Registered No:  02313262

# Prudential Capital
# Public Limited Company

Annual Report and Financial Statements

For the year ended
31 December 2024

Incorporated and registered in England and Wales.
Registered office: 10 Fenchurch Avenue, London EC3M 5AG

## Contents

## Company Information

| | |
|---|---|
| **Directors** | S Horgan<br>K McLeland<br>R Monnington |
| **Secretary** | M&G Management Services Limited |
| **Independent Auditors** | PricewaterhouseCoopers LLP<br>144 Morrison Street<br>Edinburgh<br>EH3 8EX |
| **Registered office** | 10 Fenchurch Avenue<br>London<br>EC3M 5AG |
| **Company number** | 02313262 (registered in England and Wales) |

## Strategic Report

The Directors present their strategic report for the year ended 31 December 2024.

### Principal activities

Prudential Capital Public Limited Company (the "Company'') provides professional treasury services to the M&G plc group (the "Group") and acts as the Group's central treasury entity. The Company generates revenue from a portfolio of loans, debt securities, and money market positions, and also acts as a market-facing intermediary for the Group's corporate hedging programmes. The Group is an internationally recognised active asset manager and established life business, with a well capitalised With-Profits Fund.

### Business review and key performance indicators

During the year ended 31 December 2024, the Company continued to perform its role as the central treasury entity for the Group.

Key performance indicators, for an understanding of the development, performance and position of the Company, are outlined below:

| | **2024** | 2023 |
|---|---|---|
| | **£'000** | £'000 |
| Net interest income | **11,696** | 12,333 |
| Profit before tax | **4,865** | 8,505 |
| Net assets | **86,114** | 82,313 |

The profit before tax for the year was £4,865k (2023: £8,505k). The drivers behind this profit were:

- Net interest income of £11,696k (2023: £12,333k), consisting of interest income of £60,894k (2023: £66,357k) less interest expense and similar charges of £49,198k (2023: £54,024k). Interest income arises on financial assets including debt securities, derivatives and cash at bank; whereas interest expense arises on intercompany loans and derivatives.

- Other operating income of £23,181k (2023: £8,402k) mainly relates to management fee income from fellow Group undertakings and realised gains/losses on debt securities and derivatives. The increase in other operating income reflects lower net realised losses on debt securities and derivatives.

- Operating expenses of £8,921k (2023: £12,343k), primarily consisting of staff costs and expenses recharged by Group companies. The fall in operating expenses is due to changes in staff composition.

- Unrealised fair value losses on financial instruments of £21,091k (2023: gains of £113k) relate to debt securities and derivatives. The movement in fair value compared with the prior year reflects market fluctuations.

Details of the results for the year are set out in the Statement of Comprehensive Income on page 15. The Company has a net asset position of £86,114k as at 31 December 2024 (2023: £82,313k).

Geopolitical and economic uncertainties continued to be a focus area during 2024. Group investment, risk and compliance teams continued to monitor and support the business effectively in responding to the impact of such challenges.

## **Strategic Report** (continued)

### Principal risks and uncertainties

The Company is a wholly owned subsidiary of M&G plc and 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 (GRMF). The control procedures and systems established within the Group are designed to manage, rather than eliminate the risk of failure to meet business objectives. As such, they can only provide reasonable rather than absolute assurance against material misstatement or loss and focus on optimising the levels of risk and reward within a clearly defined risk appetite, with the aim of achieving the business objectives. The GRMF is approved by the Group Board and Risk Committee and operates based on the concept of three lines of defence: risk identification and management, risk oversight, advice and challenge and independent assurance. The Company's results and financial condition are exposed to both financial and non-financial risks.

The Company is exposed to financial risk through its financial assets and liabilities. The key financial risk factors affecting the Company are market, credit and liquidity risks. These financial risks and how they are managed are discussed in Note 22.

The key risk factors mentioned above should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties.

