Company No: 01967719

# PGDS (UK ONE) LIMITED

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

**PGDS (UK ONE) LIMITED**

Incorporated and registered in England and Wales. Registered No: 01967719
Registered office: 10 Fenchurch Avenue, London EC3M 5AG

Contents

**PGDS (UK ONE) LIMITED**
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**Directors**

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

Mr C Cochrane (resigned 03 August 2021)
Mr R Thomson (resigned 27 April 2021)
Mr L Bullen (appointed on 19 July 2021)
Mrs C J Bousfield (appointed on 19 July 2021)
Mr P D Cooper (appointed on 19 July 2021)
Mr M Howells (appointed on 19 July 2021)
Mr S Moffatt (appointed on 19 July 2021)

**Secretary**

M&G Management Services Limited

**Auditor**

KPMG LLP, London

**PGDS (UK ONE) LIMITED**
Incorporated and registered in England and Wales. Registered No: 01967719

**STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2020**

Principal activity

The principal activity of PGDS (UK One) Limited ('the Company') is to provide Information Technology ('IT') and Infrastructure services to various companies within the M&G plc group ('the Group'). This activity is expected to continue in 2021. The Company works in partnership with Tata Consultancy Services ('TCS') to enhance its operations and customer service. As part of the arrangement, TCS took on the hosting, networking of IT infrastructure and project delivery services from 1 May 2018. The services that the Company provides to the group companies does not change post-outsourcing as the cost of services provided by TCS are met by the Company and recharged onto the other business units within the Group

Business review

The Company is a wholly owned subsidiary of M&G Corporate Holdings Limited, which is a wholly owned subsidiary of M&G plc. The Company's ultimate parent company is M&G plc, 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, providing investment management and insurance services, with significant operations in the United Kingdom and overseas.

2020 was a challenging year for all due to the spread of the COVID-19 virus, restrictions on public movement and economic disruption. The spread of COVID-19 has disrupted livelihoods, health systems, economies and financial markets globally. A lot depends on the rollout of vaccination programmes worldwide, and a significant amount of uncertainty remains.

In these difficult times, the Company has two clear priorities: the safety and well-being of colleagues and continuing to serve customers to the best of our abilities. Detailed business continuity plans were invoked in February 2020 to ensure that the Company can operate as usual in the face of the challenge posed by the spread of COVID-19. The vast majority of colleagues including the staff of outsourcers such as TCS continue to work from home with access to the full set of support systems and necessary equipment to do their jobs and are able to satisfactorily serve customers.

In 2020, COVID-19 did not have a major impact on the financial performance due to the Company's business model. COVID-19 is not expected to result in a deterioration in financial performance over 2021. The Company is not expected to incur any additional losses as any increase in expenses will be recharged and recovered from other group entities serviced by the Company.

Key Performance Indicators

| | **2020** | 2019 | Change |
|---|---|---|---|
| | **£000** | £000 | % |
| Turnover | **118,132** | 184,070 | (36) |
| Operating expenses | **(116,988)** | (183,746) | 36 |
| Profit before tax | **1,169** | 149 | 685 |
| Shareholders' funds | **17,602** | 15,054 | 9 |

During 2020, the Company continued to render IT services and support to group companies. The Company recharges group companies for project services and ongoing IT infrastructure support services, based on pre-approved charging rates. Other operating expenses incurred in the provision of these services are invoiced at cost. The Company posted a pre-tax profit of £1,169k (2019: £149k) for the year.

PGDS (UK ONE) LIMITED

**STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)**

The expenses for 2020 £67m are lower than 2019. This relates to a number of factors. Transformation costs and accommodation recharges account for a reduction in costs of £25,224k. Technology and Network costs have reduced by £12,052k and Staff cost have reduced by £3,797k, primarily due to lower Agency Staff Cost . Operating costs in 2019 included providing for costs of £27,400k for the exit from the agreement for the current data centre and expenses incurred in relation to the transformation programmes, there is no equivalent cost in 2020 . These lower expenses have been recharged to the entities serviced by the Company resulting in an decline in operating income.

Section 172(1) Statement

Section 172 of the 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 set out above. The Board also recognise 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 M&G plc group's overarching culture, vision and values.

Board decisions are made as and when appropriate. Over the course of the financial year they reviewed the financial reporting. This is done through the consideration and discussion of reports which are sent in advance of each Board decision and/or through presentations to the Board.

