Registered No: SC073158

PRUDENTIAL LIFETIME MORTGAGES LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

PRUDENTIAL LIFETIME MORTGAGES LIMITED

Incorporated and registered in Scotland. Registered No: SC073158
Registered office: 5 Central Way, Kildean Business Park, Stirling, United Kingdom, FK8 1FT

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PRUDENTIAL LIFETIME MORTGAGES LIMITED

DIRECTORS AND OFFICERS

Incorporated and registered in Scotland. Registered No: SC073158
Registered office: 5 Central Way, Kildean Business Park, Stirling, United Kingdom, FK8 1FT

Directors (in office at date of approval of the financial statements)

S Paton Evans
S Horgan
D Nancarrow
C G Bolton

Company Secretary

M&G Management Services Limited

Independent Auditors

PricewaterhouseCoopers LLP, London
Chartered Accountant and Statutory Auditors
7 More London Riverside
London
SE1 2RT

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2024

Principal activities and future developments

The principal activity of Prudential Lifetime Mortgages Limited ("the Company") is mortgage lending and administration. This activity is expected to continue in 2025.

The Company was active in the lifetime mortgage market until April 2010, when a decision was made to close it to new business. The Company, however, continues to service existing customers and offer further drawdowns. The Company has, since 2008, periodically sold tranches of its portfolio to its immediate parent, The Prudential Assurance Company Limited ("PAC"). The Company continues to act as a mortgage administrator in respect of portfolios which have been transferred to PAC and its subsidiaries.

The Company is a wholly owned subsidiary of PAC, a company registered in England and Wales. PAC is a wholly owned subsidiary of M&G Group Regulated Entity Holding Company Limited. M&G Group Regulated Entity Holding Company Limited's principal activity is that of an intermediate holding company with subsidiaries engaged in underwriting long-term insurance business and asset management.

The Company's ultimate parent company, M&G plc is a public limited company, limited by shares, incorporated and registered in England and Wales. M&G plc is the parent company of the M&G plc group of companies (the “Group”). The Group is an international financial services group, with significant operations in the United Kingdom and overseas.

Business review

M&G plc has 'Asset Management' and 'Life' as its operating segments. The Company forms part of the M&G Plc's 'Life' operating segment.

The primary sources of income for the Company are interest income on loans advanced and fees received for administration of the portfolio. The Company funds its business through surplus funds generated by the Company from its operating income and redemption proceeds received from customers.

The volume of lifetime mortgage drawdowns during 2024 was lower than the 2023 levels. The drawdowns generally show a trend to reduce year on year as is expected of the mortgage portfolio as loans are redeemed each year. The Bank of England base rate was changed in August and November 2024 (a 25bps reduction respectively), There was also volatility on the interest rate from other providers from late 2023 which continued into early 2024. To maintain the pricing measure tolerance, the Company reduced its Annual Equivalent Rate ("AER") for drawdowns from 7.09% to 6.21% on 28 January 2024 and then increased to 6.53% on 29 March 2024. The interest rate charged on lifetime mortgages additional borrowing was less volatile during the remainder of 2024.

Changes in the economic environment leading to movements in market values and interest rates could adversely impact the Company's performance and fund flows. A decline in interest rates could reduce the interest income earned on mortgages. The fair value of the loans to customers may reduce further where there are falls in the value of residential properties and will also vary with movements in other economic variables such as interest rates and credit spreads as well as changes in non-economic variables such as mortality, long term care and voluntary repayment.

Post the sale of a portfolio in 2023, with a view to simplify the capital structure within the Company, it was intended to explore the option to consider a share capital reduction in 2024, whilst that was not progressed with in 2024, there is still an intention to undertake share capital reduction and redeem the preference share capital in 2025. Additionally, there is an intention to sell the mortgage portfolio to PAC in April 2025 upon completion of administrative activities.

Key Performance Indicators

	2024	2023	Change
	£'000	£'000	%
Profit before taxation	**3,329**	13,221	(74.82)
Total Shareholders' funds at end of year	**80,623**	78,126	3.20
Regulatory capital surplus (unaudited)	**72,803**	70,328	3.52
Loan portfolio	**2,855**	506	464.23
Loan to value ratio ("LTV") (%)* (unaudited)	**25.40**	24.41	4.06

*LTV for the business is calculated as the value of loans provided as a percentage of the original property value, and excludes the loans transferred to PAC. All else being equal, the LTV ratio is expected to increase over time as the Company continues to service existing customers and offer further drawdowns.

The Company reported a pre-tax profit of £3,329k during the year compared to a pre-tax profit of £13,221k for 2023. The movement in profit for the year is primarily on account of interest on a loan to PAC of £2,917k as against £103k in 2023 and an unrealised loss of £1,428k in 2024 as against net unrealised gain of £9,010k on loan portfolio in 2023. The Company also earned portfolio administration fees income amounting £2,424k in 2024 (2023: £3,421k).

The Company issued additional drawdowns of £3,781k (2023: £4,784k) during the year. Interest of £168k (2023: £3,198k) was accrued on the mortgage loans. Redemptions of £172k (2023: £3,502k) were recorded during the year. The Company sold its loan portfolio for £46,190k in December 2023. No such sale took place in 2024. An unrealised loss of £1,428k (2023: net unrealised gain of £9,010k) was booked on the valuation of the loan portfolio. As a result of these movements, the portfolio balance increased from £506k to £2,855k.

The drawdowns to customers were funded from the surplus cash available within the Company.

The Company is regulated by the Financial Conduct Authority ("FCA") as a mortgage lender and administrator and is subject to the Prudential sourcebook for Mortgage and Home Finance Firms, and Insurance Intermediaries ("MIPRU" rules). As stipulated in MIPRU rule 4.2.23R, the Company is required to maintain capital resources equivalent to the higher of £100k and 1% of the total adjusted assets plus credit risk requirement of 8% of the qualifying risk weighted assets.

The total adjusted assets as defined in the rules includes undrawn commitments and unreleased amounts in respect of the loans less assets covered under the credit risk requirement. The credit risk weight has been calculated with reference to the LTV ratio. The minimum regulatory capital requirement of the Company as at 31 December 2024 was £7,820k (2023: £7,798k) (unaudited) against which the Company had capital resources amounting to £80,623k (2023: £78,126k).

