Company No. 02042953

PRUDENTIAL FINANCIAL SERVICES LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

FRIDAY
AB9RNBXM
A06 05/08/2022 #78
COMPANIES HOUSE

PRUDENTIAL FINANCIAL SERVICES LIMITED
Incorporated and registered in England and Wales. Registered No 02042953
Registered office: 10 Fenchurch Avenue, London, EC3M 5AG

CONTENTS

PRUDENTIAL FINANCIAL SERVICES LIMITED

Directors

C Bousfield
P Cooper (resigned on 06 May 2022)
D King
S Horgan (appointed 16 May 2022)

Secretary

M&G Management Services Limited

Auditor

KPMG LLP, London

PRUDENTIAL FINANCIAL SERVICES LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

Principal activity

The principal activity of Prudential Financial Services Limited ('the Company') is that of an investment holding company which invests in subsidiaries. This activity will continue in 2022.

Business review

The Company is a wholly owned subsidiary of M&G plc. M&G plc (the "Group) is a public limited company, limited by shares, incorporated and registered in England and Wales. The Group is an international financial services group providing investment management and insurance services, with significant operations in the United Kingdom and overseas.

Key Performance Indicators	**2021**	2020	Change
	£'000	£'000	**%**
Loss before taxation	**(798)**	(7,244)	89
Shareholders' funds at end of year	**8,137**	8,783	(7)

The Company generated a pre-tax loss of £798k (2020: loss of £7,244k). The loss for 2021 comprises of interest payable on loans from group undertakings. The loss incurred in 2020 was principally due to revaluation of investment in one of the subsidiaries.

As the Company holds net current liabilities at the balance sheet date, a letter of support has been provided by the parent company, M&G plc, committing to subscribe to additional share capital of up to £139 million, in the event of future financing being required in the period up to twelve months from the date of signing these financial statements.

Section 172(1) Statement

Section 172 of the Companies Act 2006 requires a director of a company to act in the way he or she considers, 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 Board's section 172 duties, regard has been given to the factors applicable to the Company. The Board also recognises the matters it considers can often have unique characteristics. This can require the Board to consider additional factors, which are relevant to the specific matter under consideration. There is an acknowledgment from the Board that the relative importance of each factor they consider will vary depending on the decision being taken across all the Board's decisions and that they are mindful of the Company's purpose, strategic priorities and alignment with the Group's overarching culture, vision and values.

As an intermediate holding company, Board decisions are made as and when appropriate. Over the course of the financial year the Board review a range of corporate activity including financial reporting. This is done through the consideration and discussion of reports which are sent in advance of each Board decision and/or through presentations to the Board.

The Company's key stakeholders are its ultimate beneficial owner, M&G plc, and related M&G plc group entities. The views and impact of the Company's activities on those stakeholders are an important consideration for the directors when making relevant decisions. The Company has no employees and therefore has nothing to report in respect of employee engagement activity during the year. While there are cases where the Board itself judges that it should engage directly with other stakeholder groups or on certain issues, the size and spread of the M&G plc Group means that other stakeholder engagement takes place at Group level. The Board finds that as well as being a more efficient and effective approach, this also helps the Company achieve a greater positive impact on environmental, social and other issues than by working alone as an individual company.

The activities of the Company are limited as explained under the Principal Activity section above and during 2021, the directors have not taken any principal decisions that impact matters set out in section 172 (1) (a) to (f).

Risks & uncertainties

The Company is a wholly owned subsidiary of M&G plc. The Company is subject to the Group's internal control and risk management processes as detailed in the Group Governance Framework ('GGF') and associated Group Risk Management Framework ('GRMF'). The control procedures and systems established within the Group are designed to manage, rather than eliminate, the risk of failure to meet business objectives. The Company takes on exposure to risks where such risks are adequately rewarded, and can be appropriately quantified and managed to safeguard of Company's ability to meet commitment to customers, comply with regulations, and protect its reputation.

