Company No. SC176097

PRUDENTIAL UK SERVICES LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

PRUDENTIAL UK SERVICES LIMITED

Incorporated and registered in Scotland. Registered no. SC176097

Registered office: Craigforth, Stirling, FK9 4UE

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PRUDENTIAL UK SERVICES LIMITED

Directors

S Moffatt (resigned on 1 April 2019)
C Bousfield (appointed on 1 April 2019)
R Thomson (appointed on 1 April 2019)

Secretary

M&G Management Services Limited

Auditor

KPMG LLP, London

PRUDENTIAL UK SERVICES LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

Principal activity

The principal activity of Prudential UK Services Limited ('the Company') until 31 December 2006 was that of being the single service company for the Prudential UK business unit of the Prudential plc Group. On 1 January 2007, the Company transferred its service company operations to Prudential Distribution Limited ('PDL'), another group company, along with the employment contracts of the majority of staff, via a Transfer of Undertaking Protection of Employment ('TUPE'). TUPE is an employment law in the UK which ensures that an employee whose employment transfers to another company, has their employment rights respected. The Company continues to employ a number of staff. In line with the agreement between the Company and PDL, the staff costs are borne by PDL, being the service company for the insurance business unit. These costs are recharged and recovered by PDL from the product companies to whom the services are provided, This activity will continue during 2020.

Business review

The primary source of income for the Company is interest receivable on loans issued to group undertakings. The Company has an agreement with PDL whereby the staff costs for the staff whose employment was retained by the Company are recognised and borne by PDL. Resources provided by the Company to other group companies are charged and recovered by PDL. The staff costs and the subsequent recharges are reported by PDL.

The Company is a wholly owned subsidiary of Prudential Financial Services Limited, which is a wholly owned subsidiary of M&G plc. M&G plc became the ultimate parent of the Company following a demerger from Prudential plc on 21 October 2019. M&G plc is a public limited company, limited by shares, incorporated and registered in England and Wales. The Group is an international financial services group, with significant operations in the United Kingdom and overseas. M&G plc was previously named M&G Prudential Limited. It registered as a public limited company M&G Prudential plc on 24 July 2019 and changed its name to M&G plc on 16 September 2019.

The Company continues to monitor the effects of the coronavirus ('COVID-19') outbreak which has been declared as a pandemic by the World Health Organization. COVID-19 has caused significant sickness and death globally. The outbreak has not only prompted widespread health concerns, but has caused recent deteriorations in global market conditions. The eventual outcome is highly uncertain and is largely dependent on how successful authorities are at containing and managing the outbreak.

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

COVID-19 is not expected to have a significant impact on the financial performance over 2020. The Company has limited activities and does not hold any financial assets and financial liabilities other than balances with group undertakings. This is also discussed in the post balance sheet event note in the Directors' report and note 15 to the financial statements.

Key Performance Indicators

	2019	2018	Change
	£'000	£'000	%
Profit on ordinary activities before tax	**682**	519	31
Retained profit for the year	**552**	420	31
Shareholders' funds at the end of year	**36,601**	35,652	3

The Company generated a pre-tax profit of £682k (2018: £519k). The pre-tax profit is higher compared to 2018 due to an increase in interest income for the year, resulting from an increase in the LIBOR rate.

The Company has net assets of £37 million at the balance sheet date, but it is not expected that debtors due from group undertakings that are contractually receivable on demand will be repaid during 2020. Accordingly, the ultimate parent company has provided a letter of support committing to subscribe to additional share capital of up to £15 million, in the event of future financing being required in the period up to twelve months from the date of signing these financial statements.

Section 172(1) Statement

Section 172 of the Act requires a director of a company to act in the way he or she considers, in good faith, would most likely promote the success of the company for the benefit of its members as a whole. In doing this section 172 requires a director to have regard, amongst other matters, to the:

- likely consequences of any decisions in the long-term;
- interests of the company's employees;
- need to foster the company's business relationships with suppliers, customers and others;
- impact of the company's operations on the community and environment;
- desirability of the company maintaining a reputation for high standards of business conduct; and
- need to act fairly as between members of the company.