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

**Principal Decisions**

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

***Principal decision 1- UK's Modern Slavery Act 2015 Annual Statement (the "MSA Statement")***

The Company takes a Group-wide approach when preparing and publishing the MSA Statement. For the 2020 financial year, details of what has been done and what is being done to help deliver on this commitment was published in the 'M&G plc Modern Slavery Transparency Statement 2019'. The MSA Statement reflected the steps taken during 2019 to ensure that slavery and human trafficking were not taking place in the Group's supply chain or business. The MSA Statement also highlighted the work being undertaken by the procurement teams across the business as supported by relevant case studies.

Risks & uncertainties

The Company is a wholly owned subsidiary of M&G Corporate Holdings Limited which is a subsidiary of M&G plc. The Company is subject to the Group's internal control and risk management processes as detailed in the Group Governance Framework ('GGF') and 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 there is adequate reward, and risks 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, evaluating and managing key risks. The RMF is designed to manage risk within agreed appetite levels which are aligned to delivering the Group and Company strategy. The RMF is approved by the Group Board Risk Committee and operates based on the concept of three lines of defence : (1) risk identification and risk management, (2) risk oversight, advice and challenge; and (3) independent assurance.

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

Financial risk

The Company is exposed to financial risk through its financial assets and financial liabilities. The key financial risk factors affecting the Company are described below together with details of the management of the risks.

a) Credit risk

Credit risk is the risk of loss to the Company or of adverse change in the financial position, 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.

b) 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 creditors and other corporate costs as they fall due).
This risk is managed through cash-flow forecasting and management of bank balances.

c) Expense Risk

Expense risk is the risk that expenses (including future expense inflation) could be higher than anticipated. If actual expenses retained by the Company are higher than expected, the Company's operating results could be adversely affected. The risk emerges if there are any circumstances where expenses cannot be passed on in the form of charges or the timing of charges is different from the timing of the expense. This risk is managed through expense controls and the ability to recharge expenses to other parts of the group.

Non-financial risk

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

- Operational risk- the risk of financial and non-financial impacts (for example reputational) resulting from inadequate or failed internal processes, or from personnel and systems, or from external events, This includes risks relating to technology and data, third party suppliers and change
- Regulatory risk – the risk of financial or non-financial impact resulting from a failure to meet regulatory requirements or a failure to adequately consider regulatory expectations, standards or principles.
- People risk – the risk to the Company that the Group does not attract, retain and develop highly qualified professional people.
- Sustainability risk - the risk that we fail to address and embed sustainability within the Group's business and operating model could adversely impact profitability, reputation and plans for growth.
- Reputational risk - the risk that through activities, behaviours or communications, the Company fails to meet stakeholder expectations in ways which adversely impact trust and reputation.

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

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

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

**DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2020**

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

Future Developments

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

Ultimate Parent Company

The Company is a wholly owned subsidiary of M&G Corporate Holdings Limited, which is a wholly owned subsidiary of M&G plc. M&G plc became the ultimate parent company. M&G plc is a public limited company, limited by shares, incorporated and registered in England and Wales.

Corporate responsibility

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

The Group, of which the Company is a part, has developed a Group Governance Framework which is underpinned by a Group Governance Manual and associated processes. This encompasses all key policies and procedures for example, the Group Code of Business Conduct.

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

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

At M&G, 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 the Group's core focus and the Group wants 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 work closely with the partners to ensure that the Group's programmes continuously improve.

These themes demonstrate the Group's CR commitments and principles to its stakeholders and provide clarity to its businesses, including the Company, on where they should focus their CR efforts and resources in the context of their individual markets.
The M&G plc Board discusses the Group's performance in the areas of social and environmental management at least once a year and also reviews and approves the Group's corporate responsibility report and strategy on an annual basis.

Accounts

The state of affairs of the Company at 31 December 2020 is shown in the statement of financial position on page 16. The statement of comprehensive income appears on page 15.

Dividends

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

Share capital

There have been no changes to the Company's share capital during the year.

Post Balance sheet events

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

Directors

Mr Roddy Thomson resigned as a Director on 27 April 2021 and Mr Christopher Cochrane resigned as a Director on 03 August 2021. Mr Lee Bullen, Mrs Clare Bousfield, Mr Paul Cooper, Mr Matt Howells and Mr Simon Moffatt were appointed as Directors on 19 July 2021.

There were no further changes during the year and up to the date of the report being authorised for issue.