The RMF requires all entities within the Group, including the Company, to establish processes for identifying, managing, monitoring and reporting key risks. The RMF for the Company is approved by the Group Risk Committee and operates based on the concept of three lines of defence: (1) risk identification and risk management, (2) risk oversight, advice and challenge; and (3) independent assurance.

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

Financial risk

The Company is exposed to limited financial risk through its financial assets and financial liabilities, as the Company does not have any complex financial assets or financial liabilities and the exposures are primarily within the Group the risk exposure is limited.

The Company has net current liabilities. The Company's current liabilities exceed its current assets leading to the liquidity risk of not being able to meet its liabilities as they fall due.

This risk has been mitigated by securing a letter of support from the parent company, M&G plc committing to subscribe to additional share capital of up to £139 million, in the event of future financing being required in the period up to twelve months from the date of signing of these financial statements.

Non-financial risk

The Company is exposed to a range of non-financial risks including:

a. Operational risk

The risk of financial and non-financial impacts resulting from inadequate or failed internal processes, or from personnel and systems, or from external events. This includes risks relating to technology and data, third party suppliers and change. The Company's primary exposure to operational risk arises from business processes, people capabilities, operation of systems and financial reporting activity.

b. Regulatory compliance risk

The risk of financial or non-financial impact resulting from a failure to meet regulatory requirements or a failure to adequately consider regulatory expectations, standards or principles. Changes in UK government policy, legislation, regulation or regulatory interpretation may adversely affect the Company.

c. Sustainability and ESG risk

The risk that the Group fails to address and embed sustainability including issues concerning the climate, diversity and inclusion, corporate governance and biodiversity, within the Group's business and operating model could adversely impact profitability, reputation and plans for growth. This risk predominately emerges through the Company's investment in its subsidiaries.

d. People risk

The risk to the Company that the Group does not attract, retain and develop highly qualified professional people with the right mix of skills and behaviours to support the business strategy and culture.

e. Reputational Risk

The risk that through activities, behaviours or communications, the Company fails to meet stakeholder expectations in ways which adversely impact trust and reputation.

These are predominately managed at Group level through the RMF and additional underlying frameworks and processes.

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

D.W King

David King
Director
29 July 2022

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

Introduction

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2021.

Future developments

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

Ultimate parent company

The Company is a wholly owned subsidiary of M&G plc. M&G plc is a public limited company, limited by shares, incorporated and registered in England and Wales.

Corporate responsibility

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

The M&G Plc group of companies ('Group'), of which the Company is a part, has developed a Group Governance Framework which is underpinned by a Group Governance Manual and associated processes. This encompasses all key policies and procedures for example, the Group Code of Business Conduct.

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

The Group's sustainable approach to business is reinforced by the Group-wide CR strategy. The Group has a clearly defined overarching social purpose with flagship programmes (urban regeneration; economic empowerment; and skills and education) to support each pillar of the Group's strategy.

The Group's social purpose is to help empower a million people to build better futures for themselves, their families and their communities over the next three years. The Group's ambition is to build inclusive and resilient communities through urban regeneration, economic empowerment and skills and education. Social mobility is our core focus and we want to use community investment to help break down the barriers that prevent people from living the life they want. The Group do this by investing in essential needs for communities to thrive, strengthening social networks and equipping people with the skills, tools and opportunities to be financially secure.

The Group establishes long-term relationships with the Group's charity partners to improve lives, build communities and provide support, not only through funding, but also with the experience and expertise of our colleagues. The projects the Group supports are sustainable and the Group work closely with the partners to ensure that the Group's programmes continuously improve.

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

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

Accounts

The state of affairs of the Company as at 31 December 2021 is shown on the statement of financial position on page 14. The statement of comprehensive income appears on page 13.

Share Capital

There have been no changes to the Company's share capital during the year (2020 : issue of 20,000,000 ordinary shares of £1 each).

Post balance sheet events

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

Dividends

No dividends were declared or paid during the year (2020: Nil).

Directors

The directors holding office during the year are shown on page 1.

Mr. P Cooper resigned on 6 May 2022 and Mr. S Horgan was appointed as a director on 16 May 2022. There are no other changes up to the date of approving these financial statements.

