Registered No: 01508295

PRUTEC LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

PRUTEC LIMITED

Incorporated and registered in England and Wales. Registered No. 01508295

Registered office: 10 Fenchurch Avenue, London EC3M 5AG

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DIRECTORS AND OFFICERS

Directors

The directors in office during the year and up to the date of signing the accounts were as follows :

D W King

M D P Richardson

Secretary

M&G Management Services Limited
London, EC3M 5AG

Auditor

KPMG LLP
15 Canada Square
London E14 5GL

Principal activity

The principal activity of Prutec Limited ('the Company') is investment in partnerships, venture capital funds and private equity funds. This activity is expected to continue in 2021.

Business review

The Company invests in partnerships, venture capital funds, private equity funds and private equity transactions. These investments are funded by a loan arrangement with the parent company, The Prudential Assurance Company Limited ('PAC'). The Company primarily derives its income from the investment returns arising from the disposal and the revaluation of investments.

The Company is a wholly owned subsidiary of PAC, itself a wholly owned subsidiary of M&G Group Regulated Entity Holding Company Limited, which is wholly-owned by M&G plc. The ownership of PAC changed from M&G plc to M&G Group Regulated Entity Holding Company Limited on 23 July 2020. M&G Group Regulated Entity Holding Company Limited's principal activity is that of an intermediate holding company with subsidiaries engaged in underwriting long-term insurance business and asset management.

The Company's ultimate parent company, 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, with significant operations in the United Kingdom and overseas.

2020 was a challenging year for all due to the spread of the COVID-19 virus, restrictions on public movement and economic disruption. The spread of COVID-19 has disrupted livelihoods, health systems, economies and financial markets globally. Detailed business continuity plans have been invoked to ensure that the Company can operate as usual in the face of the challenge posed by the spread of COVID-19. In these difficult times, the Company has two clear priorities: the safety and well-being of colleagues and continuing to serve customers to the best of our abilities. The majority of colleagues continue to work from home with access to the full set of support systems and necessary equipment to do their jobs and are able to satisfactorily serve customers.

The Company holds investments in limited partnerships and funds. The performance of these investments could be affected by the challenges arising from the COVID-19 pandemic resulting in a reduction in the fair value of the investments. The impact on the business environment could also result in delays in distributions by the underlying investments.

Key Performance Indicators	**2020**	2019	Change
	£	£	%
Profit on ordinary activities before taxation	**212,185,957**	154,364,335	37.5
Closing Shareholders' funds	**943,848,811**	766,600,188	23.1

The Company has made a profit before tax of £212,185,957 (2019: £154,364,335). The profit is primarily due to an increase in the net gains on investments held at fair value to £240,196,405 as compared to £164,565,613 in 2019. Foreign exchange gains reduced to £2,243,040 as against foreign exchange gains of £21,092,189 in 2019. The interest expense of £25,050,940 (2019: £26,315,527) is payable to PAC on the loan drawdowns to fund the investments.

Section 172(1) Statement

Section 172 of the Act 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 their section 172 duties the directors have regard to the factors set out above. They also recognise the matters that they consider as a Board can often have unique characteristics. This can require them to consider 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 they consider will vary depending on the decision being taken across all the Board's decisions. The directors are mindful of the Company's purpose, strategic priorities and alignment with the Group's overarching culture, vision and values.

The Company's key stakeholders are its ultimate beneficial owner M&G plc, related M&G plc group entities and the stakeholder groups set out in M&G plc's Annual Report. The views and the 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 or on certain issues, the size and spread of both the Company's stakeholders and the Group means that other stakeholder engagement takes place at Group level. The directors find that as well as being a more efficient and effective approach, this also helps them achieve a greater positive impact on environmental, social and other issues than by working alone as an individual company.

During the period, the directors received information to help them understand the investment-related services performed by the Company's stakeholders, namely M&G Alternatives and Silverfleet plc and also gain a better understanding and oversight of the valuation controls in place.

