2021

24. Share-based payments (continued)

b) Outstanding options and awards

As at 31 December 2021 movements in outstanding options and awards under the Group's share-based compensation plans.

	Outstanding options under SAYE schemes	
	2021	2020
Outstanding as at 1 January	8,492,383	4,912,473
Granted	908,151	6,906,452
Exercised	(29,027)	—
Lapsed	(691,565)	(3,326,542)
Outstanding as at 31 December	8,679,942	8,492,383

Options immediately exercisable at 31 December

—

The following table provides a summary of the range of exercise prices for the SAYE options. The awards under the other schemes do not have an exercise price:

	Number outstanding 2021	Weighted average remaining contractual life (years) 2021	Weighted average exercise prices (£) 2021	Number exercisable 2021
£1 - £2	8,679,942	2.32	1.41	29,027

	Number outstanding 2020	Weighted average remaining contractual life (years) 2020	Weighted average exercise prices (£) 2020	Number exercisable 2020
£1 - £2	8,492,383	3.18	1.39	—

Notes to the Financial Statements
For the Year Ended 31 December 2021

24. Share-based payments (continued)

c) Fair value of options and awards

The fair value of all awards, except for the LTIP TSR award and the SAYE options, is based on the M&G plc share price at the date of grant.

The determination of the fair value of the LTIP TSR award and the SAYE options requires the use of various assumptions which are disclosed below:

	Awards granted in 2021		Awards granted in 2020	
	LTIP	SAYE options	LTIP	SAYE options
Dividends yield (%)	—	9.08 %	—	11.14 %
Expected volatility (%)	— %	30.17 %	45.00 %	33.10 %
Risk-free interest rate (%)	— %	0.88 %	0.49 %	0.13 %
Expected option life (years)	0	3.66	0	3.65
Weighted average exercise price (£)	—	1.64	—	1.29
Weighted average share price at grant date (£)	2.09	2.04	1.09	1.61
Weighted average fair value at grant date (£)	1.11	0.30	0.15	0.21

The Company uses the Black-Scholes model to value the SAYE options whereas the TSR performance conditions are valued using a Monte-Carlo model. In determining the fair value of options granted the historic volatility of the share price of suitable peers and a risk-free rate determined by reference to swap rates was also considered.

d) Share-based payment expense charged to the income statement

Total expenses recognised in the year in the financial statements relating to share-based compensation is as follows:

	As at 31 December 2021 £000	As at 31 December 2020 £000
Equity settled share-based payment expense	1,794	941

25. Pension schemes

The M&G Group operates defined contribution and defined benefit pension schemes for the benefit of staff.

Prudential Staff Pension Scheme 'Defined Contribution Scheme'

The Prudential Staff Pension Scheme 'Defined Contribution Scheme' is a defined contribution scheme, with charges made to the profit and loss account representing the contributions payable in respect of the accounting period.

Notes to the Financial Statements
For the Year Ended 31 December 2021

25. Pension schemes (continued)

Prudential Staff Pension Scheme 'Defined Benefit Scheme'

The Prudential Staff Pension Scheme 'Defined Benefit Scheme' (PSPS) is a defined benefit pension scheme that provides benefits based on final pensionable salary. The scheme has been closed to new members since 2003. It has assets held in separate trustee administered funds and was last subject to a full triennial actuarial valuation as at 31 December 2020 by Willis Towers Watson Ltd, actuaries to the Scheme.

The M&G Group is unable to identify its share of the underlying assets and liabilities of PSPS on a consistent and reasonable basis, and therefore accounts for its contributions as if PSPS were a defined contribution scheme. Disclosure of the circumstances of PSPS is given in the consolidated financial statements of the ultimate parent company, Prudential plc.

M&G Group Pension Scheme 'Defined Benefit Scheme'

The M&G Group Pension Scheme ("the Scheme") is a defined benefit pension scheme that provides benefits to its members based on final pensionable salary. The Scheme has been closed to new members since 2003. A surplus is recognised to the extent that the Group is able to access the surplus either through an unconditional right of refund to the surplus or through reduced future contributions relating to ongoing services, which have been substantively enacted or contractually agreed.

