Company No. SC176097

PRUDENTIAL UK SERVICES LIMITED

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

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

C Bousfield
L Bullen (appointed on 19 July,2021)
P Cooper (appointed on 19 July,2021)
M Howells (appointed on 19 July,2021)
S Moffatt (appointed on 19 July,2021)
R Thomson (resigned on 27 April,2021)

Secretary

M&G Management Services Limited

Auditor

KPMG LLP, London

PRUDENTIAL UK SERVICES LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

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, all costs relating to the employment of staff 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 is expected to continue after 12 months after the reporting date.

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 all costs relating to the employment of staff 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. All costs relating to the employment of staff 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. The Company's ultimate parent company, M&G plc is a public limited company, limited by shares, incorporated and registered in England and Wales. M&G plc is the parent company of the M&G plc group of companies (the ‘Group’). The Group is an international financial services group providing investment management and insurance services, with significant operations in the United Kingdom and overseas

Whilst 2020 was a challenging year for all due to the spread of the COVID-19 virus, restrictions on public movement and economic disruption,COVID-19 has not had any impact on the financial performance over 2020. The Company does not hold any financial assets and financial liabilities other than balances with group undertakings.

Similar to the experience in 2020, COVID-19 is not expected to have any impact on the financial performance over 2021.

Key Performance Indicators	**2020**	2019	Change
	£'000	£'000	%
Profit on ordinary activities before tax	**608**	682	(11)
Retained profit for the year	**493**	552	(11)
Shareholders’ funds at the end of year	**37,307**	36,601	2

The Company generated a pre-tax profit of £608k (2019: £682k). The pre-tax profit is lower compared to 2019 due to a decrease in interest income for the year, resulting from a decrease 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 2021. Accordingly, the ultimate parent company, M&G plc, has provided a letter of support committing to subscribe to additional share capital of up to £12 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 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.

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

The Company's key stakeholders are its ultimate beneficial owner M&G plc, related M&G plc group entities and the stakeholder groups set out in M&G plc's Annual Report. The views and the impact of the Company's activities on those stakeholders are an important consideration for the directors when making relevant decisions. While there are cases where the Board itself judges that it should engage directly with certain stakeholder groups or on certain issues, the size and spread of both 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, PDL; there is no direct employee engagement undertaken by the Company. During 2020, the directors have made no significant decisions that impact matters set out in section 172 (1) (a) to (f).

<u>Risks & uncertainties</u>

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. The Company takes on exposure to risks where there is adequate reward, and risks can be appropriately quantified and managed to safeguard the Company's ability to meet commitments to customers, comply with regulations, and protect its reputation.

The RMF requires all entities within the Group, including the Company, to establish processes for identifying, evaluating and managing key risks. The RMF is designed to manage risk within agreed appetite levels which are aligned to delivering the Group and Company strategy. The RMF is approved by the Group Board Risk Committee and operates based on the concept of three lines of defence: (1) risk identification and risk management, (2) risk oversight, advice and challenge; and (3) independent assurance.

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

Financial risk

The Company is exposed to limited financial risk through its financial assets and financial liabilities, but as the Company does not have any complex financial assets or financial liabilities and the exposures are primarily within the Group the risk exposure is limited. Employee expenses are borne by PDL.

Non-financial risk

The Company is exposed to a range of non-financial risks as outlined below. These are predominately managed at Group level.

a. Operational risk

The risk of financial and non-financial impacts (for example reputational) resulting from inadequate or failed internal processes, or from personnel and systems, or from external events. This includes risks relating to technology and data, third party suppliers and change. The Company's primary exposure to operational risk arises from business processes, people capabilities, operation of systems and financial reporting activity.

b. Regulatory compliance risk

The risk of financial or non-financial impact resulting from a failure to meet regulatory requirements or a failure to adequately consider regulatory expectations, standards or principles. Changes in UK government policy, legislation, regulation or regulatory interpretation may adversely affect the Company.

c. Sustainability risk

The risk that we fail to address and embed sustainability within the Group's business and operating model could adversely impact profitability, reputation and plans for growth.

d. People Risk

The risk to the Company that the Group does not attract, retain and develop highly qualified professional people.

e. Reputational risk

The risk that through activities, behaviours or communications, the Company fails to meet stakeholder expectations in ways which adversely impact trust and reputation.

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

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

Ian Bothamley
On behalf of M&G Management Services Limited
Company Secretary
8 September 2021

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

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 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, which is a wholly owned subsidiary of M&G plc. 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 the Group and Corporate Responsibility ('CR') is integral to the way the Group does business.

