Registered No: SC073158

PRUDENTIAL LIFETIME MORTGAGES LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

PRUDENTIAL LIFETIME MORTGAGES LIMITED

Incorporated and registered in Scotland. Registered No: SC073158
Registered office: 5 Central Way, Kildean Business Park, Stirling, FK8 1FT

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PRUDENTIAL LIFETIME MORTGAGES LIMITED

DIRECTORS AND OFFICERS

Incorporated and registered in Scotland. Registered No: SC073158
Registered office: 5 Central Way, Kildean Business Park, Stirling, FK8 1FT

Directors

Directors of the Company who were in office during the year and up to the date of signing the financial statements:

S Paton Evans
C Bousfield
S Horgan (Appointed 15 August 2022)
D Nancarrow (Appointed 22 November 2022)
P Cooper (Resigned 06 May 2022)

Secretary

M&G Management Services Limited

Independent Auditor

PricewaterhouseCoopers LLP, London
Chartered Accountant and Statutory Auditors
7 More London Riverside
London
SE1 2RT

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

Principal Activities

The principal activity of Prudential Lifetime Mortgages Limited ("the Company") is mortgage lending and administration. This activity is expected to continue in 2023.

The Company was active in the lifetime mortgage market until April 2010, when a decision was made to close it to new business. The Company, however, continues to service existing customers and offer further drawdowns. The Company has, since 2008, periodically sold tranches of its portfolio to its immediate parent, The Prudential Assurance Company Limited ("PAC"). The Company continues to act as a mortgage administrator in respect of portfolio transferred, which have been sold to PAC and its subsidiaries.

The Company is a wholly owned subsidiary of PAC, a company registered in England and Wales. PAC is a wholly owned subsidiary of M&G Group Regulated Entity Holding Company Limited. 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 is a public limited company, limited by shares, incorporated and registered in England and Wales. M&G plc is the parent company of the M&G plc group of companies (the “Group”). The Group is an international financial services group, with significant operations in the United Kingdom and overseas.

Business review

The M&G plc has 'Asset Management' and 'Retail and Savings' as its operating segments. 'Retail and Savings' is made up of the sub-segments 'Wealth', 'Heritage' and 'Other Retail and Savings'. The Company forms part of the 'Retail and Savings - Heritage' operating segment. The 'Heritage' business includes individual and corporate pensions, annuities, life, savings and investment products. The majority of the products in the Heritage sub-segment are closed to new customers but may accept further contributions from existing policyholders.

The primary sources of income for the Company are interest income on loans advanced and fees received for administration of the portfolio. The Company funds its business through surplus funds generated by the Company from its operating income and redemption proceeds received from customers. In the event of a shortfall of funds to grant advances to customers, the Company has previously had access to a floating rate loan from Prudential Capital Limited ("Pru Cap"), a fellow group undertaking. The interest rate risk arising from the differences between the mortgage interest receivable and the interest on borrowings that the Company may avail from Pru Cap has been hedged by entering into interest rate swaps.

The volume of lifetime mortgage drawdowns during 2022 was slightly higher than the 2021 levels. The drawdowns generally show a trend to reduce year on year as is expected of the mortgage portfolio as loans are redeemed each year. However, 2022 saw more drawdown activity once COVID lockdowns stopped. The interest rate charged on lifetime mortgages additional borrowing was increased during 2022. This was a result of the Bank of England increasing their base rate which in turn led to other providers with similar products increasing their rates. To maintain the pricing measure tolerance, the Company increased its Annual Equivalent Rate ("AER") for drawdowns from 3.46% to 4.07% on 26 March 2022, to 5.27% on 16 July 2022 and to 7.92% on 15 October 2022.

Changes in the economic environment leading to movements in market values and interest rates could adversely impact the Company's performance and fund flows. A decline in interest rates could reduce the interest income earned on mortgages. The fair value of the loans to customers may reduce further where there are falls in the value of residential properties and will also vary with movements in other economic variables such as interest rates and credit spreads.

With an intention to mitigate the risk arising from exposure to market movements and liquidity, in March 2023, the Directors considered and in principle agreed a proposal to sell the mortgage portfolio to PAC and to set up an annual process whereby all new segments will be sold to PAC. The Company will continue to service existing customers and offer further drawdowns. Subject to approvals, work is underway to complete the required legal agreements and paperwork for the sale of the portfolio and the sale is expected to be concluded before June 2023. Post the proposed sale of portfolio, with a view to simplify the capital structure within the Company, there is an intention to explore the option to undertake share capital reduction and redeem the preference share capital.

Key Performance Indicators

	2022	2021**	Change
	£'000	£'000	%
(Loss)/profit on ordinary activities before taxation	**(26,377)**	8,967	(394.16)
Total Shareholders' funds at end of year	**68,015**	88,203	(22.89)
Regulatory capital surplus	**63,011**	80,665	(21.89)
Loan portfolio	**33,206**	73,093	(54.57)
Loan to value ratio ("LTV") (%)*	**33.92**	32.63	3.95

*LTV for the business is calculated as the value of loans provided as a percentage of the original property value, and excludes the loans transferred to PAC. All else being equal, the LTV ratio is expected to increase over time as the Company continues to service existing customers and offer further drawdowns.

** It was identified that the amounts relating to total shareholders' funds at the end of year and regulatory capital surplus were misstated in the table above for the year ended 31 December 2021. As a result, the prior period note disclosure has been restated. The impact of the restatement is the change in the total shareholders' funds from £88,205k to £88,203k and regulatory capital surplus from £80,667k to £80,665k. There is no impact of the change on historic period or the primary statements.

The Company reported a pre-tax loss of £26,377k during the year compared to a pre-tax profit of £8,967k for 2021. The loss for the year is primarily on account of unrealised loss of £44,287k on loan portfolio as against unrealised gain of £200k. The unrealised loss is mainly on account of movement in interest yields.

The Company issued additional drawdowns of £5,194k (2021: £4,749k) during the year. Interest of £2,628k (2021: £2,000k) was accrued on the mortgage loans. Redemptions of £3,422k (2021: £3,615k) were recorded during the year. An unrealised loss of £44,287k (2021: profit of £200k) was booked on the valuation of the loan portfolio. As a result of these movements the portfolio balance decreased from £73,093k to £33,206k.

The drawdowns to customers were funded from the surplus cash available within the Company and from repayment of the loan given by the Company to PAC. The Company has had access to the liquidity facility of £25,000k with Pru Cap with a repayment date of 1 April 2023 with the option to extend the facility by a year. With the work underway for the sale of the portfolio, the Company has chosen to not extend the facility beyond April 2023.

