

Registered number: 1048359

**M&G FA Limited**

**Annual Report and Financial Statements**

**For the Year Ended 31 December 2019**

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**M&G FA Limited**

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**Company Information**

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**Directors** R Thomson (appointed 22 August 2019)  
C J Bousfield (appointed 22 August 2019)  
D G Jones (resigned 22 August 2019)  
N R McMorran (resigned 22 August 2019)

**Company secretary** M&G Management Services Limited

**Registered number** 1048359

**Registered office** 10 Fenchurch Avenue  
London  
EC3M 5AG

**Independent auditor** KPMG LLP  
15 Canada Square  
London  
E14 5GL

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**M&G FA Limited**

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## M&G FA Limited

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### Strategic Report For the Year Ended 31 December 2019

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#### Business review

M&G FA Limited (the 'Company') is a member of the M&G plc group, the UK and international savings and investments business. The Company is a wholly owned subsidiary of M&G Group Limited ("M&G" or the "M&G Group") and an indirect subsidiary of M&G plc following the demerger of M&G plc from Prudential plc, the former parent company, on 21 October 2019.

During the year the company changed its name from M&G Limited to M&G FA Limited.

The principal activity of M&G FA Limited ('the Company') is the management of the operating subsidiaries of the M&G Group. The subsidiary undertakings are involved in the management of collective vehicles (unit trusts, OEICs, SICAVs and investment trusts), investment management and related activities. The Company bears the costs of the M&G Group undertakings and recharges these to the operating subsidiaries. It also earns income from shareholdings in, and loans to, other group companies. On 23 January 2018, the Board adopted revised terms of reference to reflect the fact that from that date, the role of the Company within M&G Group was restricted to that of principal service company, effective responsibility for governance being assumed by the CEO's Executive Committee.

The profit before tax for the Company for the year was £249,321,000 (2018: £348,934,000). Further details of the results for the year are set out in the Profit and Loss Account and Other Comprehensive Income statement on page 11.

#### Brexit

Reflecting the UK's decision to leave the European Union (EU) on 31 January 2020 and following the referendum result of 2016, M&G had already taken several steps to minimise potential disruption to our clients, protect their interests and provide as much certainty and clarity as possible.

These steps include the implementation of M&G's Brexit plan, designed in 2016, which involved the establishment of a Luxembourg based super management Company and MiFID distribution firm. Both are now fully licensed and operational, distributing traditional and alternative funds, products and services across our network of European offices, and internationally. Today, M&G has more than 35 people based in Luxembourg, including team members from Risk, Legal and Compliance, Operations and Distribution.

A business contingency plan has also been developed. This includes the establishment of a portfolio management capability within continental Europe to provide continuation of service to M&G's clients with whom there are segregated account arrangements, leveraging off the recently established EU platform which has the required regulatory permissions to carryout portfolio management activities.

During 2019, there were a number of positive actions taken by the Financial Conduct Authority (FCA) and the European Securities and Markets Authority (ESMA) to put in place the Memorandums of Understanding that will enable EU domiciled funds to continue delegating portfolio management activities. Following these, the Company remains well positioned for the identifiable forms that Brexit may take.

The M&G group continues to monitor political and regulatory developments on the negotiations during the transition period and is ready to adjust or activate contingency plans, where necessary.

#### COVID-19

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 deteriorations in global market conditions. The eventual outcome is highly uncertain and is largely dependent on the success of authorities in containing and managing the outbreak.

**Strategic Report (continued)  
For the Year Ended 31 December 2019**

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In these difficult times, the Company has two clear priorities: the safety and well-being of colleagues and the continuation of service to customers and clients 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 perform their roles.

Whilst the full financial implications are not yet known, based on the Company's current strong financial and liquidity position, the Directors believe the Company is in a position to withstand the financial impact of the pandemic.

### **Principal risks and uncertainties**

#### **Overview**

Principal risks and uncertainties are managed by the M&G Group at a global level.

The M&G Group is exposed to a number of risks. Some are inherent in running an investment management business and are not unique; others are unique and result from business strategy and structure.

The specific risks and uncertainties relevant to the Company may be categorised as follows:

#### **Operational risk**

Operational risk is the risk of loss or unintended gain arising from inadequate or failed internal processes and systems, from failure by personnel or from external events. The M&G Group aims to manage all aspects of operational risk in a way that meets or surpasses the reasonable expectations of its clients, shareholders and Regulators. The Company has a robust risk management framework, established risk governance arrangements and effective risk management processes to ensure appropriate challenge and oversight of operational risk exposures and continued effectiveness of controls in the context of risk appetite.

M&G plc has rigorous plans in place to ensure business continuity in the event of disruptive circumstances and, in response to COVID-19, these have been activated. Our Incident Management Structure is working hard to ensure we protect our customers interests, safeguard our employees, protect our financial capability, stabilise our supply partners and engage with our regulators. Operational resilience is regularly reviewed to ensure we are taking all appropriate action to manage the wellbeing and safety of our employees, and that we continue to give our clients the service they need. Specific COVID-19 reporting has been created and is monitored on a regular basis to manage the risks emanating from the pandemic on our operations.

#### **Financial risk**

Financial risk is the risk that the Company is unable to maintain adequate capital and liquidity to meet its clients' and stakeholders' requirements under normal and stressed conditions. Financial risk encompasses credit, liquidity and market risks.

Credit risk is the exposure to loss arising from counterparty's failure to meet its contractual obligations, either as a result of business failure or intentional withholding of amounts due. In order to help ensure the profitability and solvency of the Company, the Company provides ongoing monitoring of key credit risk exposures on its balance sheet and actively manages these exposures via established governance forums.

Liquidity risk is the risk that the Company, although solvent, does not have available financial resources to enable it to meet its obligations as they fall due, or that the Company can secure such resources only at excessive cost. The Company expects to hold sufficient liquidity to ensure the continuity of its business under normal and stressed conditions.

**Strategic Report (continued)**  
**For the Year Ended 31 December 2019**

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Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its assets and liabilities. A significant portion of the Company's cost base is fixed and the board accepts that the Company's revenues and profits are exposed to short-term market fluctuations.

With regard to COVID-19, the Company has modelled financial projections allowing for the immediate market shock of the pandemic and further onerous stress tests have been applied to the Company. The projections currently show that the Company is expected to maintain sufficient net assets and liquid resources to remain financially viable for at least the period of the going concern assessment as outlined in the Directors' Report. Regarding liquidity management, the Company is also party to the M&G Group's contingency funding plan should a particularly adverse liquidity event arise.

***Capital requirements and conflict management***

In accordance with the Capital Requirements Directive, the Pillar 3 disclosures for the M&G Group, along with the M&G Group's compliance with the provisions of the FCA's Remuneration Code, are published on the internet at:

<http://docs.mandg.com/docs/Corporate/Pillar-3-Disclosures.pdf>

The M&G Group operates administrative and organisational arrangements to identify and manage conflicts of interest that might adversely affect its clients including:

- effective procedures to restrict the exchange of information where such exchange might harm clients;
- effective segregation of duties with appropriate supervision; and
- charging and remuneration policies that are reasonably designed to align the long-term interests of the Company, employees and clients.

**Strategic Report (continued)  
For the Year Ended 31 December 2019**

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**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 our section 172 duties we have regard to the factors set out above. We also recognise the matters we consider as a Board can have unique characteristics. This can require us to have regard to 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 we consider will vary depending on the decision being taken. Across all the Board's decisions, we are mindful of the Company's purpose, regulatory obligations, strategic priorities and alignment with the M&G plc overarching culture, vision and values.

As is normal for large companies, we delegate authority for day-to-day management of the Company to executives who in turn charge management with execution of the business strategy and related policies. Board meetings are held where we consider the Company's activities and make relevant decisions. Over the course of the financial year we review a range of corporate activities including financial reporting, stakeholder related matters and governance. This is done through the consideration and discussion of reports which are sent in advance of each Board meeting and through presentations to the Board.

The Company's key stakeholders are its ultimate beneficial owner, M&G plc, and the stakeholder groups set out in M&G plc's Annual Report. The views and 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 M&G plc Group means that other stakeholder engagement takes place at Group level. We find that as well as being a more efficient and effective approach, this also helps us achieve a greater positive impact on environmental, social and other issues than by working alone as an individual company. For details on some of the engagement that takes place with the Company's stakeholders so as to encourage the directors to understand the issues to which they must have regard, please see M&G plc 2019 Annual Report.

During the period we received information to help us understand the interests and views of the Company's key stakeholders and other relevant factors when making decisions. This information was distributed in a range of different formats including in reports and presentations on our financial and operational performance, non-financial key performance indicators, risk and environmental, social and governance matters. As a result of this we have had an overview of engagement with stakeholders and other relevant factors which allows us to understand the nature of the stakeholders' concerns and to comply with our section 172 duty to promote the success of the Company.

**Principal Decisions**

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

**Strategic Report (continued)**  
**For the Year Ended 31 December 2019**

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**Principal decision 1 – Dividends to Parent**

Each year the Board makes an assessment of the strength of the Company's balance sheet and future prospects relative to uncertainties in the external environment and makes decisions about the payment of dividends. In 2019, the Board decided to pay dividends totalling £446.9m to its parent, M&G Group Limited. In making these decisions the Board received detailed financial planning materials and considered a range of factors. These factors included any impact on the Company in the short to medium term as well as the long-term viability of the Company; its expected cash flow and financing requirements; and the ongoing need for strategic investment in our business, the activities of our subsidiaries, including the workforce and the expectations of our parent, M&G Plc.

**Financial key performance indicators**

***Administrative expenses***

Administrative expenses increased by 2.5% from £643,818,000 in 2018 to £660,022,000 in 2019, primarily driven by an increase in property costs.

***Net assets and financial position***

The Company's net assets have decreased by 32% from £617,275,000 in 2018 to £416,584,000 in 2019 as a result of dividends paid in excess of profits.

The current asset ratio as at 31 December 2019 is 1.2:1 compared with 1.6:1 as at 31 December 2018.

This report was approved by the board and signed on its behalf.



**M&G Management Services Limited**  
**Penelope Woodcock**

Company Secretary

Date: 14 July 2020



**Directors' Report  
For the Year Ended 31 December 2019**

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The Directors present their report for the year ended 31 December 2019.

**Directors' responsibilities statement**

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 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 financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

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

**Results and dividends**

The profit for the year, before taxation, amounted to £249,321,000 (2018: £348,934,000).

Dividends paid in the year amounted to £446,900,000 (2018: £196,000,000).

The Directors do not recommend payment of a further dividend.

**Directors' Report (continued)  
For the Year Ended 31 December 2019**

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**Directors**

The Directors who served during the year were:

R Thomson (appointed 22 August 2019)  
C J Bousfield (appointed 22 August 2019)  
D G Jones (resigned 22 August 2019)  
N R McMorran (resigned 22 August 2019)

**Charitable and political donations**

During the year Company made payments totalling £646,000 (2018: £667,535) for charitable purposes.

The Company made no political contributions during the year (2018: £nil).

**Employment policies**

The Group relies heavily on the quality of key talent and management in each of the regions and countries in which it operates. The success of M&G's operations is dependent on, amongst other things, the ability to attract and retain highly qualified professional people. Competition for highly qualified professional people in most countries in which the Group operates is intense. The Group's ability to attract and retain key people is dependent on a number of factors, including prevailing market conditions, culture and working environment and compensation packages offered by companies competing for the same talent.

M&G is committed to providing all employees with a safe, healthy and engaging working environment. All of our leaders are accountable for ensuring our culture promotes diversity, inclusion and authenticity. To perform at their best for clients and customers, all employees need to enjoy working for M&G and be comfortable that the Group's culture is free from any form of bullying, harassment or victimisation.