Principal Decisions

Although the Company has limited business activities, the directors set out below, some examples of how they have had regard to the matters set out in section 172(1)(a)-(f) when discharging their section 172 duty and the effect of that on decisions taken by them. The directors define principal decisions as both those that are material to the Company, but also those that are significant to any of the key stakeholders. In making the following principal decisions the Board considered the need to maintain a reputation for high standards of business conduct:

Principal Decision 1- Regular Update and Oversight of Investments

Significant efforts have been made to improve governance and Board oversight within the Company, including regular engagement with the Alternatives team in relation to investment oversight, manager selection and asset allocation. The Board receives regular (quarterly or as required) updates from the Alternatives team who provide a periodic review of underlying investment programmes held within the Company. In addition to the regular performance updates, additional reporting around valuation and the valuation review process was also provided to the Board.

Principal Decision 2- Engagement with key stakeholders and Valuation Process

The Company's investments are advised/managed by M&G Alternatives and Silverfleet, who are the key stakeholders of the Company. As part of their operational due diligence ('ODD') process, the Alternatives team perform a review of the valuation process, pre-investment, to ensure the processes and governance controls around valuation are appropriate. On an ongoing basis, additional reviews are performed on the valuation controls and approach through periodic ODD. A review of the underlying Fund's audited financial statements is also conducted on an annual basis for each of the funds invested. A check is performed on the valuation of assets within the accounts to ensure there have not been any material valuation adjustments or anything notable which could have an impact on the value of an asset.

Risks & uncertainties

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

The RMF requires all businesses and functions within the Group, including the Company, to establish processes for identifying, evaluating and managing key risks. The RMF is designed to manage risk within agreed appetite levels which are aligned to delivering the Group and Company strategy. The RMF is approved by the Group Board 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 financial risk through its financial assets and financial liabilities. The key financial risk factors affecting the Company are credit risk, liquidity risk and market risk. These financial risks and the management thereof are discussed in note 12.

Non-financial risk

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

- Operational risk - the risk of non-financial impacts resulting from inadequate or failed internal processes, or from personnel and systems, or from external events.
- Regulatory risk – the risk of non-financial impact resulting from a failure to meet regulatory requirements or a failure to adequately consider regulatory expectations, standards or principles.
- People risk – the risk to the Company that the Group does not attract, retain and develop highly qualified professional people.

- Sustainability risk – the risk that the Group fails to address and embed sustainability within the Group's business and operating model could adversely impact profitability, reputation and plans for growth. This includes the investments that Prutec makes.

- 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 risks are managed on a Group-wide basis through the RMF limiting the resulting non-financial risk exposures to the Company.

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

I Bothamley
On behalf of M&G Management Services Limited
Company Secretary
17 September 2021

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

Introduction

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2020.

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 PAC. PAC is a wholly owned subsidiary of its intermediate parent M&G Group Regulated Entity Holding Company Ltd. The Company's ultimate parent company, 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 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.

Financial Performance

The state of affairs of the Company at 31 December 2020 is shown in 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.

Post Balance sheet events

On 3 March 2021, the UK Government announced a proposal to increase the rate of UK corporation tax from 19% to 25% with effect from 1 April 2023. Changes in tax laws and rates may affect recorded deferred tax assets and liabilities and our effective tax rate in the future when the change is substantially enacted. We expect that, in line with the rate increase proposed, there will be an increase to our effective tax rate for periods from 2023 onwards. It is considered that there will not be a significant impact on the deferred tax assets and liabilities as a result of this proposal.

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

Going concern assessment

On the basis of the assessment conducted and which is explained in the basis of preparation section of the notes to account, the directors have approved the prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations. 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 Company has net current liabilities. The Directors have therefore obtained a letter of support from the parent company that states it will provide the necessary financial support to allow the Company to pay its liabilities as and when they fall due, in case the Company is unable to.

Dividends

No dividends were declared and paid during the year. (2019: Nil).

Directors

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

There were no changes during the year and up to the date of approving this report.

Stakeholder relationships and engagement

For details of the Company's engagement with its stakeholders please see the Section 172 Statement on pages 3-4. The ultimate parent company being M&G plc stakeholder engagement also takes place at a Group level.

Financial risk management objectives, policies and exposure

The Company is exposed to financial risk through its financial assets and financial liabilities. The financial risk factors affecting the Company include credit risk, liquidity risk and market risk. Information on the financial risk management objectives, policies of the Company and the exposure of the Company to the financial risk factors is given in note 12.

Disclosure to auditor

The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Auditor

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

On 28 October 2020, the Company approved the appointment of PricewaterhouseCoopers LLP as its auditor for the year ending 31 December 2022, subject to shareholder approval at the M&G plc 2022 Annual General meeting.