The Company is regulated by the Financial Conduct Authority ("FCA") as a mortgage lender and administrator and is subject to the Prudential sourcebook for Mortgage and Home Finance Firms, and Insurance Intermediaries ("MIPRU" rules). As stipulated in MIPRU rule 4.2.23R, the Company is required to maintain capital resources equivalent to the higher of £100k and 1% of the total adjusted assets plus credit risk requirement of 8% of the qualifying risk weighted assets.

The total adjusted assets as defined in the rules includes undrawn commitments and unreleased amounts in respect of the loans less assets covered under the credit risk requirement. The credit risk weight has been calculated with reference to the LTV ratio. The minimum regulatory capital requirement of the Company as at 31 December 2022 was £5,004k (2021: £7,538k) (unaudited) against which the Company had capital resources amounting to £68,015k (2021: £88,203k**).

**It was identified that the amounts relating to capital resources were misstated in the above note for the year ended 31 December 2021. As a result, the prior period note disclosure has been restated. The impact of the restatement is the change in the capital resources from £88,205k to £88,203k. There is no impact of the change on historic period or the primary 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 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 and that they are mindful of the Company's purpose, regulatory obligations, strategic priorities and alignment with the Group's overarching culture, vision and values.

As is normal for large companies, authority for day-to-day management is delegated to the Chief Executive who in turn charges management with execution of the business strategy and related policies. The Directors review at each regular Board meeting: financial and operational performance; risk, compliance and regulatory reporting. The Board also reviews other areas over the course of the financial year including the Company's business strategy; financial reporting; key risks; stakeholder-related matters; and governance, compliance and legal matters. This is done through the consideration and discussion of reports which are sent in advance of each Board meeting and through presentations to the Board.

The Company's key stakeholders are its ultimate beneficial owner M&G plc, its customers, colleagues, communities and regulators. The views of 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, for example, interaction with regulators, the size and spread of both the Company's stakeholders and the M&G plc group means that other stakeholder engagement takes place at Group level. We find that as well as being a more efficient and effective approach, this also helps us achieve a greater positive impact on environmental, social and other issues than by working alone as an individual company.

During the period the Board received information to help them understand the interests and views of the Company's key stakeholders and other relevant factors when making decisions. This information was distributed in a range of different formats including in reports and presentations on the Company's financial and operational performance; investment governance and performance update; and non-financial key performance indicators (e.g. reputational risk, change risk, compliance and regulatory risk, etc). As a result of this the Board has had an overview of engagement with stakeholders and other relevant factors which allows it to understand the nature of the stakeholders' concerns and to comply with the section 172 duty to promote the success of the Company.

Other than routine management matters which were considered in relation to the Company's principal activity, there were no principal decisions to report for the period.

Principal Risks & Uncertainties

The Company is a wholly owned subsidiary of PAC, which is a subsidiary of M&G Group Regulated Entity Holding Company Limited. The ultimate parent company is 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 ("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 commitments 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, measuring, managing, monitoring and reporting 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 Risk Committee and operates based on the concept of three lines of defence: (1) risk identification and management, (2) risk oversight, advice and challenge; and (3) independent assurance.

The Company's results and financial condition are exposed to both financial and non-financial risks. The principal 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 include credit risk, market risk, longevity risk, morbidity risk, persistency risk, expense risk and liquidity risk. These financial risks are discussed further in Note 18.

Non-financial risk

The Company is exposed to a wide range of non-financial risks.

a) Business environment risk

Changing customer preferences together with economic and political conditions, could adversely impact the performance of the Company against its strategy. Economic factors, including heightened levels of inflation, and increased geopolitical risks and conflicts and policy uncertainty may impact the Company's products, investments and operating model. Macroeconomic headwinds are expected to continue during 2023 including inflationary pressures, rising interest rates, UK political instability, heightened recessionary fears in Europe and US and geopolitical instability.

b) Operational risk

Operational risk is the risk of financial and non-financial impacts resulting from inadequate or failed internal processes, or from personnel and systems, or from external events, excluding external events covered under Business Environment Risk.

In particular, a material failure in the processes and controls supporting the Company's activities, that of third-party suppliers or of technology, or inability to deliver the Group-wide change programmes could result in poor customer outcomes, reputational damage, increased costs and regulatory censure. In addition, as the Company is reliant on a range of shared services provided across the Group (including finance and capital management, compliance, risk, HR, actuarial, internal audit and IT services) operational risks that arise in these areas can also impact the Company.

The Company does not actively seek to take operational risk to generate returns, instead it accepts a level of risk that means the controls in place should prevent material impacts but should also not excessively restrict business activities. The Operational Risk Framework defines the Group's approach to the identification, assessment, management and reporting of operational risks and associated controls.

c) Regulatory compliance risk

The Company operates in a highly regulated market, and in an environment where the nature and focus of regulation and laws remain fluid. There are a large number of regulatory initiatives in progress. There are wide-ranging consequences of non-compliance or failing to adequately consider regulatory expectations, standards or principles including customer detriment, reputational damage, fines and restrictions on operations or products. The Group's Compliance function and a dedicated Group Financial Crime Compliance function provides guidance to, and oversight of, the Company in relation to regulatory compliance and conflicts of interest.

d) Sustainability and ESG

A failure to address and embed sustainability considerations (including climate risk) within strategy, products, operating model, communication approach and an internal/external changing landscape could adversely impact on the financial performance, reputation and future growth of the Company. The Group considers and acts upon a broad range of issues including those concerning greenwashing, climate impact, diversity and inclusion, and corporate governance. Sustainability risks, along with other risk types, are identified, assessed and managed under the ESG Risk Management Framework and Policy.

e) People risk

Although the Company does not directly employ staff, as this is done through servicing companies within the wider Group, it is still exposed to people risk in relation to those employees that service the Company. The success of the Company is highly dependent on the ability to attract, retain and develop highly qualified professional people with the right mix of skills and behaviours. The Company manages its people risk in line with the Group-wide HR Framework.

f) Reputational risk

There is a risk that through activities, behaviours or communications, the Company fails to meet stakeholder expectations in ways which adversely impact trust and reputation. Failure to effectively manage reputational risk could therefore have an adverse impact on revenues and cost base, the ability to attract and retain the best staff and could also result in regulatory intervention or action. Reputational Risk is managed through the Group’s Reputational Risk Management Framework and dedicated Reputational Risk team.

g) Conduct risk

There is a risk that through the acts or omissions of the Company, or individuals within the Company, result in poor or unfair outcomes for customers and clients, colleagues, or other stakeholders, or that affect market integrity. This risk is managed through Group policies and processes including Code of Conduct, Conflict of Interest, Market Abuse and Investment Communications Recording policies.

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

I Bothamley
On behalf of M&G Management Services Limited
Company Secretary
25 April 2023

PRUDENTIAL LIFETIME MORTGAGES LIMITED
Incorporated and registered in Scotland. Registered No: SC073158

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

Introduction

The Directors present their report and the audited financial statements of the Company for the year ended 31 December 2022.