## **Strategic Report** (continued)

**Statement by the Directors in Performance of their Statutory Duties in Accordance with Section 172(1) of the Companies Act 2006**

Section 172 of the Companies Act 2006 requires directors of the Company to act in the way they consider, 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 directors 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 Section 172 duties, the Company has regard to the factors set out above. The Company also recognises the matters considered by the Directors can have unique characteristics. This can require the Board 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 considered will vary depending on the decision being taken. Across all the Board's decisions, the Company is mindful of its purpose, strategic priorities and alignment with the Group's regulatory obligations, overarching culture, vision and values.

The Board delegates authority for day-to-day management to an Executive Committee ('Treasury Executive Committee') which in turn charges management with the execution of the business strategy and related policies. The Treasury Executive Committee reviews on a regular basis, financial and operational performance as well as liquidity, collateral management, key risks, compliance, and statutory reporting. The Treasury Executive Committee and Group management also review other areas over the course of the financial year including the Company's business strategy, corporate responsibility and governance, legal and other stakeholder-related matters. This is done through the consideration and discussion of reports which are sent in advance of each respective meeting and through decision making in various forums, including the Group's 'Finance, Capital & Liquidity Committee' (that oversees the wider capital, liquidity and risk appetite activities of the Group), the Treasury Executive Committee, the Company's Board and other Group committees.

The Company's key stakeholders are its beneficial owner, M&G plc, related Group entities, its employees and third-party suppliers. 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 Directors engage directly with stakeholders on certain issues, the size and spread of Group stakeholders means other stakeholder engagement takes place at various Group committees. There are some matters, including diversity and inclusivity, environmental matters, corporate responsibility and governance, legal and some stakeholder engagement, where the Board has judged that policy and decision-making is best undertaken at a Group level. As well as being a more efficient and effective approach, this also helps the Company achieve a greater positive impact on environmental, social and other issues than by working alone as an individual company.

Engagement with Group entity stakeholders occurs primarily in the Group's wider governance forums, particularly those outlined above. Engagement with employees generally occurs through formal and informal meetings, and technology-enabled platforms. Examples of initiatives the Company's employees participate in include the staff engagement surveys, town hall events for the treasury department, onsite access to Directors in the office, and Group investment in people policies and ongoing related consultations.

During the year, the Directors received information to help understand the interests and views of the Company's key stakeholders and other relevant factors when making decisions. This has allowed the Directors to understand the nature of the Company stakeholders' concerns and to comply with Section 172 of the Companies Act 2006 to promote the success of the Company.

## **Strategic Report** (continued)

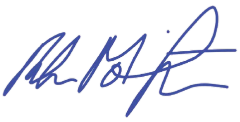
**Statement by the Directors in Performance of their Statutory Duties in Accordance with Section 172(1) of the Companies Act 2006** (continued)

**Principal Decisions**

Set out below are some examples of how the Company has had regard to the matters set out in Section 172(1)(a)-(f) when discharging its Section 172 duty and the effect of that on decisions taken by the Company. The Company defines principal decisions as both those that are material to the Company, and also those that are significant to any key stakeholders. Through making the principal decisions outlined below, the Directors were focused on protecting and developing the Company's long-term success.

During 2024, the principal decisions, including decisions made through the Treasury Executive Committee as described above, related to the ongoing management of the Group’s liquidity buffer assets within the constraints of the risk appetite defined for the Company by its parent, thus determining the Company’s investment asset mix between cash products (secured and unsecured), debt securities, loan products and hedging derivatives. The asset mix is designed to enable flexibility in the Group’s liquidity management, while also achieving a long-term profitable investment return on the surplus cash managed by the Company on behalf of the Group.

This Report was approved by the Board and signed on its behalf by:



**R Monnington**
Director
28 May 2025

## Directors' Report

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

### Directors

The Directors who served during the year and up to the date of signing were:

S Horgan
K McLeland
R Monnington

### Financial highlights

The results for the year are presented in the Statement of Comprehensive Income on page 15, showing a profit before tax for the year of £4,865k (2023: £8,505k). The Statement of Financial Position is set out on page 16; at 31 December 2024, the net assets of the Company were £86,114k (2023: £82,313k). The movement reflects the profit recognised for the year.