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

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

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

The Group's social purpose is to help empower a million people to build better futures for themselves, their families and their communities over the next three years. The Group's ambition is to build inclusive and resilient communities through urban regeneration, economic empowerment and skills and education. Social mobility is our core focus and we want to use community investment to help break down the barriers that prevent people from living the life they want. The Group do this by investing in essential needs for communities to thrive, strengthening social networks and equipping people with the skills, tools and opportunities to be financially secure.

The Group establishes long-term relationships with the Group's charity partners to improve lives, build communities and provide support, not only through funding, but also with the experience and expertise of our colleagues. The projects the Group supports are sustainable and the Group work closely with the partners to ensure that the Group's programmes continuously improve.

These themes demonstrate the Group's CR commitments and principles to its stakeholders and provide clarity to its businesses, including the Company, on where they should focus their CR efforts and resources in the context of their individual markets.

The M&G plc Board discusses the Group's performance in the areas of social and environmental management at least once a year and also reviews and approves the Group's corporate responsibility report and strategy on an annual basis.

Accounts

The state of affairs of the Company as at 31 December 2020 is shown in the Statement of Financial Position on page 15. The Statement of Comprehensive Income appears on page 14.

Post balance sheet events

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

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

Dividends

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

Share Capital

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

Directors

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

R Thomson resigned on 27 April 2021. L Bullen, P Cooper, M Howells and S Moffatt were appointed as directors on 19 July 2021.

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

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.

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

Directors' and Officers' Protection

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

Going concern

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

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

Ian Bothamley
On behalf of M&G Management Services Limited
Company Secretary
8 September 2021

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

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

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

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

- select suitable accounting policies and then apply them consistently;
- make 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 2020 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company’s affairs as at 31 December 2020 and of its profit for the year then ended;

- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework* ; and

- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Going concern

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

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

Our conclusions based on this work:

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

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

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

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

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

- enquiring of directors, legal, risk and compliance and inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud, 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; and
- using analytical procedures to identify any usual or unexpected relationships;

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

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

We also performed procedures including:

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

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 legal correspondence and have discussed the directors and other management the policies and procedures regarding compliance with laws and regulations.

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

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

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

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

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

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

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

Strategic report and directors' report

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 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 (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
Canary Wharf
London
8 September 2021

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

	2020	2019	Note
	£'000	£'000	
Interest receivable	**684**	766	5
Interest payable	**(76)**	(84)	6
Profit before tax for the financial year	**608**	682	
Tax charge on profit	**(115)**	(130)	7
Profit for the financial year	**493**	552	

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

The accounting policies on pages 17 to 20 along with the accompanying notes on pages 20 to 25 form an integral part of these financial statements.

PRUDENTIAL UK SERVICES LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

	2020	2019	Note
	£'000	£'000	
Investments			
Investment in group undertakings	**1**	1	8
	1	1	
Non-current asset			
Deferred tax asset	**875**	959	7
Current assets			
Trade and other debtors	**44,172**	43,496	9
Cash at bank and in hand	**4,834**	4,102	10
Corporation tax receivable	**—**	386	
	49,006	47,984	
Current Liabilities			
Trade and other creditors: amounts falling due within one year	**(12,419)**	(12,343)	11
Corporation tax payable	**(156)**	—	
	(12,575)	(12,343)	
Net current assets	**36,431**	35,641	
Total assets less current liabilities	**37,307**	36,601	
Net assets	**37,307**	36,601	
Capital and reserves			
Ordinary share capital	**185,900**	185,900	12
Retained earnings	**(156,864)**	(157,357)	
Capital reserve	**8,271**	8,058	13
Shareholders' funds	**37,307**	36,601	

The accounting policies on pages 17 to 20 along with the accompanying notes on pages 20 to 25 form an integral part of these financial statements.

The accounts on pages 14 to 25 were approved by the Board of directors on 7 September 2021 and were signed on its behalf by

Clare Bousfield
Director
8 September 2021

STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2020

	Called Up Share Capital	Profit and Loss Account	Capital Reserves	Total Equity
	£'000	£'000	£'000	£'000
Balance at 1 January 2020	**185,900**	**(157,357)**	**8,058**	**36,601**
Deferred tax charged to Capital Reserve	**—**	**—**	**(84)**	**(84)**
Corporation tax credited to Capital Reserve	**—**	**—**	**297**	**297**
Profit for the financial year	**—**	**493**	**—**	**493**
Total comprehensive income for the year	**—**	**493**	—	**493**
Balance at 31 December 2020	**185,900**	**(156,864)**	**8,271**	**37,307**
Balance at 1 January 2019	185,900	(157,909)	7,661	35,652
Deferred tax charged to Capital Reserve	—	—	(352)	(352)
Corporation 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 17 to 20 along with the accompanying notes on pages 20 to 25 form an integral part of these financial statements.