Principal Risks & Uncertainties

The Company is a wholly owned subsidiary of PAC, which is a subsidiary of M&G Group Regulated Entity Holding Company Limited. The ultimate parent company is M&G plc. The Company is subject to the Group's internal control and risk management processes as detailed in the Group Governance Framework ("GGF") and associated Group Risk Management Framework ("RMF"). The control procedures and systems established within the Group are designed to manage, rather than eliminate, the risk of failure to meet business objectives. The Company takes on exposure to risks where such risks are adequately rewarded, and can be appropriately quantified and managed to safeguard the Company's ability to meet commitments to customers, comply with regulations, and protect its reputation.

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

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

The Company is exposed to financial risk through its financial assets and financial liabilities. The key financial risk factors affecting the Company include credit risk, market risk, longevity risk, morbidity risk, persistency risk, expense risk and liquidity risk. These financial risks are discussed further in Note 19.

Non-financial risk

The Company is exposed to a wide range of non-financial risks.

a) Business environment risk

Changing customer preferences together with economic and political conditions, could adversely impact the Company's performance against its strategy. Economic factors may impact demand for the Company's products, investments and operating model and the Company's ability to generate an appropriate return. Increased geopolitical risks and conflicts, and policy uncertainty, may impact products, investments and operating model.

b) Operational risk

Operational Risk is the risk of financial and non-financial impact resulting from inadequate or failed internal or outsourced processes, colleague errors, technology issues, or from external events. Operational failures can also give rise to financial risk exposures; for example, through process failures in the management of market and credit risk.

In particular, a material failure or operational disruption in the processes and controls supporting the Company's activities, that of third-party suppliers or of technology could result in poor customer outcomes, reputational damage, increased costs and regulatory censure. The Company's dependence on technology means the unavailability of key hardware or software, inadequate information security arrangements and ineffective use of digital solutions could impact the Company. The Risk Management Framework defines the Group's approach to managing operational risks and associated controls including Information Technology, Privacy and Data Protection and Third Party Risk Management.

c) Regulatory compliance risk

Regulatory risk can arise from potential failure to meet regulatory requirements or to adequately consider regulatory expectations, standards or principles. The Company operates in a highly regulated environment and is subject to a number of regulatory initiatives. There are wide-ranging consequences of regulatory non-compliance, including customer detriment, reputational damage, fines and restrictions on operations or products. The Group's Risk and Compliance function provides guidance to, and oversight of, the Company in relation to regulatory compliance matters and carries out assurance activities to assess the adequacy of systems and controls designed to comply with regulations and legislation.

d) Sustainability and Environmental, Social and Governance (ESG) risk

A failure to address and embed sustainability considerations within the Company's strategy, products, operating model, and communication approach could adversely impact profitability, reputation, and future growth. A broad range of issues are considered across the Group including those concerning greenwashing, climate impact, diversity and inclusion, and corporate governance. The Group ESG Risk Policy sets out the key requirements for the management of ESG risk in a manner consistent with the Group's RMF.

e) People risk

Although the Company does not directly employ staff, as this is done through servicing companies within the wider Group, it is still exposed to people risk in relation to those employees that service the Company. The success of the Company's operations is highly dependent on the ability to attract, retain and develop highly qualified people with the right mix of skills and behaviours to support positive culture and growth. People risk is managed through the HR Framework which is designed to align colleague objectives and remuneration to business strategy and culture.

f) Reputational risk

There is a risk that through activities, behaviours or communications, the Company fails to meet stakeholder expectations in ways which adversely impact trust and reputation in the Company or its brands. Failure to effectively manage reputational risk could result in poor stakeholder outcomes and could impact on revenues and cost base, the ability to attract and retain the best staff and potentially regulatory intervention or action. Reputational Risk is managed through the Group's Reputational Risk Management Framework and dedicated Reputational Risk team.

g) Conduct risk

There is a risk that through the acts or omissions of individuals, the Company delivers poor outcomes for customers, colleagues, or other stakeholders, or affects market integrity. Due to the broad nature of conduct risk, management is pervasive and reflected in Group policy and processes including but not limited to the Code of Conduct and the Conflict of Interest, Market Abuse and Investment Communications Recording policies.

By order of the Board

Christopher Smyth
On behalf of M&G Management Services Limited
Company Secretary
23 April 2025

PRUDENTIAL LIFETIME MORTGAGES LIMITED
Incorporated and registered in Scotland. Registered No: SC073158

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2024

Introduction

The Directors present their report and the audited financial statements of the Company for the year ended 31 December 2024.

Likely developments, business strategies and prospects

Likely future developments in the business of the Company are discussed in the strategic report in accordance with section 414C(11) of the Companies Act 2006 ("the Act").

Ultimate parent company

The Company is a wholly owned subsidiary of PAC. PAC is a wholly owned subsidiary of its intermediate parent M&G Group Regulated Entity Holding Company Limited. The Company's ultimate parent company, M&G plc is a public limited company, limited by shares, incorporated and registered in England and Wales.

Corporate responsibility

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

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

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

The Group’s sustainable approach to business is reinforced by the Group-wide CR strategy. Through our two strategic priorities, Building Confidence and Building Communities, we are committed to Building Better Futures. The Group do this by giving people the skills and opportunities to become financially secure and investing in essential needs for communities to have sustainable future.

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

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

The Group's CR strategy and performance is reviewed by M&G's Executive Committee bi-annually.

Financial Performance

The state of the affairs of the Company at 31 December 2024 is shown in the Statement of Financial Position on page 14. The Statement of Comprehensive Income appears on page 13.

Dividends

No dividend was paid in the year (2023: £Nil). The Directors have not proposed a final dividend for the year (2023: £Nil).

Post balance sheet events

There have been no post balance sheet events up to the date of approving this report.

Share Capital

There have been no changes to the Company's share capital during the year (2023: none).

Directors

The present Directors of the Company are shown on page 1. There were no changes during the year and up to the date of approving this report.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The Directors are responsible for the maintenance and integrity of the Company's financial statements published on the ultimate parent company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Financial risk management objectives, policies and exposure

The Company is exposed to risk through its financial assets and financial liabilities. The financial risk factors affecting the Company include market risk, credit risk, liquidity risk and insurance risk. Further information on the financial risk management objectives and policies of the Company are given in Note 19.