### Dividends

No Interim dividends were paid in the year  (2023: £nil). The Directors do not recommend the payment of a final dividend (2023: £nil).

### Subsequent events

There have been no subsequent events requiring disclosure at the date of this report.

### Future Developments

During 2025, the Company will continue to provide professional treasury services to the Group and act as the Group's central treasury entity.

### Going Concern

The financial statements have been prepared on a going concern basis. 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. The key method for assessing going concern is through the business planning process, which considers profitability, liquidity and solvency. The business planning process considers the Company's business activities, together with factors likely to affect its future development, successful performance and position, and key risks in the current economic climate. The Company is exposed to fair value volatility from its debt securities portfolio. Derivative financial instruments are used to mitigate interest rate and foreign exchange rate exposures, but some fair value volatility remains, including exposure to credit risks. Recognising the potential for market volatility, the parent company, M&G plc, has provided a letter of support, stating M&G plc is willing to provide financial support to the Company if needed.

The Company has a net current liabilities position as a result of using short-term borrowings, received from its parent company, M&G plc, and other related Group undertakings, to purchase debt securities that are intended to be held to their expected maturity. The debt securities consist of high credit quality bonds and UK gilts (see Note 10) which are liquid and can be readily converted into cash. 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 2024.

## **Directors' Report** (continued)

### Political and charitable contributions

There were no political or charitable donations during the year (2023: £nil).

### Financial risk management

Risk management is outlined within the Strategic Report and in Note 22.

### Streamlined Energy and Carbon Reporting (SECR)

The Company participates in Group initiatives toward sustainability objectives, including carbon emission reduction strategies. Details of the Group's approach to sustainability, including the Group's revised Sustainability Framework, are provided in the Group's Annual Report and Accounts which can be found on the website: https://www.mandg.com/investors/annual-report

### Qualifying third party indemnities

The parent company, M&G plc, has arranged appropriate insurance cover in respect of legal action against Directors and senior managers of companies within the 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. The parent company also provides protections for Directors and senior managers of companies within the Group against personal financial exposure they may incur in their capacity as such. These include qualifying third-party indemnity provisions (as defined by the relevant Companies Act) for the benefit of directors of the ultimate parent company, 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 remained in force as at the date of approval of the financial statements.

### Stakeholder Engagement

The Company's key stakeholders are its parent, M&G plc and related Group entities. The Company has no direct customers or clients, but acknowledges the part it has to play as part of the Group in relation to relationships with customers,employees and suppliers and the levels of conduct it should adhere to. The Company has various service agreements in place with other entities within the Group; details of how the Group engages colleagues are included in the Group's Annual Report and Accounts which can be found on the website: https://www.mandg.com/investors/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.

### Disclosure of Information to the Independent Auditors

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

### Independent Auditors

PricewaterhouseCoopers LLP have indicated their willingness to continue in office and will be deemed reappointed for the next financial year in accordance with section 487(2) of the Companies Act 2006 unless the Company receives notice under section 488(1) of the Companies Act 2006.

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

**R Monnington**
Director
28 May 2025

## Statement of Directors' Responsibilities in respect of the Strategic Report, the Directors' Report and the financial statements

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law, 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.

# Independent Auditors' Report to the Members of Prudential Capital Public Limited Company

## Report on the audit of the financial statements

### Opinion

In our opinion, Prudential Capital Public Limited Company'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 and Financial Statements (the "Annual Report"), which comprise: Statement of Financial Position as at 31 December 2024; Statement of Comprehensive Income and Statement of Changes in Equity for the year then ended; and the notes to the financial statements, comprising material accounting policy information and other explanatory information.

### 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.

## Independent Auditors' Report to the Members of Prudential Capital Public Limited Company (continued)

### 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 in respect of the Strategic Report, the Directors' Report and the financial statements, 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.