The Scheme's Trustee company is The First British Fixed Trust Company Limited. The Trustee company has its own board, which comprises seven directors. The Trustee is required by law to act in the interest of all relevant beneficiaries and is responsible for the overall governance of the Scheme and the day to day administration of the Scheme. The Trustee's investment forum comprises three members, one employer nominated and two member nominated. The Scheme is regulated by The Pensions Regulator and information on the regulatory regime in which the Scheme operates can be found at www.thepensionsregulator.gov.uk/.

The Scheme is exposed to a number of risks which pose a threat to meeting its objectives. The principal risks affecting the Scheme are:

Funding risk – the Trustee measures and manages financial mismatch in two ways. It has set a strategic asset allocation benchmark for the Scheme. It assesses risk relative to that benchmark by monitoring the Scheme's asset allocation and investment returns relative to the benchmark. It also assesses risk relative to liabilities by monitoring the delivery of benchmark returns relative to liabilities through regular funding updates. The Trustee keeps under review the mortality and other demographic assumptions which could influence the costs of the benefits. These assumptions are considered formally at the triennial valuation.

Asset risk – the Trustee measures and manages asset risk by providing a practical constraint on Scheme investments deviating greatly from the intended approach by setting diversification guidelines and by investing in a range of investment mandates each of which has a defined objective, performance benchmark and manager process which, taken in aggregate, constrains risk within the Trustee's expected parameters. By investing across a range of assets, including quoted equities and bonds, the Trustee has recognised the need for some access to liquidity in the short term.

The Scheme was last subject to a full triennial actuarial valuation as at 31 December 2020 by Aon Hewitt Ltd, actuaries to the Scheme.

M&G Unfunded Pension Scheme "Defined Benefit Scheme"

The M&G Group operates an unfunded pension scheme which has two members. An actuarial valuation took place as at 31 December 2021 by Willis Tower Watson, Actuaries to the Scheme.

M&G FA Limited

**Notes to the Financial Statements
For the Year Ended 31 December 2021**

25. Pension schemes (continued)**Pension scheme surplus**

	2021	2020
	£000	£000
Defined benefit asset	753,500	137,500
Defined benefit liability	(580,850)	(2,811)
Total pension scheme surplus	<u>172,650</u>	<u>134,689</u>

Fair value of plan assets

	2021	2020
	£000	£000
At 1 January	742,200	663,080
Included in profit or loss		
Interest income on plan assets	9,480	14,000
Included in other comprehensive income		
Return on plan assets (excluding interest income)	15,870	77,000
Other		
Contributions paid by the Company	5,290	5,770
Employee contributions	440	520
Benefits paid	(18,610)	(17,290)
Admin expenses paid from plan assets	(1,170)	(880)
Balance at 31 December	<u>753,500</u>	<u>742,200</u>

**Notes to the Financial Statements
For the Year Ended 31 December 2021**

25. Pension schemes (continued)**Defined benefit obligation**

	2021 £000	2020 £000
At 1 January	(604,700)	(489,070)
Included in profit or loss		
Current service cost	(7,040)	(6,200)
Interest cost	(7,730)	(10,240)
Included in other comprehensive income		
Actuarial remeasurement gain/(loss) arising from:		
– Changes in demographic assumptions	640	630
– Changes in financial assumptions	28,480	(118,490)
– Experience adjustments	(8,670)	1,900
Other		
Employee contributions	(440)	(520)
Benefits paid	18,610	17,290
Balance at 31 December	(580,850)	(604,700)

The net amount included in profit or loss is a loss of £5.3m (2020: loss of £2.6m), and the net amount included in other comprehensive income is an income of £36.5m (2020: loss of £39.2m).

	2021 £000	2020 £000
Equity instruments	45,950	75,329
Corporate bonds	102,527	87,707
Government bonds	452,563	355,400
Real estate	41,967	81,547
Other investments	46,635	41,412
Cash and cash equivalents	63,858	100,805
	753,500	742,200

Included in the amounts above, £292,810,000 (2020: £323,850,000) relate to funds managed by the group. All plan assets with the exception of cash and cash equivalents, have quoted prices in active markets. All government bonds are issued by European governments and are AAA or AA rated.