Disclosure of information to the auditors

In the case of each Director in office at the date the Directors' report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent Auditors

The auditors, PricewaterhouseCoopers LLP (PwC) have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at at Annual General Meeting.

Directors’ and Officers’ protection

M&G plc has arranged appropriate insurance cover in respect of legal action against Directors and senior managers of companies within the M&G plc Group. In addition, the Articles of Association of the Company provide for the Directors, officers and employees of the Company to be indemnified in respect of liabilities incurred as a result of their office. M&G plc also provides protections for the Directors and senior managers of companies within the Group against personal financial exposure they may incur in their capacity. These include qualifying third party indemnity provisions (as defined by the relevant Companies Act) for the benefit of Directors of M&G plc, including, where applicable, in their capacity as a director of the Company and other companies within the Group. These indemnities were in force during 2024 and remain in force.

Going concern

As described in the Basis of Preparation section of the Accounting Policies at note 1, an assessment of the Company's prospects has been carried out. The Directors have also considered the results of reasonably plausible severe downside scenarios to assess the potential implications on the Company's solvency and liquidity. Based on the results of these assessments, the Board is satisfied that the Company will be able to continue in operation and meet its liabilities as they fall due for a period of at least 12 months from the date of approval of the financial statements.

By order of the Board

Christopher Smyth
On behalf of M&G Management Services Limited
Company Secretary
23 April 2025

Independent auditors' report to the members of Prudential Lifetime Mortgages Limited

Report on the audit of the financial statements

Opinion

In our opinion, Prudential Lifetime Mortgages Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2024 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Statement of financial position as at 31 December 2024; the Statement of comprehensive income and the Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2024 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also 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.

In preparing the financial statements, the directors are responsible for 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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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 an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to UK regulatory principles, such as those governed by the Financial Conduct Authority (FCA), and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to accounting estimates relating to valuation of equity release mortgage loans and journal entries. Audit procedures performed by the engagement team included:

- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Reviewing relevant board meeting minutes;
- Identifying and testing journal entries based on risk criteria;
- Testing of judgements and assumptions in subjective areas, such as valuation of equity release mortgage loans; and
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Thomas Ferguson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
23 April 2025

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2024

	2024	2023 (restated*)	Notes
	£'000	£'000	
Revenue	**2,794**	7,558	2
Administrative expenses	**(2,650)**	(4,507)	3,4
Interest income	**4,613**	3,228	5
Interest expense	**—**	(1,111)	6
Realised gains	**—**	8,445	7
Unrealised losses	**(1,428)**	(392)	8
Profit before taxation	**3,329**	13,221	
Tax charge	**(832)**	(3,110)	9
Profit for the financial year	**2,497**	10,111	
Total comprehensive income for the year	**2,497**	10,111	

*Reversal of unrealised loss on sale of portfolio in 2023 previously reported under unrealised losses has now been corrected and realised gains have been restated accordingly.

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

There are no items of other comprehensive income which have not already been presented in arriving at the profit for the financial year. Accordingly, the profit for the financial year is the same as total comprehensive income for the year.

The accounting policies on pages 16 to 19 along with the accompanying notes on pages 19 to 31 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2024

	2024	2023	Notes
	£'000	£'000	
ASSETS			
Non-current assets			
Loans and advances to customers	**2,855**	506	10
Trade and other debtors	**259,279**	272,958	11
Deferred tax asset	**5,721**	5,995	9
Total non-current assets	**267,855**	279,459	
Current assets			
Trade and other debtors	**11,688**	14,093	11
Cash and bank balances	**35,170**	32,315	12
Total current assets	**46,858**	46,408	
Total assets	**314,713**	325,867	
EQUITY AND LIABILITIES			
Capital and reserves			
Ordinary share capital	**53,000**	53,000	15
Preference share capital	**14,620**	14,620	16
Retained earnings	**13,003**	10,506	
Total equity	**80,623**	78,126	
Non-current liabilities			
Trade and other creditors: amounts falling due after one year	**210,069**	226,665	13
Total non-current liabilities	**210,069**	226,665	
Current liabilities			
Corporation tax payable	**3,039**	2,697	
Trade and other creditors: amounts falling due within one year	**20,982**	18,379	14
Total current liabilities	**24,021**	21,076	
Total liabilities	**234,090**	247,741	
Total equity and liabilities	**314,713**	325,867	

The accounting policies on pages 16 to 19 along with the accompanying notes on pages 19 to 31 form an integral part of these financial statements.

The financial statements on pages 13 to 31 were approved by the Board of Directors on 23 April 2025 and were signed on its behalf by:

S. Horgan
Director
23 April 2025

Registered No: SC073158

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2024

	Share Capital	Retained earnings	Total Equity
	£'000	£'000	£'000
Balance at 1 January 2023	67,620	395	68,015
Profit for the financial year	—	10,111	10,111
Total comprehensive income for the year	—	10,111	10,111
Balance at 31 December 2023	67,620	10,506	78,126

	Share Capital	**Retained earnings**	**Total Equity**
	£'000	**£'000**	**£'000**
Balance at 1 January 2024	**67,620**	**10,506**	**78,126**
Profit for the financial year	**—**	**2,497**	**2,497**
Total comprehensive income for the year	**—**	**2,497**	**2,497**
Balance at 31 December 2024	**67,620**	**13,003**	**80,623**

The accounting policies on pages 16 to 19 along with the accompanying notes on pages 19 to 31 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies

A. Company Information

Prudential Lifetime Mortgages Limited is a private limited company, limited by shares, incorporated, domiciled and registered in Scotland. The address of its registered office is 5 Central Way, Kildean Business Park, Stirling, United Kingdom, FK8 1FT.

B. Basis of preparation

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

The financial statements have been prepared under the historical cost basis except certain financial assets and financial liabilities (including derivative instruments) that are measured at fair value through profit or loss ("FVTPL").