Future developments

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

Ultimate parent company

The Company is a wholly owned subsidiary of PAC. PAC is a wholly owned subsidiary of its intermediate parent M&G Group Regulated Entity Holding Company Limited. The Company's ultimate parent company, M&G plc is a public limited company, limited by shares, incorporated and registered in England and Wales.

Stakeholder relationships and engagement

For details of the Company's engagement with its stakeholders, please see section 172 statement on page 4.

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 does 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 works 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 the affairs of the Company at 31 December 2022 is shown in the Statement of Financial Position on page 15. The Statement of Comprehensive Income appears on page 14.

Dividends

No interim dividend was paid in the year (2021:£nil). The directors have not proposed a final dividend for the year (2021:£nil).

Post balance sheet events

With an intention to mitigate the risk arising from exposure to market movements and liquidity, in March 2023, the Directors considered and in principle agreed a proposal to sell the mortgage portfolio to PAC and to set up an annual process whereby all new segments will be sold to PAC. The Company will continue to service existing customers and offer further drawdowns. Subject to approvals, work is underway to complete the required legal agreements and paperwork for the sale of the portfolio and the sale is expected to be concluded before June. This purchase includes a commitment by PAC to purchase all future loan segments issued within a rolling 12 month period. The proposal presented at that meeting also included the recommendation to close out the derivative assets and the transaction is expected to be completed by June 2023.

There have been no other post balance sheet events up to the date of approving this report.

Share Capital

There have been no changes to the Company's share capital during the year (2021: none).

Directors

The Directors of the Company who were in office during the year and up to the date of signing of the financial statements are shown on page 1. Mr P Cooper resigned as a Director on 06 May 2022. During the year, Mr S Horgan was appointed as a Director on 15 August 2022 and Mr D Nancarrow was appointed to the Board of Directors on 22 November 2022. There were no other changes during the year and up to the date of approving this report.

Financial risk management objectives, policies and exposure

The Company is exposed to risk through its financial assets and financial liabilities. The financial risk factors affecting the Company include market risk, credit risk, liquidity risk and insurance risk. Further information on the financial risk management objectives and policies of the Company are given in Note 18.

Disclosure to the auditor

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

Independent Auditor

KPMG LLP resigned as the Group's statutory auditor at the conclusion of the 2021 audit and both the M&G plc Board and Company resolved to appoint PricewaterhouseCoopers LLP (PwC) to fill the vacancy. A resolution to appoint PwC as auditor was approved by the M&G plc shareholders at the Annual General Meeting which took place on 25 May 2022.

Under Section 487 of the Companies Act 2006, the auditors are deemed to be reappointed and therefore PricewaterhouseCoopers LLP will continue in office.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)

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 2022 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 directors have also considered the results of reasonably plausible severe downside scenarios to assess the potential implications on the Company's solvency and liquidity. Based on the results of these assessments, the Board 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 the Board of Directors of the Company

I Bothamley
On behalf of M&G Management Services Limited
Company Secretary
25 April 2023

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Under company law, 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 the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also 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.

Report on the audit of the financial statements

Opinion
In our opinion, Prudential Lifetime Mortgages Limited's financial statements:

a. give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its loss for the year then ended;
b. have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework", and applicable law); and
c. have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2022; the statement of comprehensive income and statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern
Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information
The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also 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.

In preparing the financial statements, the directors are responsible for 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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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 an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to UK regulatory principles, such as those governed by the Financial Conduct Authority (FCA), and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to accounting estimates relating to valuation of equity release mortgage loans and journal entries. Audit procedures performed by the engagement team included:

a. Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
b. Reviewing relevant board meeting minutes;
c. Identifying and testing journal entries based on risk criteria,
d. Testing of judgements and assumptions in subjective areas, such as valuation of equity release mortgage loans; and
e. Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Thomas Robb (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
25 April 2023

PRUDENTIAL LIFETIME MORTGAGES LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

	2022	2021 (restated*)	Note
	£'000	£'000	
Revenue	**6,838**	6,043	2
Administrative expenses	**(2,965)**	(1,643)	3,4
Interest income	**920**	82	5
Interest expense	**(1,156)**	(1,156)	6
Operating profit	**3,637**	3,326	
Unrealised (losses)/gains	**(30,014)**	5,641	7
(Loss)/profit before taxation	**(26,377)**	8,967	
Tax credit/(charge)	**6,189**	(1,393)	8
(Loss)/profit for the financial year	**(20,188)**	7,574	
Total Comprehensive income for the year	**(20,188)**	7,574	

*The format of statement of comprehensive income has been changed to align to the requirements of IAS 1. Mortgage interest income has been re-classified from interest income to revenue being the main source of income for the Company. Interest income and interest expense have been renamed from the earlier nomenclature of interest receivable and interest payable. Interest income and interest expense are now shown as a part of 'operating profit'. The amounts for the prior period have been accordingly restated.

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

There are no items of other comprehensive income which have not already been presented in arriving at the loss/profit for the financial year. Accordingly, the loss/profit for the financial year is the same as total comprehensive loss/ income for the year.

The accounting policies on pages 17 to 20 along with the accompanying notes on pages 20 to 34 form an integral part of these financial statements.

PRUDENTIAL LIFETIME MORTGAGES LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

	2022 £'000	2021 (restated*) £'000	Note
ASSETS			
Non-current assets			
Loans and advances to customers	**33,206**	73,093	9
Trade and other debtors	**236,692**	394,203	10
Deferred tax asset	**6,253**	1,561	8
Total non-current assets	**276,151**	468,857	
Current assets			
Trade and other debtors	**10,039**	8,728	10
Derivative asset	**2,976**	—	
Corporation tax receivable	**2,020**	2,406	
Cash and bank balances	**28,366**	31,841	11
Total current assets	**43,401**	42,975	
Total assets	**319,552**	511,832	
EQUITY AND LIABILITIES			
Capital and reserves			
Ordinary share capital	**53,000**	53,000	14
Preference share capital	**14,620**	14,620	15
Retained earnings	**395**	20,583	
Total equity	**68,015**	88,203	
Non-current liabilities			
Derivative liabilities	**—**	11,297	
Trade and other creditors: amounts falling due within one year	**236,692**	394,203	12
Total non-current liabilities	**236,692**	405,500	
Current liabilities			
Trade and other creditors: amounts falling due after one year	**14,845**	18,129	13
Total current liabilities	**14,845**	18,129	
Total liabilities	**251,537**	423,629	
Total equity and liabilities	**319,552**	511,832	

*The format of statement of financial position has been changed to align to the requirements of IAS 1. The statement of financial position shows the total assets and total liabilities position as against the earlier format showing net assets. Current assets previously included debtors falling due after one year. These debtors have now been reported under non-current assets.The amounts for the prior period have accordingly been restated.