In discharging their section 172 duties the directors have regard to the factors set out above. They also recognise the matters that they consider as a Board can often have unique characteristics. This can require them to consider additional factors, which are relevant to the specific matter under consideration. There is an acknowledgement from the Board that the relative importance of each factor they consider will vary depending on the decision being taken across all the Board's decisions. The directors are mindful of the Company's purpose, strategic priorities and alignment with the Group's overarching culture, vision and values.

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

The activities of the Company are limited; as explained at the Principal Activity section above, employee costs are met entirely by a fellow group undertaking, Prudential Distribution Limited ('PDL'); there is no direct employee engagement undertaken by the Company. Specifically, employee engagement takes place at a Group level. During 2019, the directors have made no significant decisions that impact matters set out in section 172 (1) (a) to (f).

Risks & uncertainties

The Company is a wholly owned subsidiary of M&G plc. The Company is subject to the Group's internal control and risk management processes as detailed in the Group Governance Framework (GGF) and Group Risk Management Framework (RMF). The control procedures and systems established within the Group, are designed to manage, rather than eliminate, the risk of failure to meet business objectives. As such, they can only provide reasonable rather than absolute assurance against material misstatement or loss, and focus on optimising the levels of risk and reward within a clearly defined risk appetite, with the aim of achieving the business objectives.

The RMF requires all entities within the Group, including the Company, to establish processes for identifying, evaluating and managing key risks. The RMF for the Company is approved by the Group Board Risk Committee and operates based on the concept of three lines of defence: risk management, risk oversight and independent assurance.

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

Financial risk

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

Non-financial risk

The Company has a limited exposure to a wide range of non-financial risks.

(a) Business environment risk

Changing economic, political, environmental and market conditions, as well as changing customer needs and expectations, could adversely impact the Company and have implications for the profitability of its business model. The key dimensions to business environment risk pertaining to the Company are economic, political, competition and environmental. The COVID-19 outbreak could have an impact on the environment the Company operates in. Consumers, businesses and governments are already counting the economic cost of the outbreak, necessitating governments across the world to intervene with rescue and stimulus packages at unprecedented levels. The virus could not only impact global growth in the short term, but could lead to a sustained period of economic stagnation.

The Company's financial position is not expected to be impacted as the Company does not hold substantial financial assets and financial liabilities other than balances due to and from group undertakings.

(b) Strategic risk

Strategic risk is the risk of loss to the business or failure to maximise opportunity resulting from ineffective, inefficient development or implementation of business strategy. The Company has little exposure to this risk, however any changes in the regulatory and market environment or strategic decisions of associated companies, could play a role in forcing the senior management to take decisions which could affect the Company's performance.

(c) Operational risk

Operational risk is the risk of financial and non-financial impacts resulting from inadequate or failed internal processes, or from personnel and systems.

The Company's primary exposure to operational risk arises from business processes (e.g. customer administration), people capabilities, operation of systems and financial reporting activity. Specific examples of potential operational risk exposures include outsourcer and supplier risk, technology and security risk and people risk, including impacts from COVID-19. Business continuity and resilience plans have been implemented to mitigate the operational and other risk impacts from the pandemic.

(d) Group risk

Group risk is the risk that the financial position of the Company may be adversely affected by its relationships, financial or non-financial, with other companies in the same group or by risks which may affect the financial position of the whole group.

Being a member of the wider M&G plc Group can provide significant advantages for the Company in terms of diversification of risk, financial strength, technical expertise and management experience. It can also give rise to risks; for example, if a guarantee of financial support given by the parent were removed, or from particular transactions arising from an impaired parent or affiliate within the Group. The risk management and internal control processes ensure Group risk and potential conflicts of interest are appropriately managed.

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

H Archbold
On behalf of the M&G Management Services Limited
Company Secretary
19 June 2020

PRUDENTIAL UK SERVICES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019
Incorporated and registered in Scotland. Registered no. SC176097

Introduction

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2019.

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, which is a wholly owned subsidiary of M&G plc. M&G plc became the ultimate parent of the Company following a demerger from Prudential plc on 21 October 2019. M&G plc is a public limited company, limited by shares, incorporated and registered in England and Wales and the parent company of the M&G plc group (the Group).