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of UK-adopted International Financial Reporting Standards in conformity with the requirements of the Companies Act 2006 (Adopted IFRSs), and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

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

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

- A cash flow statement and related notes;
- Disclosures in respect of transactions with wholly owned subsidiaries within the Group;
- Disclosures in respect of the compensation of key management personnel;
- Comparative period reconciliations for share capital;
- A third statement of financial position on a retrospective restatement or reclassification;
- Disclosures in respect of share based payments;
- The effect of new but not yet effective accounting standards;
- Disclosures in respect of revenue from contracts with customer; and
- Disclosures in respect of Pillar Two model rules.

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

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

Sources of estimation uncertainty

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The tables below set out the areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements.

Financial statement assets or liability	Key estimate and assumptions	Accounting policy	Note
Assets and liabilities classified as level 3 under the fair value hierarchy	Determination of the fair value of financial assets and financial liabilities classified as level 3 in the fair value hierarchy involves the use of inputs which are not observable in the market and hence require a high degree of estimation which could result in a significant change in the valuation.	D	18

Going Concern

The Directors have a reasonable expectation that the Company will be able to continue in operational existence for at least 12 months from the date of approval of these financial statements and thus continue to adopt the going concern basis of accounting. This conclusion has been based upon the following:

- The Company has a satisfactory capital adequacy, well in excess of the capital requirements stipulated by the Financial Conduct Authority ("FCA"). Consideration has also been given to the Company's performance, the market in which it operates, its strategy and risks and uncertainties, as set out in the Strategic Report on pages 2 to 5. The management of financial risk is set out in note 19, including the Company's exposure to credit risk and liquidity risk which it carefully manages through cashflow forecasting and fund management.

- To satisfy themselves of the appropriateness of the use of the going concern assumption in relation to these financial statements, the Directors have assessed the future prospects of the Company, by considering the business plan that includes the cash flow forecasts, for at least the next 12 months from the date of signing these financial statements, various market scenarios as well as changes in the Company's principal risks. In addition, the Directors have also considered the results of reasonably plausible severe downside scenarios to assess the potential implications on the Company's solvency and liquidity. The results of these assessments demonstrated the ability of the Company to meet all obligations and futures business requirements. In addition, these assessments demonstrated that the Company was able to remain above its regulatory solvency requirements in reasonably plausible severe downside scenarios.

- The Company is a subsidiary within the M&G plc group and its parent company and the ultimate parent company are continuing to trade and there are no plans for liquidation.

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

C. Classification of instruments issued by the Company

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

(i) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and
(ii) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

D. Financial instruments - recognition and measurement

Financial assets

Recognition and initial measurement

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

Classification and subsequent measurement

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

A financial asset is measured at amortised cost if it meets both of the following conditions and is not recognised at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at FVTOCI if the objective is collecting contractual cash flows and selling financial assets.

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

Lifetime mortgages are measured at FVTPL (loans and advances to customers) as the cash flows that result from these instruments are not solely payments of interest and principal outstanding. The cash flows associated with these instruments also provide compensation for the no-negative-equity guarantee implicit in the contracts.

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

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

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

Financial liabilities

Financial liabilities are classified and measured at amortised cost (using the effective interest method) or FVTPL. A financial liability is classified as at FVTPL if it is held-for-trading or a derivative except deferred consideration which is classified as FVTPL designated under IFRS 9. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

E. Financial instruments - Impairment

Financial assets impairment

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

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

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

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

A financial instrument is considered to have low credit risk where it has an external credit rating of ‘investment grade’. The entity has determined that the cash balances and deposits with credit institutions are considered to have low credit risk and therefore impairment is based on a 12 month ECL for these assets. Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs, where material.

F. Revenue recognition

Operating income, administration fees and other fee income is recognised when the Company satisfies the related performance obligation.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Interest received is recognised on an accruals basis.

G. Expenses

Administrative expenses comprise of management expenses and are recognised on an accruals basis.

Interest comprises of interest on loans and interest rate swaps and is recognised on an accruals basis.

H. Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

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

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

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

2. Revenue

	2024	2023
	£'000	£'000
Mortgage interest income	**178**	3,938
Borrower fee income	**192**	199
Administration fees	**2,424**	3,421
	2,794	7,558

3. Staff costs and Directors' emoluments

The Company has no employees.

The aggregate emoluments of the Directors of the Company were borne by related Group undertakings. The value of Directors' emoluments is based upon the apportionment of time spent providing qualifying services both as Directors for the Company and as Directors of the Company's subsidiary undertakings. Of the aggregate emoluments received from the Group by the Directors of the Company, no amounts were allocated to the Company (2023: Nil). Having considered the services performed within the Group, the Directors have concluded that they received no incremental emoluments for qualifying services as Directors of the Company (2023: Nil).

1 Director (2023:*1) was entitled to retirement funds under defined benefit pension schemes. Contributions were made to defined contribution pension schemes on behalf of 3 Directors in 2024 (2023:3). 4 Directors (2023: 3) exercised share options during the year. 4 Directors (2023:*5) were entitled to shares under M&G plc's main long-term incentive scheme.

*The disclosure in the financial statements for the year ended 31 December 2023 are restated in respect of the number of directors who were entitled to retirement funds under defined benefit pension schemes, with a change from 0 to 1 and who were entitled to shares under M&G plc's main long-term incentive scheme, with a change from 3 to 5. There is no impact on the profit or net assets of the revised disclosures.

4. Auditors' remuneration

Auditors' remuneration of £62k (2023: £60k) in respect of the audit of the Company's financial statements is borne by Prudential Distribution Limited, a fellow group undertaking. No non-audit services were provided to the Company by the auditors in 2024 or 2023. Other audit and non-audit fees paid to the auditors are disclosed in the M&G plc group accounts.

5. Interest income

	2024	2023
	£'000	£'000
Interest on swap derivatives	**—**	1,745
Loan Interest	**2,917**	103
Bank Interest	**1,696**	1,380
	4,613	3,228

The interest rate swaps were cancelled in 2023.

6. Interest expense

	2024	2023
	£'000	£'000
Interest on swap derivatives	**—**	1,111
	—	1,111

The interest rate swaps were cancelled in 2023.

7. Realised gains

	2024	2023 (restated*)
	£'000	£'000
Realised gain on sale of portfolio	**—**	9,402
Realised losses on cancellation of interest rate swaps	**—**	(957)
	—	8,445

*Reversal of unrealised loss of £39,519k on sale of portfolio in 2023 previously reported under unrealised losses has now been corrected and realised gain on sale of portfolio have been restated accordingly.