Directors' and officers' protection

M&G plc has arranged appropriate insurance cover in respect of legal action against directors and senior managers of companies within the M&G plc group. In addition, the Articles of Association of the Company permit the directors, officers and employees of the Company to be indemnified in respect of liabilities incurred as a result of their office. M&G plc also provides protections for directors and senior managers of companies within the Group against personal financial exposure they may incur in their capacity. 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 2020 and remain in force.

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

I Bothamley
On behalf of M&G Management Services Limited
Company Secretary
10 Fenchurch Avenue
London EC3M 5AG
17 September 2021

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.

Opinion

We have audited the financial statements of Prutec Limited ("the company") for the year ended 31 December 2020 which comprise the Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Financial Position 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 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; 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 policies and procedures to prevent and detect fraud as well as whether they have knowledge of any actual, suspected or alleged fraud;
- Reading the Company's meeting minutes;
- Using analytical procedures to identify any usual 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 revenue is generated from few sources and transactions are easily verifiable to external 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 to test based on risk criteria and comparing the identified entries to supporting documentation. These included journals posted to revenue and cash.

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 the directors and other management (as required by auditing standards), 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: anti-bribery, and certain aspects of company legislation recognising the financial nature of the Company's activities and its legal form. 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 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 9, 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.

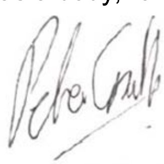
Auditor's responsibilities

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.

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.



Peter Crabb (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London E14 5GL
17 September 2021

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020	2019
		£	£
Net gain from financial assets held at fair value through profit or loss		**240,196,405**	164,565,613
Operating expenses	4	**(5,203,391)**	(4,982,402)
Operating profit		**234,993,014**	159,583,211
Interest receivable		**843**	4,462
Interest payable		**(25,050,940)**	(26,315,527)
Foreign exchange gain		**2,243,040**	21,092,189
Profit on ordinary activities for the year before taxation		**212,185,957**	154,364,335
Tax charge	5	**(34,937,334)**	(20,550,230)
Profit for the financial year after taxation		**177,248,623**	133,814,105

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

The accounting policies and notes on pages 16 to 19 along with accompanying notes on pages 19 to 29 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

	Note	2020	2019
		£	£
Fixed assets			
Investments	6	**1,460,877,893**	1,230,139,935
Current assets			
Cash at bank and in hand	7	**352,991**	4,765,645
Current liabilities			
Trade and other creditors : amounts falling due within one year	8	**(127,740,241)**	(32,874,245)
Corporation tax payable		**(33,413,227)**	(8,276,020)
		(161,153,468)	(41,150,265)
Net current liabilities		**(160,800,477)**	(36,384,620)
Total assets less current liabilities		**1,300,077,416**	1,193,755,315
Creditors : amounts falling due after one year	9	**(356,228,605)**	(427,155,127)
Net assets		**943,848,811**	766,600,188
Capital and reserves			
Share capital	10	**28,000,000**	28,000,000
Profit and loss account		**915,848,811**	738,600,188
Shareholders' funds		**943,848,811**	766,600,188

The accounting policies on pages 16 to 19 along with the accompanying notes on pages 19 to 29 form an integral part of these financial statements.

The accounts on pages 13 to 29 were approved by the Board of directors on 17 September 2021 and were signed on its behalf by:

D.W King

D W King
Director

PRUTEC LIMITED

STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2020

	Called Up Share Capital	Profit and Loss Account	Total Equity
	£	£	£
Balance at 1 January 2019	28,000,000	604,786,083	632,786,083
Total comprehensive profit/(loss) for the year			
Profit for the year	—	133,814,105	133,814,105
Balance at 31 December 2019	28,000,000	738,600,188	766,600,188
Balance at 1 January 2020	**28,000,000**	**738,600,188**	**766,600,188**
Total comprehensive profit/(loss) for the year			
Profit for the year	**—**	**177,248,623**	**177,248,623**
Balance at 31 December 2020	**28,000,000**	**915,848,811**	**943,848,811**

The accounting policies on pages 16 to 19 along with the accompanying notes on pages 19 to 29 form an integral part of these financial statements.

1. Accounting policies

A. Company information

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

B. Basis of preparation

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).