In 2019 M&G launched new people policies with the simple aim of becoming a leading flexible employer which recognises that employees work to live. M&G supports all employees with the 'moments that matter' to them through either our market leading family leave policy or other types of paid leave that aim to support employees of all ages, family constructs or faiths. The policies include:

- Our Partnership (our code of conduct)
- Our M&G values and behaviours
- Our Diversity & Inclusion strategy, policy and colleague networks
- Transitioning at Work policy (for transgender colleagues)
- Code of Ethics
- Our 'Speak Out' and 'Raising Concerns at Work' policies

Seeking feedback from employees on the Group's performance in this area is essential. There are a number of ways in which M&G achieve this including the ongoing and valued relationships with our employee representatives, the Union and the M&G Employee Forum and through the annual One Voice colleague survey.

The Group seeks to achieve an inclusive working environment and through our Diversity and Inclusion Policy embraces difference and removes barriers to inclusivity. All employees are treated so that they have an equal opportunity, so far as is justifiable, to be selected, trained and promoted. Every reasonable effort will be made to enable disabled persons to be employed by the Group by making adjustments to roles where possible.

Both internal and external training opportunities are provided where they are appropriate to an employee's current role and/or development. Where appropriate, the Human Resources and Learning and Talent Development teams ensure that suitable arrangements can be made with regard to the venue or format of the event to enable all employees to participate.

**Directors' Report (continued)  
For the Year Ended 31 December 2019**

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**Going concern**

The Directors have a reasonable expectation that the Company has adequate resources to continue its operations for a period of at least 12 months from the date that the financial statements are approved. In making this assessment the Directors have considered the profitability, liquidity and solvency of the Company, taking into account current performance and financial position, factors likely to affect the Company's future development, and key risks in the current economic climate. This assessment has taken into consideration the current information available in respect of the COVID-19 outbreak, acknowledging that information in respect of the outbreak and its outcome are highly uncertain. Due to the uncertainty regarding COVID-19, additional stress tests have been carried out to test the Group's resilience to an increased severity than is currently being experienced and actions available to the Company to mitigate or reduce the impact.

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.

**Engagement with stakeholders**

Engagement with M&G's key stakeholder groups helps foster and maintain relationships and forms an important part of the wider Company's operation and is therefore considered at an M&G plc level.

Not all stakeholder engagement is reported directly to the Board or takes place directly with the Board. However, the output of engagement across the wider Company informs business level decisions and proposals, with an overview of developments and relevant feedback being reported to the M&G plc Board and/or its Committees. The purpose of this is to ensure that the M&G plc Board can understand and consider the views of relevant stakeholders when making decisions.

**Customers**

The customer is at the heart of everything M&G plc does. The M&G plc Board has included in its scheduled meetings regular reports from the Chief Customer and Distribution Officer and determined that its Matters Reserved would cover new forms of business or geographic regions to ensure the Board maintains oversight of who the Company's customers are.

**Business partners**

The M&G plc Board is conscious of the huge importance of third-party suppliers and business partners in the operating model of the M&G plc business. This is an area of focus for the M&G plc Risk and Audit Committees, examples being the Audit Committee's time spent in 2019 on audit tender considerations and the Risk Committee's review of operational risks connected to technology partners. The Chief Operating Officer gives a full report to the M&G plc Board on all functional matters twice a year and ad hoc reports on projects as necessary. The COO leads the merger and transformation work for the wider group and the M&G plc Board has had careful oversight of this, both in terms of cost and suppliers.

**Investors and shareholders**

The M&G plc Board is kept aware of major shareholder issues and concerns through reports from a variety of sources including the CEO and CFO reports, a regular report at every Board meeting by the Director of Investor Relations and feedback from the Chair on his governance meetings with major investors. The Investor Relations Report covers key issues on investor meetings, analyst reports and engagement. The M&G plc Board also maintains continued dialogue with shareholders via its Annual General Meeting (AGM), investor roadshows and interim/full year results presentations.

**Regulators**

Maintaining strong regulatory relationships, communicating openly, working collaboratively and providing the FCA and all global regulators with timely notification of issues are of vital importance to M&G plc. The business aims to ensure it approaches its relationship with regulators in an open and constructive manner at all times.

**Directors' Report (continued)**  
**For the Year Ended 31 December 2019**

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In the year and a half prior to demerger M&G plc worked extensively with the FCA and other regulators to develop and maintain this approach which included significant engagement from the Board and members of the Senior Executive team surrounding the demerged business. This included the Chair and other M&G plc Board members meeting separately with the supervisory teams at the FCA to discuss key areas of focus. This approach is a priority and one that M&G plc will continue to take as an independent business operating globally. M&G plc looks forward to working with the regulators in the months and years to come. The M&G plc Board receives a report on regulatory matters at every Board meeting from the Director of Policy and Regulatory Affairs. All relevant regulatory correspondence is made available to the Board in a timely manner via a dedicated Reading Room.

**Disclosure of information to auditor**

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

**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.

**Auditor**

The auditor, KPMG LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.



**M&G Management Services Limited**  
**Penelope Woodcock**

Company Secretary

Date: 14 July 2020

**Independent Auditor's Report to the Members of M&G Limited**

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**Opinion**

We have audited the financial statements of M&G FA Limited ("the Company") for the year ended 31 December 2019 which comprise the Profit and Loss Account and Other Comprehensive Income, Balance Sheet, 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 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, including the impact of Brexit, 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.

**Independent Auditor's Report to the Members of M&G Limited**

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**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 audit.

We have nothing to report in these respects.

**Directors' responsibilities**

As explained more fully in their statement set out on page 6, 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.

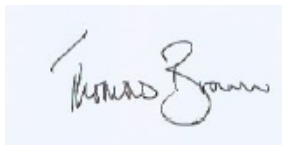
A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

**Independent Auditor's Report to the Members of M&G Limited**

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**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.

A handwritten signature in black ink on a light blue rectangular background. The signature appears to read 'Thomas Brown'.

**Thomas Brown (Senior Statutory Auditor)  
for and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants*

15 Canada Square

London

E14 5GL

Date: 15 July 2020

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**M&G FA Limited**

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**Profit and Loss Account and Other Comprehensive Income  
For the Year Ended 31 December 2019**

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	Note	2019 £000	2018 £000
Turnover	3	<b>630,503</b>	625,432
Administrative expenses	5,6,7	<b>(660,022)</b>	(643,818)
<b>Operating loss</b>	4	<b>(29,519)</b>	(18,386)
Income from fixed assets investments	8	<b>201,395</b>	377,340
Interest receivable and similar income	9	<b>79,869</b>	8,628
Interest payable and similar charges	10	<b>(2,424)</b>	(18,648)
<b>Profit on ordinary activities before tax</b>		<b>249,321</b>	348,934
Tax on profit on ordinary activities	11	<b>(6,220)</b>	9,672
<b>Profit for the financial year</b>		<b>243,101</b>	358,606
<b>Other comprehensive income:</b>			
<b>Items that will not be reclassified to profit or loss:</b>			
Remeasurement of defined benefit pension scheme surplus	25	<b>2,889</b>	25,567
Income tax on items that will not be reclassified to profit or loss		<b>(505)</b>	(4,346)
		<b>2,384</b>	21,221
<b>Total comprehensive income for the year</b>		<b>245,485</b>	379,827

The notes on pages 18 to 58 form part of these financial statements.



**M&G FA Limited**  
Registered number:1048359

**Balance Sheet**  
As at 31 December 2019

	Note	2019 £000	2018 £000
<b>Fixed assets</b>			
Intangible assets	13	15,902	18,233
Tangible fixed assets	14	402	101,841
Fixed asset investments	15	221,042	177,547
		<u>237,346</u>	<u>297,621</u>
<b>Current assets</b>			
Deferred tax assets: amounts falling due after more than one year	16	17,528	19,715
Debtors within one year	16	240,906	560,529
Financial asset investments	17	112,245	159,739
Bank and cash balances	18	59,688	63,871
		<u>430,367</u>	<u>803,854</u>
Creditors: amounts falling due within one year	19	(335,931)	(480,810)
		<u>94,436</u>	<u>323,044</u>
<b>Net current assets</b>			
		<u>94,436</u>	<u>323,044</u>
<b>Total assets less current liabilities</b>			
		<u>331,782</u>	<u>620,665</u>
Creditors: amounts falling due after more than one year	20	(51,929)	(102,616)
		<u>279,853</u>	<u>518,049</u>
<b>Provisions for liabilities</b>			
Deferred tax	21	(29,621)	(22,576)
Other provisions	22	(5,085)	(6,976)
		<u>(34,706)</u>	<u>(29,552)</u>
<b>Net assets excluding pension scheme surplus</b>			
		<u>245,147</u>	<u>488,497</u>
Pension scheme surplus	25	171,423	128,778
<b>Net assets</b>		<u><u>416,570</u></u>	<u><u>617,275</u></u>

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**M&G FA Limited**  
**Registered number:1048359**

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**Balance Sheet (continued)**  
**As at 31 December 2019**

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	Note	2019 £000	2018 £000
<b>Capital and reserves</b>			
Called up share capital	23	9,360	9,360
Share premium account		30,115	30,115
Pension reserve		29,889	27,505
Profit and loss account		347,206	550,295
		<u>416,570</u>	<u>617,275</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:



**C J Bousfield**  
Director

Date: 14 July 2020

The notes on pages 18 to 58 form part of these financial statements.

**M&G FA Limited**

**Statement of Changes in Equity  
For the Year Ended 31 December 2019**

	Share capital	Share premium account	Pension reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
At 1 January 2019	9,360	30,115	27,505	550,295	617,275
<b>Comprehensive income for the year</b>					
Profit for the year	-	-	-	243,101	243,101
Remeasurement of defined benefit pension scheme surplus (note 25)	-	-	2,889	-	2,889
Deferred tax on remeasurement of defined benefit pension scheme	-	-	(505)	-	(505)
<b>Total comprehensive income for the year</b>	-	-	2,384	243,101	245,485
Dividends	-	-	-	(446,900)	(446,900)
Share-based payments	-	-	-	659	659
Deferred tax on share-based payments	-	-	-	(198)	(198)
Current tax movements	-	-	-	249	249
<b>At 31 December 2019</b>	<b>9,360</b>	<b>30,115</b>	<b>29,889</b>	<b>347,206</b>	<b>416,570</b>

The notes on pages 18 to 58 form part of these financial statements.

**M&G FA Limited**

**Statement of Changes in Equity  
For the Year Ended 31 December 2018**

	Share capital	Share premium account	Revaluation reserve	Pension reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000	£000
At 1 January 2018	9,360	30,115	279	6,284	387,299	433,337
Adjustment on initial adoption of IFRS 15	-	-	(279)	-	-	(279)
Adjusted balance at 1 January 2018	<u>9,360</u>	<u>30,115</u>	<u>-</u>	<u>6,284</u>	<u>387,299</u>	<u>433,058</u>
<b>Comprehensive income for the year</b>						
Profit for the year	-	-	-	-	358,606	358,606
Remeasurement of defined benefit pension scheme surplus (note 25)	-	-	-	25,567	-	25,567
Deferred tax on remeasurement of defined benefit pension scheme	-	-	-	(4,346)	-	(4,346)
<b>Total comprehensive income for the year</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,221</u>	<u>358,606</u>	<u>379,827</u>
Dividends	-	-	-	-	(196,000)	(196,000)
Share-based payments	-	-	-	-	859	859
Deferred tax on share-based payments	-	-	-	-	(921)	(921)
Current tax movements	-	-	-	-	452	452
<b>At 31 December 2018</b>	<u><u>9,360</u></u>	<u><u>30,115</u></u>	<u><u>-</u></u>	<u><u>27,505</u></u>	<u><u>550,295</u></u>	<u><u>617,275</u></u>

**Notes to the Financial Statements  
For the Year Ended 31 December 2019**

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**1. Accounting policies**

**1.1 Basis of preparation of financial statements**

M&G FA Limited (the "Company") is a company incorporated and domiciled in the UK.

The financial statements have been prepared under the historical cost convention except that the following assets and liabilities are stated at their fair value: derivative financial instruments, financial instruments classified as fair value through the profit or loss and liabilities for cash-settled share-based payments; and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the 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.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 2).