**Notes to the Financial Statements
For the Year Ended 31 December 2021**

25. Pension schemes (continued)

Actuarial assumptions

The following are the principal actuarial assumptions at the reporting date:

	2021	2020
	%	%
Discount rate at 31 December	1.83	1.29
Future salary increase	0.00	0.00
Retail price inflation	3.34	2.91
Consumer price inflation	2.89	2.11
Future pension increases	3.34	2.91

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity.

The assumed pensioner life expectancies on retirement at age 60 years old are as follows:

- Current pensioner aged 60: 29.1 years (male), 30.6 years (female).

In addition for those retiring in 20 years' time the life expectancies are:

- 31.1 years (male), 32.3 years (female).

Sensitivity analysis

The calculation of the defined benefit obligation is sensitive to the assumptions set out above. The following table summarises how the impact on the defined benefit obligation at the end of the reporting period would have increased (decreased) as a result of a change in the respective assumptions:

	2021	2020
	£000	£000
Discount rate - reduced by 0.2%	28,370	31,940
Discount rate - increased by 0.2%	(26,650)	(29,890)
Lower inflation - reduced by 0.2%	16,700	20,180

In valuing the liabilities of the pension fund at 31 December 2021 mortality assumptions have been made as indicated above. If life expectancy had been changed to assume that all members of the fund lived for one year longer, the value of the reported liabilities at 31 December 2021 would have increased by £22,370,000 (2020: £29,120,000) before deferred tax.

The above sensitivities are based on the average duration of the benefit obligation determined at the date of the last full actuarial valuation at 31 December 2021 and are applied to adjust the defined benefit obligation at the end of the reporting period for the assumptions concerned. Whilst the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation to the sensitivity of the assumptions shown.

Notes to the Financial Statements
For the Year Ended 31 December 2021

25. Pension schemes (continued)

Funding

The Group will pay 34.9% per annum of pensionable salaries in respect of ongoing benefit accrual. Based on salary amounts in December 2021 estimated contributions paid would be £1,322,000 over the year.

Defined contribution plans

The M&G Group operates a number of defined contribution pension plans.

The total expense relating to these plans in the current year was £16,168,322 (2020: £15,849,214).

26. Financial instruments

The carrying value of trade and other debtors, trade and other creditors, loans and cash is a reasonable approximation of their fair value.

	2021	2020
	£000	£000
Financial assets		
Equity securities - financial assets designated at fair value through profit or loss	272,408	165,839
	<u>272,408</u>	<u>165,839</u>

The fair value of financial assets and financial liabilities are determined as follows:

Equity securities

The carrying value of equity securities at fair value through profit or loss is determined from published trading prices for fund units and shares or the portion of the underlying entity's net asset value attributable to the Company.

27. Contingencies

The Company has provided:

- Indemnities dated 2 May 2014 and 17 November 2014 in favour of Capita Financial Managers Limited on its appointment as Authorised Corporate Director/Manager of certain funds in the place of Prudential Unit Trusts Limited. These provide that the Company shall indemnify Capita in relation to any claims which relate to acts or omissions arising prior to Capita's appointment. These indemnities expired on 5 May 2016 and 3 November 2016 respectively, except in respect of taxation matters where claims may be made for a further 4 years.

The Company believes that claims under these indemnities are possible, but not probable.

**Notes to the Financial Statements
For the Year Ended 31 December 2021**

28. Related party transactions

The Company has taken advantage of the exemption under paragraph 8(k) of FRS 101 not to disclose transactions with fellow wholly owned group companies and the exemption under paragraph 8(j) of FRS101 not to disclose key management personnel compensation and amounts incurred for the provision of key management personnel services by a separate entity.

29. Post balance sheet events

On 26 April 2022 the company issued 10 million ordinary shares at a premium for a total of £6.50 per share to its immediate parent Company M&G Group Ltd.

On 2 May 2022 the Company acquired a controlling stake in responsAbility Investments AG, a leader in impact investing focused on private debt and private equity across emerging markets. From the date of acquisition the investment will be held as a subsidiary undertaking.

30. Immediate and ultimate parent company

The Company's immediate parent company is M&G Group Limited.

The Company is a subsidiary undertaking of M&G plc which is the ultimate parent company incorporated in England and Wales. Consolidated financial statements are prepared by M&G plc and copies of these are available to the public and may be obtained from the registered office at 10 Fenchurch Avenue, London, EC3M 5AG.