Registered No: 05739054

PRUDENTIAL FINANCIAL PLANNING LIMITED

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

PRUDENTIAL FINANCIAL PLANNING LIMITED

Incorporated and registered in England and Wales. Registered No: 05739054
Registered office: 10 Fenchurch Avenue, London EC3M 5AG

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Incorporated and registered in England and Wales. Registered No: 05739054
Registered office: 10 Fenchurch Avenue, London EC3M 5AG

Directors

D W King (Chairman)
C G Haines
M Leahy
M Payne

Secretary

M&G Management Services Limited

Independent Auditor

KPMG LLP, London

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

Principal activity

The principal activity of Prudential Financial Planning Limited (“the Company”) is to provide professional face-to-face restricted advice services, largely distributing products of companies within the insurance business unit of the M&G plc group through non-intermediated channels. These activities will continue in 2021.

Business review

The Company receives charges for providing advice to clients. The initial advice charges are contingent to a product sale. The Company also provides advice services in respect of certain pension withdrawals where the income is not contingent to a sale. The ongoing adviser charges are paid by deduction from the fund value and continue while the client wishes to benefit from ongoing advice services. The Company also earns commission on the sale of protection products.

The Company is a wholly owned subsidiary of Prudential Financial Services Limited ("PFSL"), a company registered in England and Wales, which is wholly owned by M&G plc. The Company's ultimate parent company, M&G plc is a public limited company, limited by shares, incorporated and registered in England and Wales.

2020 was a challenging year 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. The timing and extent of recovery depends on the successful rollout of vaccination programmes worldwide, and a significant amount of uncertainty remains.

Business performance remained resilient in 2020 in spite of the unprecedented trading and operating conditions due to lockdown, as well as the significant disruption of the restructuring programme. Operating income is lower than 2019 due to the impact of Covid-19 on trading. Operating expenses are lower reflecting lower sales remuneration paid to advisers for lower sales as well as savings on travel, meeting venues and conferences due to the lock down. However, this decrease is offset by an increase in operating expenses on account of redundancy cost and transformation spend. 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 its abilities. Detailed business continuity plans were invoked in February 2020 to ensure that the Company could operate as usual in the face of the challenge posed by the spread of COVID-19, including the use of video advice to replace face to face client meetings. All colleagues continue to work from home with access to the support systems and necessary equipment to do their jobs and are able to satisfactorily serve customers.

In January, the Company launched ‘The Advice Partnership’ ("TAP"), a distribution channel of independent self-employed partner. The TAP business model replaces fixed employment costs with variable sales commission, improving the efficiency and scalability of the business.

In September, the Company launched a two year programme to transform the advice journey, productivity and position the business for future profitable growth. The first part of this programme comprised the closure of the salaried field force channel. A provision of £6.7m is held as at 31 December 2020 to cover the costs arising from redundancies and related costs. The second part of this programme will be conducted over 2021 – 2022 and comprises of investment in technology to make the advice process significantly more efficient and scalable.

At the end of this transformation, the business will comprise a small employed sales force that will provide part technology-part human ‘hybrid’ advice journeys and TAP.

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

In 2020 the Company issued new shares to PFSL in exchange for £20m capital, to fund the restructuring and transformation programme and maintain strong capital buffer while transitioning to a new business model. As a result, shareholders' funds have strengthened from £10.7m in 2019 to £24.4m at the end of 2020.

The Company and its people have been remained resilient through the pandemic and the restructuring programme. Based on the Company's current financial and liquidity position, the Directors believe the Company is in a position to withstand the financial impact of the pandemic and the inherent uncertainties arising from the complete transformation of the business.

In 2021, operating income is planned to decline further due to the significantly smaller sales force. While operating expenses are also expected to be lower due to reduced sales activity, the Company intends to invest heavily in new technology. 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.

Key performance indicators

	2020	2019	Change
	£'000	£'000	%
Operating Income	**60,086**	64,873	(7)
Operating expenses	**68,478**	64,394	(6)
(Loss)/profit before taxation	**(8,357)**	586	(1,526)
Shareholders' funds	**24,426**	10,672	129
Regulatory capital surplus (based on IPRU (INV) and MIPRU requirements, see below)	**19,306**	5,725	237

In 2020, the Company generated a pre-tax loss of £8.4m (2019: profit of £0.6m) after incurring £8.7m for restructuring costs and transformation costs of £0.9m.. Operating income is lower than 2019 due to the impact of Covid-19 on trading. Operating expenses are lower reflecting lower sales remuneration paid to advisers for lower sales as well as savings on travel, meeting venues and conferences due to the lock down. However, this decrease is offset by an increase in operating expenses on account of redundancy costs and transformation spend.