Employees

The following information is given in respect of the employees of the Company in the United Kingdom:

- Equal opportunity

The Company's policy is to recruit, develop and employ staff on the basis of suitability of their qualifications and experience to the work to be performed, regardless of sex, marital status, creed, race, nationality or disability. Full consideration is given to continuing the employment of staff who become disabled and to providing training and career development opportunities to disabled employees. The requirements of the Disability Discrimination Act 1995 have been put into effect.

- Employee involvement

Employees are invited to participate in the M&G plc Savings Related Share Option Scheme and can also participate in the M&G plc Share Incentive Plan. It is the Company's policy to communicate with employees on issues that concern them and to provide information to them through employee reports and regular manager briefings. Views of employees are sought through a number of channels including consultation through the medium of a staff consultative group.

Stakeholder relationships and engagement

For details of the Company's engagement with its stakeholders please see the Section 172 Statement on pages 3-4. Being a wholly owned subsidiary of M&G plc stakeholder engagement also takes place at a Group level.

Financial risk management objectives, policies and exposure

The Company's objectives and policy in relation to the management of financial risk resulting from its financial assets and financial liabilities are to minimise any risk. The Company's exposure to financial risk through its financial assets and financial liabilities is not considered material to the assessment of the Company's assets, liabilities, financial position and the profit and loss of the Company.

Disclosure of information to the auditor

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

Auditor

In accordance with Section 487(2) of the Companies Act 2006, KPMG LLP will be deemed to be re-appointed auditor of the Company for the current financial year. On 28 October 2020, the Company approved the appointment of PricewaterhouseCoopers LLP as its auditor for the year ending 31 December 2022, subject to shareholder approval at the M&G plc 2022 Annual General meeting.

Directors' and Officers' Protection

M&G plc has arranged appropriate insurance cover in respect of legal action against directors and senior managers of companies within the M&G plc group. In addition, the Articles of Association of the Company permit the directors, officers and employees of the Company to be indemnified in respect of liabilities incurred as a result of their office. M&G plc also provides protections for directors and senior managers of companies within the Group against personal financial exposure they may incur in their capacity. These include qualifying third party indemnity provisions (as defined by the relevant Companies Act) for the benefit of directors of M&G plc, including, where applicable, in their capacity as a director of the Company and other companies within the Group. These indemnities were in force during 2020 and remain in force.

Going concern

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

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

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

**PGDS (UK ONE) LIMITED**

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

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

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PGDS (UK ONE) LIMITED

### Opinion

We have audited the financial statements of PGDS (UK One) ("the company") for the year ended 31 December 2020 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

### Going concern

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

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

Our conclusions based on this work:

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

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

**Fraud and breaches of laws and regulations – ability to detect**

*Identifying and responding to risks of material misstatement due to fraud*

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

- enquiring of directors and legal, and inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Company's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud;
- reading Board of Directors meeting minutes;
- using analytical procedures to identify any usual or unexpected relationships;

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

As required by auditing standards, and taking into account our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because the revenue account is made up of expense recharges, that are not subject to estimation uncertainty. We did not identify any additional fraud risks

We also performed procedures including:

- identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by unauthorised personnel, those posted by infrequent users, unusual descriptions and those posted with unusual account combinations.

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

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

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

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

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

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Company's license to operate.. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

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

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

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

**Strategic report and Directors' report**

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

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

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

**Matters on which we are required to report by exception**

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

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

We have nothing to report in these respects.

### Directors' responsibilities

As explained more fully in their statement set out on page 10, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

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

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

**William Greenfield (Senior Statutory Auditor)**
**for and on behalf of KPMG LLP, Statutory Auditor**
*Chartered Accountants*
15 Canada Square
Canary Wharf
London E14 5GL
22 September 2021

**PGDS (UK ONE) LIMITED**

**STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020**

| | 2020<br>£000 | 2019<br>£000 | Note |
|---|---|---|---|
| Operating income | **118,132** | 184,070 | 1 |
| Staff costs | **(21,755)** | (25,552) | 2 |
| Other operating charges | **(95,233)** | (158,194) | 3 |
| **Operating costs** | **(116,988)** | (183,746) | |
| **Operating profit** | **1,143** | 324 | |
| Interest income | **84** | 168 | |
| Interest expense | **(102)** | (310) | |
| Foreign exchange gains/(losses) | **44** | (33) | |
| **Profit before tax** | **1,169** | 149 | |
| Tax credit | **1,156** | 2,355 | 6 |
| **Profit after tax** | **2,325** | 2,504 | |

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

The accounting policies on pages 18 to 22 with accompanying notes on pages 23 to 31 form an integral part of these financial statements.