Corporate responsibility

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

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

As a savings and investment business with roots stretching back more than 170 years, the Group has a proud heritage of making a difference and creating positive long lasting impact. The Group believes it is important to be active and engaged to make its business and society stronger and more resilient. The Group aspires to ensure its investment has a sustainable benefit for its communities, its customers and its business.

The Group establishes long-term relationships with its charity partners on local, national and international programmes to improve lives and build communities and provide support not only through funding, but also with the experience and expertise of its colleagues.

The Group ensures that the projects it supports are sustainable, and it works closely with its partners to ensure that the programmes continuously improve.

The Group has three principal themes:

1. Urban regeneration - investing in essential needs for communities to thrive
2. Economic empowerment - equipping people with the tools they need to be financially secure
3. Skills and education - providing opportunities to prepare communities for future prosperity

Governance

The Group has established an operating model for CR across M&G plc which provides guidance to support each office and market to manage charitable activities within the framework of a consistent, business-wide approach.

A CR Governance Committee is in place, with senior management representation, which oversees community investment activity and agrees strategy and spend. The Group Executive Committee and the Board review the CR strategy and performance on an annual basis.

The M&G plc CR team manages activities across the business: devising community investment initiatives, measuring impact and spend, tracking performance against annual competitor benchmarking, as well as refining issues of key social importance to the business and determining where the business can have the greatest social impact.

Accounts

The state of affairs of the Company as at 31 December 2019 is shown in the Statement of Financial Position on page 13. The Statement of Comprehensive Income appears on page 12.

Post balance sheet events

The Company continues to monitor the effects of the coronavirus ("COVID-19") outbreak which has been declared as a pandemic by the World Health Organization. The outbreak has not only prompted widespread health concerns, but has caused recent deteriorations in global market conditions. The eventual outcome is highly uncertain and is largely dependent on how successful authorities are at containing and managing the outbreak.

COVID-19 is not expected to result in a significant impact on the financial performance over 2020. The Company has limited activities and does not hold any financial assets and financial liabilities other than balances with group undertakings.

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

Dividends

No dividends were declared or paid during the year (2018: Nil).

Share Capital

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

Directors

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

Mr S Moffatt resigned as a director of the Company on 1 April 2019 and Ms C Bousfield and Mr R Thomson were appointed as directors of the Company on the same date.

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

Financial risk management objectives, policies and exposure

The Company is exposed to limited financial risk through its financial assets and financial liabilities. The financial risk factors affecting the Company are credit and liquidity risk on balances with other group companies.

Disclosure to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he or she ought to have taken as a director to make himself or herself 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 Act, KPMG LLP will be deemed to be re-appointed auditor of the Company for the current financial year.

Directors' and Officers' Protection

M&G plc has arranged appropriate insurance cover in respect of legal action against directors and senior managers of companies within the M&G plc group. In addition, the Articles of Association of the Company permit the directors, officers and employees of the Company to be indemnified in respect of liabilities incurred as a result of their office. M&G plc also provides protections for directors and senior managers of companies within the Group against personal financial exposure they may incur in their capacity. These include qualifying third party indemnity provisions (as defined by the relevant Companies Act) for the benefit of directors of M&G plc, including, where applicable, in their capacity as a director of the Company and other companies within the Group. These indemnities were in force during 2019 and remain in force.

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

H Archbold

On behalf of M&G Management Services Limited
Company Secretary
19 June 2020

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

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

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

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

- select suitable accounting policies and then apply them consistently;
- make judgments 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.

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 UK SERVICES LIMITED

Opinion

We have audited the financial statements of Prudential UK Services Limited ("the company") for the year ended 31 December 2019 which comprise the Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Financial Position and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework* ; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Going concern

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

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. 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. We have nothing to report in these respects.

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 absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic Report and director's 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 directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;

- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 9, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

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

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

William Greenfield

William Greenfield (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
Canary Wharf
London
E14 5GL
19 June 2020

PRUDENTIAL UK SERVICES LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

	2019	2018	Note
	£'000	£'000	
Interest receivable	**766**	583	5
Interest payable	**(84)**	(64)	6
Profit before tax for the financial year	**682**	519	
Tax charge on profit	**(130)**	(99)	7
Profit for the financial year	**552**	420	

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

The accounting policies on pages 15 to 18 along with the accompanying notes on pages 18 to 23 form an integral part of these financial statements.