Since 2016, the Company has retained all advice related income and expenses; prior to that, all advice related income and expenses were passed back to the product providing entities. Early year losses on the advice business administered by the Company were principally borne by The Prudential Assurance Company Ltd ("PAC"), the main product provider. During 2018, an agreement was entered into to pay PAC an amount equivalent to its share of losses borne prior to 2016 (plus interest) in the years in which the Company makes a profit (subject to a floor of 90% of profit). This payment was reported as a reduction from revenue in 2019. Following the announcement of the transformation programme in 2020, PAC approved the discontinuance of the compensation arrangement with PAC's With Profits Sub Fund ("WPSF") from 31 December 2020 and the Company is no longer liable to pay further compensation.

The regulatory capital requirements of the Company are governed by the Interim Prudential Sourcebook for Investment Business ("IPRU (INV)") and the Prudential Sourcebook for Mortgage and Home Finance Firms, and Insurance Intermediaries ("MIPRU"). The Company relies on a group policy to meet the requirement for

Professional Indemnity Insurance as per IPRU (INV). The regulatory capital surplus for each of the years has been calculated based on the rules in force at that time.

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 set out above. 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, non-financial key performance indicators, risk and the outcomes of specific pieces of engagement (for example, the results of customer surveys and focus groups). 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 success of the Company.

Principal Decisions

The Board sets out below, some examples of how they have had regard to the matters set out in section 172(1)(a)-(f) when discharging their section 172 duty and the effect of that on decisions taken. 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 - Annual Strategy Review and Business Plan Approval

The Board carries out a review of the Company’s strategy on an annual basis. This includes approving the three-year rolling business plan where the summary financials, headlines of the delivery plan, key themes, key dependencies and key risks are considered. At its quarterly meeting, the Board also receives an update on progress through the CEO Report and discusses business performance, development and implementation of strategy, objectives and business plans. In addition, appropriate management actions are taken to ensure that the Company continues to operate within risk appetite. The Business Plan for 2021-2023 continued to focus on transforming the operational efficiency of the Company’s traditional business model through the Advice Transformation Programme (“ATP”) and the key deliverables and dependencies to ensure that it was well-positioned for long-term success.

Principal decision 2 - Transformation and Change

In 2020, besides dealing with the challenges of Covid-19 related priorities, the Company embarked on a radical internal transformation of its business and operating model in line with the organisational strategy. In particular, the Company aimed to reorganise M&G’s advice proposition for scalable growth and efficiency by democratising access to advice by building automated, low-cost advice journeys, that are also human-supported in their delivery (“Bionic”); and by removing obstacles to grow in face-to-face (“F2F”) financial planning by converting the current business model from fixed to variable cost by boosting numbers in the existing self-employed business The Advice Partnership (“TAP”) concurrent with the closure of the Company’s present employed field force.

Principal decision 3 - Engagement with key stakeholder groups

The strategy and plans to transform the reach of the business, and establish a low, variable cost operating model to unleash the potential for future scalable growth was subject to extensive internal governance including oversight by the Board. At the heart of the transformation was the closure of the Company’s present employed field force, albeit with the opportunity to re-engage almost half of the number of those advisers into TAP.
A range of potential risks and impacts that could potentially affect the various stakeholder groups were identified and appropriate mitigating actions for these were evaluated, documented and discussed with the relevant key stakeholders when making decisions and business proposals. Some examples of key stakeholders engagement are noted below.

Customers

Helping clients achieve their financial planning goals is at the heart of what the Company does by providing advice to existing customers as well as those who are new to M&G plc. Following the announcement of a launch of two year programme to transform the advice journey, productivity, growth of the business and closure of the salaried field force channel, it was recognised that some customers would experience a change of Partner and steps were taken to ensure that customers continued to receive the same standard of service that they would expect with the current business model although there was a risk of potential disruption during the transitional period.

Workforce

During the year, the business continued to support advisers on remote working and the phased return to F2F advice for advisers by adhering to the UK and Scottish government guidelines in relation to Covid-19.

The closure of the Company's core business due to transformation and change meant that employees were at risk of redundancies and some roles were at risk due to streamlining of teams, changes in roles and job descriptions. There was significant focus on care and fairness for staff demonstrated through thorough planning and appropriate preparation and the resourcing of the redundancy process. HR was heavily involved and Union/Employee Forum was also consulted as early as possible.

All conferences, recognition, and community events were unfortunately cancelled due to Covid-19 restrictions. However, the business regularly issues communications to the Company's Partners on current points of interest and business performance through different formats, including the CEO's message.

As mentioned in the Directors' Report, 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.

Suppliers and Third Parties

Senior Management were aware that the transformation project would require a substantial amount of work to be carried out by Suppliers and Third Parties, who provide support to the Company in processing agency changes required for the transfer of customers from one Partner to another, as well as from an adviser changing from employed Partner status to self-employed Appointed Representative ("AR") status, and they were committed to support the project with various actions and contingency plans to address the resource challenge.