The accounting policies on pages 17 to 20 along with the accompanying notes on pages 20 to 34 form an integral part of these financial statements.

The financial statements on pages 14 to 34 were approved by the Board of directors on 25 April 2023 and were signed on its behalf by:

S. Horgan
Director
25 April 2023

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

	Share Capital	Retained earnings	Total Equity
	£'000	**£'000**	**£'000**
Balance at 1 January 2022	**67,620**	**20,583**	**88,203**
Loss for the financial year	**—**	**(20,188)**	**(20,188)**
Total comprehensive loss for the year	**—**	**(20,188)**	**(20,188)**
Balance at 31 December 2022	**67,620**	**395**	**68,015**

	Share Capital	Retained earnings	Total Equity
	£'000	£'000	£'000
Balance at 1 January 2021	67,620	13,009	80,629
Profit for the financial year	—	7,574	7,574
Total comprehensive profit for the year	—	7,574	7,574
Balance at 31 December 2021	67,620	20,583	88,203

The accounting policies on pages 17 to 20 along with the accompanying notes on pages 20 to 34 form an integral part of these financial statements.

NOTES ON THE FINANCIAL STATEMENTS

1. Accounting policies

A. Company Information

Prudential Lifetime Mortgages Limited is a private limited company, limited by shares, incorporated and registered in Scotland. The address of its registered office is 5 Central Way, Kildean Business Park, Stirling, FK8 1FT.

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.

The financial statements have been prepared under the historical cost basis except certain financial assets and financial liabilities (including derivative instruments) that are measured at fair value through profit or loss ("FVTPL").

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of UK-adopted International Financial Reporting Standards in conformity with the requirements of the Companies Act 2006 (Adopted IFRSs), and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company's ultimate parent undertaking, M&G plc, includes the Company in its consolidated financial statements. The consolidated financial statements of M&G plc are prepared in accordance with IFRS 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:

- A 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;
- A third statement of financial position on a retrospective restatement or reclassification;
- The effect of new but not yet effective accounting standards; and
- Disclosures in respect of revenue from contracts with customers.

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

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

Sources of estimation uncertainty

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The tables below set out the areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements.

Financial statement assets or liability	Key estimate and assumptions	Accounting policy	Note
Assets and liabilities classified as level 3 under the fair value hierarchy	Determination of the fair value of financial assets and financial liabilities classified as level 3 in the fair value hierarchy involves the use of inputs which are not observable in the market and hence require a high degree of estimation which could result in a significant change in the valuation.	D	17

Going Concern

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 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 has a satisfactory capital adequacy, well in excess of the capital requirements stipulated by the Financial Conduct Authority ("FCA"). 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 6. The management of financial risk is set out in note 18, including the Company's exposure to credit risk and liquidity risk which it carefully manages through cashflow forecasting and fund management.

- 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, by considering the business plan that includes the cash flow forecasts, for at least the next 12 months from the date of signing these financial statements, various market scenarios as well as changes in the Company's principal risks. In addition, the directors have also considered the results of reasonably plausible severe downside scenarios to assess the potential implications on the Company's solvency and liquidity. The results of these assessments demonstrated the ability of the Company to meet all obligations and futures business requirements. In addition, these assessments demonstrated that the Company was able to remain above its regulatory solvency requirements in reasonably plausible severe downside scenarios.

- 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.

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

C. Classification of instruments issued by the Company

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

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

D. Financial instruments - recognition and measurement

Financial assets

Recognition and initial measurement

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

Classification and subsequent measurement

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

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

Lifetime mortgages are measured at FVTPL as the cash flows that result from these instruments are not solely payments of interest and principal outstanding. The cash flows associated with these instruments also provide compensation for the no-negative-equity guarantee implicit in the contracts.

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 and 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 except deferred consideration which is classified as FVTPL designated under IFRS 9. 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.

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.

F. Revenue recognition

Operating income, administration fees and other fee income is recognised when the Company satisfies the related performance obligation.

Interest received is recognised on an accruals basis.

G. Expenses

Administrative expenses comprise of management expenses and are recognised on an accruals basis.

Interest comprises of interest on loans and interest rate swaps and is recognised on an accruals basis.

H. 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 following temporary differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination. 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 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. Revenue

The following table shows the split of revenue:

2022	At fair value through profit or loss	Amortised cost	Total
	£'000	£'000	£'000
Mortgage interest income	4,112	—	4,112
Borrower fee income	196	—	196
Administration fees	—	2,530	2,530
Total	**4,308**	**2,530**	**6,838**

2021 (restated*)	At fair value through profit or loss	Amortised cost	Total
	£'000	£'000	£'000
Mortgage interest income	3,779	—	3,779
Borrower fee income	343	—	343
Administration fees	—	1,921	1,921
Total	4,122	1,921	6,043

*Mortgage interest income has been re-classified from interest income to revenue being the main source of income for the Company. The amounts for the prior period have been accordingly restated.

3. Staff costs and directors' emoluments

The Company has no employees. Included within administrative expenses are amounts paid in return for management services provided to the Company by fellow group undertakings.

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

	2022	2021
	£'000	£'000
Aggregate emoluments and benefits	**78**	151
Highest paid Director : Aggregate emoluments and benefits	**31**	43

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

Four directors received shares under long-term incentive schemes in 2022 (2021: three), and no director exercised share options in 2022 (2021: none). Two directors (2021: one) were entitled to retirement funds under a defined contribution pension scheme.

Highest paid director received shares under long-term incentive schemes in 2022 (2021: received shares), and the highest paid director did not exercise share options in 2022 (2021: none).

4. Auditor's remuneration

Auditor's remuneration of £55k (2021: £29k) in respect of the audit of the Company's financial statements is borne by Prudential Distribution Limited, a fellow group undertaking. No non-audit services were provided to the Company by the auditor in 2022 or 2021.

5. Interest income

The following table shows the split of interest income between that earned on assets at fair value through profit or loss and that earned on assets measured at amortised cost.

2022	**At fair value through profit or loss**	**Amortised cost**	**Total**
	£'000	**£'000**	**£'000**
Interest on swap derivatives	**579**	**—**	**579**
Bank Interest	—	**341**	**341**
Total	**579**	**341**	**920**

2021 (restated*)	At fair value through profit or loss	Amortised cost	Total
	£'000	£'000	£'000
Interest on swap derivatives	42	—	42
Other interest	—	40	40
Total	42	40	82

*Mortgage interest income has been re-classified from interest income to revenue being the main source of income for the Company. The amounts for the prior period have been accordingly restated.