PGDS (UK ONE) LIMITED

## STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

| | 2020 £000 | 2019 £000 | Note |
|---|---|---|---|
| **Fixed assets** | | | |
| Tangible and intangible fixed assets | **8,056** | 11,758 | 7 |
| **Deferred tax asset** | **11,215** | 11,562 | 6 |
| **Current assets** | | | |
| Trade and other debtors | **88,709** | 68,011 | 8 |
| Cash at bank and in hand | **31,702** | 48,976 | 9 |
| Corporate Tax Receivable | **678** | - | |
| | **121,089** | 116,987 | |
| **Current liabilities** | | | |
| Trade and other creditors: amounts falling due within one year | **(66,885)** | (46,397) | 10 |
| Provision for liabilities and charges | **(17,856)** | (5,299) | 11 |
| Corporation tax payable | **(653)** | (3,957) | |
| | **(85,394)** | (55,653) | |
| **Net current assets** | **35,695** | 61,334 | |
| **Total assets less current liabilities** | **54,966** | 84,654 | |
| **Non-Current Liabilities** | | | |
| Trade and other creditors: amounts falling due after one year | **(31,896)** | (47,499) | 10 |
| Provision for liabilities and charges | **(5,468)** | (22,101) | 11 |
| | **(37,364)** | (69,600) | |
| **Net assets** | **17,602** | 15,054 | |
| **Capital and reserves** | | | |
| Ordinary share capital | **7,000** | 7,000 | 13 |
| Profit and loss | **7,126** | 4,801 | |
| Capital reserve | **3,476** | 3,253 | |
| **Shareholders' funds** | **17,602** | 15,054 | |

The accounting policies on pages 18 to 22 with accompanying notes on pages 23 to 31 form an integral part of these financial statements.

The accounts on pages 15 to 31 were approved by the Board of directors on 22 September 2021 and were signed on its behalf by:

Paul Cooper
Director

PGDS (UK ONE) LIMITED

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

| | Share Capital | Profit and Loss Account | Capital Reserves | Total Equity |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| Balance at 1 January 2019 | 7,000 | 2,297 | 3,013 | 12,310 |
| Increase in capital reserve during the year | — | — | 153 | 153 |
| Current tax credited to capital reserve | — | — | 43 | 43 |
| Deferred tax credited to capital reserve | — | — | 44 | 44 |
| Profit for the financial year | — | 2,504 | — | 2,504 |
| Total comprehensive income for the period | — | 2,504 | — | 2,504 |
| **Balance at 31 December 2019** | **7,000** | **4,801** | **3,253** | **15,054** |
| Increase in capital reserve during the year | — | — | **245** | **245** |
| Current tax credited to capital reserve | — | — | — | — |
| Deferred tax charged to capital reserve | — | — | **(22)** | **(22)** |
| Profit for the financial year | — | **2,325** | — | **2,325** |
| Total comprehensive income for the period | — | **2,325** | — | **2,325** |
| **Balance at 31 December 2020** | **7,000** | **7,126** | **3,476** | **17,602** |

The increase in the capital reserve represents the movement in respect of share-based payment during the year in accordance with IFRS 2 *Share-based Payment*.

The accounting policies on pages 18 to 22 with accompanying notes on pages 23 to 31 form an integral part of these financial statements.

**NOTES ON THE FINANCIAL STATEMENTS**

**1. Accounting Policies**

**A. Company information**

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

**B. Basis of preparation**

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

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

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

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

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

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

As the consolidated financial statements of M&G plc include the equivalent disclosures, the Company has also taken advantage of the exemptions available under FRS 101 in respect of certain disclosures required by IFRS 2 *Share Based Payment*.

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

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

The directors have a reasonable expectation that the Company will be able to continue 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 is a subsidiary within the M&G plc group and its parent company and the ultimate parent company are continuing to trade and there are no plans for liquidation.

- Consideration has also been given to the Company's performance, the market in which it operates, its strategy and risks and uncertainties, as set out in the Strategic Report on pages 2 to 5. The management of financial risk is set out in the Strategic Report, 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, that have been updated to include the impacts of COVID-19 ,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.

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

**C. 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 designated as at FVTPL:

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

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

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

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

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

**Financial liabilities**

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

**D. Financial instruments - Impairment**

**Financial assets impairment**

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

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

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

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

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

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

**E. Revenue recognition**

Operating income, comprising income earned on recharges to group undertakings and other income received from Group companies, is recognised when the Company satisfies the related performance obligation, in accordance with IFRS 15 *Revenue from contracts with customers*.