Regulators

There was extensive engagement with the Financial Conduct Authority ("FCA") due to the substantive change in the operating model of the Company. In addition during the year, the business continued to collaborate with the regulator by providing inputs and feedback into market reviews and consultation papers such as the FCA Covid-19 Financial Resilience Survey.

Principal Risks & Uncertainties

The Company is a wholly owned subsidiary of Prudential Financial Services Limited ("PFSL") 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 associated 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 of Company's ability to meet commitment to customers, comply with regulations, and protect its reputation.

The RMF requires all entities within the Group, including the Company, to establish processes for identifying, 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 GRMF 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 liabilities. The financial risk factors affecting the Company are credit, liquidity and market risks. These financial risks and the management thereof are discussed in Note 15.

Non-financial risk
The Company is exposed to business environment, operational, regulatory, sustainability, people and reputational risks.

a) Business environment risk

Changing customer preferences and economic and political conditions could adversely impact the Company's ability to deliver its strategy and have implications for the profitability of its business model. The markets in which the Company operates are highly competitive whilst customer needs and expectations are changing rapidly. Economic factors, including those resulting from Brexit and the Covid-19 pandemic, may impact the demand for products and the ability to generate an appropriate return. In addition, increased geopolitical risks and policy uncertainty may impact the Company's products, investments and operating model.

b) Operational risk

Operational risk is the risk of financial and non-financial impacts (for example, regulatory and reputational) resulting from inadequate or failed internal processes, or from personnel and systems, or from external events, excluding external events covered under Business Environment Risk. Operational failures can also give rise to financial risk exposures; for example, through process failures in the advice process or customer service. 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.

Operational risk is primarily measured and monitored through the Integrated Control Framework and Risk and Control Self Assessment ("RCSA") process, which provides a framework to assess the effectiveness of operational controls across the Group. The framework is further supported by a comprehensive suite of non-financial risk appetites and limits, key risk indicators and operational risk management information. Operational risk is managed through an operational risk framework and system that delivers processes and tools to identify, assess, manage and report operational risk exposures supported by additional policies and standards covering specific operational risk exposures. Change projects have strong project governance and oversight with metrics to monitor and report on delivery, costs and benefit assessments and deep dive assessments.

Operational Resilience is the preparedness and ability to anticipate, prevent, respond to, recover and learn from operational disruptions (whether unforeseen or not). Demonstrating resilience means upholding the continuity, performance and integrity of business services during times of disruption, planning on the basis of when, not if, disruptions occur.

The Company's operational resilience has been tested by Covid-19 throughout 2020 with impacts continuing to be pro-actively managed. Business continuity and resilience plans were implemented in February 2020 to ensure the safety and well-being of colleagues and continuity of services to customers including the implementation of working from home for the vast majority of colleagues.

Whilst no new operational risks have been identified, risk priorities have changed with increased focus on: outsourcing oversight, engagement and monitoring; data security and privacy; cybercrime attacks and fraud attempts; market volatility and internal controls.

Key operational risk exposures include, but are not limited to the following:

i. Technology and data risk

The Company has a high dependency on technology and the loss or sustained unavailability of key hardware or software and inadequate information security arrangements could impact the Company's ability to operate effectively. Furthermore, regulatory scrutiny of, and reputational damage from, issues arising from the processing of customer data, and the security and resilience of technology and processes are expected to remain high.

ii. Third party suppliers

Like many of its peers, the Company is increasingly dependent on third parties for critical activities such as customer engagement and technology. Serious failings in the delivery and/or persistent underperformance of third party supplier arrangements could impact the delivery of services to customers. Concentrations of operational risk can arise where there is a key dependency or a single (or small number) of vendors to provide critical services.

iii. Change Risk

There are a number of significant change and transformation programmes underway to deliver the Company's strategy for growth, improve customer experiences and outcomes, strengthen resilience and control environment and support scalable growth. A failure to deliver these programmes within timelines, scope and cost may impact the business model and ability to deliver strategy.

c) Regulatory compliance risk

The Company operates in highly regulated markets where the nature and focus of regulation and laws remain fluid. A number of regulatory developments are in progress, with a continuing focus on solvency and capital standards, conduct of business, data privacy and systemic risks. The consequences of non-compliance can be wide ranging and include customer detriment, reputational damage, fines and restrictions on operations or products. Accountability for compliance with regulatory and legal requirements sits with senior management. The Compliance function supports the Company by coordinating regulatory activities, including interactions with regulators, recognising the obligation of the Company to meet its distinct regulatory requirements and to take decisions independently in the interests of their customers. The function provides guidance to, and oversight of, the Company in relation to regulatory compliance and conflicts of interest, and carries out routine monitoring and deep dive activities to assess compliance with regulations and legislation. National and global regulatory developments are monitored and form part of the Company's engagement with government policy teams and regulators, which includes updates on responses to the changes.