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

**1.2 Financial reporting standard 101 - reduced disclosure exemptions**

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

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share-based payment
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
  - paragraph 79(a)(iv) of IAS 1
  - paragraph 73(e) of IAS 16 Property, Plant and Equipment
  - paragraph 118(e) of IAS 38 Intangible Assets
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- the requirements in IAS 24 to disclose compensation of Key Management Personnel; and
- the requirements of IAS 24 to disclose transactions with a management entity that provides key management personnel services to the Company.

The Company is a subsidiary undertaking of M&G plc which is the ultimate parent company incorporated in England and Wales. Consolidated financial statements are prepared by M&G plc and copies of these are available to the public and may be obtained from the registered office at 10 Fenchurch Avenue, London, EC3M 5AG. Prior to demerger, the ultimate parent company was Prudential plc, copies of Consolidated financial statements for Prudential plc are available to the public at the registered office 1 Angel Court London EC2R 7AG.

**Notes to the Financial Statements  
For the Year Ended 31 December 2019**

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**1. Accounting policies (continued)**

**1.2 Financial reporting standard 101 - reduced disclosure exemptions (continued)**

As the consolidated financial statements of M&G plc include the equivalent disclosures the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share-based payments

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

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

**1.3 Change in accounting policies**

The Group has adopted the IFRS 16 Leases in these Group financial statements. This has been adopted using the modified retrospective method and as a result the comparatives have not been restated and are reported under IAS 17.

**IFRS 16 Leases**

**Date of initial application**

On 1 January 2019 the Group adopted IFRS 16. The new standard introduces a single model for all leases, eliminating the distinction in accounting treatment between operating and finance leases for lessees.

**Effect of adopting IFRS 16**

IFRS 16 applies primarily to leases of major properties occupied by the Group's businesses, where the Group acts as a lessee. Under IFRS 16, these leases have been brought onto the Group's consolidated balance sheet with a 'right of use' asset being established and a corresponding liability, representing the obligation to make lease payments. The previously recognised rental accrual charge in the income statement has been replaced with a depreciation charge for the 'right of use' asset and an interest expense on the lease liability leading to a more front-loaded operating lease cost profile.

On adoption of IFRS 16, lease liabilities were measured at the present value of remaining lease payments, discounted at the Group's incremental borrowing rate. Right of use assets ("ROU") are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments related to that lease at the date of transition.

The Group has used the following additional practical expedients on adoption of IFRS 16:

- applied a single discount rate to a portfolio of leases with similar characteristics;
- excluded initial direct costs from measurement of ROU asset on initial application;
- used hindsight when determining the lease term if the contract had an option to break the lease;
- not applied IFRS 16 to leases for which the term ends within 12 months of the transition date; and
- for all contracts existing at transition date, only applied IFRS 16 to contracts that were previously identified as leases under IAS 17 and IFRIC 4.

**Notes to the Financial Statements  
For the Year Ended 31 December 2019**

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**1. Accounting policies (continued)**

**1.3 Change in accounting policies (continued)**

When measuring the lease liabilities, the Group discounted lease payments using the incremental borrowing rate as at 1 January 2019 of 3.57%.

The adoption of IFRS 16 resulted in a lease liability of £284m and a corresponding right of use asset of an equal amount being recognised on the balance sheet.

**1.4 Going concern**

The Directors have a reasonable expectation that the Company has adequate resources to continue its operations for a period of at least 12 months from the date that the financial statements are approved. In making this assessment the Directors have considered the profitability, liquidity and solvency of the Company, taking into account current performance and financial position, factors likely to affect the Company's future development, and key risks in the current economic climate. This assessment has taken into consideration the current information available in respect of the COVID-19 outbreak, acknowledging that information in respect of the outbreak and its outcome are highly uncertain. Due to the uncertainty regarding COVID-19, additional stress tests have been carried out to test the Group's resilience to an increased severity than is currently being experienced and actions available to the Company to mitigate or reduce the impact.

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.

**1.5 Foreign currency**

*Functional and presentation currency*

The Company's functional and presentational currency is GBP.

*Transaction and balances*

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated back to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

**1.6 Financial instruments**

***(i) Recognition and initial measurement***

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit and loss, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Notes to the Financial Statements  
For the Year Ended 31 December 2019

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1. Accounting policies (continued)

1.6 Financial instruments (continued)

*(ii) Classification and subsequent measurement*

*(a) Classification*

On initial recognition, a financial asset is classified as measured at: amortised cost or fair value through profit and loss.

Financial assets are not reclassified subsequent to their initial recognition unless the Company 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.

A financial asset is measured at amortised cost if it meets both of the following conditions:

- 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.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit and loss. This includes all derivative financial assets.

Investments in associates and subsidiaries are accounted for at cost less impairment.

*Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents.

*(b) Subsequent measurement and gains and losses*

- Financial assets at fair value through profit and loss - These assets (other than derivatives designated as hedging instruments) 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 - These assets 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.



**Notes to the Financial Statements  
For the Year Ended 31 December 2019**

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**1. Accounting policies (continued)**

**1.6 Financial instruments (continued)**

*Financial liabilities and equity*

Financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- 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
- 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 exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Financial liabilities are classified as measured at amortised cost and are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit and loss. Any gain or loss on derecognition is also recognised in profit and loss.

*Impairment*

The Company recognises loss allowances for expected credit losses on financial assets measured at amortised cost.

Loss allowances are measured at an amount equal to lifetime expected credit losses, except for other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition, which are measured as 12-month expected credit loss.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime expected credit loss.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument. 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Company is exposed to credit risk.

**Notes to the Financial Statements  
For the Year Ended 31 December 2019**

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**1. Accounting policies (continued)**

**1.6 Financial instruments (continued)**

*Measurement of expected credit losses*

Expected credit losses 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 Company expects to receive). Expected credit losses are discounted at the effective interest rate of the financial asset.

*Credit-impaired financial assets*

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

*Write-offs*

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.

**1.7 Intra-group financial instruments**

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within the M&G Group, the Company considers these to be insurance arrangements. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

**1.8 Tangible fixed assets**

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives are as follows:

Leasehold improvements	5 - 10 years
Equipment and fittings	5 - 7 years
Motor vehicles	4 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

**1.9 Pension schemes**

The Company participates in a M&G Group wide defined benefit pension plan ("the M&G Group Pension Scheme"), and a small unfunded defined benefit plan which has two members. These schemes are all closed to new members.

For those employees who are not members of the defined benefit schemes, contributions are made by the Company to a defined contribution plan.

**Notes to the Financial Statements  
For the Year Ended 31 December 2019**

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**1. Accounting policies (continued)**

**1.9 Pension schemes (continued)**

*Defined contribution plans*

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

*Defined benefit plans*

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets (at bid price) are deducted. The Company determines the net interest on the net defined benefit asset for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit asset.

The discount rate is the yield at the reporting date on bonds that have a credit rating of at least AA, maturity dates approximating to the terms of the Company's obligations and that are denominated in the currency in which the benefits are expected to be paid.

Remeasurements arising from defined benefit plans comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The Company recognises them immediately in other comprehensive income and all other expenses related to defined benefit plans in employee benefit expenses in profit or loss.

When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised immediately in profit or loss when the plan amendment or curtailment occurs.

The calculation of the defined benefit obligation is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognised asset is limited to the present value of benefits available in the form of any future refunds from the plan or reductions in future contributions and takes into account the adverse effect of any minimum funding requirements.

The Company recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs. The gain or loss on a settlement is the difference between the present value of the defined benefit obligation being settled as determined on the date of settlement and the settlement price, including any plan assets transferred and any payments made directly by the Company in connection with the settlement.

**1.10 Short-term employee benefits**

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

**Notes to the Financial Statements  
For the Year Ended 31 December 2019**

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**1. Accounting policies (continued)**

**1.11 Long-term incentive plans (LTIP)**

Long-term incentive plans are long-term bonus schemes earned over three years, linked to the business performance. Long-term incentive plans are measured on an undiscounted basis and are expensed over the three year period. A liability is recognised for the amount expected to be paid under long term incentive plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

**1.12 Share-based payments**

All share based payments made to employees for services rendered, for which the ultimate parent company (M&G plc) has the obligation to settle, are measured based on the fair value of the equity instrument granted. The fair value takes into account the impact of market based vesting conditions and non-vesting conditions, but excludes any impact of non-market based vesting conditions. The related share based payment expense is recognised over the vesting period. The fair value may be determined using an option pricing model such as Black-Scholes or a Monte Carlo Simulation where appropriate, taking into account the terms and conditions of the award.

Following the demerger, all share-based payments are equity-settled with the fair value of service rendered based on the fair value of the equity instrument at the date of demerger (or the grand date for schemes beginning after demerger date) which is not remeasured subsequently. The share based payment expense is based on the number of equity instruments expected to vest over the vesting period, with the corresponding entry to equity.

A cancellation of an award without the grant of a replacement equity instrument is accounted for as an acceleration of vesting. Accordingly, any share based expense that would have been recognised over the remaining vesting period is recognised immediately.

Where replacement equity instruments are granted to employees in place of the cancelled equity instruments, the replacement award is treated as a modification of the original award. At the point of replacement, the awards are remeasured to the fair value at the date of replacement, which forms the basis of recognising the expense over the remaining vesting period.

Prior to demerger the Company, as part of the wider Prudential plc group, offered share award and option plans which included both equity-settled and cash-settled plans. Schemes are accounted for as cash-settled where the Company has the obligation to settle with the recipients. The fair value of the amount payable is recognised as an expense, with a corresponding increase in liabilities, over the period in which the employees become unconditionally entitled to payment. The liability is remeasured at each balance sheet date and at settlement date. Any changes in the fair value of the liability are recognised as personnel expenses in profit or loss.

**1.13 Provisions**

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, which can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

**1.14 Turnover**

Turnover principally represents the recharge of costs borne on behalf of other group undertakings.

**Notes to the Financial Statements  
For the Year Ended 31 December 2019**

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**1. Accounting policies (continued)**

**1.14 Turnover (continued)**

Carried interest revenue is based on the achievement of prescribed performance hurdles. It is only recognised when the performance obligations are satisfied or upon the crystallisation event occurring and when it is highly probable that a significant reversal will not occur.

**1.15 Leases (applicable prior to 1 January 2019)**

Rentals paid under operating leases are charged to the profit or loss on a straight line basis over the period of the lease. Lease incentives are capitalised to the balance sheet and then recognised in the profit or loss over the remaining term of the lease.

**1.16 Interest receivable and similar income**

Interest receivable is recognised in profit or loss as it accrues.

Foreign currency gains are reported on a net basis, if applicable. Interest income and net gains on financial assets designated at fair value through profit or loss or held for sale are recognised in the profit and loss account as they accrue.

**1.17 Interest payable and similar charges**

Interest payable is recognised in profit or loss as it accrues.

Foreign currency losses are reported on a net basis, if applicable. Net losses on financial assets designated at fair value through profit or loss or held for sale are recognised in the profit or loss account as they accrue.

**1.18 Dividends**

Equity dividends are recognised when they become legally payable.

**1.19 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 in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

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.

**Notes to the Financial Statements  
For the Year Ended 31 December 2019**

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**1. Accounting policies (continued)**

**1.20 Current assets held for sale**

The Company classifies assets as held for sale when the carrying amount is expected to be recovered through a sale transaction usually within one year and management are committed to the sale.

Assets held for sale are shown separately on the balance sheet and are measured at the lower of their carrying amount and their fair value less costs to sell. No depreciation or amortisation is charged on an asset which is classified as held for sale.

**1.21 Leases**

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease. In simple terms this applies if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. At inception the Company allocates the consideration in a contract to each lease component. However, for the leases of land and buildings, in which the Company acts as lessee, the Company has elected to account for the lease and non-lease components as a single lease component.