Interest receivable is recognised on an accruals basis.

**F. 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. Temporary differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future are not provided for.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

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

**G. Fixed assets**

Depreciation is provided on a straight line basis to write off the cost or value of the assets less their estimated residual value over their estimated useful lives as follows:

**Purchased Software**

(i) Software licenses paid on an annual basis, software support and maintenance fees are not capitalised, but are expensed over the period to which the invoice relates.

(ii) Initial software licenses purchased at the same time as hardware (e.g. MS Office licenses bought with a PC) are capitalised on the same terms as the hardware. It is the intention that future licenses will be purchased as block licenses and not individually.

(iii) Purchased software licenses are capitalised if the invoice cost is greater than £1,000, otherwise the expenditure is expensed in the period in which it is incurred. Software license version upgrade charges are expensed if the value is less than £1,000 with effect from January, 2012. Software assets are amortised on a straight line basis over their useful economic life which is generally 3 to 5 years.

Software licenses are valued initially at the price paid to acquire them and are subsequently carried at cost less amortisation and any accumulated impairment losses.

**Hardware**

Depreciation is provided at a rate calculated to write off the cost or value of the assets less their estimated residual value over their estimated useful lives as follows:

| | |
|---|---|
| Asset Category | Economic life |
| Monitors | 5 years |
| Network | 5 years |
| Server | 4 years |
| Mobile | 2 years |
| Desktop | 4 years |
| Office Equipment | Between 3 to 5 years |
| Video Conferencing | 5 years |

**H. Leases**

The Company leases IT equipment to conduct its business. At the inception of a contract, the Company assesses whether a contract is, or contains, a lease. In simple terms this applies if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. At inception, the Company allocates the consideration in a contract to each lease component.

Where the Company acts as a lessee, it recognises a 'right of use' asset and a corresponding lease liability, representing the obligation to make lease payments at the lease commencement date. The Company applies the cost model to 'right of use' assets.

The asset is initially measured at cost and subsequently depreciated using the straight-line method from the commencement date to the earlier of (i) the end of the 'right of use' asset's useful life and (ii) the end of the lease term.

The lease liability is initially measured at the present value of lease payments that are not yet paid at the commencement date, discounted using the Group's incremental borrowing rate. Subsequently, the lease liability is measured at amortised cost, using the effective interest method. From time to time the lease liability may be re-measured where there is a change in future lease payments, for example, where the Company reassesses whether it will exercise a purchase, extension or termination option. Where this happens, a corresponding adjustment is made to the carrying amount of the 'right of use' asset or an amount is recognised in the income statement if the carrying amount of the 'right of use' asset has been reduced to zero.

The Company presents the 'right of use' assets in 'Fixed assets' on the statement of financial position. The corresponding lease liabilities are presented in 'Trade and other creditors' on the statement of financial position.

The Company does not act as a lessor.

**I. Share-based payments**

The Company offers share award and option plans for certain key employees and a Save As You Earn (SAYE) plan for all UK and certain overseas employees.

Share options and awards of the ultimate parent company's equity instruments, for which the ultimate parent company has the obligation to settle, are valued using the fair value at the date of grant and accounted for as equity-settled i.e. recognised in equity as a capital contribution from the ultimate parent company. Share options and awards for which the Company has the obligation to settle are valued using the fair value at the balance sheet date and accounted for as cash-settled i.e. an obligation of the Company to transfer the equity instruments of the ultimate parent company.

The compensation costs for all awards and options are recognised in comprehensive income over the plans' respective vesting periods.

## 2. Staff costs

| | 2020 £000 | 2019 £000 |
|---|---|---|
| Wages and salaries | **17,639** | 21,288 |
| Social security costs | **1,471** | 1,473 |
| Other pension costs | **2,254** | 2,506 |
| Share based payment expenses | **391** | 285 |
| **Total** | **21,755** | 25,552 |

| | No. | No. |
|---|---|---|
| Average number of employees during the period | **163** | 158 |

The majority of staff employed by the M&G plc group in the UK are members of M&G plc group's pension schemes, including both defined contribution and defined benefit schemes. One of the smaller defined benefit schemes is Scottish Amicable Staff Pension Scheme (SASPS).

The Company is a participating employer and fellow group undertaking Prudential Distribution Limited is the principal employer of SASPS. Through stated policy fellow group undertaking The Prudential Assurance Company ('PAC') has responsibility for the scheme and therefore disclosures required in relation to the scheme are included in PAC's financial statements.