d) Sustainability

Stakeholders increasingly expect the Company to meet the needs of the present without compromising the ability of future generations to meet their own needs. In addition sustainability, including issues concerning the climate, diversity and inclusion, corporate governance and biodiversity, is crucial to the success of the Company and that of the companies in which the Company invests. A failure to address and embed sustainability within the Company's products, business and operating model could adversely impact profitability, reputation and plans for growth. The Group has publicly committed to a number of sustainability targets. To support achieving these, a Groupwide sustainability programme has been established with the aim of overseeing all key sustainability related activities to ensure that sustainability is appropriately considered and managed across the entirety of the Group and embedded within the overall RMF. This includes; identifying sustainability risks within the Company's activities through management dashboards; measuring exposure through tools, scorecards and stress and scenario testing; embedding consideration of Environmental Social and Governance ("ESG") issues into key business decisions and management; and regularly monitoring and reporting on sustainability.

e) People risk

The success of the Company is highly dependent on the Group's ability to attract, retain and develop highly qualified professional people with the right mix of skills and behaviours to support the business strategy and culture.

As part of a large and listed public company, and as the Group continues to implement its change programme (including the ongoing strategic transformation of the Company with the development of the self-employed proposition) and respond to the COVID-19 pandemic, people risk and associated reputational impact is heightened in a number of areas including pay practices, staff workloads and morale, the conduct of individuals or groups of individuals and industrial relations (internally and that of key third party providers).

The HR Framework includes policies for Diversity and Inclusion, Employee Relations, Talent and Resourcing, Remuneration, and Performance and Learning. The framework is designed to align staff objectives and remuneration to business strategy and culture.

There is regular reporting within the group on people issues and developments, for example, the succession plans for critical talent, the management of industrial relations, pay, culture and diversity. This includes regular surveys to better understand colleagues' views on the Group's business and culture, the findings of which drive actions to improve the experience of staff. The Risk and Resilience team has also begun monitoring and reporting a series of indicators of behavioural risk.

The COVID-19 pandemic led to a rapid scaling up in remote working capacity and capability which has placed significantly greater reliance on virtual environments and introduced changes in working practices. This has heightened risks in areas including staff morale and well-being. These, and other risks, are being monitored and managed through bespoke incident management procedures with staff safety and well-being at the forefront of the Company's response to the pandemic.

f) Reputational risk

The Company's reputation is the sum of its stakeholders' perceptions, which are shaped by the nature of their expectations and the Company's ability to meet them. Consequently, 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. Covid-19 and the ongoing socio-political climate, together with an increase in activities being undertaken by the business means that we could face an increasing range and severity of reputational events. A number of factors mean that such pressures will increase, including the greater focus of customers, regulators and investors on ESG issues and social media providing the means for opinions to be stated and shared instantaneously.

The Reputational Risk Management Framework and dedicated Reputational Risk team monitor and report on reputational risks utilising a suite of metrics to monitor stakeholder groups. In addition, embedded reputational risk champions perform an active role in the identification and monitoring of key reputational risks and drivers. Champions also support the Company in creating processes that include full consideration of reputational risks in key decisions.

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
30 April 2021

PRUDENTIAL FINANCIAL PLANNING LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

Incorporated and registered in England and Wales. Registered No: 05739054

Introduction

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

Future Developments

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

Ultimate Parent Company

The Company is a wholly owned subsidiary of Prudential Financial Services Limited ("PFSL"). PFSL is a wholly owned subsidiary of M&G plc which is also 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 M&G plc group of companies ('Group'), of which the Company is a part, has developed a Group Governance Framework which is underpinned by a Group Governance Manual and associated processes. This encompasses all key policies and procedures for example, the Group Code of Business Conduct.

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

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

At M&G plc, 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 21. The statement of comprehensive income appears on page 20.

Share Capital

The Company issued 5,000,000 ordinary shares of £1 each on 17 July 2020 and a further 15,000,000 ordinary shares of £1 each on 14 September 2020 to PFSL. There have been no further 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.

Dividends

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

Directors

The present directors are shown on page 1.

Mr D R Macmillan resigned as a Director on 1 May 2020. There have been no further changes in the year and up to the date of approving this report.

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 of 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

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.

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.

Stakeholder relationships and engagement

For details of the Company's engagement with its stakeholders, please see the Section 172 Statement on pages 4-6. Being a wholly owned subsidiary of PFSL, which is wholly owned by M&G plc, stakeholder engagement also takes place at a Group level.

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 credit risk, liquidity risk and market risk. Further information on the financial risk management objectives and policies of the Company are given in Note 15.

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 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 the 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 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 2020 and remain in force.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)

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.

Greenhouse gas emissions

The Company has availed itself of the exemption afforded at section 20A of Schedule 7A of The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, and relies on disclosures regarding greenhouse gas emissions and energy consumption made by the ultimate parent undertaking M&G plc in their consolidated 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
30 April 2021

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

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

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

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.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic Report and a Directors' Report that complies with that law and those regulations.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

We have audited the financial statements of Prudential Financial Planning Limited ("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 loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Going concern

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

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

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;

- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

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

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

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

- enquiring of directors, internal audit, legal, risk and compliance 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;
- inspecting correspondence with regulators to identify instances or suspected instances of fraud.