6. Interest expense

	2022	2021
	£'000	£'000
Interest on swap derivatives	**1,156**	1,156
Total	**1,156**	1,156

7. Unrealised (losses)/gains

	2022	2021
	£'000	£'000
Unrealised (losses)/gains on fair valuation of debtors	**(148,208)**	1,389
Unrealised gains/(losses) on fair valuation of creditors	**148,208**	(1,389)
Unrealised gains on valuation of interest rate swap derivatives	**14,273**	5,441
Unrealised (losses)/gains on fair value of loan portfolio	**(44,287)**	200
Total	**(30,014)**	5,641

Unrealised (losses)/gains are derived from financial assets and financial liabilities held at FVTPL.

8. Tax (credit)/charge

a) Tax (credit)/charge

	2022	2021
	£'000	£'000
Corporation tax		
Current tax on (loss)/profit for the year	**—**	1,496
Adjustments in respect of previous periods	**(1,497)**	1
Total current tax (credit)/charge	**(1,497)**	1,497
Deferred tax:		
Origination and reversal of timing differences	**(3,516)**	208
Effect of changes in tax rates	**(1,176)**	(312)
Total deferred tax credit	**(4,692)**	(104)
Taxation on (loss)/profit on ordinary activities	**(6,189)**	1,393

b) Factors affecting tax (credit)/charge for period

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.

NOTES ON THE FINANCIAL STATEMENTS (continued)

Deferred tax is provided at the tax rates enacted at the balance sheet date applicable to when the temporary differences are expected to reverse. The impact of the expected increase in the tax rate is therefore recognised in the deferred tax movement for the year.

	2022	2021
	£'000	£'000
(Loss)/profit before tax	**(26,377)**	8,967
(Loss)/profit before tax multiplied by standard rate of Corporation tax in the UK of 19% (2021 - 19%)	**(5,014)**	1,704
Effects of :		
Adjustments in respect of previous periods	**1,497**	1
Effect of changes in tax rates	**(1,176)**	(312)
Losses carried back to prior period	**(1,496)**	—
Total tax (credit)/charge for the year	**(6,189)**	1,393

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 probable that there will be suitable taxable profits from which the future reversal of the underlying temporary differences can be deducted. The assessment of future taxable profits includes the availability to surrender tax losses to other group companies in the M&G plc UK tax group.

d) Balance sheet

	2022	2021
	£'000	£'000
Deferred tax asset explained by:		
Derivatives	**2,810**	3,242
Fair value transitional adjustment on adoption of IFRS 9	**(1,457)**	(1,681)
Carried forward losses	**4,900**	—
Total	**6,253**	1,561
Deferred tax asset at start of period	**1,561**	1,457
Charged to profit or loss	**4,692**	104
Deferred tax asset at end of period	**6,253**	1,561

9. Loans and advances to customers

	2022	2021
	£'000	£'000
Balance at 1 January	**73,093**	69,759
Additional drawdowns	**5,194**	4,749
Amounts redeemed	**(3,422)**	(3,615)
Interest	**2,628**	2,000
Unrealised (loss)/gains on fair value of loan portfolio	**(44,287)**	200
Balance at 31 December	**33,206**	73,093

As described in the “Business Review” section and in the post balance sheet events note, the Directors of the Company have in principle agreed a proposal to sell the mortgage portfolio to PAC to reduce the market risk within the Company.The Company will continue to service existing customers and offer further drawdowns.

NOTES ON THE FINANCIAL STATEMENTS (continued)

10. Trade and other debtors

	2022	2021
	£'000	£'000
Amounts falling due after one year :		
Amount receivable from group undertakings*	**236,692**	394,203
Amounts falling due within one year :		
Interest receivable on interest rate swaps	**293**	20
Prepayments and accrued income	**108**	107
Amount receivable from group undertakings*	**9,638**	8,601
	10,039	8,728
	246,731	402,931

*The outstanding balance includes deferred purchase consideration receivable from PAC for the mortgages purchased from Santander Financial Services plc (formerly Abbey National Treasury Services plc).

11. Cash and bank balances

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 (other than those of long term business funds) and all overdrawn balances of those Group companies with similar arrangements.

12. Trade and other creditors: amounts falling due after one year

	2022	2021
	£'000	£'000
Other creditors*	**236,692**	394,203

*The outstanding balance represents deferred purchase consideration payable to Santander Financial Services plc. Out of the total balance, £196,963k (2021: £352,906k) is repayable after more than five years.

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

	2022	2021
	£'000	£'000
Amounts due to group undertakings	**5,257**	9,183
Interest payable on interest rate swaps	**359**	359
Other creditors*	**9,229**	8,587
	14,845	18,129

*The outstanding balance represents deferred purchase consideration payable to Santander Financial Services plc. £9,206k (2021: £8,564k) and other trade creditors £23k (2021: £23k).

14. Ordinary share capital

	2022	2021
	£'000	£'000
Issued, called up and fully paid shares at £1 per share - 53,000,000:		
Balance at 1 January and 31 December	**53,000**	53,000

There has been no change in the ordinary share capital during the year.

15. Preference share capital

	2022	2021
	£'000	£'000
Issued, called up and fully paid shares at £1per share - 14,620,000:		
Balance at 1 January and 31 December	**14,620**	14,620

There has been no change in the preference share capital in the year.

The preference shares are only redeemable at the option of the Company. The preference shares do not confer any further right of participation in the profits or assets of the Company. On the redemption of the preference shares the nominal amount of the preference shares will be redeemed to the members of the Company along with the amount of any preference dividend accrued on such shares. On a winding up, they carry a preferential right of return of capital ahead of the ordinary shares.

16. Contractual commitments

	2022	2021
	£'000	£'000
Loans and advances to customers available for future drawdown	**139,505**	151,979

17. Financial assets and financial liabilities

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 under IFRS 13 'Fair Value Measurement'. The basis applied is summarised below.

2022	Fair value through profit or loss	Amortised Cost	Total carrying value	Fair value
	£'000	£'000	£'000	£'000
Loans and advances to customers	33,206	—	33,206	33,206
Trade and other debtors	245,898	833	246,731	246,731
Derivative asset	2,976	—	2,976	2,976
Cash at bank and in hand	—	28,366	28,366	28,366
Total financial assets	282,080	29,199	311,279	311,279

2022	Fair value through profit or loss	Amortised Cost	Total carrying value	Fair value
	£'000	£'000	£'000	£'000
Trade and other creditors	245,898	5,639	251,537	251,537
Total financial liabilities	245,898	5,639	251,537	251,537

2021	Fair value through profit or loss	Amortised Cost	Total carrying value	Fair value
	£'000	£'000	£'000	£'000
Loans and advances to customers	73,093	—	73,093	73,093
Trade and other debtors	402,768	163	402,931	402,931
Cash at bank and in hand	—	31,841	31,841	31,841
Total financial assets	475,861	32,004	507,865	507,865

2021	Fair value through profit or loss	Amortised Cost	Total carrying value	Fair value
	£'000	£'000	£'000	£'000
Derivative liabilities	11,297	—	11,297	11,297
Trade and other creditors	402,768	9,564	412,332	412,332
Total financial liabilities	414,065	9,564	423,629	423,629