## 3. Other operating charges

| | 2020 £000 | 2019 £000 |
|---|---|---|
| Depreciation | **4,978** | 5,909 |
| Other operating expenses | **90,255** | 152,285 |
| Total | **95,233** | 158,194 |

## 4. Auditors' remuneration

Auditor's remuneration amounts to £22k (2019: £22k) in respect of the audit of the Company's financial statements. No non-audit services were provided to the Company by the auditor in 2020 or 2019.

**NOTES ON THE FINANCIAL STATEMENTS (continued)**

**5. Directors' emoluments**

| | 2020 | 2019 |
|---|---|---|
| | **£000** | £000 |
| Aggregate amount of salaries, benefits and fees | **10** | 11 |
| Number of Directors to whom retirement benefits are accruing defined benefit pension schemes | **—** | — |
| Number of Directors who exercised share options | **2** | — |
| Number of Directors in respect of whose qualifying services shares were received or receivable under long term incentive schemes | **2** | 2 |

The Company's directors perform services for other Group companies. These costs are not included in the amounts charged to the Company as shown in the table above. Emoluments are reported for directors who are deemed to work for the Company i.e. provide qualifying services in accordance with Schedule 5 of the Regulations. An assessment has been made of the proportion of each director's time that relates to this Company, and the emoluments reported above reflect this.

**6. Tax**

**a) Tax (charged)/credited**

| | 2020 | 2019 |
|---|---|---|
| | **£000** | £000 |
| Current tax: | | |
| Current tax on profits for the year | **1,541** | (4,477) |
| Adjustments in respect of prior years | **(61)** | 581 |
| Foreign tax | **—** | 3 |
| Total current tax credit/(charge) | **1,480** | (3,893) |
| | | |
| Deferred tax: | | |
| Current year | **(1,606)** | 4,292 |
| Adjustments in respect of prior periods | **(63)** | 2,418 |
| Effect of changes in tax rates | **1,345** | (462) |
| Total deferred tax (charge)/credit | **(324)** | 6,248 |
| | | |
| **Total tax credit on ordinary activities** | **1,156** | 2,355 |

| | 2020 | 2019 |
|---|---|---|
| | **£000** | £000 |
| Tax reported in the capital reserve | | |
| Current tax: | | |
| Current year | — | 43 |
| Adjustments in respect of prior years | — | — |
| Deferred tax : | | |
| Current year | **(22)** | 44 |
| Adjustments in respect of previous years | — | — |
| Total tax credit/(charge) in the period | **(22)** | 87 |

**b) Factors affecting tax charge for the period**

The charge for the year can be reconciled to the profit per the income statement as follows:

| | 2020 | 2019 |
|---|---|---|
| | **£000** | £000 |
| Profit before tax | **1,169** | 149 |
| Tax on profit at standard UK tax rate of 19% (2019: 19%) | **(222)** | (28) |
| Effects of: | | |
| Expenses not deductible | **(15)** | (10) |
| Share options | **7** | (149) |
| Adjustments in respect of prior years | **(124)** | 3,001 |
| Income not taxable | **165** | - |
| Overseas tax | - | 3 |
| Tax rate changes | **1,345** | (462) |
| **Total tax credit/(charge) for the year** | **1,156** | 2,355 |

The standard rate of Corporation Tax in the UK was due to change from 19% to 17% with effect from 1 April 2020. Following the budget announcement on 11 March 2020, the repeal of the legislation to reduce the tax rate was substantively enacted on 17 March 2020. Accordingly, the reduction in tax rate did not take place.

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 change to the tax rates is therefore recognised in the deferred tax movement for the year.

## NOTES ON THE FINANCIAL STATEMENTS (continued)

### c) Deferred Taxation

| | 2020 | 2019 |
|---|---|---|
| | £000 | £000 |
| Deferred tax asset explained by: | | |
| Accelerated capital allowances | **6,598** | 6,798 |
| Short term timing differences | **4,617** | 4,764 |
| **Total** | **11,215** | 11,562 |
| Deferred tax asset at start of period | **11,562** | 5,270 |
| Adjustments in respect of prior years | **(63)** | 2,418 |
| Deferred tax credited/(charged) in profit and loss account for the year | **(262)** | 3,830 |
| Deferred tax credited/(charged) to capital reserve for the year | **(22)** | 44 |
| **Deferred tax asset at end of period** | **11,215** | 11,562 |

### d) Factors that may affect future tax charges

Deferred tax assets are recognised to the extent that they are regarded as recoverable. On the assessment of all available evidence, the asset is recognised if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying temporary differences can be deducted.