Where the Company acts as a lessee, it recognises a 'right of use' asset and a corresponding lease liability, representing the obligation to make lease payments at the lease commencement date. The Company applies the cost model to right of use assets, except for those that meet the definition of an investment property, to which the fair value model is applied.

The asset is initially measured at cost which comprises the amount of the lease liability, and lease payments made at or before the commencement date, any initial direct costs incurred and an estimate of the costs related to the dilapidation of the asset that would be incurred, less any lease incentives received. Subsequently, the asset is depreciated using the straight-line method from the commencement date to the earlier of (i) the end of the right of use asset's useful life and (ii) the end of the lease term.

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

The Company presents the right of use assets that do not meet the definition of investment property in 'Property, plant and equipment' on the consolidated balance sheet. The corresponding lease liabilities are presented in 'Lease liabilities'.

The Company has elected not to recognise right of use assets and lease liabilities for short term leases of PPE that have a lease term of 12 months or less and leases of low value assets. The Company recognises lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Where the Company acts as lessor, it classifies and accounts for its leases as operating or finance leases.

**Notes to the Financial Statements  
For the Year Ended 31 December 2019**

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**1. Accounting policies (continued)**

**1.21 Leases (continued)**

Where the Company acts as an intermediate lessor, as it does with some of its property leases, it accounts for its interests in the head lease and the sub lease separately. The Company assesses the lease classification of a sub-lease with reference to the right of use asset arising from the head lease, not with reference to the underlying asset. The Company recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'Financial Income'.

**1.22 Intangible assets**

Expenditure on internally generated goodwill and brands is recognised in the profit and loss account as an expense as incurred.

Other intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and less accumulated impairment losses.

Amortisation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date they are available for use.

The estimated useful lives range as follows:

Placement agent fees	-	life of funds
Computer software	-	4-10 years

**1.23 EU IFRS not yet applied**

The following new accounting pronouncements have also been issued and are not yet effective:

- Definition of a business (Amendments to IFRS 3), issued in October 2018 and effective from 1 January 2020;
- Interest rate benchmark reform (Amendments to IFRS 9, IAS 39 and IFRS 7), issued in September 2019 and effective from 1 January 2020;
- Definition of material (Amendments to IAS 1 and IAS 8), issued in October 2018 and effective from 1 January 2020; and
- Revised Conceptual Framework for Financial Reporting, issued in March 2018 and effective from 1 January 2020.

The Company is not expecting these pronouncements to have a significant impact on the Company's financial statements.

Notes to the Financial Statements  
For the Year Ended 31 December 2019

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**2. Judgements in applying accounting policies and key sources of estimation uncertainty**

The estimates and assumptions that could have a significant effect on the carrying amounts of assets and liabilities are:

*Accruals – long-term incentive plans (LTIPs)*

The Company's Long-Term Incentive Plan (LTIP) are long-term employee benefits. Long-term employee benefit liabilities include the constructive obligation to employees from past practice and are subject to the achievement of performance criteria, typically over a period of not less than three years. In particular, the long-term employee benefit liability measurement may include assumptions regarding vesting conditions and the performance of each employee's business unit and/or performance of M&G fund's that each respective employee directly influences.

*Defined benefit pension scheme obligations*

The obligations under defined benefit pension plans are determined using actuarial valuations. Actuarial valuations contain assumptions including expected returns on assets, future salary increases, mortality rates, future pension increases and discount rates. Due to the long-term nature of the defined benefit plans, such estimates are subject to significant uncertainty. Further assumptions have been used to calculate the Company's guaranteed minimum pension equalisation. The Company has applied a prudent funding approach based on an allowance of liabilities for the M&G Group Pension Scheme.

*Current Assets Held for Sale*

Seed capital investments are investments issued by the Company for the purpose of supporting new investment strategies. The Company undertakes a full assessment of individual investments to determine the correct treatment within the Company financial statements. Where there is determined to be intention to divest within 12 months of the balance sheet date, these investments are classified as held for sale under IFRS 5. Note 17 provides further details on Assets Held for Sale.

**3. Analysis of turnover**

An analysis of turnover by class of business is as follows:

	<b>2019</b>	2018
	<b>£000</b>	£000
Intercompany recharges and other income	<u><b>630,503</b></u>	<u>625,432</u>

All turnover arose within the United Kingdom.



Notes to the Financial Statements  
For the Year Ended 31 December 2019

4. Notes to the Profit and Loss Account

Included in profit or loss are the following:

	2019 £000	2018 £000
Depreciation of tangible fixed assets	17,560	1,197
Amortisation of intangible assets	2,543	16,632
Amounts payable under operating lease	-	18,500
Gain on disposal of assets	(53,132)	-
Loss on sale of tangible assets	<u>12,671</u>	<u>19</u>

Upon adoption of IFRS 16 Leases, in respect of its leased property at 10 Fenchurch Avenue, London, the Company recognised a right of use asset and corresponding lease liability as at 1 January 2019. During the year the interest in the lease was transferred to a fellow M&G plc Group undertaking giving rise to a gain of £53.1m which is shown within Interest receivable and similar income Note 9.

5. Auditor's remuneration

Amounts receivable by the Company's auditor and its associates in respect of services to the Company and its associates, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the Company's ultimate parent, M&G Group plc.

Amounts receivable by the Company's auditor and its associates in respect of the audit of financial statements of associated pension schemes is £26,000 (2018: £27,000).

6. Employees

Staff costs, including directors' remuneration, were as follows:

	2019 £000	2018 £000
Wages and salaries	276,864	250,574
Social security costs	35,103	30,678
Defined benefit scheme	6,386	10,775
Pension (credit)/debit*	(35,200)	-
Defined contribution scheme	14,091	13,991
Share-based payments	3,697	795
	<u>300,941</u>	<u>306,813</u>

\*Pension credit recognised as a result of a change to pension scheme rules. For further details see Note 25.

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**M&G FA Limited**

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**Notes to the Financial Statements  
For the Year Ended 31 December 2019**

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The average monthly number of employees, including the directors, during the year was as follows:

	<b>2019 No.</b>	2018 <b>No.</b>
Employees	<u><b>1,669</b></u>	<u>1,694</u>

**7. Directors' remuneration**

	<b>2019 £000</b>	2018 £000
Directors' emoluments	<b>462</b>	3,331
Amounts receivable on long term incentive schemes	<b>301</b>	2,549
Company contributions to defined contribution pension schemes	<b>11</b>	19
Compensation for loss of office	-	170
	<u><b>774</b></u>	<u>6,069</u>

For the highest paid director the aggregate of emoluments was £273,766 (2018: £340,515) and amounts receivable under long-term incentive schemes were £257,844 (2018: £1,403,446) and company pension contributions of £Nil (2018: £Nil) were made to a defined contribution scheme on their behalf. During the year, the highest paid director exercise 1,620 share options.

Retirement benefits are accruing to the following number of directors under:

	<b>2019 No.</b>	2018 No.
Defined contribution schemes	<b>1</b>	4
Defined benefit schemes	<b>1</b>	3

	<b>2019 No.</b>	2018 No.
The number of directors who exercised share options was	<b>1</b>	-
The number of directors for whom shares were received or receivable under long term incentive schemes was	<b>4</b>	9

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**M&G FA Limited**

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**Notes to the Financial Statements  
For the Year Ended 31 December 2019**

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**8. Income from investments**

	<b>2019</b>	2018
	<b>£000</b>	£000
Dividends received from subsidiaries	<u><b>201,395</b></u>	<u>377,340</u>

**9. Interest receivable and similar income**

	<b>2019</b>	2018
	<b>£000</b>	£000
Interest receivable from group companies	<b>2,371</b>	1,895
Net foreign exchange gain	-	992
Net interest on net defined benefit pension plan assets	<b>4,229</b>	2,735
Interest income from unimpaired financial assets	<b>1,182</b>	3,006
Net gain on financial assets designated at fair value through profit or loss or held for trading	<b>18,955</b>	-
Net gain on disposal of Right of Use asset and related lease liability	<b>53,132</b>	-
	<u><b>79,869</b></u>	<u>8,628</u>

**10. Interest payable and similar expenses**

	<b>2019</b>	2018
	<b>£000</b>	£000
R&D expenditure credit	-	90
Net loss on financial assets designated at fair value through profit or loss	<b>2</b>	15,150
Net foreign exchange loss	<b>1,656</b>	-
Loans from group undertakings	<b>766</b>	3,408
	<u><b>2,424</b></u>	<u>18,648</u>

Notes to the Financial Statements  
For the Year Ended 31 December 2019

11. Taxation

	2019 £000	2018 £000
<b>Corporation tax</b>		
Current tax on profits for the year	(1,303)	(8,554)
Adjustments in respect of previous periods	(1,006)	(4,006)
	<u>(2,309)</u>	<u>(12,560)</u>
<b>Foreign tax</b>		
Foreign tax suffered	-	150
	<u>-</u>	<u>150</u>
<b>Total current tax</b>	<u><b>(2,309)</b></u>	<u><b>(12,410)</b></u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	8,601	4,816
Changes to tax rates	(8)	524
Changes in respect of prior periods	(65)	(2,602)
<b>Total deferred tax</b>	<u><b>8,529</b></u>	<u><b>2,738</b></u>
<b>Taxation on (loss)/profit on ordinary activities</b>	<u><b>6,220</b></u>	<u><b>(9,672)</b></u>

**Factors affecting tax charge for the year**

The tax assessed for the year is lower than the standard rate of corporation tax in the UK and the differences are explained below:

	2019 £000	2018 £000
Profit on ordinary activities before tax	<u><b>249,321</b></u>	<u>348,934</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	<b>47,371</b>	66,298

Notes to the Financial Statements  
For the Year Ended 31 December 2019

11. Taxation (continued)

Effects of:

Adjustments to tax charge in respect of prior periods	(1,071)	(6,609)
Expenses not deductible	1,110	1,775
Non-taxable income	(41,221)	(72,361)
Adjustments arising due to a change in tax rates	(7)	524
Foreign tax recoverable	-	150
Difference in NBV and TWDV of fixed assets transferred out	(186)	-
Current tax through OCI	-	452
Share options	224	99
<b>Total tax charge for the year</b>	<b>6,220</b>	<b>(9,672)</b>

Factors that may affect future tax charges

The standard rate of Corporation Tax in the UK was due to change from 19% to 17% with effect from 1 April 2020. Deferred tax is provided at the tax rates enacted at the balance sheet date applicable to when the temporary differences are expected to reverse. 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 will no longer take place. The impact of this post balance sheet event will be to increase the closing deferred tax liability from £12,093k to £13,516k and the unrecognised deferred tax asset from £273k to £305k.