Financial risk management objectives, policies and exposure

The Company is exposed to limited risk through its financial assets and financial liabilities as the Company does not have any complex financial assets or financial liabilities and the exposures are primarily within the Group.

The Company has net current liabilities. The Company's current liabilities exceed its current assets leading to the liquidity risk of not being able to meet its liabilities as they fall due.

These risks have been mitigated by securing a letter of support from the parent company, M&G plc, committing to subscribe to additional share capital of up to £139 million, in the event of future financing being required in the period up to twelve months from the date of approving these financial statements.

Disclosure of information to the auditor

The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware; and that each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Act.

Auditor

KPMG LLP were reappointed as auditor of the Company by the members at the Annual General Meeting on 24 April 2017.On 28 October 2020, the Company approved the appointment of PricewaterhouseCoopers LLP as its auditor for the year ending 31 December 2022. Consequently, KPMG LLP has resigned as the Company's statutory auditor at the conclusion of the 2021 audit and the Company has appointed PwC as the Company's statutory auditor. A resolution was passed to appoint PwC as auditor by the Group's shareholders at the Annual General Meeting on 25 May 2022.

Directors' and Officers' Protection

M&G plc has arranged appropriate insurance cover in respect of legal action against directors and senior managers of companies within the M&G plc Group. In addition, the Articles of Association of the Company provide for the directors, officers and employees of the Company to be indemnified in respect of liabilities incurred as a result of their office. M&G plc also provides protections for the directors and senior managers of companies within the Group against personal financial exposure they may incur in their capacity. These include qualifying third party indemnity provisions (as defined by the relevant Companies Act) for the benefit of directors of M&G plc, including, where applicable, in their capacity as a director of the Company and other companies within the Group. These indemnities were in force during 2021 and remain in force.

Going concern

As described in the Basis of Preparation section of the Accounting Policies at note 1, an assessment of the Company's prospects has been carried out. The Board has also performed a robust assessment of the principal and emerging risks facing the Company, and is satisfied that the Company will be able to continue in operation and meet its liabilities as they fall due for a period of at least 12 months from the date of approval of the financial statements.

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

D.W King

David King
Director
29 July 2022

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

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PRUDENTIAL FINANCIAL SERVICES LIMITED

Opinion

We have audited the financial statements of Prudential Financial Services Limited ("the Company") for the year ended 31 December 2021 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with UK 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 the FRC Ethical Standard. 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;
- 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.

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:

- Enquiring of directors as to the Company's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud;
- Reading Board minutes; and

- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account our overall knowledge of the control environment, 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 does not have any revenue. We did not find any additional fraud risks.

We also performed procedures including identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by unauthorised personnel, those posted by infrequent users, those posted for transactions that are complex or unusual by nature.

Identifying and responding to risks of material misstatement related to 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 through discussion with the directors (as required by auditing standards), and from inspection of the Company's regulatory and legal correspondence and discussed with the directors and other 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.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits 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.

Secondly, the Company is subject to many 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 fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, data protection laws, anti-bribery, employment law, and liquidity, recognising the nature of the Company's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other 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.

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 remained a higher risk of non-detection of fraud, as these 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.

Strategic report and directors' report

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

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

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

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 8, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PRUDENTIAL FINANCIAL SERVICES LIMITED

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

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

William Greenfield (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
Canary Wharf
London
E14 5GL
29 July 2022

PRUDENTIAL FINANCIAL SERVICES LIMITED

STATEMENT OF COMPREHENSIVE INCOME

	2021	2020	Note
	£'000	£'000	
Impairment of investments	—	(5,755)	6
Operating loss	—	(5,755)	
Interest receivable	—	17	3
Interest payable	(798)	(1,506)	4
Loss before taxation	(798)	(7,244)	
Tax credit	152	283	5
Loss for the financial year	(646)	(6,961)	

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

The accounting policies on pages 16 to 20 along with accompanying notes on pages 20 to 23 form an integral part of these financial statements.