There were no other significant accounting pronouncements taking effect from 1 January 2020.

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

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

- Cash flow statement and related notes;
- 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 effective IFRSs;
- Disclosures in respect of revenue from contracts with customers.

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

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

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

- Consideration has also been given to the Company's performance, the market in which it operates, its strategy and risks and uncertainties, as set out in the Strategic Report on pages 2 to 5.

- The Company's assets are predominantly fixed asset investments, and as a result the Company has net current liabilities. The Directors have therefore obtained a letter of support from the parent company that states it will provide financial support upto to an amount of £50mn to allow the Company to pay its liabilities as and when they fall due, in case the Company is unable to. The loan from the parent company is not repayable until sufficient cash resources are available within the Company, either from its reserves or distributions from investments. The Company does not have any external debt.

- To satisfy themselves of the appropriateness of the use of the going concern assumption in relation to these financial statements, the directors have assessed the future prospects of the Company, The key method for assessing going concern is through the business planning process which considers profitability, liquidity and solvency. The Company's underlying portfolio of investments are diversified as they are split across a number of sectors and operate in a number of different geographic regions, which should mitigate the risk of severe or prolonged investment losses. The Company's cash outflow of funding undrawn commitments, tax liabilities and minor sundry expenses will be met in order through existing cash balances, receipt of distributions from maturing investments and drawdowns from the loan facility. The business planning process considers the Company's business activities, together with factors likely to affect its future development, successful performance and position, and key risks in the current economic climate.

For these reasons, the directors continue to adopt the going concern basis in preparing these financial statements.

C. Functional and presentation currency

These financial statements are presented in Pound Sterling (£), which is the Company's functional and presentation currency.

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 designated as at FVTPL:

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

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

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

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

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

Financial liabilities

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

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 when 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 are always measured at an amount equal to lifetime ECLs, where material.

F. Revenue recognition

Revenue includes investment income and gain/loss on revaluation of investments during the year, recognised when there is a reasonable expectation of receipt.

G. Operating expenses

Operating expenses are fund related expenses and are recognised on an accruals basis.

H. Foreign currency

Foreign currency monetary assets and liabilities falling due within one year are translated at the rates of exchange ruling at the year-end date. Revenue items and long term investment transactions are translated at the rates of exchange ruling on the transaction dates. Differences on exchange are included in other income/expenses as part of the profit and loss account.

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 directly in equity or other comprehensive income.

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

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. 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.

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.

2. Critical accounting estimates and judgements

In preparing the financial statements, the Company makes estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Estimates and judgements are continually evaluated and are based on management's experience and their expectations of future events. As management's judgement involves an estimate of the likelihood of future events, actual results could differ from those estimates which could affect the future reported amounts of assets and liabilities. The estimates and judgements that have had the most significant effect on the amounts recognised in the Company's financial statements are set out below:

A. Assessment as a financial institution

The directors believe the Company meets the definition of a financial institution as the Company's principal activity is investment in partnerships, venture capital funds and private equity funds.

As the Company meets the definition of a financial institution it is not exempt from the disclosure requirements of IFRS 7 Financial Instruments: Disclosures, IFRS 13 Fair Value Measurement to the extent that they apply to financial instruments, and paragraphs 134 to 136 of IAS 1 Presentation of Financial Statements.

B. Investments held at fair value through profit and loss

The fair value of investments is determined by using appropriate valuation techniques and methodologies. Please refer to note 1 for further details on the recognition and measurements of these assets. Management also makes estimates and assumptions concerning the future and the resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are outlined in notes 11 and 12.

3. Administrative expenses

Directors' remuneration in respect of the Company was £10,000 (2019: £10,000). 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.

Both directors received shares under long-term incentive schemes in both 2020 and 2019, and no director exercised share options in either 2020 or 2019. No director (2019: none) was entitled to retirement funds under a defined contribution pension scheme.

The Company has no employees (2019: Nil).

The auditor's remuneration for audit services for the year of £41,250 (2019: £28,150) was borne by another group company. No non-audit services were provided by the auditor in 2020 or 2019.