12. Dividends

	2019 £000	2018 £000
On 9,359,999 ordinary shares of £1 each	<u>446,900</u>	<u>196,000</u>

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M&G FA Limited

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Notes to the Financial Statements  
For the Year Ended 31 December 2019

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13. Intangible assets

	Placement agent fees £000	Computer software £000	Total £000
<b>Cost</b>			
At 1 January 2019	38,349	875	39,224
Additions	371	-	371
Effect of movements in foreign exchange	(159)	-	(159)
At 31 December 2019	<u>38,561</u>	<u>875</u>	<u>39,436</u>
<b>Amortisation</b>			
At 1 January 2019	20,116	875	20,991
Change during period	2,543	-	2,543
At 31 December 2019	<u>22,659</u>	<u>875</u>	<u>23,534</u>
<b>Net book value</b>			
At 31 December 2019	<u>15,902</u>	<u>-</u>	<u>15,902</u>
At 31 December 2018	<u>18,233</u>	<u>-</u>	<u>18,233</u>

**M&G FA Limited**

**Notes to the Financial Statements  
For the Year Ended 31 December 2019**

**14. Tangible fixed assets**

	<b>Long-term leasehold property £000</b>	<b>Motor vehicles £000</b>	<b>Office equipment £000</b>	<b>Right of Use Asset £000</b>	<b>Total £000</b>
<b>Cost or valuation</b>					
At 1 January 2019	115,292	537	2,051	-	117,880
Adoption of IFRS 16	-	-	-	244,147	244,147
Additions	-	-	-	-	-
Disposals	(93,846)	(176)	-	(238,408)	(332,430)
At 31 December 2019	<u>21,446</u>	<u>361</u>	<u>2,051</u>	<u>5,739</u>	<u>29,597</u>
<b>Depreciation</b>					
At 1 January 2019	13,829	217	1,993	-	16,039
Charge for the period	7,559	50	35	9,916	17,560
Disposals	-	(105)	-	(4,299)	(4,404)
At 31 December 2019	<u>21,388</u>	<u>162</u>	<u>2,028</u>	<u>5,617</u>	<u>29,195</u>
<b>Net book value</b>					
At 31 December 2019	<u><u>58</u></u>	<u><u>199</u></u>	<u><u>23</u></u>	<u><u>122</u></u>	<u><u>402</u></u>
At 31 December 2018	<u><u>101,463</u></u>	<u><u>320</u></u>	<u><u>58</u></u>	<u><u>-</u></u>	<u><u>101,841</u></u>

M&G FA Limited

Notes to the Financial Statements  
For the Year Ended 31 December 2019

15. Fixed asset investments

	Investments in subsidiary companies £000	Investments in associates £000	Financial assets at fair value through profit or loss £000	Total £000
<b>Cost or valuation</b>				
At 1 January 2019	93,024	736	83,787	177,547
Additions	20,559	-	72,516	93,075
Disposals	-	-	(93,058)	(93,058)
Revaluations	-	-	6,786	6,786
Transfer between classes	(343)	-	343	-
Transfer from / (to) current asset investments	-	-	36,692	36,692
At 31 December 2019	<u>113,240</u>	<u>736</u>	<u>107,066</u>	<u>221,042</u>
<b>Net book value</b>				
At 31 December 2019	<u>113,240</u>	<u>736</u>	<u>107,066</u>	<u>221,042</u>
At 31 December 2018	<u>93,024</u>	<u>736</u>	<u>83,787</u>	<u>177,547</u>



Notes to the Financial Statements  
For the Year Ended 31 December 2019

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15. Fixed asset investments (continued)

*Investments in subsidiaries*

Refer to next page for full list of subsidiary undertakings.

*Investments in associates*

Prudential Portfolio Managers (South Africa) (Pty) Limited ('PPM SA'), based at PO Box 44813, Claremont in Cape Town is the only material associate. PPM SA provides fund management services to predominantly African based retail and institutional investors.

The Company holds 49.99% of PPM SA voting rights. Although the Company holds 75% of 'A' class shares in PPM SA, the voting rights attached to these shares are negligible and combined with the 49.99% of ordinary shares held the Company does not hold sufficient power through voting rights or other means to control PPM SA.

PPM SA must adhere to South African regulatory capital requirements that could potentially limit its ability to pay cash dividends. There are no other major restrictions on the ability of any associate to transfer funds to the Company in the form of cash dividends, or to repay loans or advances.

The Company's other associate is PGF Management Company (Ireland) Limited, registered at 25-28 North Wall Quay, Dublin.

*Financial assets*

Financial assets designated at fair value through profit or loss consist of equity securities.

**M&G FA Limited**

**Notes to the Financial Statements  
For the Year Ended 31 December 2019**

**15. Fixed asset investments (continued)**

**15 (a) Direct subsidiary undertakings**

The following were direct subsidiary undertakings of the Company:

Subsidiaries	Registered Office	Registered Number	Class of Equity Held	Ownership % 2019	2018
M&G Alternatives Investment Management Limited	10 Fenchurch Avenue, London, EC3M 5AG	2059989	Ordinary shares	100%	100%
M&G Financial Services Limited	10 Fenchurch Avenue, London, EC3M 5AG	923891	Ordinary shares	100%	100%
M&G Founders 1 Limited	10 Fenchurch Avenue, London, EC3M 5AG	4401042	Ordinary shares	100%	100%
M&G General Partner Inc.	Mary Street, PO BOX 908GT George Town Ky1-9002	151319	Ordinary shares	100%	100%
M&G (Guernsey) Limited	Dory Court, St Peter Port, Guernsey	21432	Ordinary shares	100%	100%
M&G IMPPP 1 Limited	10 Fenchurch Avenue, London, EC3M 5AG	4382172	Ordinary shares	100%	100%
M&G Investments (Americas) Inc	251 Little Falls Drive, Wilmington, DE, 19801	6843211	Ordinary shares	100%	100%
M&G Investments (Australia) Pty Ltd	Level 16, Grosvenor Place, 225 George Street, Sydney, Australia, NSW 2	629 169 160	Ordinary shares	100%	100%
M&G International Investments Nominees Limited	10 Fenchurch Avenue, London, EC3M 5AG	4195540	Ordinary shares	100%	100%
M&G International Investments SA	16 Boulevard Royal, L-2449, Luxembourg	B213164	Ordinary shares	100%	100%
M&G Investment Management Limited	10 Fenchurch Avenue, London, EC3M 5AG	936683	Ordinary shares	100%	100%
M&G Investments (Hong Kong) Limited	6 <sup>th</sup> Floor, Alexandra House, Hong Kong	1730458	Ordinary shares	100%	100%
M&G Investments Japan Co., LTD	3-1 Toranomon, 4 Chome Minato-ko, Tokyo, Japan	010401 124078	Ordinary shares	100%	100%
M&G Investments (Singapore) Pte. Ltd.	138 Market Street, Level 35 Capitagreen, Sinagpore, 048946	201131425R	Ordinary shares	100%	100%
M&G Management Services Limited	10 Fenchurch Avenue, London, EC3M 5AG	5286403	Ordinary shares	100%	100%
M&G Nominees Limited	10 Fenchurch Avenue, London, EC3M 5AG	3469213	Ordinary shares	100%	100%
M&G Platform Nominees Limited	10 Fenchurch Avenue, London, EC3M 5AG	09581702	Ordinary shares	100%	100%
M&G PFI 2018 GP1 Limited	10 Fenchurch Avenue, London, EC3M 5AG	10954144	Ordinary shares	100%	100%
M&G PFI 2018 GP2 Limited	10 Fenchurch Avenue, London, EC3M 5AG	10954003	Ordinary shares	100%	100%
M&G Luxembourg S.A.	16 Boulevard Royal, L-2449, Luxembourg	B170483	Ordinary shares	100%	100%
M&G Real Estate Limited	10 Fenchurch Avenue, London, EC3M 5AG	3852763	Ordinary shares	100%	100%
M&G RED II Employee Feeder GP Limited	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SC430540	Ordinary shares	100%	100%
M&G RED II GP Limited	Third Floor, La Plaiderie Chambers La Plaiderie, St Peter Port, GY1 1WG, Guernsey	55378	Ordinary shares	100%	100%
M&G RED II SLP GP Limited	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SC430535	Ordinary shares	100%	100%
M&G RED III Employee Feeder GP Limited	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SC434132	Ordinary shares	100%	100%
M&G RED III GP Limited	Third Floor, La Plaiderie Chambers La Plaiderie, St Peter Port, GY1 1WG, Guernsey	55393	Ordinary shares	100%	100%
M&G RED III SLP GP Limited	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SC434193	Ordinary shares	100%	100%
M&G Securities Limited	10 Fenchurch Avenue, London, EC3M 5AG	90776	Ordinary shares	100%	100%
M&G SFF (CIP GP) Srl	51 Avenue J.F. Kennedy, L-1855, Luxembourg, Luxembourg	B220304	Ordinary shares	100%	100%

**M&G FA Limited**

**Notes to the Financial Statements  
For the Year Ended 31 December 2019**

**15. Fixed asset investments (continued)**

**15 (a) Direct subsidiary undertakings (continued)**

Subsidiaries	Registered Office	Registered Number	Class of Equity Held	Ownership % 2019	Ownership % 2018
M&G SFF (GP) S�rl	51 Avenue J.F. Kennedy, L-1855, Luxembourg, Luxembourg	B219359	Ordinary shares	100%	100%
M&G SIF Management Company (Ireland) Limited	78 Sir John Rogerson's Quay, Dublin 2	511747	Ordinary shares	100%	100%
M&G UKCF II GP Limited	10 Fenchurch Avenue, London, EC3M 5AG	8214036	Ordinary shares	100%	100%
Calvin F1 GP Limited	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SC472933	Ordinary shares	100%	100%
Calvin F2 GP Limited	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SC468691	Ordinary shares	100%	100%
Canada Property Holdings Limited	10 Fenchurch Avenue, London, EC3M 5AG	4415746	Ordinary shares	100%	100%
Digital Infrastructure Investment Partners GP1 Limited	10 Fenchurch Avenue, London, EC3M 5AG	10713853	Ordinary shares	100%	100%
Digital Infrastructure Investment Partners SLP GP1 Limited	10 Fenchurch Avenue, London, EC3M 5AG	10715067	Ordinary shares	100%	100%
Digital Infrastructure Investment Partners SLP GP2 Limited	10 Fenchurch Avenue, London, EC3M 5AG	10715126	Ordinary shares	100%	100%
Embankment GP Limited	10 Fenchurch Avenue, London, EC3M 5AG	10747140	Ordinary shares	100%	100%
Falan GP Limited	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SC463668	Ordinary shares	100%	100%
Genny GP Limited	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SC536481	Ordinary shares	100%	100%
Genny GP 2 Limited	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SC547302	Ordinary shares	100%	100%
George Digital GP Limited	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SC576789	Ordinary shares	100%	100%
George Digital GP 2 Limited	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SC577098	Ordinary shares	100%	100%
GGE GP Limited	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SC504237	Ordinary shares	100%	100%
Green GP Limited	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SC569021	Ordinary shares	100%	100%
Greenpark (Reading) General Partner Limited	10 Fenchurch Avenue, London, EC3M 5AG	6529374	Ordinary shares	100%	100%
GS R100 GP Limited	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SC620882	Ordinary shares	100%	-
Infracapital (AIRI) GP Limited	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SC553164	Ordinary shares	100%	100%
Infracapital (Bio) GP Limited	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SC516021	Ordinary shares	100%	100%
Infracapital (GC) GP Limited	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SC500778	Ordinary shares	100%	100%
Infracapital (IT PPP) GP Limited	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SC550062	Ordinary shares	100%	100%
Infracapital (Leo) GP Limited	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SC611979	Ordinary shares	100%	100%
Infracapital (Sense) GP Limited	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SC553170	Ordinary shares	100%	100%
Infracapital (TLSB) GP Limited	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SC486888	Ordinary shares	100%	100%
Infracapital (Belmond) GP Limited	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SC576332	Ordinary shares	100%	100%
Infracapital (Churchill) GP 1 Limited	10 Fenchurch Avenue, London, EC3M 5AG	11460502	Ordinary shares	100%	100%
Infracapital CI II Limited	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SC387664	Ordinary shares	100%	100%
Infracapital DF II Limited	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SC389185	Ordinary shares	100%	100%
Infracapital Employee Feeder GP Limited	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SC347134	Ordinary shares	100%	100%