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 and the risk of fraudulent revenue recognition, in particular the risk that accrued income from advice services is recorded in the wrong period, the risk that management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as the valuation of the provision for redundancy costs.

We also performed procedures including:

- assessing significant accounting estimate for bias; and
- 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.

As the Company is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.
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. We identified regulatory capital as those most likely to have such an effect recognising the financial and regulated nature of the Company's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

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

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

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

Strategic report and directors' report

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 15, 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PRUDENTIAL FINANCIAL PLANNING LIMITED (continued)

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
30 April 2021

PRUDENTIAL FINANCIAL PLANNING LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

	2020	2019	Note
	£'000	£'000	
Operating income	**60,086**	64,873	2
Staff costs	**(42,879)**	(43,116)	3,5
Other operating charges	**(25,599)**	(21,278)	
Operating (loss)/profit	**(8,392)**	479	
Interest receivable	**35**	107	6
(Loss)/profit before tax	**(8,357)**	586	
Tax credit/(charge)	**1,587**	(146)	7
(Loss)/profit for the financial year	**(6,770)**	440	

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

The accounting policies on pages 23 to 27 with accompanying notes on pages 27 to 40 form an integral part of these financial statements.

PRUDENTIAL FINANCIAL PLANNING LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

	2020	2019	Note
	£'000	£'000	
Non-current assets			
Deferred tax asset	**320**	188	7
Current assets			
Trade and other debtors	**6,133**	8,253	8
Cash and bank balances	**34,258**	17,248	9
	40,391	25,501	
Current liabilities			
Trade and other creditors: amounts falling due within one year	**9,461**	14,537	10
Corporation tax payable	**156**	480	
Provision for liabilities and charges	**6,668**	—	11
	16,285	15,017	
Net current assets	**24,106**	10,484	
Total assets less current liabilities	**24,426**	10,672	
Net assets	**24,426**	10,672	
Capital and reserves			
Called up share capital	**33,800**	13,800	13
Profit and loss account	**(10,526)**	(3,756)	
Capital reserves	**1,152**	628	
Shareholders' funds - equity interests	**24,426**	10,672	

The accounting policies on pages 23 to 27 with accompanying notes on pages 27 to 40 form an integral part of these financial statements.

The accounts on pages 20 to 40 were approved by the Board of directors on 30 April 2021 and were signed on its behalf by:

D.W King

D W King
Director
30 April 2021

PRUDENTIAL FINANCIAL PLANNING 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 2020	**13,800**	**(3,756)**	**628**	**10,672**
Share capital issued during the year	**20,000**	—	—	**20,000**
Increase in capital reserve during the year	—	—	**582**	**582**
Deferred tax debited to capital reserve	—	—	**(58)**	**(58)**
Loss for the financial year	—	**(6,770)**	—	**(6,770)**
Total comprehensive loss for the period	—	**(6,770)**	—	**(6,770)**
Balance at 31 December 2020	**33,800**	**(10,526)**	**1,152**	**24,426**
Balance at 01 January 2019	13,800	(4,196)	476	10,080
Increase in capital reserve during the year	—	—	179	179
Deferred tax debited to capital reserve	—	—	(27)	(27)
Profit for the financial year	—	440	—	440
Total comprehensive income for the period	—	440	—	440
Balance at 31 December 2019	13,800	(3,756)	628	10,672

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

The accounting policies on pages 23 to 27 with accompanying notes on pages 27 to 40 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 FRS101, 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 are prepared in accordance with International Financial Reporting Standards 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 FRS101 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;
- The effect of new but not yet effective accounting standards;
- Disclosures in respect of revenue from contracts with customers.

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).

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 assumption	Accounting policy	Note
Trade and other debtors - customer contract balances	Accrued income on adviser charges from regular premium policies is estimated based on adviser charge per month and discounted using an appropriate discount rate. An allowance is also made for estimated lapses.	F	8

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.

- 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 10. The management of financial risk is set out in note 15, 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.

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

C. 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 designated as at FVTPL:

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

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

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

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

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

Financial liabilities

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

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 advice services and recharges to group undertakings is recognised when the Company satisfies the related performance obligation.

Interest receivable is recognised on an accruals basis.

F. **Customer contract balances**

Customer contract balances included at Trade and other debtors present accrued income on adviser charges from regular premium policies; the balances are estimated based on adviser charge per month and discounted using an appropriate discount rate. An allowance is also made for estimated lapses.

F. Expenses

Operating expenses comprise of management expenses incurred by the Company in relation to the distribution activities. Expenses are recognised on an accruals basis.

Interest payable by the Company is accounted for on an accruals basis.

G. 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 temporary differences due to the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination 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.