PRUDENTIAL FINANCIAL SERVICES LIMITED

STATEMENT OF FINANCIAL POSITION

	2021	2020	Note
	£'000	£'000	
Investments			
Investment in group undertakings	**100,195**	100,195	6
	100,195	100,195	
Current assets			
Cash at bank and in hand	**13,413**	9,610	7
Corporation tax receivable	**—**	3,518	
Total current assets	**13,413**	13,128	
Current liabilities			
Corporation tax payable	**(133)**	—	
Trade and other creditors: amounts falling due within one year	**(105,338)**	(104,540)	8
Total current liabilities	**(105,471)**	(104,540)	
Net current liabilities	**(92,058)**	(91,412)	
Total assets less current liabilities	**8,137**	8,783	
Net assets	**8,137**	8,783	
Capital and reserves			
Called-up share capital	**30,500**	30,500	10
Capital reserve	**73,162**	73,162	
Profit and loss account	**(95,525)**	(94,879)	
Shareholders' funds	**8,137**	8,783	

The accounting policies on pages 16 to 20 along with accompanying notes on pages 20 to 23 form an integral part of these financial statements.

The accounts on pages 13 to 23 were approved by the Board of directors on 29 July 2022 and were signed on its behalf by

D.W King

David King
Director
29 July 2022

PRUDENTIAL FINANCIAL SERVICES LIMITED

STATEMENT OF CHANGES IN EQUITY

	Share Capital	Profit and Loss Account	Capital reserve	Total Equity
	£'000	£'000	£'000	£'000
Balance at 1 January 2021	**30,500**	**(94,879)**	**73,162**	**8,783**
Loss for the financial year	**—**	**(646)**	**—**	**(646)**
Total comprehensive loss for the year	**—**	**(646)**	**—**	**(646)**
Balance at 31 December 2021	**30,500**	**(95,525)**	**73,162**	**8,137**
Balance at 1 January 2020	10,500	(87,918)	73,162	(4,256)
Issue of Share Capital	20,000	—	—	20,000
Loss for the financial year	—	(6,961)	—	(6,961)
Total comprehensive loss for the year	—	(6,961)	—	(6,961)
Balance at 31 December 2020	30,500	(94,879)	73,162	8,783

The accounting policies on pages 16 to 20 along with accompanying notes on pages 20 to 23 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies

A. Company Information

Prudential Financial Services Limited is a company incorporated and domiciled in England and Wales. The address of its registered office is 10 Fenchurch Avenue, London EC3M 5AG.

B. Basis of preparation

The financial statements have been prepared in accordance with FRS 101, Part 15 of the Companies Act 2006 and Schedule 1 of The Large and Medium-sized Companies and Group (Accounts and Reports) Regulations 2008.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 (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.

New accounting pronouncements adopted by the Company

'Interest Rate Benchmark Reform—Phase 2—Amendments to IFRS 9, IAS 39, and IFRS 7 (Phase 2)'

The Phase 2 amendments allow a practical expedient where any changes in the fair value of financial instruments as a direct consequence from the Interbank offered rate ('IBOR') reform are managed by updating the effective interest rate, therefore removing the recognition of gains or losses in the income statement as a result of the reform. These amendments also allow relief from applying specific hedge accounting and financial instrument de-recognition requirements which would result from the IBOR reform.

The Company has a formal programme in place to facilitate the transition of all impacted instruments to the alternative benchmark rate. The focus of the Company in 2021 was to phase out usage of and exposure to Sterling LIBOR rates which was a key benchmark rate referred to in non-derivative financial positions - loans from group undertakings. Intracompany loans were amended using an approach similar to that followed by the ISDA Protocol and thus retained economic equivalence on the loans.

The transition to the alternative benchmark rates did not have a significant impact on the Company's financial statements for the year ended 31 December 2021.

The Company's immediate and ultimate parent undertaking, M&G plc, includes the Company in its consolidated financial statements. The consolidated financial statements of M&G plc are available to the public and may be obtained from the Company Secretary, 10 Fenchurch Avenue, London, England, EC3M 5AG.