4. Operating expenses

	2020	2019
	£	£
Management fees	**5,174,221**	4,504,409
Other expenses	**29,170**	477,993
	5,203,391	4,982,402

5. Taxation

a) Tax charge recognised in the profit and loss account

	2020	2019
	£	£
Current tax :		
Current tax on profit for the year	**34,937,334**	20,378,355
Adjustments in respect of prior years	**—**	171,875
Current tax charge in the period	**34,937,334**	20,550,230
Total tax charged to the profit and loss account	**34,937,334**	20,550,230

b) Factors affecting tax charge for period

The tax (credit)/charge assessed in the year is calculated by applying the standard rate of corporation tax in the UK as shown below. The standard rate of tax has been determined by using the UK rate of corporation tax enacted for the period for which the profit of the Company will be taxed.

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

	2020	2019
	£	£
Profit for the period - continuing activities	**212,185,957**	154,364,335
Tax on profit at standard UK tax rate of 19% (2019 : 19%)	**40,315,331**	29,329,223
Effects of:		
Gains on investments qualifying for substantial shareholder exemption	**(5,395,296)**	(7,530,992)
Adjustment in respect of prior years	**—**	171,875
Dividend income not taxable	**(604,266)**	(1,419,855)
Other	**(16)**	(21)
Expenses not deductible	**621,581**	—
Total tax charge for the year	**34,937,334**	20,550,230

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

c) Factors that may affect future tax charges

On 3 March 2021, the UK Government announced a proposal to increase the rate of UK corporation tax from 19% to 25% with effect from 1 April 2023. Changes in tax laws and rates may affect recorded deferred tax assets and liabilities and our effective tax rate in the future. We expect that, in line with the rate increase proposed, there will be an increase to our effective tax rate for periods from 2023 onwards. The impact of this proposal on the Company's deferred tax assets and liabilities is not expected to be significant.

6. Investments

	Cost	**Revaluation**	**Fair Value**
	£	**£**	**£**
At 1 January 2020	880,716,413	349,423,522	1,230,139,935
Capital & loan contributions	117,397,738	—	117,397,738
Distributions	(75,395,557)	—	(75,395,557)
Movement in fair value	44,795,395	143,940,382	188,735,777
At 31 December 2020	**967,513,989**	**493,363,904**	**1,460,877,893**
At 31 December 2019	880,716,413	349,423,522	1,230,139,935

7. Cash at bank

Under the terms of the Company's arrangements with the M&G Plc group's main UK banker, the bank has a right of set-off between credit balances and all overdrawn balances of those Group companies with similar arrangements.

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

	2020	2019
	£	£
Amounts owed to group undertakings	**(126,800,930)**	(31,795,295)
Accrual for general fees payable	**(939,311)**	(1,078,950)
	(127,740,241)	(32,874,245)

Amounts owed to group undertakings represent a loan received from The Prudential Assurance Company Limited ("PAC"). The interest is accrued on a daily basis at a fixed rate of 4% plus a floating rate of 12 month LIBOR or another currency specific bank rate. The loan is unsecured and has no fixed maturity date. It is repayable when sufficient cash resources are available within the Company, either from its reserves or distributions from investments. Of the total loan balance for 2020 of (£483,029,535), an amount of £(126,800,930) has been classified as current as this amount has been repaid since the end of the reporting period.

9. Creditors: amounts falling due after one year

Creditors due after one year represent a loan received from PAC. The interest is accrued on a daily basis at a fixed rate of 4% plus a floating rate of 12 month LIBOR or another currency specific bank rate. The loan is unsecured and has no fixed maturity date. It is repayable when sufficient cash resources are available within the Company, either from its reserves or distributions from investments.

10. Share capital

	2020	2019
Authorised, allotted, issued and fully paid:	**£**	£
28 million ordinary shares of £1 each	**28,000,000**	28,000,000

11. Financial assets and financial liabilities

A. Financial assets and financial liabilities - classification and measurement

For financial investments the basis of valuation reflects the Company's application of IFRS 9 *Financial Instruments.* Financial assets and financial liabilities are measured at either fair value through profit or loss or amortised cost.

Where financial assets and financial liabilities have been valued at fair value or measured on a different basis but fair value is disclosed, the Company has followed the principles of IFRS 13 '*Fair Value Measurement*'. The basis applied is summarised below.