Determination of fair value

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

- The fair value of debtors and creditors at fair value through profit or loss are determined by discounted cash flows expected to be received or paid.
- The fair value of loans have been valued internally using discounted cash flow models. The inputs that are significant to the valuation of these loans are the internally derived discount rate (risk-free rate plus a liquidity premium), the current property value, the assumed future property growth and the assumed future annual property rental yields. During 2021 and 2022, the assumed future property growth assumption has been adjusted to make allowance for the expected short-term dynamics in the residential property market, as a result of the COVID-19 pandemic. Significant assumptions for equity release mortgage assets within the valuation of the no-negative-equity guarantee include the expected annual increase in house prices of 2.65% (2021: 3.05%) and the implied in house price volatility of 13.00% (2021: 13.00%).
- The estimated fair value of the interest rate swap derivative financial instruments reflects the estimated amount the Company would receive or pay in an arm’s length transaction.

Financial assets held at amortised cost have been shown net of any provisions for impairment.

Fair value measurement hierarchy of financial assets and financial liabilities

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

The table below includes financial instruments carried at fair value analysed by level of the IFRS13 – Fair Value Measurement defined fair value hierarchy. This hierarchy is based on the inputs to the fair value measurement and reflects the lowest level input that is significant to that measurement.

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

Level 1 – quoted prices (unadjusted) in active markets for identical assets and liabilities
Level 2 – inputs other than quoted prices included within level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices)
Level 2 principally includes derivatives which are valued using observable inputs.
Level 3: Significant inputs for the asset or liability that are not based on observable market data (unobservable inputs).
Level 3 principally includes investments which are internally valued or subject to a significant number of unobservable assumptions.

NOTES ON THE FINANCIAL STATEMENTS (continued)

2022	**Level 1**	**Level 2**	**Level 3**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Loans and advances to customers	**—**	**—**	**33,206**	**33,206**
Trade debtors	**—**	**—**	**245,898**	**245,898**
Derivative assets	**—**	**2,976**	**—**	**2,976**
Trade creditors	**—**	**—**	**(245,898)**	**(245,898)**
Total financial investments, net of derivative liabilities	**—**	**2,976**	**33,206**	**36,182**
Percentage of total (%)	**—**	**8**	**92**	**100**

2021	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
Loans and advances to customers	—	—	73,093	73,093
Trade debtors	—	—	402,768	402,768
Derivative liabilities	—	(11,297)	—	(11,297)
Trade creditors	—	—	(402,768)	(402,768)
Total financial investments, net of derivative liabilities	—	(11,297)	73,093	61,796
Percentage of total (%)	—	(18)	118	100

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

The following table reconciles the value of level 3 financial instruments at 1 January 2022 to that presented at 31 December 2022.

	At 1 January 2022	**Total (losses)/ gains**	**Purchases/ drawdowns and interest**	**Sales/ redemptions**	**Trans-fers into level 3**	**Trans-fers out of level 3**	**At 31 December 2022**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Loans and advances to customers	**73,093**	**(44,287)**	**7,822**	**(3,422)**	**—**	**—**	**33,206**
Trade debtors	**402,768**	**(148,208)**	**—**	**(8,662)**	**—**	**—**	**245,898**
Trade creditors	**(402,768)**	**148,208**	**—**	**8,662**	**—**	**—**	**(245,898)**
Total financial investments net of derivative liabilities	**73,093**	**(44,287)**	**7,822**	**(3,422)**	**—**	**—**	**33,206**

	At 1 January 2021	Total (losses)/ gains (restated*)	Purchases/ drawdowns and interest	Sales/ redemptions	Transfers into level 3	Trans-fers out of level 3	At 31 December 2021 (restated*)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Loans and advances to customers	69,759	200	6,749	(3,615)	—	—	73,093
Trade debtors	409,175	1,389	—	(7,796)	—	—	402,768
Trade creditors	(409,175)	(1,389)	—	7,796	—	—	(402,768)
Total financial investments net of derivative liabilities	69,759	200	6,749	(3,615)	—	—	73,093

*It was identified that the amounts relating to gains/loss on trade debtors and trade creditors were misstated in the table above for the year ended 31 December 2021. As a result, the prior period note disclosure has been restated. The impact of the restatement is the change in the gains of trade debtors from £nil to £1,389k and change in the loss of trade creditors from £nil to £1,389k. There is no impact of the change on historic period or the primary statements.

Sensitivity of the fair value of level 3 instruments to changes in significant inputs

Loans and advances to customers are classified as level 3 in the fair value hierarchy. These loans have a no-negative equity guarantee (“NNEG”) that caps the loan repayment in the event of death, or entry into long-term care, to be no greater than the proceeds from the sale of the property that the loans are secured against. An amount of £41,086k (2021: £37,974k) relating to the no negative equity guarantee (NNEG) is included in determining the overall fair value of the loans. These loans are valued internally using discounted cash flow models. Future cashflows are estimated based on assumptions, including prepayment, death and entry into long-term care, and discounted using an internally derived discount rate. The significant unobservable inputs relate to the discount rate, which is 1.84% (2021: 1.10%), the current property value £220,892k (2021: £201,781k), the assumed future property growth of 2.65% (2021: 3.05%) and the assumed future annual property rental yield of 2.00% (2021: 2.00%). The NNEG is based on a Black-Scholes option pricing valuation, using assumptions including the current property value, future property growth and property rental yields, and is recognised as a deduction to the value of the loan. Significant assumptions for equity release mortgage assets within the valuation of the NNEG include the expected annual increase in house prices of 2.65% (2021: 3.05%) and the implied in house price volatility of 13.00% (2021: 13.00%). The estimated sensitivities for the loan and advances valuation are :

(i) An increase of 50bps in the discount rate would decrease the fair value of the loans by £375k (2021: decrease of £754k) and a decrease of 50bps would increase the fair value by £408k (2021: increase of £833k).

(ii) An increase of 10% in the current property value would increase the fair value of the loans by £449k (2021: increase of £425k). A decrease of 10% in the current property value would decrease the fair value of the loans by £527k (2021 decrease of £499k).

(iii) An increase of 100bps in the assumed future annual property growth rate would increase the fair value of the loans by £1,389k (2021: increase of £1,316k). A decrease of 100bps in the assumed future annual property growth rate would decrease the fair value of the loans by £1,849k (2021: decrease of £1,768k).

(iv) An increase of 100bps in the assumed future annual property rental yield would decrease the fair value of the loans by £775k (2021: decrease of £758k). A decrease of 100bps in the assumed future annual property rental yield would increase the fair value of the loans by £800k (2021: increase of £777k).