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

## 7. Fixed assets

| | Assets in course of construction | Hardware | Software | Total |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| **Cost** | | | | |
| At 1 January 2020 | 748 | 15,822 | 5,973 | 22,543 |
| Additions | 2,542 | — | — | 2,542 |
| Capitalised during the year | (3,133) | 3,287 | (154) | — |
| Disposed of during the year | — | (3,929) | (850) | (4,779) |
| At 31 December 2020 | 157 | 15,180 | 4,969 | 20,306 |
| **Depreciation** | | | | |
| At 1 January 2020 | — | (7,365) | (3,420) | (10,785) |
| Charge for year | — | (4,206) | (804) | (5,010) |
| On assets disposed during the year | — | 2,943 | 602 | 3,545 |
| At 31 December 2020 | — | (8,628) | (3,622) | (12,250) |
| **Net book value** | | | | |
| At 31 December 2020 | 157 | 6,552 | 1,347 | 8,056 |
| At 31 December 2019 | 748 | 8,457 | 2,553 | 11,758 |

## 8. Trade and other debtors

| | 2020 | 2019 |
|---|---|---|
| | £000 | £000 |
| **Amounts falling due within one year:** | | |
| Amounts due from group undertakings | 13,664 | 15,490 |
| Sundry debtor | — | 4,115 |
| Prepayments and accrued income | 57,597 | 8,089 |
| | 71,261 | 27,694 |
| **Amounts falling due after one year:** | | |
| Prepayments and accrued income | 17,448 | 40,317 |
| **Total debtors** | 88,709 | 68,011 |

Prepayments and accrued income falling due after one year comprises of prepayments of £12m in respect of cloud subscription services and £5m of income accrued in respect of recharge of expenses in respect of provision created during the year.

## 9. Cash at bank and in hand

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 undertakings with similar arrangements.

## 10. Trade and other creditors

| | 2020 | 2019 |
|---|---|---|
| | £000 | £000 |
| **Amounts falling due within one year:** | | |
| Amounts due to group undertakings | **(10,711)** | (13,902) |
| Accruals and deferred Income | **(56,052)** | (30,152) |
| Other Creditors | — | (2,067) |
| Taxation and social security | **(122)** | (275) |
| | **(66,885)** | (46,397) |
| Provisions for liability & charges-Current | **(17,856)** | (5,299) |
| **Total creditors** | **(84,741)** | (51,696) |

| | 2020 | 2019 |
|---|---|---|
| | £000 | £000 |
| **Amounts due after one year :** | | |
| Other creditors | **(31,896)** | (47,499) |
| | **(31,896)** | (47,499) |

Services charges of £33,600k in relation to the contract entered into with TCS in May 2018 and attributable to services rendered in the first year of service are payable over a period of 5 years starting from May 2020. Services charges of £24,784k, calculated based on the percentage of completion of service, was recognised in 2018 and the balance of £8,816k was recognised in 2019. Other Creditors reported also includes a loan balance of £10,729k (2019; £15,899k) with a fixed repayment schedule with a balance period of payment of 3 years.

## 11. Provisions for liabilities and charges

| | 2020 | 2019 |
|---|---|---|
| | £000 | £000 |
| Opening Balance | **(27,400)** | — |
| `Provision created during the years | — | (27,400) |
| Utilisation during the year | **4,076** | — |
| | **(23,324)** | (27,400) |
| Amounts due after one year | **(5,468)** | (22,101) |
| Amounts due within one year | **(17,856)** | (5,299) |
| | **(23,324)** | (27,400) |

## 12. Share-based payments

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

Discretionary schemes initiated prior to demerger:

| Scheme | Description |
|---|---|
| Long-term Incentive Plan ("LTIP") | The LTIP is a conditional share plan: the shares awarded will ordinarily be released to participants after three years to the extent that performance conditions have been met. If performance conditions are not achieved in full, the unvested portion of any award lapses. The performance conditions attached to LTIP awards include market performance conditions; Relative Total Shareholder Return (TSR); and other non-market conditions, including measures linked to profit. The performance conditions attached to each award are dependent on the role of the participants. Threshold and maximum achievement levels will be set at the beginning of the performance periods in line with the three-year business plan. |
| Annual Incentive Plan ("AIP") | Certain senior executives participate in the AIP where a portion of the individual's bonus is delivered in the form of shares that are released after three years. There are no performance conditions associated with the plan. |
| Group Deferred Bonus Plan ("GDBP") | Under these plans, part of the participant's annual bonus is paid in the form of a share award that vests after three years. Other than the service condition, there are no other performance conditions associated with this plan. |
| Restricted Share Plan ("RSP") | Awards under this plan are discretionary and ad-hoc, and the vesting of awards may be subject to performance conditions. These awards may be retention awards, new joiner awards and promotion related awards. |