2020	**Fair value through profit and loss**	**Amortised Cost**	**Total carrying value**	**Fair value**
Investments	**1,460,877,893**	**—**	**1,460,877,893**	**1,460,877,893**
Cash at bank and in hand	**—**	**352,991**	**352,991**	**352,991**
Total financial assets	**1,460,877,893**	**352,991**	**1,461,230,884**	**1,461,230,884**

	Fair value through profit or loss	**Amortised cost**	**Total carrying value**	**Fair value**
Trade and other creditors	**—**	**(483,968,846)**	**(483,968,846)**	**(483,968,846)**
Total financial liabilities	**—**	**(483,968,846)**	**(483,968,846)**	**(483,968,846)**

2019	Fair value through profit and loss	Amortised Cost	Total carrying value	Fair value
Investments	1,230,139,935	—	1,230,139,935	1,230,139,935
Cash at bank and in hand	—	4,765,645	4,765,645	4,765,645
Total financial assets	1,230,139,935	4,765,645	1,234,905,580	1,234,905,580

	Fair value through profit or loss	Amortised Cost	Total carrying value	Fair value
Trade and other creditors	—	(460,029,372)	(460,029,372)	(460,029,372)
Total financial liabilities		(460,029,372)	(460,029,372)	(460,029,372)

Fair value measurement hierarchy of financial assets and financial liabilities

Financial assets and financial liabilities carried at fair value on the balance sheet:

The Company classifies for disclosure purposes fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

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

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgement by the Company. The Company considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

All of the Company's investments trade infrequently and are classified as level 3 (2019: all investments classified as level 3). Level 3 instruments include unlisted investments in partnerships, venture capital funds and private equity funds . As observable prices are not available for these securities, the Company has used valuation techniques to derive the fair value.

The Company's investments are valued at the latest available net asset value of investee funds (inclusive of carried interest allocation), as ascertained from the periodic (usually quarterly) valuations provided by the general partners or managers of such funds. The underlying investee companies' valuations are necessarily dependent on the reasonable exercise of judgement by the managers in valuing the underlying investee companies and the methodologies applied are in line with the International Private Equity and Venture Capital Valuation Guidelines.

B. Significant unobservable inputs used in measuring fair value

The table below sets out information about significant unobservable inputs used at 31 December 2020 in measuring financial instruments categorised as level 3 in the fair value hierarchy.

Description	Fair value at 31 December 2020 £	Valuation Technique	Unobservable Inputs	Sensitivity to changes in significant unobservable inputs
Investments	1,460,877,893	**NAV adjusted for carried interest**	**NAV**	**See note below**

The key inputs of investments are the NAV and carried interest as determined by the general partner of the funds. This NAV is subject to changes in the valuations of the underlying portfolio companies. These can be exposed to a number of risks, including liquidity risk, price risk, credit risk and interest rate risk. A movement of 10% in the value of Fund Investments would move the NAV at the year-end by 10%.

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

The following table reconciles the value of level 3 financial instruments at 1 January 2020 to that presented at 31 December 2020.

	As at 1 January 2020	**Additions**	**Disposals**	**Revaluation**	**As at 31 December 2020**
Investments	**1,230,139,935**	**117,397,738**	**(75,395,557)**	**188,735,777**	**1,460,877,893**

C. Financial assets and financial liabilities not measured at fair value

Financial assets including cash at bank and financial liabilities including trade and other creditors and the loan from a group company are not measured at fair value. The carrying amount of these financial assets and financial liabilities approximates their fair value.

12. Financial risk management

The Company's underlying investment portfolio comprises of investments in partnerships, venture capital funds, private equity funds and private equity transactions which constitute the Fund Investments. The Group actively manages the investments held and realises investments as opportunities arise.

The Group's overall risk management programme seeks to maximise the returns derived for the level of risk to which the Group is exposed and seeks to minimise potential adverse effects on the Group's financial performance. Accordingly, investments made by the Group potentially carry a significant level of risk. There can be no assurance that the Group's objectives will be achieved or that there will be a return of capital invested.

The management of financial risks is carried out by Group and is subject to the Group's internal control and risk management processes as detailed in the GGM and RMF. The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk including alternative investment risk, foreign currency risk and interest rate risk.

The Company considers that it is not exposed to any significant concentration of risks. The Company has a diversified underlying portfolio of investments in Fund Investments. The underlying investments are further diversified as they are split across a number of sectors and operate in a number of different geographic regions. The Company may invest, directly or indirectly, a significant portion of its assets in securities of smaller, less established or newly incorporated companies.