## Independent Auditors' Report to the Members of Prudential Capital Public Limited Company (continued)

**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 Companies Act 2006, and we considered the extent to which non-compliance might have a material effect on the financial statements. 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 posting inappropriate journal entries. Audit procedures performed by the engagement team included:

- Enquiries with management, including consideration of known or suspected instances of fraud or non-compliance with laws and regulations;
- Reviewing relevant board meeting minutes;
- Identifying and testing journal entries, in particular journal entries posted by unexpected users, without appropriate approvers, or with unusual amounts; 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.

## Independent Auditors' Report to the Members of Prudential Capital Public Limited Company (continued)

**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.

Morbeen Ahmad (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh
28 May 2025

## Statement of Comprehensive Income

For the year ended 31 December

| | Note | **2024** **£'000** | 2023 £'000 |
|---|---|---|---|
| Interest income | *2* | **60,894** | 66,357 |
| Interest expense and similar charges | *3* | **(49,198)** | (54,024) |
| **Net interest income** | | **11,696** | 12,333 |
| Other operating income | *4* | **23,181** | 8,402 |
| Operating expenses | *6* | **(8,921)** | (12,343) |
| **Operating profit before tax** | | **25,956** | 8,392 |
| Unrealised (losses) / gains on measurement to fair value | *8* | **(21,091)** | 113 |
| **Profit before tax** | | **4,865** | 8,505 |
| Tax on profit | *9* | **(1,121)** | (2,027) |
| **Profit for the year** | | **3,744** | 6,478 |
| Other comprehensive income | | — | — |
| **Total comprehensive income for the year** | | **3,744** | 6,478 |

The Statement of Comprehensive Income has been prepared on the basis that all operations are continuing operations.

The accounting policies and accompanying notes on pages 18 to 40 form an integral part of these financial statements.

## Statement of Financial Position as at 31 December

| | Note | 2024 £'000 | 2023 (Restated)[1] £'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Debt securities | *10* | **738,060** | 867,538 |
| Derivative assets | *11* | **121,917** | 124,792 |
| Deferred tax assets | *9* | **739** | 1,690 |
| **Total non-current assets** | | **860,716** | 994,020 |
| **Current assets** | | | |
| Debt securities | *10* | **33,416** | 114,954 |
| Derivative assets | *11* | **14,001** | 12,968 |
| Loans | *12* | **—** | 40,005 |
| Current tax assets | *9* | **81** | 752 |
| Accrued investment income and other receivables | *13* | **10,171** | 12,818 |
| Deposits | *15* | **194,450** | 121,531 |
| Cash and cash equivalents | *14* | **23,497** | 228,377 |
| **Total current assets** | | **275,616** | 531,405 |
| **Total assets** | | **1,136,332** | 1,525,425 |
| **Non-current liabilities** | | | |
| Derivative liabilities | *16* | **215,384** | 230,433 |
| Accruals and other liabilities | *17* | **525** | 627 |
| **Total non-current liabilities** | | **215,909** | 231,060 |
| **Current liabilities** | | | |
| Derivative liabilities | *16* | **1,254** | 32,082 |
| Borrowings | *18* | **705,258** | 950,000 |
| Accruals and other liabilities | *17* | **127,797** | 229,970 |
| **Total current liabilities** | | **834,309** | 1,212,052 |
| **Total liabilities** | | **1,050,218** | 1,443,112 |
| **Net assets** | | **86,114** | 82,313 |
| **Equity** | | | |
| Share capital | *19* | **10,000** | 10,000 |
| Retained earnings | | **76,114** | 72,313 |
| **Total equity** | | **86,114** | 82,313 |

[1]Following a review of the Company's presentation of the Statement of Financial Position,certain cash collateral items have been reclassified from Cash and cash equivalents to a new separate line item, Deposits. The comparatives have been restated from those previously reported to reflect this presentation change. The restatement has had no impact on the Statement of Comprehensive Income or net assets. See Note 1.1 for further information.