H. 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 are 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 are accounted for as cash-settled i.e. as an obligation 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. Operating income

	2020	2019
	£'000	£'000
Income earned from recharges to group undertakings	**5,466**	4,189
Income earned from advice services	**54,310**	60,684
Other fee income	**310**	—
	60,086	64,873

Income earned from advice services includes income receivable from regular premium policies and is estimated based on the adviser charge per month and discounted using an appropriate discount rate. An allowance is also made for estimated lapses.

3. Staff costs

	2020	2019
	£'000	£'000
Wages and salaries	**33,495**	32,321
Other pension costs	**4,306**	5,267
Social security costs	**3,519**	4,681
Share based payment expenses	**1,559**	847
Total	**42,879**	43,116
	Number	Number
Average number of employees during the period	**318**	396

NOTES ON THE FINANCIAL STATEMENTS (continued)

The majority of staff employed by the M&G plc group in the UK are members of the M&G plc group's pension schemes, including both defined contribution and defined benefit schemes. The largest scheme is the Prudential Staff Pension Scheme ("PSPS"), which accounts for 81% (2019: 82%) of the present value of M&G plc group's defined benefit pension obligation.

Further details of the PSPS pension scheme are disclosed in the accounts of M&G plc.

Management expenses include expenses other than staff costs incurred to run the business.

4. Auditors' remuneration

Auditor's remuneration of £21k (2019: £20k) in respect of the audit of the Company's financial statements is borne by a fellow group undertaking, Prudential Distribution Limited. No non-audit services were provided to the Company by the auditor in 2020 or 2019.

5. Directors' emoluments

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

	2020	2019
	£'000	£'000
Aggregate emoluments and benefits	**387**	383
Highest paid Director :		
Aggregate emoluments and benefits	**370**	367

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. Only one such qualifying director is remunerated by the Company.

All directors received shares under long-term incentive schemes in 2020 (2019: all), and all the directors exercised share options in 2020 (2019: one). Two directors (2019: None) were entitled to retirement funds under a defined contribution pension scheme.

6. Interest receivable

	2020	2019
	£'000	£'000
Bank interest received	**35**	107

7. Taxation

a) Analysis of charge in the period

	2020 £'000	2019 £'000
Tax reported in the statement of comprehensive income		
Current tax:		
Total current tax (credit)/ charge for the year	**(1,394)**	375
Adjustments in respect of prior periods	**(3)**	(78)
Total current tax (credit)/charge	**(1,397)**	297
Deferred tax :		
Current year	**(190)**	(147)
Changes to tax rates	**—**	(4)
Total deferred tax (credit)	**(190)**	(151)
Taxation on profit/(loss) on ordinary activities	**(1,587)**	146

	2020 £'000	2019 £'000
Tax reported in the capital reserve		
Deferred tax :		
Current year	**58**	27
Total tax charge in the period	**58**	27

b) Factors affecting tax charge for the period

	2020 £'000	2019 £'000
(Loss)/profit on ordinary activities before tax	**(8,357)**	586
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019: 19%)	**(1,587)**	111
Effects of:		
Share options	**(190)**	(147)
Expenses not deductible	**193**	264
Adjustments arising due to a change in tax rates	**—**	(4)
Adjustments to tax charge in respect of prior periods	**(3)**	(78)
Total tax (credit)/charge for the year	**(1,587)**	146

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)

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.

c) Factors that may affect future tax charges

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

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 Group's deferred tax assets and liabilities is not expected to be significant.

d) Balance sheet

	2020	2019
	£'000	£'000
Deferred tax asset at start of period at 1 January 2020	**188**	64
Credited to Statement of comprehensive income for the year	**190**	151
Charged to equity for the year	**(58)**	(27)
At 31 December 2020	**320**	188

The deferred tax balance is made up as follows:		
Short term timing differences	**313**	185
SAYE share scheme	**4**	—
Accelerated capital allowances	**3**	3
	320	**188**

8. Trade and other debtors

	2020	2019
	£'000	£'000
Amounts falling due within one year:		
Amounts owed by group undertakings	**1,093**	1,945
Accrued income	**1,797**	1,503
Sundry debtors	**735**	959
Amounts falling due after more than one year:		
Accrued income	**2,508**	3,846
	6,133	8,253

	2020	2019
	£'000	£'000
Accrued income previously expected to be received within the year	**1,503**	1,269
Actual income received during the year	**1,653**	1,139

2020	**As at 1 January 2020**	**New business**	**Settlements**	**As at 31 December 2020**
	£'000	**£'000**	**£'000**	**£'000**
Accrued income	**5,349**	**1,132**	**(2,176)**	**4,305**

2019	As at 1 January 2019	New business	Settlements	As at 31 December 2019
	£'000	£'000	£'000	£'000
Accrued income	4,168	2,906	(1,725)	5,349

Accrued income on adviser charges from regular premium policies is estimated based on adviser charge per month and discounted using an appropriate discount rate. An allowance is also made for estimated lapses.