**M&G FA Limited**

**Notes to the Financial Statements  
For the Year Ended 31 December 2019**

**15. Fixed asset investments (continued)**

**15 (a) Direct subsidiary undertakings (continued)**

Subsidiaries	Registered Office	Registered Number	Class of Equity Held	Ownership % 2019	2018
Infracapital F1 GP2 Limited	10 Fenchurch Avenue, London, EC3M 5AG	09180200	Ordinary shares	100%	100%
Infracapital F2 GP1 Limited	10 Fenchurch Avenue, London, EC3M 5AG	09183883	Ordinary shares	100%	100%
Infracapital F2 GP2 Limited	10 Fenchurch Avenue, London, EC3M 5AG	09180249	Ordinary shares	100%	100%
Infracapital (Gigaclear) GP 1 Limited	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SC602700	Ordinary shares	100%	100%
Infracapital (Gigaclear) GP 2 Limited	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SC602698	Ordinary shares	100%	100%
Infracapital (Novos) GP Limited	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SC636445	Ordinary shares	100%	-
Infracapital GP II Limited	Unit 2 Spinnaker Court 1c, Becketts Place, Hampton Wick, Kingston Upon Thames, KT1 4 EQ	7372931	Ordinary shares	100%	100%
Infracapital GP Limited	10 Fenchurch Avenue, London, EC3M 5AG	5455448	Ordinary shares	100%	100%
Infracapital Greenfield Partners 1 SLP GP1 Limited	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SC554629	Ordinary shares	100%	100%
Infracapital Greenfield Partners 1 SLP GP2 Limited	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SC554631	Ordinary shares	100%	100%
Infracapital Greenfield Partners I GP Limited	10 Fenchurch Avenue, London, EC3M 5AG	09901632	Ordinary shares	100%	100%
Infracapital Greenfield Partners I GP 2 Limited	Unit 2 Spinnaker Court 1c, Becketts Place, Hampton Wick, Kingston Upon Thames, KT1 4 EQ	09901644	Ordinary shares	100%	100%
Infracapital Greenfield Partners I Subholdings GP Limited	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SC578139	Ordinary shares	100%	100%
Infracapital Greenfield Partners II GP S.à r.l	6 rue Eugène Ruppert, L-2453, Luxembourg	B231185	Ordinary shares	100%	-
Infracapital Partners II Subholdings GP Limited	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SC578127	Ordinary shares	100%	100%
Infracapital Greenfield Partners II Subholdings GP1 Limited	10 Fenchurch Avenue, London, EC3M 5AG	12338577	Ordinary shares	100%	-
Infracapital Greenfield Partners II Subholdings GP2 Limited	10 Fenchurch Avenue, London, EC3M 5AG	12338790	Ordinary shares	100%	-
Infracapital Partners III GP S.a.r.l	6, rue Eugene Ruppert, L-2453 Luxembourg	B217179	Ordinary shares	100%	100%
Infracapital Partners III Subholdings GP1 Limited	10 Fenchurch Avenue, London, EC3M 5AG	11347638	Ordinary shares	100%	100%
Infracapital Partners III Subholdings GP2 Limited	10 Fenchurch Avenue, London, EC3M 5AG	11347641	Ordinary shares	100%	100%
Infracapital RF GP Limited	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SC557453	Ordinary shares	100%	100%
Infracapital Sisu GP Limited	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SC521443	Ordinary shares	100%	100%
Infracapital SLP Limited	10 Fenchurch Avenue, London, EC3M 5AG	5455461	Ordinary shares	100%	100%
London Green Investments II SLP GP1 Limited	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SC648885	Ordinary shares	100%	-
London Green Investments II SLP GP2 Limited	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SC648886	Ordinary shares	100%	-
London Green Investments II SLP2 GP Limited	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SC648887	Ordinary shares	100%	-
London Stone Investments F3 I Limited	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SC583847	Ordinary shares	100%	100%
London Stone Investments F3 II Limited	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SC583856	Ordinary shares	100%	100%
PPM Capital (Holdings) Limited	10 Fenchurch Avenue, London, EC3M 5AG	3852755	Ordinary shares	100%	100%
PPM Managers GP Limited	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SC452033	Ordinary shares	100%	100%
Prudential / M&G UKCF GP Limited	10 Fenchurch Avenue, London, EC3M 5AG	6570276	Ordinary shares	100%	100%

**M&G FA Limited**

**Notes to the Financial Statements  
For the Year Ended 31 December 2019**

**15. Fixed asset investments (continued)**

**15 (a) Direct subsidiary undertakings (continued)**

Subsidiaries	Registered Office	Registered Number	Class of Equity Held	Ownership % 2019	Ownership % 2018
Prudential GP Limited	Craigforth, Stirling, FK9 4UE	SC206683	Ordinary shares	100%	100%
Prudential Greenfield GP1 Limited	10 Fenchurch Avenue, London, EC3M 5AG	09183905	Ordinary shares	100%	100%
Prudential Greenfield GP2 Limited	10 Fenchurch Avenue, London, EC3M 5AG	09183929	Ordinary shares	100%	100%
Prudential Trustee Company Limited	10 Fenchurch Avenue, London, EC3M 5AG	1863305	Ordinary shares	100%	100%
Prudential Unit Trusts Limited	10 Fenchurch Avenue, London, EC3M 5AG	1796126	Ordinary shares	100%	100%
Prudential Loan Investments GP S.a.r.l	Rue Hildegard von Bingen 1, 1282 Luxembourg, Luxembourg	B212677	Ordinary shares	100%	100%
Prudential Credit Opportunities GP S.a.r.l	Rue Hildegard von Bingen 1, 1282 Luxembourg, Luxembourg	B210013	Ordinary shares	100%	100%
Prudential Loan Investments SCSp	Rue Hildegard von Bingen 1, 1282 Luxembourg, Luxembourg	B212824	Ordinary shares	100%	100%
Rift GP 1 Limited	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SC425352	Ordinary shares	100%	100%
Rift GP 2 Limited	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SC425365	Ordinary shares	100%	100%
Selly Oak Shopping Park (General Partner) Ltd	10 Fenchurch Avenue, London, EC3M 5AG	11104396	Ordinary shares	100%	100%
Stableview Limited	10 Fenchurch Avenue, London, EC3M 5AG	5506654	Ordinary shares	100%	100%
Staple Nominees Limited	10 Fenchurch Avenue, London, EC3M 5AG	2076846	Ordinary shares	100%	100%
The First British Fixed Trust Company Limited	10 Fenchurch Avenue, London, EC3M 5AG	255830	Ordinary shares	100%	100%
Highcross Leicester (GP) Limited	Kings Place, 90 York Way, London, N1 9GE	10530428	Ordinary shares	50%	-

**15 (b) Indirect subsidiary undertakings**

Group Subsidiaries	Registered Office	Registered Number	Class of Equity Held	Ownership % 2019	Ownership % 2018
M&G International Investments Switzerland AG	Talstrasse 66, 8001 Zurich, Switzerland	CHE-286.542.158	Ordinary shares	100%	100%
M&G PFI 2018 GP LLP	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SO306178	Limited Liability Partnership	100%	100%
M&G Real Estate Asia Holding Company Pte. Ltd	138 Market Street, Level 35 Capitagreen, Sinagpore, 048946	201543062C	Ordinary shares	67%	67%
M&G Real Estate Asia Pte. Ltd	138 Market Street, Level 35 Capitagreen, Sinagpore, 048946	200610218 G	Ordinary shares	67%	67%
M&G RE Espana 2016 S.L.	Plaza de Colon, Torre II, Planta 14, 28046 Madrid	B87676896	Ordinary shares	100%	100%
M&G RE UKEV (GP1) LLP	10 Fenchurch Avenue, London, EC3M 5AG	OC420581	Limited Liability Partnership	100%	100%
M&G RE UKEV 1 Limited	10 Fenchurch Avenue, London, EC3M 5AG	11163869	Ordinary shares	100%	100%
M&G Real Estate Funds Management SARL	16 Boulevard Royal, L-2449, Luxembourg	B175545	Ordinary shares	100%	100%
M&G Real Estate Japan Co. Ltd	Shiroyama Trust Tower, Tokyo, Japan	0100-01-148048	Common stock	67%	67%
M&G Real Estate Korea Co. Ltd	15 <sup>th</sup> Floor, Kyobo Building, 1 Jongno, Jongno-gu, Seoul, 110-714, Korea	110111-4931831	Common stock	67%	67%
M&G Real Estate UKEV (GP) LLP	10 Fenchurch Avenue, London, EC3M 5AG	OC418419	Limited Liability Partnership	100%	100%

**M&G FA Limited**

**Notes to the Financial Statements  
For the Year Ended 31 December 2019**

**15. Fixed asset investments (continued)**

**15 (b) Indirect subsidiary undertakings (continued)**

Subsidiaries	Registered Office	Registered Number	Class of Equity Held	Ownership % 2019	Ownership % 2018
M&G RPF GP Limited	10 Fenchurch Avenue, London, EC3M 5AG	8407747	Ordinary shares	100%	100%
M&G RPF Nominee 1 Limited	10 Fenchurch Avenue, London, EC3M 5AG	8409413	Ordinary shares	100%	100%
M&G RPF Nominee 2 Limited	10 Fenchurch Avenue, London, EC3M 5AG	8410027	Ordinary shares	100%	100%
M&G UK Property GP Limited	10 Fenchurch Avenue, London, EC3M 5AG	8462545	Ordinary shares	100%	100%
M&G UK Property Nominee 1 Limited	10 Fenchurch Avenue, London, EC3M 5AG	8494699	Ordinary shares	100%	100%
M&G UK Property Nominee 2 Limited	10 Fenchurch Avenue, London, EC3M 5AG	8494704	Ordinary shares	100%	100%
M&G UK Shared Ownership Limited	10 Fenchurch Avenue, London, EC3M 5AG	12199619	Ordinary shares	100%	-
M&G UKEV (SLP) General Partner LLP	10 Fenchurch Avenue, London, EC3M 5AG	OC420257	Limited Liability Partnership Capital	100%	100%
Canada Property (Trustee) No. 1 Limited	180 Dundas Street West, Suite 1200, Toronto ON MSG 1 ZB, Canada	1060750-9	Ordinary shares	100%	100%
Digital Infrastructure Investment Partners GP LLP	10 Fenchurch Avenue, London, EC3M 5AG	OC416887	Limited Liability Partnership Capital	65%	100%
Digital Infrastructure Investment Partners SLP GP LLP	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SO306056	Limited Liability Partnership Capital	100%	100%
Embankment Nominee 1 Limited	10 Fenchurch Avenue, London, EC3M 5AG	10749686	Ordinary shares	100%	100%
Embankment Nominee 2 Limited	10 Fenchurch Avenue, London, EC3M 5AG	10750266	Ordinary shares	100%	100%
Genny GP 1 LLP	10 Fenchurch Avenue, London, EC3M 5AG	OC414130	Limited Liability Partnership Capital	100%	100%
George Digital GP 1 LLP	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SO306174	Limited Liability Partnership Capital	100%	100%
Greenpark (Reading) Nominee No.1 Limited	10 Fenchurch Avenue, London, EC3M 5AG	6562317	Ordinary shares	100%	100%
Greenpark (Reading) Nominee No.2 Limited	10 Fenchurch Avenue, London, EC3M 5AG	6562424	Ordinary shares	100%	100%
Holborn Bars Nominees Limited	10 Fenchurch Avenue, London, EC3M 5AG	2334947	Ordinary shares	100%	100%
Infracapital (Churchill) GP LLP	10 Fenchurch Avenue, London, EC3M 5AG	OC423386	Limited Liability Partnership Capital	100%	100%
Infracapital (Gigaclear) GP LLP	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SO306478	Limited Liability Partnership Capital	100%	100%
Infracapital Employee Feeder GP 1 LLP	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SO305006	Limited Liability Partnership Capital	100%	100%
Infracapital DF II GP LLP	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SO305002	Limited Liability Partnership Capital	100%	100%