NOTES TO THE FINANCIAL STATEMENTS (continued)

In 2023, the Company sold mortgage loan portfolio to PAC and booked a realised gain of £9,402k. The Company also cancelled the interest rate swaps and booked a realised loss of £957k in 2023.

8. Unrealised losses

	2024	2023 (restated*)
	£'000	£'000
Unrealised (losses)/gains on fair valuation of debtors	**(5,000)**	357
Unrealised gains/(losses) on fair valuation of creditors	**5,000**	(357)
Unrealised losses on fair value of loan portfolio	**(1,428)**	(392)
	(1,428)	(392)

*Reversal of unrealised loss of £39,519k on sale of portfolio in 2023 previously reported under unrealised losses has now been corrected and realised gains on sale of portfolio (refer note 7) have been restated accordingly.

Unrealised (losses)/gains are derived from financial assets and financial liabilities held at FVTPL.

9. Tax charge

a) Tax charge

	2024	2023
	£'000	£'000
Corporation tax		
Current tax on profit for the year	**(558)**	(2,852)
Total current tax charge	**(558)**	(2,852)
Deferred tax:		
Origination and reversal of timing differences	**(274)**	(258)
Total deferred tax charge	**(274)**	(258)
Taxation on profit	**(832)**	(3,110)

b) Factors affecting tax (charge)/credit for the year

An increase in the UK Corporation Tax rate from 19% to 25% was substantively enacted on 24 May 2021, and took effect in the prior period from 1 April 2023. Future changes in the UK Corporation Tax rate may effect recorded deferred tax assets and liabilities and our effective tax rate in the future.

Deferred tax is provided at the tax rates enacted at the balance sheet date applicable to when the temporary differences are expected to reverse.

	2024	2023
	£'000	£'000
Profit before tax	**3,329**	13,221
Profit before tax multiplied by standard rate of Corporation tax in the UK of 25% (2023 - 23.52%)	**(832)**	(3,110)
Total tax charge for the year	**(832)**	(3,110)

NOTES TO THE FINANCIAL STATEMENTS (continued)

c) Factors that may affect future tax charges

Deferred tax assets are recognised to the extent that they are regarded as recoverable. On the assessment of all available evidence, the asset is recognised if it can be regarded as probable that there will be suitable taxable profits from which the future reversal of the underlying temporary differences can be deducted. The assessment of future taxable profits includes the availability to surrender tax losses to other group companies in the M&G plc UK tax group.

d) Balance sheet

	2024	2023
	£'000	£'000
Deferred tax asset explained by:		
Derivatives	**1,706**	2,274
Fair value transitional adjustment on adoption of IFRS 9	**(885)**	(1,179)
Carried forward losses	**4,900**	4,900
	5,721	5,995
Deferred tax asset at start of period	**5,995**	6,253
Charged to profit or loss	**(274)**	(258)
Deferred tax asset at end of period	**5,721**	5,995

10. Loans and advances to customers

	2024	2023 (restated*)
	£'000	£'000
Balance at start of the period	**506**	33,206
Additional drawdowns	**3,781**	4,784
Amounts redeemed	**(172)**	(3,502)
Sale during the year	**—**	(46,190)
Interest	**168**	3,198
Realised gain on sale of portfolio	—	9,402
Unrealised losses on fair value of loan portfolio	**(1,428)**	(392)
Balance at the end of the period	**2,855**	506

*Reversal of unrealised loss of £39,519k on sale of portfolio in 2023 previously reported as unrealised losses on fair value of loan portfolio has now been corrected and realised gain on sale of portfolio have been restated accordingly.

11. Trade and other debtors

	2024	2023
	£'000	£'000
Amounts falling due after one year :		
Amount receivable from group undertakings*	**259,279**	272,958
Amounts falling due within one year :		
Prepayments and accrued income	**98**	111
Amount receivable from group undertakings*	**11,590**	13,982
	11,688	14,093
	270,967	287,051

NOTES TO THE FINANCIAL STATEMENTS (continued)

*The outstanding balance includes deferred purchase consideration receivable from PAC for the mortgages purchased from Santander Financial Services plc (formerly Abbey National Treasury Services plc) and loan given to PAC.

12. Cash and bank balances

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

Cash and cash equivalents include cash at bank. Bank overdrafts, when applicable, are shown within borrowings in current liabilities.

13. Trade and other creditors: amounts falling due after one year

	2024	2023
	£'000	£'000
Other creditors*	**210,069**	226,665

*The outstanding balance represents deferred purchase consideration payable to Santander Financial Services plc (formerly Abbey National Treasury Services plc). Out of the total balance, £163,952k (2023: £194,729k) is repayable after more than five years.

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

	2024	2023
	£'000	£'000
Amounts due to group undertakings	**9,912**	5,847
Other creditors*	**11,070**	12,532
	20,982	18,379

*The outstanding balance represents deferred purchase consideration of £11,070k (2023: £12,509k) payable to Santander Financial Services plc (formerly Abbey National Treasury Services plc) and other trade creditors amounting £Nil (2023: £23k).

15. Ordinary share capital

	2024	2023
	£'000	£'000
Issued, called up and fully paid shares at £1 per share - 53,000,000 (2023: 53,000,000):		
Balance at 1 January and 31 December	**53,000**	53,000

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

16. Preference share capital

	2024	2023
	£'000	£'000
Issued, called up and fully paid shares at £1 per share - 14,620,000 (2023: 14,620,000):		
Balance at 1 January and 31 December	**14,620**	14,620

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

The preference shares are only redeemable at the option of the Company. The preference shares do not confer any further right of participation in the profits or assets of the Company. On the redemption of the preference shares the nominal amount of the preference shares will be redeemed to the members of the Company along with the amount of any preference dividend accrued on such shares. On a winding up, they carry a preferential right of return of capital ahead of the ordinary shares.