NOTES ON THE FINANCIAL STATEMENTS (continued)

Market risk

The financial assets and financial liabilities attaching to the Company's business are, to varying degrees, subject to market risk that may have a material effect on the profit or loss and shareholders' funds.

Market risk is the risk of loss, or of adverse change in the Company's financial situation, resulting, directly or indirectly, from fluctuations in the level or volatility of market prices of assets, currencies, liabilities and financial instruments..

Within the risk taxonomy, market risk is broken down into six risk types, namely:

- Interest rate risk: fluctuations in the level and volatility of interest rates or the shape or curvature of the yield curve or spread relationships,
- Inflation risk: fluctuations in actual or implied inflation rates.
- Equity risk: fluctuations in the level or volatility of equity investments.
- Property risk: fluctuations in the level or volatility of property values.
- Currency risk: fluctuations, including translation risk, in the level or volatility of currency exposures and
- Alternative investments risk: fluctuations in the level or volatility of alternative investment exposures (other than those detailed above).

The primary market risk that the Company faces is property risk and interest rate risk. The financial instruments - derivatives held by the Company are subject to interest rate risk; loans to customers are subject to property price risk and interest rate risk. As described in the "Business Review" section, the Directors of the Company have in principle agreed a proposal to sell the mortgage portfolio to PAC to reduce the market risk within the Company. The proposal also included the recommendation to close out the derivative assets.

Interest rate risk

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 financial assets or financial 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.

2022	**Fair value interest rate risk**	**Cash flow interest rate risk**	**Not directly exposed to interest rate risk**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Financial Assets				
Loans and advances to customers	**33,206**	**—**	**—**	**33,206**
Trade and other debtors	**245,898**	**293**	**540**	**246,731**
Derivative asset	**—**	**2,976**	**—**	**2,976**
Cash at bank and in hand	**—**	**28,366**	**—**	**28,366**
	279,104	**31,635**	**540**	**311,279**

2022	**Fair value interest rate risk**	**Cash flow interest rate risk**	**Not directly exposed to interest rate risk**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Financial Liabilities				
Trade and other creditors	**245,898**	**359**	**5,280**	**251,537**
	245,898	**359**	**5,280**	**251,537**

2021	Fair value interest rate risk	Cash flow interest rate risk	Not directly exposed to interest rate risk (restated)*	Total (restated)*
	£'000	£'000	£'000	£'000
Financial Assets				
Loans and advances to customers	73,093	—	—	73,093
Trade and other debtors	402,768	56	107	402,931
Cash at bank and in hand	—	31,841	—	31,841
	475,861	31,897	107	507,865
Financial Liabilities				
Trade and other creditors	402,768	359	9,205	412,332
Derivative liabilities	—	11,297	—	11,297
	402,768	11,656	9,205	423,629

*It was identified that the amounts relating to trade and other debtors (not directly exposed to interest rate risk) were misstated in the table above for the year ended 31 December 2021. As a result, the prior period note disclosure has been restated. The impact of the restatement is the change in the trade debtors and other debtors (not directly exposed to interest rate risk) from £108k to £107k.There is no impact of the change on historic period or the primary statements.

Sensitivity to interest rate movements

A considerable part of the Company’s profit is a function of fluctuation in the value of the loan portfolio and derivatives due to movement in the interest rate.

An analysis of the Company's sensitivity to a 1% parallel increase or decrease in the market interest rate at the reporting date on financial instruments held at FVTPL, assuming that all other variables remain constant is presented below.

2022	**Profit or Loss**		**Equity**	
	Increase	**Decrease**	**Increase**	**Decrease**
	£'000	**£'000**	**£'000**	**£'000**
Financial Assets				
Loans to customers	**(5,847)**	**6,897**	**(5,847)**	**6,897**
	(5,847)	**6,897**	**(5,847)**	**6,897**
Financial Liabilities				
Derivative assets	**3,030**	**(3,632)**	**3,030**	**(3,632)**
	3,030	**(3,632)**	**3,030**	**(3,632)**

2021	Profit or Loss		Equity	
	Increase	Decrease	Increase	Decrease
	£'000	£'000	£'000	£'000
Financial Assets				
Loans to customers	(11,641)	14,221	(11,641)	14,221
	(11,641)	14,221	(11,641)	14,221
Financial Liabilities				
Derivative liabilities	4,580	(6,010)	4,580	(6,010)
	4,580	(6,010)	4,580	(6,010)

While a change in interest rates does not affect the value of the Company's financial assets and financial liabilities held at amortised cost, these instruments are subject to cash flow interest rate sensitivity.

The impact of movements in the market interest rate on trade debtors and trade creditors held at FVTPL is nil as they exactly offset.

18. Financial risk management

The Company is exposed to financial risk through its financial assets and financial liabilities. The key financial risk factors affecting the Company include credit risk, market risk, longevity risk, morbidity risk, persistency risk, expense risk and liquidity risk.

a) Credit risk

Credit risk is the risk of loss or adverse change in the Company's financial situation, or that of its customers and clients, 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).

The Company, in the normal course of business enters into a variety of transactions with counterparties. Failure of any of these counterparties to discharge their obligations, or where adequate collateral is not in place, could have an adverse impact on the Company's results.

The loans given to customers are secured against residential properties as collateral. The other debtors are predominantly intragroup and therefore the risk of default is considered to be minimal.

Impairment methodology

The impairment allowance calculation is based on M&G plc 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 2022 to derive the ECL.

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

The Company held cash balances of £28,366k at 31 December 2022 (2021: £31,841k). The Company considers that its cash and cash equivalents have low credit risk based on external credit ratings of the counterparties.

The Company has no outstanding inter-company loan due from PAC at 31 December 2022 (2021: £nil).

A 12-month ECL has been calculated in respect of these balances. This reflects the short maturities of the exposures. Based on the assessment, no (2021:£nil) ECL has been recognised during the year.

b) Market risk

Market risk is the risk of loss, or of adverse changes in the Company's financial situation resulting, directly or indirectly, from fluctuations in the level or volatility of market prices of assets and liabilities. Market risk includes but is not limited to equity risk, interest rate risk, inflation risk, currency risk, property risk, and alternative investments risk. Market risk is a significant risk for the Company. As described in the "Business Review" section, the Directors of the Company have in principle agreed a proposal to sell the mortgage portfolio to PAC to reduce the market risk within the Company.

A considerable part of the Company's profit is a function of the fixed interest income accruing on the mortgage loans made to the customers. The Company hedges interest rate mismatch risk by using interest rate swaps so that the Company's profits are not materially affected by changes in interest rates. As part of the proposed sale of the mortgage portfolio, the interest rate swaps used by the Company are expected to be closed out.