Investments in such companies may involve greater risks than are generally associated with investments in more established companies. Less established companies tend to have lower capitalisation and fewer resources and, therefore, are often more vulnerable to financial failure. Such companies may also have short operating histories on which to assess future performance.

A. Credit risk

Credit risk is the risk of loss or adverse change in the Company's financial situation, resulting from fluctuations in the credit standing of issuers of securities, counterparties and any debtors in the form of default, or other significant credit event (e.g. downgrades or spread widening).

This risk arises principally from the Company's investment in cash and cash equivalents. The Company limits its credit risk exposure in cash and cash equivalents by depositing cash only with adequately rated institutions, with significant balances invested in liquidity funds of suitably credit rated banking institutions.

The Company monitors the credit risk exposure on other receivables on a regular basis.

Impairment methodology

The impairment allowance calculation is based on the Group's counterparty default risk calibration used for Solvency II. The counterparty default risk uses a default state model and a recovery rate model which is run through 1 million scenarios to generate a probability distribution of losses.

This produces a loss rate reflecting the default losses as a percentage of exposure for various stresses over a 12 month period. These rates have been applied to the balances as at 31 December 2020 to derive the ECL.

The impact of collateral and financial guarantees has been considered, where relevant, in the determination of ECL.

The entity held cash balances of £352,991 at 31 December 2020 (2019: £4,765,645). These balances are held with bank and financial institution counterparties, and are considered to have low credit risk.

A 12-month ECL has been calculated in respect of these balances. This reflects the short maturities of the exposures. The entity considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

B. Liquidity risk

Liquidity risk is the risk of loss for the Company, or of adverse change in its financial situation, resulting from its inability to meet financial obligations as they fall due. The Company's obligation requirements are met through a combination of liquidity from the sale of investments and the use of cash resources. The Company's Fund Investments are not readily realisable except in a secondary market, potentially at a discounted price. In addition, the timing and quantum of Fund Investment distributions and capital calls on the remaining undrawn commitments are difficult to predict.

The Company's financial liabilities had no stated maturity at 31 December 2020 or at 31 December 2019 based on contractual undiscounted repayment obligations. The contractual maturities of Fund Investments in the next 12 months are based on the estimated aggregate amounts these funds are expected to call within a financial year.

At 31 December 2020, the Company had undrawn commitments of £274,530,577 (2019: £367,203,500). As per note 10 above, the Company also has access to a loan from PAC. The Company may utilise this facility to pay for any calls and ensure that it can realise the investments at the best price available.

This risk is managed through careful management of bank balances. The investments made by the Company are specifically funded by the loan taken from PAC.

C. Market risk

Market risk is the risk that changes in market prices such as foreign currency exchange rates, interest rates and equity prices will affect the Company's income or the value of its investments. The Company aims to manage this risk within acceptable parameters while optimising the return.

i. Alternative Investment risk

The Company is exposed to alternative investment risk through investments in partnerships, venture capital funds, private equity funds and private equity transactions. Alternative investment risk is the risk of loss or adverse change in the financial situation for the Company or that of customers or clients resulting directly or indirectly from fluctuations in the level or volatility of alternative investment exposures. The risk is managed by Group and subject to the Group's internal control and risk management processes as detailed in the GGF and RMF.

ii. Currency risk

The Company is exposed to currency risk on those investments which are denominated in a currency other than the Company's functional currency, which is Pound Sterling. The investments of £1,460,877,893 are funded by loans of £483,029,535 taken in matching currencies. The Company regards its exposure to exchange rate movement on the underlying investments as part of its overall investment return and does not seek to mitigate that risk through the use of financial derivatives.

The Company's exposure to currency risk from investments on a fair value basis is as follows:

	2020	2019
	£	£
US Dollar	**80,947,631**	93,601,192
Euro	**1,376,317,868**	1,132,318,462
Japanese Yen	**52,462**	306,879

The Company's exposure to currency risk from trade and other creditors is as follows:

	2020	2019
	£	£
US Dollar	**(260,074,442)**	(282,063,479)
Euro	**(196,847,381)**	(159,421,132)
Japanese Yen	**11,869,310**	7,997,755

Other than investments and the related loans taken to fund these investments, the Company's assets and liabilities are primarily denominated in Pound Sterling. The Company's sensitivity to changes in foreign exchange movements on investments held at 31 December is summarised below.