17. Contractual commitments

	2024	2023
	£'000	£'000
Loans and advances to customers available for future drawdown	**117,637**	129,039

18. Financial assets and financial liabilities

Financial assets and financial liabilities – classification and measurement

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

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

2024	**Fair value through profit or loss**	**Amortised Cost**	**Total carrying value**	**Fair value**
	£'000	**£'000**	**£'000**	**£'000**
Loans and advances to customers	**2,855**	**—**	**2,855**	**2,855**
Trade and other debtors	**221,139**	**49,828**	**270,967**	**270,967**
Cash at bank and in hand	**—**	**35,170**	**35,170**	**35,170**
Total financial assets	**223,994**	**84,998**	**308,992**	**308,992**

2024	**Fair value through profit or loss**	**Amortised Cost**	**Total carrying value**	**Fair value**
	£'000	**£'000**	**£'000**	**£'000**
Trade and other creditors	**221,139**	**9,912**	**231,051**	**231,051**
Total financial liabilities	**221,139**	**9,912**	**231,051**	**231,051**

2023	Fair value through profit or loss	Amortised Cost	Total carrying value	Fair value
	£'000	£'000	£'000	£'000
Loans and advances to customers	506	—	506	506
Trade and other debtors	239,171	47,880	287,051	287,051
Cash at bank and in hand	—	32,315	32,315	32,315
Total financial assets	239,677	80,195	319,872	319,872

NOTES TO THE FINANCIAL STATEMENTS (continued)

2023	Fair value through profit or loss	Amortised Cost	Total carrying value	Fair value
	£'000	£'000	£'000	£'000
Trade and other creditors	239,171	5,873	245,044	245,044
Total financial liabilities	239,171	5,873	245,044	245,044

Determination of fair value

The fair values of the financial assets and financial liabilities as included in the table above have been determined on the following bases.

- The fair value of debtors and creditors at fair value through profit or loss are determined by discounted cash flows expected to be received or paid.
- The fair value of loans have been valued internally using discounted cash flow models. The inputs that are significant to the valuation of these loans are the internally derived discount rate (risk-free rate plus a illiquidity premium), the current property value, the assumed future property growth allowing for risk premium and the assumed future annual property rental yields. Significant assumptions for equity release mortgage assets within the valuation of the no-negative-equity guarantee include the expected annual increase in house prices as per the risk-free curve and allowing for the assumed risk premium (1.10%) as at year end 2024 (2023: as per the risk-free curve and allowing for the assumed risk premium (0.70%) as at year end 2023) and the implied in house price volatility of 11.00% (2023: 11%). The property value adjustment factor is unchanged from FY 2023 at 10.76% to allow for dilapidation.

Financial assets held at amortised cost have been shown net of any provisions for impairment.

Fair value measurement hierarchy of financial assets and financial liabilities

Financial assets and financial liabilities carried at fair value on the balance sheet:

The table below includes financial instruments carried at fair value analysed by level of the IFRS13 – Fair Value Measurement defined fair value hierarchy. This hierarchy is based on the inputs to the fair value measurement and reflects the lowest level input that is significant to that measurement.

The classification criteria and its application to the Company can be summarised as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets and liabilities
Level 2 – inputs other than quoted prices included within level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices)
Level 2 principally includes derivatives which are valued using observable inputs.
Level 3: Significant inputs for the asset or liability that are not based on observable market data (unobservable inputs).
Level 3 principally includes investments which are internally valued or subject to a significant number of unobservable assumptions.

2024	**Level 1**	**Level 2**	**Level 3**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Loans and advances to customers	**—**	**—**	**2,855**	**2,855**
Trade debtors	**—**	**—**	**221,139**	**221,139**
Trade creditors	**—**	**—**	**(221,139)**	**(221,139)**
Total financial investments	**—**	**—**	**2,855**	**2,855**
Percentage of total (%)	**—**	**—**	**100**	**100**

NOTES TO THE FINANCIAL STATEMENTS (continued)

2023	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
Loans and advances to customers	—	—	506	506
Trade debtors	—	—	239,171	239,171
Trade creditors	—	—	(239,171)	(239,171)
Total financial investments	—	—	506	506
Percentage of total (%)	—	—	100	100

Reconciliation of movements in level 3 financial instruments measured at fair value

The following table reconciles the value of level 3 financial instruments at 1 January 2024 to that presented at 31 December 2024.

	At 1 January 2024	**Purchases/ drawdowns and interest**	**Sales/ redemptions**	**Total gains/ (losses)**	**Transfers into level 3**	**Trans-fers out of level 3**	**At 31 December 2024**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Loans and advances to customers	**506**	**3,949**	**(172)**	**(1,428)**	**—**	**—**	**2,855**
Trade debtors	**239,171**	**—**	**(13,032)**	**(5,000)**	**—**	**—**	**221,139**
Trade creditors	**(239,171)**	**—**	**13,032**	**5,000**	**—**	**—**	**(221,139)**
Total financial investments	**506**	**3,949**	**(172)**	**(1,428)**	**—**	**—**	**2,855**

	At 1 January 2023	Purchases/ drawdowns and interest	Sales/ redemptions	Total (losses)/ gains	Transfers into level 3	Trans-fers out of level 3	At 31 December 2023
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Loans and advances to customers	33,206	7,982	(49,692)	9,010	—	—	506
Trade debtors	245,898	—	(7,084)	357	—	—	239,171
Trade creditors	(245,898)	—	7,084	(357)	—	—	(239,171)
Total financial investments	33,206	7,982	(49,692)	9,010	—	—	506

Sensitivity of the fair value of level 3 instruments to changes in significant inputs

Loans and advances to customers are classified as level 3 in the fair value hierarchy. These loans have a no-negative equity guarantee (“NNEG”) that caps the loan repayment in the event of death, or entry into long-term care, to be no greater than the proceeds from the sale of the property that the loans are secured against. An amount of £1,470k (2023: £441k) relating to the no negative equity guarantee (NNEG) is included in determining the overall fair value of the loans. These loans are valued internally using discounted cash flow models. Future cashflows are estimated based on assumptions, including prepayment, death and entry into long-term care, and discounted using an internally derived discount rate. The significant unobservable inputs relate to the discount rate premium over the risk free yields, which is 2.76% (2023: 2.76%), the current property value £11,980k (2023: £2,398k) and the assumed future property growth as per the risk-free curve and allowing for the assumed risk premium (1.10%) as at year end 2024 (2023: as per the risk-free curve and allowing for the assumed risk premium (0.70%) as at year end 2023). The assumed future annual property rental yield of 2.50% (2023: 2.25%). The NNEG is based on a Black-Scholes option pricing valuation, using assumptions including the current property value, future property growth and property rental yields, and is recognised as a deduction to the value of the loan. Significant assumptions for equity release mortgage assets within the valuation of the NNEG include the expected annual increase in house prices as per the risk-free curve and allowing for the assumed risk premium (1.10%) as at year end 2024 (2023: as per the risk-free curve and allowing for the assumed risk premium (0.70%) as at year end 2023) and the implied in house price volatility of 11.00% (2023: 11.00%). The property value adjustment factor is unchanged from FY 2023 at 10.76% to allow for dilapidation. The estimated sensitivities for the loan and advances valuation are :

(i) An increase of 50bps in the discount rate would decrease the fair value of the loans by £197k (2023: decrease of £47k) and a decrease of 50bps would increase the fair value by £212k (2023: increase of £51k).