PRUDENTIAL UK SERVICES LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

	2019	2018	Note
	£'000	£'000	
Investments			
Investment in group undertakings	1	1	8
	1	1	
Non-current asset			
Deferred tax asset	959	1,311	7
Current assets			
Trade and other debtors	43,496	42,755	9
Cash at bank and in hand	4,102	3,277	10
Corporation tax receivable	386	567	
	47,984	46,599	
Current Liabilities			
Trade and other creditors: amounts falling due within one year	(12,343)	(12,259)	11
	(12,343)	(12,259)	
Net current assets	35,641	34,340	
Total assets less current liabilities	36,601	35,652	
Net assets	36,601	35,652	
Capital and reserves			
Ordinary share capital	185,900	185,900	12
Retained earnings	(157,357)	(157,909)	
Capital reserve	8,058	7,661	13
Shareholders' funds	36,601	35,652	

The accounting policies on pages 15 to 18 along with the accompanying notes on pages 18 to 23 form an integral part of these financial statements.

The accounts were approved by the board of directors on 19 June 2020.

C Bousfield
Director
19 June 2020

STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2019

	Called Up Share Capital	Profit and Loss Account	Capital Reserves	Total Equity
	£'000	£'000	£'000	£'000
Balance at 1 January 2018	185,900	(158,329)	6,175	33,746
Deferred tax credited to Capital Reserve	—	—	1,311	1,311
Corporation tax credited to Capital Reserve	—	—	175	175
Profit for the financial year	—	420	—	420
Total comprehensive income for the year	—	420		420
Balance at 31 December 2018	185,900	(157,909)	7,661	35,652
Balance at 1 January 2019	**185,900**	**(157,909)**	**7,661**	**35,652**
Deferred tax charged to Capital Reserve	**—**	**—**	**(352)**	**(352)**
Current tax credited to Capital Reserve	**—**	**—**	**749**	**749**
Profit for the financial year	**—**	**552**	**—**	**552**
Total comprehensive income for the year	**—**	**552**	**—**	**552**
Balance at 31 December 2019	**185,900**	**(157,357)**	**8,058**	**36,601**

The accounting policies on pages 15 to 18 along with the accompanying notes on pages 18 to 23 form an integral part of these financial statements.

1. Accounting policies

A. Company Information

Prudential UK Services Limited is a company incorporated and domiciled in Scotland. The address of its registered office is Craigforth, Stirling, FK9 4UE.

B. Basis of preparation

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

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("EU-adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

IFRS 16 *Leases* ('IFRS 16') introduces a single model for all leases, eliminating the distinction in accounting treatment between operating and finance leases for lessees. This standard is effective from 1 January 2019 and replaces IAS 17 *Leases* ('IAS 17'). The adoption of the standard does not have any impact on the financial statements of the Company as the Company does not have any lease agreements.

There were no other significant accounting pronouncements taking effect from 1 January 2019.

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

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

- Cash flow statement and related notes;
- Disclosures in respect of transactions with wholly owned subsidiaries within the Group;
- Disclosures in respect of the compensation of key management personnel;
- Disclosure related to capital management;
- The effect of new but not effective IFRSs; and
- 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 exemptions available under FRS 101 in respect of any relevant disclosures required by IFRS 7 *Financial Instruments: Disclosures* and IFRS 13 *Fair Value Measurement.*

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

The directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future and thus continue to adopt the going concern basis of accounting in preparing the financial statements. This conclusion has been based upon the following: the Company is a subsidiary within the M&G plc group and its parent company and the ultimate parent company are continuing to trade and there are no plans for liquidation.

The Company has net assets of £37 million at the balance sheet date, but it is not expected that debtors due from group undertakings that are contractually receivable on demand will be repaid during 2020. Accordingly, the ultimate parent company has provided a letter of support committing to subscribe to additional share capital of up to £15 million, in the event of future financing being required in the period up to twelve months from the date of signing these financial statements.

In addition 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 page 2. The key method for assessing going concern is through the business planning process which considers profitability, liquidity and solvency. The business planning process considers the Company's business activities, together with factors likely to affect its future development, successful performance and position, and key risks in the current economic climate. These plans have been updated to take into consideration the current information available in respect of the coronavirus ("COVID-19") outbreak, acknowledging that information in respect of the outbreak and its outcome are highly uncertain.. On the basis of the assessment described, the Directors have adopted the going concern basis of accounting in preparing the Company's financial statements for the year ended 31 December 2019.