**M&G FA Limited**

**Notes to the Financial Statements  
For the Year Ended 31 December 2019**

**15. Fixed asset investments (continued)**

**15 (b) Indirect subsidiary undertakings (continued)**

Subsidiaries	Registered Office	Registered Number	Class of Equity Held	Ownership % 2019	Ownership % 2018
Infracapital GP 1 LLP	10 Fenchurch Avenue, London, EC3M 5AG	OC395042	Limited Liability Partnership	100%	100%
Infracapital GP 2 LLP	Unit 2 Spinnaker Court 1c, Becketts Place, Hampton Wick, Kingston Upon Thames, KT1 4 EQ	OC395043	Limited Liability Partnership	100%	100%
Infracapital Greenfield DF GP LLP	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SO306200	Limited Liability Partnership	100%	100%
Infracapital Greenfield Partners 1 SLP EF GP LLP	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SO305944	Limited Liability Partnership	100%	100%
Infracapital Greenfield Partners I Employee Feeder GP LLP	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SO306040	Limited Liability Partnership	100%	100%
Infracapital Greenfield Partners I Employee Feeder LP	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SL030887	Limited Partner	76%	76%
Infracapital Greenfield Partners I SLP LP	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SL029954	Limited Partner	37%	37%
Infracapital Greenfield Partners I SLP2 GP LLP	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SO306184	Limited Liability Partnership	100%	100%
Infracapital Greenfield Partners I SLP2 LP	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SL032352	Limited Partner	100%	100%
Infracapital Greenfield Partners II Subholdings (Euro) GP LLP	10 Fenchurch Avenue, London, EC3M 5AG	OC429843	Limited Liability Partnership	100%	100%
Infracapital Greenfield Partners II Subholdings (Sterling) GP LLP	10 Fenchurch Avenue, London, EC3M 5AG	OC429842	Limited Liability Partnership	100%	100%
Infracapital Partners III Subholdings (Euro) GP LLP	10 Fenchurch Avenue, London, EC3M 5AG	OC422333	Limited Liability Partnership	100%	100%
Infracapital Partners III Subholdings (Sterling) GP LLP	10 Fenchurch Avenue, London, EC3M 5AG	OC422334	Limited Liability Partnership	100%	100%
IGP Realisations I GP LLP	Unit 2 Spinnaker Court 1c, Becketts Place, Hampton Wick, Kingston Upon Thames, KT1 4 EQ	OC403293	Limited Liability Partnership	100%	100%
IGP Realisation I Subholdings GP LLP	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SO306189	Limited Liability Partnership	100%	100%
IP Realisations II Subholdings GP LLP	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SO306188	Limited Liability Partnership	100%	100%
Infracapital SLP II GP LLP	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SO305000	Limited Liability Partnership	100%	100%

**M&G FA Limited**

**Notes to the Financial Statements  
For the Year Ended 31 December 2019**

**15. Fixed asset investments (continued)**

**15 (b) Indirect subsidiary undertakings (continued)**

Subsidiaries	Registered Office	Registered Number	Class of Equity Held	Ownership % 2019	Ownership % 2018
Infracapital SLP II LP	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SL008358	Limited Partner Capital	34%	34%
Infracapital SLP EF II GP LLP	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SC305007	Limited Partner Capital	100%	100%
London Green Investments II SLP1 Employee Feeder GP LLP	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SO306860	Limited Partner Capital	100%	100%
London Stone Investments F3 Employee Feeder GP LLP	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SO306260	Liability Partnership Capital	100%	100%
London Stone Investments F3 SP GP LLP	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SO306261	Liability Partnership Capital	100%	100%
PPM Ventures (Asia) Limited	Gloucester Tower, 15 Queens Road, Central Hong Kong 10 Fenchurch Avenue, London, EC3M 5AG	663554	Ordinary shares	100%	100%
Prudential Greenfield GP LLP	10 Fenchurch Avenue, London, EC3M 5AG	OC394904	Limited Liability Partnership Capital	100%	100%
Prudential Greenfield SLP GP LLP	50 Lothian Road, Festival Square, Edinburgh, Scotland, EH3 9WJ	SC304997	Liability Partnership Capital	100%	100%
Prudential Property Investment Managers Limited	10 Fenchurch Avenue, London, EC3M 5AG	08732334	Ordinary shares	100%	100%
Selly Oak Shopping Park (Nominee 1) Limited	10 Fenchurch Avenue, London, EC3M 5AG	11105117	Ordinary shares	100%	100%
Selly Oak Shopping Park (Nominee 2) Ltd	10 Fenchurch Avenue, London, EC3M 5AG	11105380	Ordinary shares	100%	100%



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**M&G FA Limited**

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**Notes to the Financial Statements  
For the Year Ended 31 December 2019**

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**16. Debtors**

	<b>2019</b>	2018
	<b>£000</b>	£000
<b>Amounts falling due after more than one year</b>		
Deferred taxation	<b>17,528</b>	19,715
	<b><u>17,528</u></b>	<u>19,715</u>

	<b>2019</b>	2018
	<b>£000</b>	£000
<b>Amounts falling due within one year</b>		
Trade debtors	<b>13,538</b>	23,463
Amounts owed by group undertakings	<b>165,894</b>	495,656
Other debtors	<b>39,509</b>	12,702
Prepayments and accrued income	<b>8,609</b>	6,594
Tax recoverable	<b>13,356</b>	22,114
	<b><u>240,906</u></b>	<u>560,529</u>

**17. Financial asset investments**

	<b>2019</b>	2018
	<b>£000</b>	£000
Financial assets designated at fair value through profit or loss	<b>24,656</b>	159,739
Financial assets held for sale	<b>87,589</b>	-
	<b><u>112,245</u></b>	<u>159,739</u>

Current financial assets designated at fair value through profit or loss consist of equity securities.

**18. Cash at bank and in hand**

	<b>2019</b>	2018
	<b>£000</b>	£000
Cash at bank and in hand	<b><u>59,688</u></b>	<u>63,871</u>

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**M&G FA Limited**

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**Notes to the Financial Statements  
For the Year Ended 31 December 2019**

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**19. Creditors: amounts falling due within one year**

	<b>2019</b>	2018
	<b>£000</b>	£000
Amounts owed to group undertakings	<b>96,239</b>	224,004
Other creditors	<b>1,226</b>	464
Accruals and deferred income	<b>238,406</b>	255,598
Financial instruments	<b>60</b>	744
	<u><b>335,931</b></u>	<u>480,810</u>

**20. Creditors: amounts falling due after more than one year**

	<b>2019</b>	2018
	<b>£000</b>	£000
Accruals and deferred income	<u><b>51,929</b></u>	<u>102,616</u>

**21. Deferred taxation**

	<b>2019</b>
	<b>£000</b>
At 1 January 2019	<b>(2,861)</b>
Charged to profit or loss	<b>(8,594)</b>
Charged to other comprehensive income for the year	<b>(491)</b>
Charged to equity for the year	<b>(198)</b>
Adjustments in respect of prior year	<b>51</b>
<b>At 31 December 2019</b>	<u><b>(12,093)</b></u>

Notes to the Financial Statements  
For the Year Ended 31 December 2019

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21. Deferred taxation (continued)

The deferred tax balance is made up as follows:

	2019 £000
Fixed assets	542
Long term incentive plans	9,457
Bonus	6,304
Sales commission	3
Defined benefit pension scheme	(29,621)
Unfunded pension scheme	440
Share options	782
	<u>(12,093)</u>
<b>Comprising:</b>	
Asset - falling due after more than one year	17,528
Liability – falling due after more than one year	(29,621)
	<u>(12,093)</u>

*Factors that may affect future tax charges*

Deferred tax assets are recognised to the extent that they are regarded as recoverable, that is on the basis of all available evidence, 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.

Deferred income tax assets are recognised for tax loss carry forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The company did not recognise deferred income tax assets of £272,550 (2018: £304,615) in respect of losses amounting to £1,603,236 (2018: £1,603,236) that can be carried forward against future taxable income.

Notes to the Financial Statements  
For the Year Ended 31 December 2019

22. Provisions

	Dilapidations provision £000	Other provisions £000	Total £000
At 1 January 2019	5,976	1,000	6,976
Charged to other comprehensive income	(2,060)	-	(2,060)
Utilised in year	1,169	(1,000)	169
<b>At 31 December 2019</b>	<b><u>5,085</u></b>	<b><u>-</u></b>	<b><u>5,085</u></b>

*Dilapidations provision*

Relates to dilapidation costs for properties leased by the Company, that are expected to be realised on the expiry of the lease terms. The amount capitalised to tangible fixed assets relates to the future cost to remove specific leasehold improvements that have been recognised in tangible fixed assets.

*Other provisions*

Provision for losses suffered by investors.

23. Share capital

	2019 £000	2018 £000
<b>Allotted, called up and fully paid</b>		
9,359,999 (2018 - 9,359,999) Ordinary shares shares of £1.00 each	<b><u>9,360</u></b>	<u>9,360</u>

24. Share-based payments

a) Description of the plans

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

Discretionary schemes:

**Long-term Incentive Plan (LTIP)**

Long-term incentive plans are long-term bonus schemes earned over three years, linked to the business performance.

**Annual Incentive Plan (AIP)**

Certain senior executives participate in the AIP where awards for above target performance are made in the form of shares which are released after three years.

**Notes to the Financial Statements  
For the Year Ended 31 December 2019**

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**24. Share-based payments (continued)**

**Group Deferred Bonus Plan (GDBP)**

Under this legacy plan, a portion of a participant's annual bonus was delivered through an award over shares. Awards vest at the end of a three year performance period. There are no performance conditions associated with this plan but malus provisions do apply.

**Restricted Share Plan (RSP)**

Prior to demerger, all discretionary schemes were based on Prudential plc awards. At the point of demerger and subsequent listing of M&G plc, all outstanding discretionary awards were replaced with equivalent awards based on M&G plc shares. The scheme rules for the awards remain the same in principle, for which the market-based performance condition will now be based on the performance of M&G plc.

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

Up until the point of demerger, the schemes were treated as cash-settled as the Group had the obligation to settle the awards. At the point of demerger, the schemes were converted to equity-settled as the obligation to settle the awards rests with M&G plc.

Approved schemes:

**Save As You Earn (SAYE) plans**

The Group operates Save-as-you-earn (SAYE) plans, which allow eligible employees the opportunity to save a monthly amount from their salaries, over either a three or five year period, which can be used to purchase shares in M&G plc at a predetermined price subject to the employee remains in employment for three years after the grant date of the options and that the employee satisfying the monthly savings requirement.

**Share Incentive Plan (SIP)**

In addition, to celebrate the demerger, all eligible employees were provided with M&G plc shares with a value of £2,000. The awards vest subject to the employee remaining in employment for 2 years.

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

The previous approved SAYE and SIP schemes that operated prior to demerger were cancelled with all participants treated as good leavers. Prior to demerger these schemes were accounted for as equity-settled as Prudential plc had the obligation to settle these awards.

Notes to the Financial Statements  
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24. Share-based payments (continued)

b) Outstanding options and awards

As at 31 December 2019 movements in outstanding options and awards under the Group's share-based compensation plans.

	Outstanding options under SAYE schemes
	2019
Outstanding as at 21 October	-
Granted	4,912,473
Exercised	-
<b>Outstanding as at 31 December</b>	<b>4,912,473</b>
<b>Options immediately exercisable at 31 December</b>	<b>-</b>

The following table provides a summary of the range of exercise prices for the SAYE options. The awards under the other schemes do not have an exercise price:

	Number outstanding	Weighted average remaining contractual life (years)	Weighted average exercise prices (£)	Number exercisable
£1 - £2	4,912,473	3.47	1.84	-

c) Fair value of options and awards

The fair value of all awards, except for the LTIP TSR award and the SAYE options, is based on the M&G plc share price at the date of grant.

The determination of the fair value of the LTIP TSR award and the SAYE options requires the use of various assumptions which are disclosed below:

	LTIP	SAYE options
Dividends yield (%)	-	7.30%
Expected volatility (%)	22.50%	20.00%
Risk-free interest rate (%)	0.80%	0.80%
Expected option life (years)	-	3.68
Weighted average exercise price (£)	-	1.84
Weighted average share price at grant date (£)	2.18	2.44
Weighted average fair value at grant date (£)	0.21	0.33

**Notes to the Financial Statements  
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**24. Share-based payments (continued)**

The Company uses the Black-Scholes model to value the SAYE options whereas the TSR performance conditions are valued using a Monte-Carlo model. In determining the fair value of options granted the historic volatility of the share price of suitable peers and a risk-free rate determined by reference to swap rates was also considered.