(ii) An increase of 10% in the current property value would increase the fair value of the loans by £257k (2023: increase of £58k). A decrease of 10% in the current property value would decrease the fair value of the loans by £324k (2023: decrease of £69k).

(iii) An increase of 100bps in the assumed future annual property growth rate would increase the fair value of the loans by £586k (2023: increase of £162k). A decrease of 100bps in the assumed future annual property growth rate would decrease the fair value of the loans by £810k (2023: decrease of £214k).

(iv) An increase of 100bps in the assumed future annual property rental yield would decrease the fair value of the loans by £429k (2023: decrease of £97k). A decrease of 100bps in the assumed future annual property rental yield would increase the fair value of the loans by £409k (2023: increase of £100k).

Market risk
The financial assets and financial liabilities attaching to the Company's business are, to varying degrees, subject to market risk that may have an effect on the profit or loss and Shareholders' funds.

Market risk is the risk of loss, or of adverse change in the financial situation of the Company, resulting, directly or indirectly, from fluctuations in the level or volatility of market prices of assets, currencies, liabilities and financial instruments.

Within the risk taxonomy, market risk is broken down into six risk types, namely:

- Interest rate risk: fluctuations in the level and volatility of interest rates or the shape or curvature of the yield curve or spread relationships,
- Inflation risk: fluctuations in actual or implied inflation rates.
- Equity risk: fluctuations in the level or volatility of equity investments.
- Property risk: fluctuations in the level or volatility of property values.
- Currency risk: fluctuations, including translation risk, in the level or volatility of currency exposures and
- Alternative investments risk: fluctuations in the level or volatility of alternative investment exposures (other than those detailed above).

The Company is exposed to property price risk and interest rate risk through existing loans, and additional loan drawdowns, to existing customers. This exposure significantly reduced following the sale of the mortgage portfolio to PAC in 2023, including a commitment by PAC to purchase all future loan segments at the discretion of the Company's Board.

Interest rate risk
The following table shows an analysis of the classes of financial assets and financial liabilities and their direct exposure to interest rate risk. Each applicable class of the Company's financial assets or financial liabilities are analysed between those exposed to fair value interest rate risk, cash flow interest rate risk and those with no direct interest rate risk exposure.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2024	**Fair value interest rate risk**	**Cash flow interest rate risk**	**Not directly exposed to interest rate risk**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Financial Assets				
Loans and advances to customers	**2,855**	**—**	**—**	**2,855**
Trade and other debtors	**221,139**	**49,210**	**618**	**270,967**
Cash at bank and in hand	**—**	**35,170**	**—**	**35,170**
	223,994	**84,380**	**618**	**308,992**
Financial Liabilities				
Trade and other creditors	**221,139**	**—**	**9,912**	**231,051**
	221,139	**—**	**9,912**	**231,051**

2023	Fair value interest rate risk	Cash flow interest rate risk	Not directly exposed to interest rate risk	Total
	£'000	£'000	£'000	£'000
Financial Assets				
Loans and advances to customers	506	—	—	506
Trade and other debtors	239,171	46,293	1,587	287,051
Cash at bank and in hand	—	32,315	—	32,315
	239,677	78,608	1587	319,872
Financial Liabilities				
Trade and other creditors	239,171	—	5,873	245,044
	239,171	—	5,873	245,044

Sensitivity to interest rate movements

A considerable part of the Company’s profit is a function of fluctuation in the value of the loan portfolio and derivatives due to movement in the interest rate.

An analysis of the Company's sensitivity to a 1% parallel increase or decrease in the market interest rate at the reporting date on financial instruments held at FVTPL, assuming that all other variables remain constant is presented below.

2024	**Profit or Loss**		**Equity**	
	Increase	**Decrease**	**Increase**	**Decrease**
	£'000	**£'000**	**£'000**	**£'000**
Financial Assets				
Loans to customers	**(139)**	**252**	**(139)**	**252**
	(139)	**252**	**(139)**	**252**

2023	Profit or Loss		Equity	
	Increase	Decrease	Increase	Decrease
	£'000	£'000	£'000	£'000
Financial Assets				
Loans to customers	(51)	77	(51)	77
	(51)	77	(51)	77

While a change in interest rates does not affect the value of the Company's financial assets and financial liabilities held at amortised cost, these instruments are subject to cash flow interest rate sensitivity.

The impact of movements in the market interest rate on trade debtors and trade creditors held at FVTPL is reported as Nil as the movements exactly offset each other.

19. Financial risk management

The Company is exposed to financial risk through its financial assets and financial liabilities. The key financial risk factors affecting the Company include credit risk, market risk, longevity risk, morbidity risk, persistency risk, expense risk and liquidity risk.

a) Credit risk

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

The Company, in the normal course of business enters into a variety of transactions with counterparties. Failure of any of these counterparties to discharge their obligations, or where adequate collateral is not in place, could have an adverse impact on the Company's results.

The loans given to customers are secured against residential properties as collateral. The other debtors are predominantly intragroup and therefore the risk of default is considered to be minimal.

Impairment methodology

The impairment allowance calculation is based on M&G plc group's counterparty default risk calibration used for Solvency II. The counterparty default risk uses a default state model and a recovery rate model which is run through 1 million scenarios to generate a probability distribution of losses.