C. Classification of instruments issued by the Company

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

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

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

D. Financial instruments - recognition and measurement

Financial assets

Recognition and initial measurement

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

Classification and subsequent measurement

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

A financial asset is measured at amortised cost if it meets both of the following conditions and is not recognised 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. Derivatives are included in this category.

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

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

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

Financial liabilities

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

E. Financial instruments - Impairment

Financial assets impairment

Impairment is recognised on financial assets measured at amortised cost based on expected credit losses (ECL). ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the entity expects to receive).

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

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

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

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

E. Interest income

Interest receivable by the Company is recognised on an accruals basis.

F. Interest payable

Interest payable by the Company is recognised 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. Temporary differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future are not provided for. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

H. Investments in group undertakings

Investments in group undertakings are valued at cost less impairment.

2. Staff costs

	2019	2018
	Number	Number
Average number of employees during the year	**522**	543

The Company has an agreement with PDL whereby the staff costs for the staff whose employment was retained by the Company are recognised and borne by PDL. Resources provided by the Company to other group companies are charged and recovered by PDL. The staff costs and the subsequent recharges are reported by PDL.

The majority of staff employed by the M&G plc group in the UK are members of M&G plc group's pension schemes, including both defined contribution and defined benefit schemes. The largest defined benefit scheme as at 31 December 2019 is the Prudential Staff Pension Scheme (PSPS), which accounts for 82% (2018: 83%) of the present value of M&G plc group's defined benefit pension obligation. There is also a smaller defined benefit scheme, Scottish Amicable Staff Pension Scheme (SASPS).

Both schemes are group pension schemes, whereby the costs associated with them are shared across different entities under common control. The Company is not the principal employer for either SASPS or PSPS. The contributions into both schemes are payable at the minimum level of contributions required under the scheme rules. Employer contributions for ongoing service of current employees are apportioned in the ratio relevant to current activity.

The surplus in PSPS and the deficit in SASPS are apportioned in accordance with IAS 19 *Employee benefits*, by way of stated policy:

70% of the surplus in PSPS is allocated to the with-profits fund of PAC. Until 30 June 2019, the remaining 30% was allocated to Prudential plc, the previous parent company. As from 30 June 2019, 30% is allocated to M&G Prudential Services Limited, a fellow subsidiary undertaking of the M&G plc group.

40% of the deficit and related costs of SASPS is allocated to the with-profits fund of PAC, a fellow group undertaking Until 30 June 2019, the remaining 60% was allocated to Prudential Financial Services Limited, the immediate parent company. As from 30 June 2019, 60% is allocated to the shareholder fund of PAC.

The Company is a participating employer of SASPS.

PAC has provided a guarantee to SASPS, subject to a limit of £79m, on behalf of the principal employer and other participating employing entities, should the employing entities fail to meet their payment obligations in respect of the scheme.

Further details of the pension schemes operated by the Company are disclosed in the accounts of PAC and M&G plc.

3. Auditor's remuneration

Auditor’s remuneration of £10k (2018: £10k) in respect of the audit of the Company’s financial statements is borne by PDL. No non-audit services were provided to the Company by the auditor in 2019 or 2018.

4. Directors’ emoluments

Directors’ remuneration in respect of the Company was £10k (2018: £5k). This remuneration was borne by another group undertaking. The Company’s directors perform services for other Group companies. These costs are not included in the amounts charged to the Company as shown above. Emoluments are reported for directors who are deemed to work for the Company i.e. provide qualifying services in accordance with Schedule 5 of the Regulations. An assessment has been made of the proportion of each director's time that relates to this Company, and the emoluments reported above reflect this.

Both directors received shares under long-term incentive schemes in both 2019 and 2018, and no director exercised share options in either 2019 or 2018. No director (2018: none) was entitled to retirement funds under a defined contribution pension scheme.