The Company's profits can also be affected by an increase in volatility or fall in value of the residential property in the UK backing the loans made to customers. Lifetime mortgage loans (both the interest and the initial capital) are repaid from the proceeds of the sale of the mortgaged property upon death of the customer(s) or entry into long-term care. There is a risk that the value of the property at redemption is insufficient to meet the accumulated loan due at that time - this risk is borne by the Company and not the customer. To manage this risk, the Company limited the maximum loan to value ratio when the loans were first made to customers. Based on the terms of the loans, additional drawdowns can be refused if the outstanding balance exceeded the value of the property or if the property value dropped by 25% since outset of the mortgage.

In addition, residential property is also exposed to potential physical damage and change in values from climate change risks such as increased severity of extreme weather events and rising sea levels. The Company's management of Environmental, Social and Governance risks, including climate change is described under Principal Risks & Uncertainties above.

c) Longevity risk

Longevity risk is the risk of unexpected changes in the life expectancy (longevity) of policyholders. This will result in delayed emergence of cash flows compared to expectations. This risk can also adversely impact the Company in certain scenarios if loan balances increase substantially, increasing the risk of a NNEG materialising. This risk is mitigated by limiting the loan to value ratios on withdrawal of funds and the PAC indemnity to compensate the Company for any additional losses incurred by the Company as a result of the subordination of its repayment rights.

d) Morbidity risk

Morbidity risk is the risk of unexpected changes in entry rates into long-term care. Lower rates of entry into long term care increase interest proceeds but also increase guarantee costs, whilst the converse is true for higher rates of entry.

e) Persistency risk

Persistency risk is the risk of unexpected changes in policyholder rates of exit. This risk can materialise if more customers opt for early repayment or transfer of their loans than expected in the Company's assumptions. This can result in reduction in the current and expected future profits from this line of business and hence profitability for the Company. Early repayments impact the Company's profitability if the early repayment charges are not sufficient to cover costs and loss in profitability on early repayments.

f) Expense risk

Expense risk is the risk that expenses (including future expense inflation) could be higher than anticipated. If actual expenses are higher than expected, the Company's operating results could be adversely affected.

g) Liquidity risk

Liquidity risk is the risk of loss for the Company's business, or of adverse changes in its financial situation, resulting from its inability to generate sufficient cash resources to meet financial obligations (for example claims, creditors and other corporate costs as they fall due). In particular, where a customer has a contractual right to make additional drawdowns the Company must ensure that it has the necessary liquidity to make these payments without undue delay. This risk is managed through cash flow forecasting and management of bank balances.

As described in the "Business Review" section, the Directors of the Company have in principle agreed a proposal to sell the mortgage portfolio to PAC to minimise the level of liquidity risk held within the Company.

Liquidity analysis

Contractual maturities of financial liabilities

i. The following tables set out the contractual maturities for applicable classes of financial liabilities, excluding derivative liabilities which are separately presented.

2022	**1 year or less**	**After 1 year to 10 years**	**After 10 to 20 years**	**Over 20 years**	**Total un-discounted cashflows**	**Total carrying value**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Financial liabilities						
Trade and other creditors	**15,196**	**133,516**	**215,455**	**190,500**	**554,667**	**251,537**

2021 (restated*)	1 year or less	After 1 year to 10 years	After 10 to 20 years	Over 20 years	Total un-discounted cashflows	Total carrying value
	£'000	£'000	£'000	£'000	£'000	£'000
Financial liabilities						
Trade and other creditors	18,203	123,961	213,654	211,437	567,255	412,332

*It was identified that the maturity analysis above was based on the carrying value of the liabilities instead of being based on undiscounted cash flows. As a result, the prior period note disclosure has been restated.

**It was identified that the amounts relating to total undiscounted cashflows were misstated in the above note for the year ended 31 December 2021. As a result, the prior period note disclosure has been restated. The impact of the restatement is the change in the total undiscounted cashflows from £575,074k to £567,255k. There is no impact of the change on historic period or the primary statements.

ii. Maturity analysis of derivatives and investment contracts

The following table provides a maturity analysis of derivative assets and liabilities:

2022	**1 year or less**	**After 1 to 3 years**	**After 3 to 5 years**	**After 5 years**	**Total undiscounted cashflows**	**Total carrying value**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Derivative assets	**2,976**	**—**	**—**	**—**	**2,976**	**2,976**

The derivative assets have been included in the '1 year or less' column as it is expected that these assets will be closed out before June 2023.

2021 (restated*)	1 year or less	After 1 to 3 years	After 3 to 5 years	After 5 years	Undiscounted cashflows	Total carrying value
	£'000	£'000	£'000	£'000	£'000	£'000
Derivative liabilities	925	1,211	1,336	9,187	12,659	11,297

*It was identified that the maturity analysis above was based on the carrying value of the liabilities instead of being based on undiscounted cash flows. As a result, the prior period note disclosure has been restated.

19. Capital requirements and management

The Company is regulated by the Financial Conduct Authority ("FCA") as a mortgage lender and administrator and is subject to the Prudential sourcebook for Mortgage and Home Finance Firms, and Insurance Intermediaries (MIPRU rules). As stipulated in MIPRU rule 4.2.23R, the Company is required to maintain capital resources equivalent to the higher of £100k and 1% of the total adjusted assets plus credit risk requirement of 8% of the qualifying risk weighted assets.

The total adjusted assets as defined in the rules includes undrawn commitments and unreleased amounts in respect of the loans less assets covered under the credit risk requirement. The credit risk weight has been calculated with reference to the LTV ratio. The minimum regulatory capital requirement of the Company as at 31 December 2022 was £5,004k (2021: £7,538k) (unaudited) against which the Company had capital resources amounting to £68,015k (2021: £88,203k**).

**It was identified that the amounts relating to total shareholder's funds at the end of year were misstated in the table above for the year ended 31 December 2021. As a result, the prior period note disclosure has been restated. The impact of the restatement is the change in the total shareholder's funds from £88,205k to £88,203k. There is no impact of the change on historic period or the primary statements.

20. Related parties

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

21. Post balance sheet events

With an intention to mitigate the risk arising from exposure to market movements and liquidity, in March 2023, the Directors considered and in principle agreed a proposal to sell the mortgage portfolio to PAC and to set up an annual process whereby all new segments will be sold to PAC. The Company will continue to service existing customers and offer further drawdowns. Subject to approvals, work is underway to complete the required legal agreements and paperwork for the sale of the portfolio and the sale is expected to be concluded before June 2023. This purchase includes a commitment by PAC to purchase all future loan segments issued within a rolling 12 month period. The proposal presented at that meeting also included the recommendation to close out the derivative assets and the transaction is expected to be completed by June 2023.

22. Immediate and ultimate parent company

The immediate parent company is PAC and copies of its Annual Report and 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 Annual Report and Accounts. Copies of the M&G plc Annual Report and Accounts can be obtained from the Company Secretary, 10 Fenchurch Avenue, London EC3M 5AG.