Prior to demerger, all discretionary schemes mentioned above were based on Prudential plc awards. At the point of demerger and subsequent listing of M&G plc, all outstanding discretionary awards were replaced with equivalent awards based on M&G plc shares. The scheme rules for the awards remain the same in principle, except for the LTIP awards, for which the relevant metrics would be based on M&G plc as opposed to Prudential plc performance.

In accordance with IFRS 2, the replacement awards have been accounted for as a modification of the previous scheme and the expense in relation to the scheme will continue to be recorded over the remaining vesting period.

Discretionary schemes initiated post demerger:

| Scheme | Description |
|---|---|
| Performance Share Plan ("PSP") | The PSP is a conditional share plan: the shares awarded will ordinarily be released to participants after a predetermined period, usually three years, to the extent that performance conditions have been met. If performance conditions are not achieved in full, the unvested portion of any award lapses. The performance conditions attached to PSP awards include market performance conditions; Relative Total Shareholder Return ("TSR"); and other non-market conditions, including capital generation measures. The performance conditions attached to each award are dependent on the role of the participants. Threshold and maximum achievement levels will be set at the beginning of the performance periods in line with the business plan. |

**NOTES ON THE FINANCIAL STATEMENTS (continued)**

All discretionary schemes are accounted for as cash-settled schemes as the Company has the obligation to settle the awards in M&G plc shares.

Approved schemes:

| Share scheme | Description |
|---|---|
| Save As You Earn ("SAYE") plans | The Group operates SAYE plans, which allow eligible employees the opportunity to save a monthly amount from their salaries, over either a three or five-year period, which can be used to purchase shares in M&G plc at a predetermined price subject to the employee remaining in employment for three years after the grant date of the options and satisfying the monthly savings requirement. |
| Share Incentive Plan ("SIP"): free shares | In addition, to celebrate the demerger, all eligible employees were provided with 920 M&G plc shares with a value of £2,000 at the date of grant. The awards vest subject to the employee remaining in employment for two years. |

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

The previous approved SAYE and SIP schemes that operated prior to demerger were cancelled with all participants treated as good leavers. This resulted in an incremental expense of £56k recorded at the date of demerger. Prior to demerger the schemes were accounted for as equity-settled as Prudential plc had the obligation to settle these awards.

The weighted average share price of M&G plc for 31 December 2020 was £1.66 as compared to £2.24 for the period from the date of demerger to 31 December 2019.

The following table provides a summary of the range of exercise prices for M&G plc options (including conditional options) outstanding at 31 December 2020:

| **At 31 December 2020** | **Outstanding** | | | **Exercisable** | |
|---|---|---|---|---|---|
| **Range of exercise prices** | **Number outstanding** | **Weighted average remaining contractual life (years)** | **Weighted average exercise prices £** | **Number exercisable** | **Weighted average exercise prices £** |
| **Between £1 and £2** | 1,026,754 | 3.13 | 1.55 | — | — |
| **Total** | **1,026,754** | **3.65** | **1.41** | — | — |

The following table provides a summary of the range of exercise prices for M&G plc options (including conditional options) outstanding at 31 December 2019:

| At 31 December 2019 | | Outstanding | | Exercisable | |
|---|---|---|---|---|---|
| Range of exercise prices | Number outstanding | Weighted average remaining contractual life (years) | Weighted average exercise prices £ | Number exercisable | Weighted average exercise prices £ |
| Between £1 and £2 | 618,018 | 3.69 | 1.84 | — | — |
| Total | 618,018 | 3.69 | 1.84 | — | — |

The years shown above for weighted average remaining contractual life include the time period from end of vesting period to expiration of contract.

## 13. Share capital

| | **2020** | 2019 |
|---|---|---|
| | **£000** | £000 |
| Issued: | | |
| 7,000,000 ordinary shares of £1 each | **7,000** | 7,000 |

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

## 14. Immediate and ultimate parent undertaking

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