5. Interest receivable

	2019	2018
	£'000	£'000
Bank interest received	**24**	17
Interest receivable from group undertakings	**742**	566
	766	583

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

6. Interest payable

	2019	2018
	£'000	£'000
Interest payable to group undertakings	**84**	64

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

7. Taxation

a) Analysis of taxation in the year

	2019	2018
	£'000	£'000
Current tax:		
Current period corporation tax charge at rate of 19% (2018: 19%)	**(130)**	(99)
Total current tax charge on ordinary activities	**(130)**	(99)

	2019	2018
	£'000	£'000
Tax recorded in the Capital Reserve		
Corporation tax	**749**	175
Deferred tax	**(352)**	17
Adjustment to deferred tax in respect of previous years	**—**	1,294
Total tax credit recorded in the Capital Reserve	**397**	1,486

b) Factors affecting corporation tax charge for the year

The standard rate of Corporation Tax in the UK was due to change from 19% to 17% with effect from 1 April 2020. Following the budget announcement on 11th March 2020, the repeal of the legislation to reduce the tax rate was substantively enacted on 17 March 2020. Accordingly, the reduction in tax rate will no longer take place. The impact of this post balance sheet event is to increase the deferred tax asset from £959k to £1,072k.

	2019	2018
	£'000	£'000
Profit on ordinary activities before tax	**682**	519
Tax on profit at rate of 19% (2018: 19%)	**(130)**	(99)
Total tax charge for the year	**(130)**	(99)

c) Deferred tax

	2019	2018
	£'000	£'000
Deferred tax asset explained by:		
Share based payment	**959**	1,311
Deferred tax asset at start of period	**1,311**	—
Adjustment in respect of previous year	**—**	1,294
Deferred tax credited to Capital Reserve	**(352)**	17
Deferred tax asset at end of period	**959**	**1,311**

8. Investments

	Shares in group undertakings £'000
Cost	
At the beginning of the year and at the end of the year	**1**
Provisions	
At the beginning of the year and at the end of the year	**—**
Net book value	
As at 31 December 2019	**1**
As at 31 December 2018	1

In 2003 the Company purchased 10,000 equity shares of 10 Rupees each in 10FA India Private Limited (previously known as Prudential Global Services India Private Limited), a company incorporated in India. The Company holds a 0.026% shareholding in 10FA India Private Limited.

9. Trade and other debtors

	2019	2018
	£'000	£'000
Amounts falling due within one year:		
Amount owed by group undertakings	—	42,755
Amounts falling due after one year:		
Amount owed by group undertakings	43,496	—
	43,496	42,755

Amount owed by group undertakings comprise a loan balance repayable on demand. However, the loan is not expected to be repaid within one year and hence is reported as due after one year. The interest is charged at twelve month LIBOR plus 60 basis points on the outstanding loan balance.

10. Cash at bank and in hand

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

11. Trade and other creditors

	2019	2018
	£'000	£'000
Amounts falling due within one year:		
Amount due to group undertakings	12,343	12,259
	12,343	12,259

Amount due to group undertakings comprise a loan balance repayable on demand. The interest is charged at twelve month LIBOR plus 60 basis points on the outstanding loan balance.

12. Share capital

	2019	2018
	£'000	£'000
Issued and fully paid:		
185,900,002 (2018: 185,900,002) ordinary shares of £1 each	185,900	185,900

13. Capital reserve

The capital reserve is in respect of share-based payments for the business transferred by the Company to Prudential Distribution Limited (PDL) in 2007. The movement for the current year is on account of tax credit related to the share scheme tax deduction due to the Company as the legally employing entity. The related share-based payments charge is borne (and disallowed) by PDL.

14. 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.

15. Post balance sheet events

The Company continues to monitor the effects of the coronavirus (“COVID-19”) outbreak which has been declared as a pandemic by the World Health Organization. The outbreak has not only prompted widespread health concerns, but has caused recent deteriorations in global market conditions. The eventual outcome is highly uncertain and is largely dependent on how successful authorities are at containing and managing the outbreak. COVID-19 is not expected to result in a deterioration in financial performance over 2020.

16. Parent company support

As discussed in the Basis of Preparation (Note 1B), the Company has been provided with a letter of support by the ultimate parent company, M&G plc, committing to subscribe to additional share capital of up to £15 million, in the event of future financing being required in the period up to twelve months from the date of signing these financial statements.