The Company has taken advantage of the exemption afforded by s400 of the Companies Act 2006 and not prepared consolidated accounts. This is on the basis the Company's ultimate parent undertaking, M&G plc includes the Company in its consolidated financial statements. Accordingly, the financial statements present information about the Company as an individual undertaking and are not consolidated.

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

- Cash flow statement and related notes;

- Disclosure related to capital management;
- Disclosures in respect of transactions with wholly owned subsidiaries within the Group;
- Disclosures in respect of the compensation of key management personnel;
- Comparative period reconciliations for share capital;
- The effect of new but not yet effective accounting standards;
- Disclosures in respect of revenue from contracts from customers; and
- Disclosures required by IFRS 7 *Financial Instruments: Disclosures* and IFRS 13 *Fair Value Measurement.*

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

The financial statements are prepared in pounds sterling (£) which is the functional currency of the Company and are rounded to the nearest thousand (£'000).

The directors have a reasonable expectation that the Company will be able to continue its operational existence for at least 12 months from the date of approval of these financial statements and thus continue to adopt the going concern basis of accounting. This conclusion has been based upon the following:

- The Company is a subsidiary within the M&G plc group and its parent company and the ultimate parent company are continuing to trade and there are no plans for liquidation.

- Notwithstanding net current liabilities of £92,058k as at 31 December 2021, a loss for the year then ended of £646k, the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons:

The directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds, through funding from its ultimate parent company, M&G Plc, to meet its liabilities as they fall due for that period.

Those forecasts are dependent on M&G Plc providing additional financial support of £139m during that period. M&G Plc has indicated its intention to continue to make available such funds as are needed by the company for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the Directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

C. Classification of instruments issued by the Company

Having adopted FRS 101, International Accounting Standard (IAS 32) is being applied to the financial instruments issued by the Company and these are treated as equity only to the extent that they meet the following two conditions:

(i) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and

(ii) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-'derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the Company exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

D. Financial instruments - recognition and measurement

Recognition and initial measurement

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

Classification and subsequent measurement

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

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

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

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

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

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

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

Financial liabilities

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

E. Financial instruments - Impairment

Financial assets impairment

Impairment is recognised on financial assets measured at amortised cost based on expected credit losses ('ECL').

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the entity expects to receive).

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

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

A financial instrument is considered to have low credit risk where it has an external credit rating of 'investment grade'. The entity has determined that the cash balances and deposits with credit institutions are considered to have low credit risk and therefore impairment is based on a 12 month ECL for these assets.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs, where material.

F. Investments in group undertakings

Investments in group undertakings are valued at cost less impairment.

The investments are reviewed annually to assess whether there are indicators of impairment. If any such indication of impairment exists, the Company makes an estimate of the recoverable amount. If the recoverable amount is less than the value of the investment, the investment is considered to be impaired and is written down to its recoverable amount. An impairment loss is recognised immediately in the profit and loss account.

G. Income

Interest income includes interest received on loans and bank interest and is accounted for on an accruals basis.

H. Expenses

Operating expenses and interest payable are accounted for on an accruals basis.

I. 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.

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 included 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.

2. Operating expenses

Directors remuneration in respect of the Company was £15k (2020: £15k). This remuneration was borne by another group undertaking. The Company's directors perform services for other Group companies. These costs are not included in the amounts charged to the Company as shown above. Emoluments are reported for directors who are deemed to work for the Company i.e. provide qualifying services in accordance with Schedule 5 of the Regulations. An assessment has been made of the proportion of each director's time that relates to this Company, and the emoluments reported above reflect this.

Two directors (2020: three) received shares under long-term incentive schemes, and no director (2020: three) exercised share options in 2021. One director (2020: One) were entitled to retirement funds under a defined contribution pension scheme.

The Company has no employees and is provided with services by Prudential Distribution Limited (PDL), one of the Company's subsidiaries.

Auditor's remuneration of £24k (2020: £24k) in respect of the audit of the Company's financial. This fees was borne by a fellow group undertaking, Prudential Distribution Limited. No non-audit services were provided to the Company by the auditor in 2021 or 2020.