(i) An increase of 100bps in the discount rate would decrease the fair value of accrued income by £54k (2019: decrease of £68k) and a decrease of 100bps would increase the fair value by £54k (2019: increase of £70k).

(ii) An increase of 10% in the lapse rates would decrease the fair value of accrued income by £107k (2019: decrease of £139k). A decrease of 10% in the lapse rates would increase the fair value by £112k (2019: increase of £149k).

9. 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.

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

	2020	2019
	£'000	£'000
Amounts owed to group undertakings	**474**	5,148
Accruals and deferred income	**8,987**	9,389
	9,461	14,537

The Company's standard contractual payment terms for all qualifying contracts are payments within 30 days after the invoice date. All inter-company balances are repayable on demand.

11. Provision for liabilities and charges

	Balance as at 1 January 2020	Utilised in the year	Released in the year	Provided in the year	Balance as at 31 December 2020
	£'000	£'000	£'000	£'000	£'000
Transformation provision	**—**	**(1,976)**	**(2,456)**	**11,100**	**6,668**

A provision was created during the year to meet restructuring and redundancy costs. The balance is expected to be utilised within one year.

12. Share-based payments

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

Description of the plans

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.

Until the point of demerger, the schemes were treated as cash-settled schemes as the Company had the obligation to settle the awards based on the way the schemes were set-up. The Company could independently instruct the Employee Benefit Trust (EBT) to procure shares to settle the award, or the Company could itself procure shares paying full price through the ultimate parent company. At the point of demerger, the schemes were converted to equity-settled schemes as the awards will be settled in M&G plc shares, by M&G plc directly.

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

Approved schemes:

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 as the awards would 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 £75k 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 the period from the date of demerger to 31 December 2020 was £1.66 as against £2.24 as on 31 December 2019 as calculated from the date of demerger to 31 December 2019.

NOTES ON THE FINANCIAL STATEMENTS (continued)

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	**Outstanding**			**Exercisable**	
Range of exercise prices	**Number outstanding**	**Weighted average remaining contractual life**	**Weighted average exercise prices**	**Number exercisable**	**Weighted average exercise prices**
		(years)	**£**		**£**
Between £1 and £2	**777,607**	**2.80**	**1.54**		
Total	**777,607**	**2.80**	**1.54**	**—**	**—**

At 31 December 2019	Outstanding			Exercisable	
Range of exercise prices	Number outstanding	Weighted average remaining contractual life	Weighted average exercise prices	Number exercisable	Weighted average exercise prices
		(years)	£		£
Between £1 and £2	854,018	3.62	1.84	—	—
Total	854,018	3.62	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. Called up share capital

	2020	2019
	£'000	£'000
Ordinary shares		
Balance as at 1 January		
Issued, called up and fully paid :- 13,800,000 ordinary shares of £1 each	**13,800**	13,800
Issued during the year		
Issued and fully paid:- 20,000,000 ordinary shares of £1 each	**20,000**	—
Balance as at 31 December		
Issued, called up and fully paid :- 33,800,000 ordinary shares of £1 each	**33,800**	13,800

14. Financial assets and financial liabilities

A. Financial assets and financial liabilities - classification and measurement

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

NOTES ON THE FINANCIAL STATEMENTS (continued)

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

2020	**Fair value through profit or loss**	**Amortised Cost**	**Total carrying value**	**Fair value**
	£'000	**£'000**	**£'000**	**£'000**
Trade and other debtors	**—**	**1,828**	**1,828**	**1,828**
Cash at bank and in hand	**—**	**34,258**	**34,258**	**34,258**
Total financial assets	**—**	**36,086**	**36,086**	**36,086**

	Fair value through profit or loss	**Amortised cost**	**Total carrying value**	**Fair value**
	£'000	**£'000**	**£'000**	**£'000**
Trade and other creditors	**—**	**9,461**	**9,461**	**9,461**
Total financial liabilities	**—**	**9,461**	**9,461**	**9,461**

2019	Fair value through profit or loss	Amortised Cost	Total carrying value	Fair value
	£'000	£'000	£'000	£'000
Trade and other debtors	—	2,904	2,904	2,904
Cash at bank and in hand	—	17,248	17,248	17,248
Total financial assets	—	20,152	20,152	20,152

	Fair value through profit or loss	Amortised Cost	Total carrying value	Fair value
	£'000	£'000	£'000	£'000
Trade and other creditors	—	14,537	14,537	14,537
Total financial liabilities	—	14,537	14,537	14,537

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

Market risk arises from:

- Interest rate risk: fluctuations in the level and volatility of interest rates or the shape or curvature of the yield curve or spread relationships,

NOTES ON THE FINANCIAL STATEMENTS (continued)

- 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).

Due to the nature of the Company's assets and liabilities, the Company does not have a significant exposure to market risk.

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.