**d) Share-based payment expense charged to the income statement**

Total expenses recognised in the year in the financial statements relating to share-based compensation is as follows:

	<b>As at 31 December 2019</b>	<b>As at 31 December 2018</b>
	<b>£000</b>	<b>£000</b>
Equity settled share-based payment expense	<b>659</b>	859
Cash settled share-based payment expense	-	40
	<b>659</b>	<b>899</b>

**25. Pension schemes**

The M&G Group operates defined contribution and defined benefit pension schemes for the benefit of staff.

*Prudential Staff Pension Scheme 'Defined Contribution Scheme'*

The Prudential Staff Pension Scheme 'Defined Contribution Scheme' is a defined contribution scheme, with charges made to the profit and loss account representing the contributions payable in respect of the accounting period.

*Prudential Staff Pension Scheme 'Defined Benefit Scheme'*

The Prudential Staff Pension Scheme 'Defined Benefit Scheme' (PSPS) is a defined benefit pension scheme that provides benefits based on final pensionable salary. The scheme has been closed to new members since 2003. It has assets held in separate trustee administered funds and was last subject to a full triennial actuarial valuation as at 5 April 2017 by Willis Towers Watson Ltd, actuaries to the Scheme.

The M&G Group is unable to identify its share of the underlying assets and liabilities of PSPS on a consistent and reasonable basis, and therefore accounts for its contributions as if PSPS were a defined contribution scheme. Disclosure of the circumstances of PSPS is given in the consolidated financial statements of the ultimate parent company, Prudential plc.

**Notes to the Financial Statements  
For the Year Ended 31 December 2019**

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**25. Pension schemes (continued)**

*M&G Group Pension Scheme 'Defined Benefit Scheme'*

The M&G Group Pension Scheme ("the Scheme") is a defined benefit pension scheme that provides benefits to its members based on final pensionable salary. The Scheme has been closed to new members since 2003. A surplus is recognised to the extent that the Group is able to access the surplus either through an unconditional right of refund to the surplus or through reduced future contributions relating to ongoing services, which have been substantively enacted or contractually agreed.

The Scheme's Trustee company is The First British Fixed Trust Company Limited. The Trustee company has its own board, which comprises seven directors. The Trustee is required by law to act in the interest of all relevant beneficiaries and is responsible for the overall governance of the Scheme and the day to day administration of the Scheme. The Trustee's investment forum comprises three members, one employer nominated and two member nominated. The Scheme is regulated by The Pensions Regulator and information on the regulatory regime in which the Scheme operates can be found at [www.thepensionsregulator.gov.uk/](http://www.thepensionsregulator.gov.uk/).

The Scheme is exposed to a number of risks which pose a threat to meeting its objectives. The principal risks affecting the Scheme are:

Funding risk – the Trustee measures and manages financial mismatch in two ways. It has set a strategic asset allocation benchmark for the Scheme. It assesses risk relative to that benchmark by monitoring the Scheme's asset allocation and investment returns relative to the benchmark. It also assesses risk relative to liabilities by monitoring the delivery of benchmark returns relative to liabilities through regular funding updates. The Trustee keeps under review the mortality and other demographic assumptions which could influence the costs of the benefits. These assumptions are considered formally at the triennial valuation.

Asset risk – the Trustee measures and manages asset risk by providing a practical constraint on Scheme investments deviating greatly from the intended approach by setting diversification guidelines and by investing in a range of investment mandates each of which has a defined objective, performance benchmark and manager process which, taken in aggregate, constrains risk within the Trustee's expected parameters. By investing across a range of assets, including quoted equities and bonds, the Trustee has recognised the need for some access to liquidity in the short term.

The Scheme was last subject to a full triennial actuarial valuation as at 31 December 2017 by Aon Hewitt Ltd, actuaries to the Scheme.

*M&G Unfunded Pension Scheme "Defined Benefit Scheme"*

The M&G Group operates an unfunded pension scheme which has two members. An actuarial valuation took place as at 31 December 2019 by Willis Tower Watson, Actuaries to the Scheme.



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**M&G FA Limited**

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For the Year Ended 31 December 2019**

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**25. Pension schemes (continued)**

**Pension scheme surplus**

	<b>2019 £000</b>	2018 £000
Defined benefit asset	<b>663,080</b>	597,800
Defined benefit liability	<b>(491,657)</b>	(469,022)
Net defined benefit asset	<b>171,423</b>	128,778
<b>Total pension scheme surplus</b>	<b><u>171,423</u></b>	<u>128,778</u>

**Fair value of plan assets**

	<b>2019 £000</b>	2018 £000
At 1 January	<b>597,800</b>	616,800
<b>Included in profit or loss</b>		
Interest income on plan assets	<b>16,150</b>	15,300
<b>Included in other comprehensive income</b>		
Return on plan assets (excluding interest income)	<b>59,720</b>	(28,000)
<b>Other</b>		
Contributions paid by the Company	<b>7,220</b>	6,474
Employee contributions	<b>630</b>	700
Benefits paid	<b>(17,950)</b>	(13,474)
Admin expenses paid from plan assets	<b>(490)</b>	-
<b>Balance at 31 December</b>	<b><u>663,080</u></b>	<u>597,800</u>

**M&G FA Limited**

**Notes to the Financial Statements  
For the Year Ended 31 December 2019**

**25. Pension schemes (continued)**

**Defined benefit obligation**

	<b>2019</b>	2018
	<b>£000</b>	£000
At 1 January	<b>(469,022)</b>	(510,287)
<b>Included in profit or loss</b>		
Current service cost	<b>(6,390)</b>	(7,900)
Past service cost	<b>35,200</b>	(4,700)
Interest cost	<b>(11,934)</b>	(12,476)
<b>Included in other comprehensive income</b>		
Actuarial remeasurement gain/(loss) arising from:		
- Changes in demographic assumptions	<b>(12,964)</b>	14,780
- Changes in financial assumptions	<b>(44,178)</b>	15,181
- Experience adjustments	<b>311</b>	23,606
<b>Other</b>		
Employee contributions	<b>(630)</b>	(700)
Benefits paid	<b>17,950</b>	13,474
<b>Balance at 31 December</b>	<b><u>(491,657)</u></b>	<u>(469,022)</u>

	<b>2019</b>	2018
	<b>£000</b>	£000
<b>Net pension scheme surplus</b>	<b><u>171,423</u></b>	<u>128,778</u>

The net amount included in profit is a profit/loss of £33.1m (2018:(£9.8m)), and the net amount included in other comprehensive income is £2.9m (2018: £25.6m).

	<b>2019</b>	2018
	<b>£000</b>	£000
Equity instruments	<b>70,700</b>	58,700
Corporate bonds	<b>118,900</b>	120,800
Government bonds	<b>252,100</b>	190,800
Real estate	<b>82,400</b>	78,500
Other investments	<b>28,680</b>	10,700
Cash and cash equivalents	<b>110,300</b>	138,300
	<b><u>663,080</u></b>	<u>597,800</u>

Included in the amounts above, £313,760,000 (2018: £280,600,000) relate to funds managed by the group. All plan assets with the exception of cash and cash equivalents, have quoted prices in active markets. All government bonds are issued by European governments and are AAA or AA rated.

Notes to the Financial Statements  
For the Year Ended 31 December 2019

**25. Pension schemes (continued)**

**Actuarial assumptions**

The following are the principal actuarial assumptions at the reporting date (expressed as weighted averages):

	<b>2019</b>	2018
	%	%
Discount rate at 31 December	<b>2.13</b>	2.80
Future salary increase	<b>0.00</b>	3.30
Retail price inflation	<b>2.96</b>	3.30
Consumer price inflation	<b>1.96</b>	2.30
Future pension increases	<b>2.96</b>	3.30

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity.

The assumed pensioner life expectancies on retirement at age 60 years old are as follows:

- Current pensioner aged 60: 28.8 years (male), 30.2 years (female).

In addition for those retiring in 20 years' time the life expectancies are:

- 30.8 years (male), 32.0 years (female).

**Sensitivity analysis**

The calculation of the defined benefit obligation is sensitive to the assumptions set out above. The following table summarises how the impact on the defined benefit obligation at the end of the reporting period would have increased (decreased) as a result of a change in the respective assumptions:

	<b>2019</b>	2018
	£000	£000
Discount rate - reduced by 0.2%	<b>24,400</b>	23,000
Discount rate - increased by 0.2%	<b>(22,900)</b>	(21,600)
Lower inflation - reduced by 0.2%	<b><u>15,300</u></b>	<u>(19,000)</u>

In valuing the liabilities of the pension fund at 31 December 2019 mortality assumptions have been made as indicated above. If life expectancy had been changed to assume that all members of the fund lived for one year longer, the value of the reported liabilities at 31 December 2019 would have increased by £23,500,000 (2018: £20,200,000) before deferred tax.

The above sensitivities are based on the average duration of the benefit obligation determined at the date of the last full actuarial valuation at 31 December 2017 and are applied to adjust the defined benefit obligation at the end of the reporting period for the assumptions concerned. Whilst the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation to the sensitivity of the assumptions shown.

**Notes to the Financial Statements  
For the Year Ended 31 December 2019**

**25. Pension schemes (continued)**

**Funding**

The Group will pay 34.9% per annum of pensionable salaries in respect of ongoing benefit accrual. Based on salary amounts in December 2019 estimated contributions paid would be £7,045,000 over the year.

**Defined contribution plans**

The M&G Group operates a number of defined contribution pension plans.

The total expense relating to these plans in the current year was £14,091,370 (2018: £13,990,961)

**26. Financial instruments**

The carrying value of trade and other debtors, trade and other creditors, loans and cash is a reasonable approximation of their fair value.

	<b>2019</b>	2018
	<b>£000</b>	£000
<b>Financial assets</b>		
Equity securities - financial assets designated at fair value through profit or loss	<b>219,310</b>	243,526
	<b>219,310</b>	243,526

The fair value of financial assets and financial liabilities are determined as follows:

*Equity securities*

The carrying value of equity securities at fair value through profit or loss is determined from published trading prices for fund units and shares and the portion of the underlying entity's net asset value attributable to the Company.

	<b>2019</b>	2018
	<b>£000</b>	£000
<b>Financial liabilities</b>		
Derivatives - financial liabilities at fair value through profit or loss	-	744
	-	744

Financial liabilities at fair value through profit or loss consist of future derivatives held as a hedge.

**Notes to the Financial Statements  
For the Year Ended 31 December 2019**

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**27. Contingencies**

The Company has provided:

- Indemnities dated 2 May 2014 and 17 November 2014 respectively in favour of Capita Financial Managers Limited on its appointment as Authorised Corporate Director/Manager of certain funds in the place of Prudential Unit Trusts Limited. These provide that the Company shall indemnify Capita in relation to any claims which relate to acts or omissions arising prior to Capita's appointment, these indemnities expired on 5 May 2016 and 3 November 2016 respectively, except in respect of taxation matters where it may continue for a further 4 years.

The Company believes that these are possible, but not probable.

**28. Commitments under operating leases**

At 31 December 2019 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	<b>2019</b>	2018
	<b>£000</b>	£000
Not later than 1 year	<b>170</b>	4,757
Later than 1 year and not later than 5 years	-	73,350
Later than 5 years	-	320,414
	<u><b>170</b></u>	<u>398,521</u>

**29. Related party transactions**

The Company has taken advantage of the exemption under paragraph 8(k) of FRS 101 not to disclose transactions with fellow wholly owned group companies and the exemption under paragraph 8(j) of FRS101 not to disclose key management personnel compensation and amounts incurred for the provision of key management personnel services by a separate entity.

**30. 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.

**31. Immediate and ultimate parent company**

The Company's immediate parent company is M&G Group Limited.

The Company is a subsidiary undertaking of M&G plc which is the ultimate parent company incorporated in England and Wales. Consolidated financial statements are prepared by M&G plc and copies of these are available to the public and may be obtained from the registered office at 10 Fenchurch Avenue, London, EC3M 5AG. Prior to demerger, the ultimate parent company was Prudential plc, copies of Consolidated financial statements for Prudential plc are available to the public at the registered office 1 Angel Court London EC2R 7AG.