NOTES ON THE 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 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 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;
- Disclosure related to capital management;
- Disclosures in respect of transactions with wholly owned subsidiaries within the Group;
- Disclosures in respect of the compensation of key management personnel;
- Disclosures required by IFRS 7 *Financial Instruments: Disclosures* and IFRS 13 *Fair Value Measurement*;
- The effect of new but not effective IFRSs; and
- Disclosures in respect of revenue from contracts with customers.

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

The directors have a reasonable expectation that the Company will be able to continue its 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. Also, there are no plans to novate the employment contracts in 12 months from the date of signing.

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

- 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. 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 £12 million, in the event of future financing being required in the period up to twelve months from the date of signing these financial statements. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

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

C. 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.

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. Investments in group undertakings

Investments in group undertakings are valued at cost less impairment.

2. Staff costs

	2020	2019
	Number	Number
Average number of employees during the year	**668**	522

The Company has an agreement with PDL whereby all costs relating to the employment of staff 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 costs of employment 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. One of the smaller defined benefit schemes is Scottish Amicable Staff Pension Scheme (SASPS).

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

3. Auditor's remuneration

Auditor's remuneration of £10k (2019: £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 2020 or 2019.

4. Directors' emoluments

Directors' remuneration in respect of the Company was £10k (2019: £10k). This remuneration was borne by another group undertaking. The Company's directors perform services for other Group companies. Emoluments are reported for directors who are deemed to work for the Company i.e. provide qualifying services in accordance with Schedule 5 of the Regulations. An assessment has been made of the proportion of each director's time that relates to this Company, and the emoluments reported above reflect this.

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

5. Interest receivable

	2020	2019
	£'000	£'000
Bank interest received	**8**	24
Interest receivable from group undertakings	**676**	742
	684	766

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

6. Interest payable

	2020	2019
	£'000	£'000
Interest payable to group undertakings	**76**	84

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

7. Taxation

a) Analysis of taxation in the year

	2020 £'000	2019 £'000
Current tax:		
Current period corporation tax charge at rate of 19% (2019: 19%)	**(115)**	(130)
Total current tax charge on ordinary activities	**(115)**	(130)

	2020 £'000	2019 £'000
Tax recorded in the Capital Reserve		
Corporation tax	**244**	749
Adjustment to corporation tax for prior period	**53**	—
Deferred tax	**(84)**	(352)
Total tax credit recorded in the Capital Reserve	**213**	397

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 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.

	2020 £'000	2019 £'000
Profit on ordinary activities before tax	**608**	682
Tax on profit at rate of 19% (2019: 19%)	**(115)**	(130)
Total tax charge for the year	**(115)**	(130)

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) Deferred tax

	2020	2019
	£'000	£'000
Deferred tax asset explained by:		
Share based payment	**875**	959
Deferred tax asset at start of period	**959**	1,311
Adjustment in respect of previous year	**—**	—
Deferred tax debited/(credited) to Capital Reserve	**(84)**	(352)
Deferred tax asset at end of period	**875**	959

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 2020	**1**
As at 31 December 2019	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

	2020	2019
	£'000	£'000
Amounts falling due after one year:		
Amount owed by group undertakings	**44,172**	43,496

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

	2020	2019
	£'000	£'000
Amounts falling due within one year:		
Amount due to group undertakings	**12,419**	12,343

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

	2020	2019
	£'000	£'000
Issued and fully paid:		
185,900,002 (2019: 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. 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 £12 million, in the event of future financing being required in the period up to twelve months from the date of signing these financial statements.

16. Post Balance sheet events

On 3 March 2021, the UK Government announced a proposal to increase the rate of UK corporation tax from 19% to 25% with effect from 1 April 2023. Changes in tax laws and rates may affect recorded deferred tax assets and liabilities and our effective tax rate in the future when the change is substantially enacted. We expect that, in line with the rate increase proposed, there will be an increase to our effective tax rate for periods from 2023 onwards. It is considered that there will not be a significant impact on the deferred tax assets and liabilities as a result of this proposal. There have been no other significant events affecting the Company since the balance sheet date.