2020	**Fair value interest rate risk**	**Cash flow interest rate risk**	**Not directly exposed to interest rate risk**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Financial Assets				
Trade and other debtors	**4,305**	**—**	**1,828**	**6,133**
Cash at bank and in hand	**—**	**34,258**	**—**	**34,258**
	4,305	**34,258**	**1,828**	**40,391**

	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	**—**	**—**	**9,461**	**9,461**
	—	**—**	**9,461**	**9,461**

2019	Fair value interest rate risk	Cash flow interest rate risk	Not directly exposed to interest rate risk	Total
	£'000	£'000	£'000	£'000
Financial Assets				
Trade and other debtors	5,349	—	2,904	8,253
Cash at bank and in hand	—	17,248	—	17,248
	5,349	17,248	2,904	25,501

	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	—	—	14,537	14,537
	—	—	14,537	14,537

Currency risk

The Company is not exposed to currency risk as it does not have significant foreign currency exposures.

Other price risk

The Company is not exposed to any other price risk as it does not have any exposure to equities or investment property.

Liquidity Analysis

Contractual maturities of financial liabilities

The following tables set out the contractual maturities for applicable classes of financial liabilities.

2020	**1 year or less**	**After 1 year to 5 years**	**Total un-discounted cashflows**	**Total carrying value**
	£'000	**£'000**	**£'000**	**£'000**
Financial Liabilities				
Trade and other creditors	**9,461**	**—**	**9,461**	**9,461**
	9,461	**—**	**9,461**	**9,461**

2019	1 year or less	After 1 year to 5 years	Total un-discounted cashflows	Total carrying value
	£'000	£'000	£'000	£'000
Financial Liabilities				
Trade and other creditors	14,537	—	14,537	14,537
	14,537	—	14,537	14,537

15. 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, liquidity risk, market risk, expense risk and persistency risk.

a) Credit risk

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

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.

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 2020 to derive the ECL. The impact of collateral and financial guarantees has been considered, where relevant, in the determination of ECL.

The entity held cash balances of £34,258k at 31 December 2020 (2019: £17,248k). These balances are held with banking and financial institution counterparties, which are rated AA- (2019: AA-) (or an equivalent grade from another major credit rating agency) or above.

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

b) Liquidity risk

Liquidity risk is the risk of loss for the Company'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) 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.

The Company's direct exposure to market risk is limited to the interest rate fluctuations on the bank balances held by the Company. The company is indirectly exposed to market risk through ongoing advice charges that are based on the fund values of customers which move in value due to market risks.

d) 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.

e) Persistency risk

Persistency risk is the risk of unexpected changes in policyholder rates of exit.

The Company is exposed to persistency risk due to the receipt of ongoing advice charges. If customers leave then the Company's operating results could be adversely affected.

16. Contingent liability

Since 2016, the Company has retained all advice related income and expenses; prior to that, all advice related income and expenses were passed back to the product-providing entities. Early year losses on the advice business administered by the Company were principally borne by PAC, the main product provider. As such, during 2018, an agreement was entered into to pay PAC an amount equivalent to its share of losses borne prior to 2016 (plus interest) in the years in which the Company makes a profit (subject to a floor of 90% of profit). PAC has approved the discontinuance of the compensation arrangement the Company had with the PAC With Profits Sub Fund ('WPSF') from 31 December 2020 and the Company is no longer liable to pay further compensation.

17. Capital requirements and management

The Company is regulated by the Financial Conduct Authority ("FCA") as the Company is engaged in insurance mediation. The Company is also regulated by the FCA as a personal investment firm. The Company is subject to the Prudential Sourcebook for Mortgage and Home Finance Firms, and Insurance Intermediaries (MIPRU) and the Interim Prudential Sourcebook for Investment Businesses (IPRU(INV)).

As stipulated in MIPRU rule 4.2.11R, the Company is required to maintain capital resources equivalent to the higher of £5k and 2.5% of the annual income from its protection and mortgage mediation activity.

The Company is a B3 firm as defined under IPRU(INV). As stipulated under IPRU(INV) rule 13.13.3, the Company is required to maintain capital resources equivalent to the higher of:

- **i.** £20k
- **ii.** 5% of the annual income from the firm's retail investment business, and
- **iii.** The capital resources calculated under MIPRU rule 4.2.

In addition to the above requirements the Company is also required to maintain additional capital of 3.44% of its relevant income to meet the Professional Indemnity Insurance (PII) requirements based on the IPRU (INV) rules. The Company relies on a Group insurance policy to meet the PII requirements. The additional capital requirement is based on the excess on the PII policy and the level of annual income.

As at 31 December 2020, the minimum unaudited regulatory capital requirement of the Company was £5,120k (2019: £4,947k). The Company had capital resources amounting to £24,426k (2019: £10,672k) to meet the capital requirement.

NOTES ON THE FINANCIAL STATEMENTS (continued)

18. Immediate and ultimate parent company

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