This produces a loss rate reflecting the default losses as a percentage of exposure for various stresses over a 12 month period. These rates have been applied to the balances as at 31 December 2024 to derive the ECL.

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

The Company held cash balances of £35,170k at 31 December 2024 (2023: £32,315k). The Company considers that its cash and cash equivalents have low credit risk based on external credit ratings of the counterparties.

The Company has an outstanding inter-company loan due from PAC of £49,210k at 31 December 2024 (2023: £46,293). The loan is repayable on 18 December 2026 and PAC has a credit rating of AA-. For the purposes of calculating impairment losses under IFRS 9, it is assumed that the outstanding balance is called at the reporting date and a lifetime ECL has been calculated in respect of these balances.

A 12-month ECL has been calculated in respect of these balances. This reflects the short maturities of the exposures. Based on the assessment, no (2023: £Nil) ECL has been recognised during the year.

NOTES TO THE FINANCIAL STATEMENTS (continued)

b) Market risk

Market risk is the risk of loss, or of adverse changes in the financial situation of the Company, resulting, directly or indirectly, from fluctuations in the level or volatility of market prices of assets, currencies, liabilities and financial instruments. Market risk includes but is not limited to equity risk, interest rate risk, inflation risk, currency risk, property risk, and alternative investments risk. The exposure to market risk has significantly reduced following the sale of the mortgage portfolio to PAC.

The Company's generates profit as a function of the fixed interest income accruing on mortgage loans made to the customers. The Company's profits can also be affected by an increase in volatility or fall in value of the residential property in the UK backing the loans made to customers. Lifetime mortgage loans (both the interest and the initial capital) are repaid from the proceeds of the sale of the mortgaged property upon death of the customer(s) or entry into long-term care. There is a risk that the value of the property at redemption is insufficient to meet the accumulated loan due at that time, this risk is borne by the Company and not the customer.

To manage this risk, the Company limited the maximum loan to value ratio when the loans were first made to customers. Based on the terms of the loans, additional drawdowns can be refused if the outstanding balance exceeded the value of the property or if the property value dropped by 25% since the outset of the mortgage.

In addition, residential property is also exposed to potential physical damage and change in values from climate change risks such as increased severity of extreme weather events and rising sea levels. The Company's management of ESG risks, including climate change, is described under Principal Risks & Uncertainties above.

c) Longevity risk

Longevity risk is the risk of unexpected impact resulting from adverse longevity experience. Changes in the life expectancy (longevity) of policyholders will result in delayed emergence of cash flows compared to expectations. This risk can also adversely impact the Company in certain scenarios if loan balances increase substantially, increasing the risk of a NNEG materialising. This risk is mitigated by limiting the loan to value ratios on withdrawal of funds and the PAC indemnity to compensate the Company for any additional losses incurred by the Company as a result of the subordination of its repayment rights.

d) Morbidity risk

Morbidity risk is the risk of unexpected impact resulting from adverse morbidity and/or mortality experience. Lower rates of entry into long-term care increase interest proceeds but also increase guarantee costs, whilst the converse is true for higher rates of entry.

e) Persistency risk

Persistency risk is the risk of unexpected impact resulting from adverse persistency experience. The risk of changes in policyholder rates of exit can materialise if more customers opt for early repayment or transfer of their loans than expected in the Company's assumptions. This can result in a reduction in the current and expected future profits from this line of business and hence profitability for the Company. Early repayments impact the Company's profitability if the early repayment charges are not sufficient to cover costs.

f) Expense risk

Expense risk is the risk of unexpected impact resulting from adverse expense experience. If actual expenses (including future expense inflation) are higher than anticipated, the Company's operating results could be adversely affected.

g) Liquidity risk

Liquidity risk is the risk that the Company and its businesses are unable to meet their financial obligations (e.g. claims, creditors and collateral calls) as they fall due because they do not have or are unable to generate sufficient liquid assets. In particular, where a customer has a contractual right to make additional drawdowns the Company must ensure that it has the necessary liquidity to make these payments without undue delay. This risk is managed through cash flow forecasting and management of bank balances.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Liquidity analysis

Contractual maturities of financial liabilities

i. The following tables set out the contractual maturities for applicable classes of financial liabilities, excluding derivative liabilities which are separately presented.

2024	**1 year or less**	**After 1 year to 10 years**	**After 10 to 20 years**	**Over 20 years**	**Total un-discounted cashflows**	**Total carrying value**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Financial liabilities						
Trade and other creditors	**21,481**	**152,284**	**214,050**	**151,033**	**538,848**	**231,051**

2023	1 year or less	After 1 year to 10 years	After 10 to 20 years	Over 20 years	Total un-discounted cashflows	Total carrying value
	£'000	£'000	£'000	£'000	£'000	£'000
Financial liabilities						
Trade and other creditors	18,902	143,030	215,593	170,312	547,837	245,044

20. Capital requirements and management

The Company is regulated by the Financial Conduct Authority ("FCA") as a mortgage lender and administrator and is subject to the Prudential sourcebook for Mortgage and Home Finance Firms, and Insurance Intermediaries (MIPRU rules). As stipulated in MIPRU rule 4.2.23R, the Company is required to maintain capital resources equivalent to the higher of £100k and 1% of the total adjusted assets plus credit risk requirement of 8% of the qualifying risk weighted assets.

The total adjusted assets as defined in the rules includes undrawn commitments and unreleased amounts in respect of the loans less assets covered under the credit risk requirement. The credit risk weight has been calculated with reference to the LTV ratio. The minimum regulatory capital requirement of the Company as at 31 December 2024 was £7,820k (2023: £7,798k) (unaudited) against which the Company had capital resources amounting to £80,623k (2023: £78,126k).

21. Related parties

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 FRS 101 not to disclose key management personnel services by a separate management entity.

22. Post balance sheet events

There have been no post balance sheet events up to the date of approving this report.

23. Immediate and ultimate parent company

The immediate parent company is PAC and copies of its Annual Report and Accounts are available from the Company Secretary, 10 Fenchurch Avenue, London EC3M 5AG. The ultimate parent company is M&G plc which is the only parent company which prepares Group Annual Report and Accounts. Copies of the M&G plc Annual Report and Accounts can be obtained from the Company Secretary, 10 Fenchurch Avenue, London EC3M 5AG.