2020	**Base case**	**Base case (+10%)**	**Base case (-10%)**
	£	**£**	**£**
US Dollar	**80,947,631**	**73,588,755**	**89,941,812**
Euro	**1,376,317,868**	**1,251,198,062**	**1,529,242,076**
Japanese Yen	**52,462**	**47,693**	**58,291**

2019	Base case	Base case (+10%)	Base case (-10%)
	£	£	£
US Dollar	93,601,192	85,091,993	104,001,325
Euro	1,132,318,462	1,029,380,420	1,258,131,624
Japanese Yen	306,879	278,981	340,976

The Company's sensitivity to changes in foreign exchange movements on trade and other creditors as on 31 December is summarised below.

2020	**Base case**	**Base case (+10%)**	**Base case (-10%)**
	£	**£**	**£**
US Dollar	**(260,074,442)**	**(236,431,311)**	**(288,971,603)**
Euro	**(196,847,381)**	**(178,952,165)**	**(218,719,313)**
Japanese Yen	**11,869,310**	**10,790,282**	**13,188,122**

2019	Base case	Base case (+10%)	Base case (-10%)
	£	£	£
US Dollar	(282,063,479)	(256,421,344)	(313,403,865)
Euro	(159,421,132)	(144,928,301)	(177,134,591)
Japanese Yen	7,997,755	7,270,686	8,886,394

iii. Interest rate risk

Interest rate risk arises from the effects of fluctuations in the prevailing levels of market interest rates on financial assets and financial liabilities and future cash flows. The Company holds loans payable and cash and cash equivalents that expose the Company to cash flow interest rate risk. The interest rate is partly fixed and partly based on LIBOR which is variable. The Company's exposure to interest rate risk arises from financial assets valued at £352,991 (2019: £4,765,645) and financial liabilities valued at £(483,029,535) (2019: £458,950,422).

The following table shows an analysis of the classes of financial assets and financial liabilities and their direct exposure to interest rate risk. Each applicable class of the Company's assets or liabilities are analysed between those exposed to fair value interest rate risk, cash flow interest rate risk and those with no direct interest rate risk exposure.

2020	**Fair value interest rate risk**	**Cash flow interest rate risk**	**Not directly exposed to interest rate risk**	**Total**
	£	**£**	**£**	**£**
Financial Assets				
Investments	**—**	**—**	**1,460,877,893**	**1,460,877,893**
Cash at bank	**—**	**352,991**	**—**	**352,991**
	—	**352,991**	**1,460,877,893**	**1,461,230,884**
Financial Liabilities				
Trade and other creditors	**—**	**(126,800,930)**	**(939,311)**	**(127,740,241)**
Loan from group company	**—**	**(356,228,605)**	**—**	**(356,228,605)**
	—	**(483,029,535)**	**(939,311)**	**(483,968,846)**

2019	Fair value interest rate risk	Cash flow interest rate risk	Not directly exposed to interest rate risk	Total
	£	£	£	£
Financial Assets				
Investments	—	—	1,230,139,935	1,230,139,935
Cash at bank	—	4,765,645	—	4,765,645
	—	4,765,645	1,230,139,935	1,234,905,580
Financial Liabilities				
Trade and other creditors	—	(31,795,295)	(1,078,950)	(32,874,245)
Loan from group company	—	(427,155,127)	—	(427,155,127)
	—	(458,950,422)	(1,078,950)	(460,029,372)

If interest rates had been 10 basis points lower at 31 December 2020, with all other variables held constant, pre-tax profit for the year would have been £512,569 (2019: £462,384) higher, arising mainly as a result of lower interest expense on variable borrowings. If interest rates at that date had been 10 basis points higher with all other variables held constant, pre-tax profit for the year would have been £512,647 (2019: £462,453) lower, arising mainly as a result of higher interest expense on variable borrowings.

13. Capital management

The Company's total capital at 31 December 2020 was £943,848,811 (2019: £766,600,188) comprising equity share capital and reserves. The Company had no borrowings outside the Group (2019: Nil).

The investments of the Company are managed by third party administrators and the capital requirement to fund these investments are managed by these counterparties. The directors monitor and review the structure of the Company's capital on an ongoing basis to decide the possible timing and extent of returning capital to shareholders.

14. Immediate and ultimate parent company

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