3. Interest receivable

	2021	2020
	£'000	£'000
Interest on bank balances	**—**	17

The interest income is earned from financial assets recognised at amortised cost.

4. Interest payable

	2021	2020
	£'000	£'000
Interest payable to group undertakings	**798**	1,506

The interest is payable on financial liabilities recognised at amortised cost.

5. Taxation

a) Tax credit

	2021 £'000	2020 £'000
Current tax:		
Current tax on loss for the year	**152**	283
Total current tax credit for the year	**152**	283

b) Factors affecting the tax credit for the year

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.

	2021 £'000	2020 £'000
Loss on ordinary activities before tax	**(798)**	(7,244)
Tax credit on loss at rate of 19.00% (2020: 19%)	**152**	1,376
Effects of:		
Revaluation of investments in subsidiaries	**—**	(1,093)
Total tax credit for the year	**152**	283

c) 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 more likely than not that there will be suitable taxable profits from which the future reversal of the underlying temporary differences can be deducted.

6. Investments in group undertakings

	2021	2020
	£'000	£'000
Shares in group undertakings		
Cost		
At the beginning of the year	**262,730**	242,730
Investment during the year	—	20,000
At the end of the year	**262,730**	262,730
Provisions		
At the beginning of the year	**(162,535)**	(156,780)
Impairment losses recognised during the year	—	(5,755)
At the end of the year	**(162,535)**	(162,535)
Net book value as at end of the year	**100,195**	**100,195**

During the year 2020 the Company invested £20 million in M&G Wealth Advice Limited ("MGWAL"), previously known as Prudential Financial Planning Limited ('PFPL'), one of its subsidiaries. The investment in MGWAL was financed from capital invested in the Company by M&G plc.

No investment in subsidiaries have been impaired during the year (2020: £5,755k).

Particulars of wholly owned group undertakings at 31 December 2021 are as follows:

	Class of shares held	Principal Activity	Place of registration
Prudential UK Services Limited	£1 Ordinary	Service Company	Craigforth, Stirling, Scotland, FK9 4UE
Prudential Distribution Limited	£1 Ordinary	Distribution and Service Company	Craigforth, Stirling, Scotland, FK9 4UE
Prudential Distribution Limited	£1 Preference	Distribution and Service Company	Craigforth, Stirling, Scotland, FK9 4UE
ScotAm Pension Trustees Limited	£1 Ordinary	Non-Trading Company	Craigforth, Stirling, Scotland, FK9 4UE
M&G Wealth advice Limited, previously known as Prudential Financial Planning Limited	£1 Ordinary	Distribution Company	10 Fenchurch Avenue, London, EC3M 5AG

Prudential Group Pensions Limited, Prudential Mortgages Limited, Prudential Protect Limited, Scottish Amicable Holdings Limited and Scottish Amicable Pensions Investments Limited are liquidated during the year 2021. In each case, the distribution on liquidation consists of an inter-group debtor balances of £9 owed by the Company and the distribution had the effect of extinguishing the existing balance on the inter-group account with these subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS (continued)

7. Cash at bank

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

8. Trade and other creditors: Amounts falling due within one year

	2021	2020
	£'000	£'000
Amounts due to group undertakings	**105,338**	104,540

Amount due to group undertakings comprises loan from various Group undertakings repayable on demand. The interest is charged at twelve month LIBOR rate plus 60 basis points on the outstanding loan balance.

9. Called-up share capital

	2021	2020
	£'000	£'000
Issued and fully paid		
30,500,000 (2020: 30,500,000) ordinary shares of £1 each	**30,500**	30,500

20,000,000 ordinary shares of £1 each were issued during 2020.

10. Immediate and ultimate parent company

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

11. Parent company support

As discussed in the Basis of Preparation (Note 1B), the Company has been provided with a letter of support by the parent company, M&G plc, committing to subscribe to additional share capital of up to £139 million, in the event of future financing being required in the period up to twelve months from the date of signing these financial statements.