The financial statements on pages 15 to 40 were approved by the Board of Directors on 28 May 2025 and were signed on its behalf by:

**R Monnington**
Director

Company registered number: 02313262

The accounting policies and accompanying notes on pages 18 to 40 form an integral part of these financial statements.

## Statement of Changes in Equity
*for the year ended 31 December*

| | Note | Share capital | Retained earnings | Total equity |
|---|---|---|---|---|
| | **Note** | **£'000** | **£'000** | **£'000** |
| **Balance at 1 January 2024** | | **10,000** | **72,313** | **82,313** |
| Profit for the year | | **—** | **3,744** | **3,744** |
| **Total comprehensive income for the year** | | **—** | **3,744** | **3,744** |
| Deferred tax on share-based payments | *9* | **—** | **(157)** | **(157)** |
| Current tax on share-based payments | *9* | **—** | **211** | **211** |
| SAYE share-based payments | | **—** | **3** | **3** |
| **Balance at 31 December 2024** | | **10,000** | **76,114** | **86,114** |

| | Note | Share capital | Retained earnings | Total equity |
|---|---|---|---|---|
| | **Note** | **£'000** | **£'000** | **£'000** |
| **Balance at 1 January 2023** | | 10,000 | 65,361 | 75,361 |
| Profit for the year | | — | 6,478 | 6,478 |
| **Total comprehensive income for the year** | | — | 6,478 | 6,478 |
| Deferred tax on share-based payments | *9* | — | (409) | (409) |
| Current tax on share-based payments | *9* | — | 815 | 815 |
| SAYE share-based payments | | — | 68 | 68 |
| **Balance at 31 December 2023** | | 10,000 | 72,313 | 82,313 |

The accounting policies and accompanying notes on pages 18 to 40 form an integral part of these financial statements.

## Notes to the financial statements

## 1. Accounting policies

### 1.1 Basis of preparation of financial statements

Prudential Capital Public Limited Company (the “Company”) is a public company limited by shares incorporated, domiciled and registered in England and Wales in the United Kingdom. The registered number is 02313262 and the registered address is 10 Fenchurch Avenue, London, EC3M 5AG.

These financial statements present information about the undertaking as an individual undertaking and not about its Group. The Company has taken advantage of the exemption not to prepare group financial statements under Section 400 of the Companies Act 2006, since it is included in the consolidated financial statements of M&G plc, a company registered in England and Wales. The consolidated financial statements of M&G plc are prepared in accordance with UK-adopted International Accounting Standards (IAS) and the legal requirements of the Companies Act 2006 and are available to the public from the Company Secretary, at 10 Fenchurch Avenue, London, EC3M 5AG.

These financial statements have been prepared under the historical cost convention, except for certain financial instruments measured at fair value through profit or loss. These financial statements have also been prepared in accordance with United Kingdom Accounting Standards comprising Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101") and the legal requirements of the Companies Act 2006. In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of international accounting standards in conformity with the requirements of the Companies Act 2006, but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- The following paragraphs of *IAS 1 Presentation of Financial Statements*:
  - 10(d), (statement of cash flows),
  - 16(a) (statement of compliance with all UK-adopted IAS),
  - 38 in respect of paragraph 79(a)(iv) (outstanding shares comparative),
  - 38A (requirement for minimum of two primary statements, including cash flow statements),
  - 38B–D (additional comparative information),
  - 111 (cash flow statement information), and
  - 134–136 (capital management disclosures);
- *IAS 7 Statement of Cash Flows*;
- *IFRS 7 Financial Instrument Disclosures*;
- Paragraphs 30 and 31 of *IAS 8 Accounting Policies*, changes in accounting estimates and errors’ (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective); and
- The requirements in *IAS 24 Related Party Disclosures* to disclose related party transactions entered into between two or more members of a group and key management compensation.

The financial statements have been prepared in pounds sterling (“£”) which is the functional currency of the Company. The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements. Various amendments to accounting standards and pronouncements became effective on 1 January 2024, but none of these had a material impact on the financial statements.

## Notes to the financial statements (continued)

## 1. Accounting policies (continued)

### 1.1 Basis of preparation of financial statements (continued)

**Restatement of prior period**

The statement of financial position as at 31 December 2023 has been restated following a change in respect of certain cash collateral items which were previously incorrectly disclosed in Cash and cash equivalents and are now presented in a new separate line item, Deposits. The revised classification aligns the treatment with other areas of the Group. The restatement has had no impact on the statement of comprehensive income for the year ended 31 December 2023, or net assets at 31 December 2023. The impact of the restatement is as follows:

| **As at 31 December 2023** | As previously reported | Restated | |
|---|---|---|---|
| **£'000** | Cash and cash equivalents | Cash and cash equivalents | Deposits |
| Cash at bank | 228,377 | 228,377 | - |
| Cash collateral posted in respect of OTC derivatives | 71,531 | - | 71,531 |
| Reverse repurchase agreements | 50,000 | - | 50,000 |
| **Total** | 349,908 | 228,377 | 121,531 |

### 1.2 Going concern

The financial statements have been prepared on a going concern basis. 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. The key method for assessing going concern is through the Group's business planning process which considers profitability, liquidity and solvency. The business planning process considers the Company's business activities, together with factors likely to affect its future development, successful performance and position, and key risks in the current economic climate.

The Company is exposed to fair value volatility from its debt securities portfolio. Derivative financial instruments are used to mitigate interest rate and foreign exchange rate exposures, but some fair value volatility remains, including exposure to credit risks. Recognising the potential for market volatility, the parent company, M&G plc, has provided a letter of support, stating M&G plc is willing to provide financial support to the Company if needed.

The Company has a net current liabilities position as a result of using short-term borrowings, received from its parent company, M&G plc, and other related Group undertakings, to purchase debt securities that are intended to be held to expected maturity. The debt securities consist of high credit quality bonds and UK gilts (see Note 10), which are liquid and can be readily converted into cash.

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 2024.

### 1.3 Key judgements and estimates

The accounting policies are noted in sections 1.4-1.11 below. The Directors have concluded that there are no critical accounting judgements or estimates in applying these accounting policies.

## **Notes to the financial statements** (continued)

## 1. **Accounting policies** (continued)

### 1.4 Financial instruments

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

Trade receivables 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.

***(ii) Classification and subsequent measurement***

***(a) Classification***

On initial recognition, financial instruments are classified into three categories: fair value through profit and loss ("FVTPL"), fair value through other comprehensive income ("FVOCI") or amortised cost. The classification is based on the business model on which the financial instruments are managed and the contractual cash flows of these instruments.

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

A financial instrument 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.

All financial instruments that do not meet the criteria for being measured at amortised cost, as described above, are measured at FVTPL. This includes assets that are held for trading or are part of a portfolio that is managed on a fair value basis. The Company has no financial instruments classified as FVOCI.

*Cash and cash equivalents*
Cash and cash equivalents consist of cash at bank and other short term deposits held with banks with less than 90 days maturity from the date of acquisition.

*Deposits*
Deposits consist of other short term highly liquid investments with less than 90 days maturity from the date of acquisition.

***(b) Subsequent measurement and gains and losses***

Financial instruments at amortised cost - These assets are subsequently measured at amortised cost using the Effective Interest Rate method, less allowance for impairment. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in the income statement. Any gain or loss on derecognition is recognised in the income statement.

Financial instruments held at FVTPL are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in the income statement.

**Notes to the financial statements** (continued)

## 1. Accounting policies (continued)

### 1.4 Financial instruments (continued)

#### *(c) Impairment*

Impairment losses on financial assets measured at amortised cost are measured using an expected credit loss impairment model. Impairment losses representing the expected credit loss in the next 12 months are recognised unless there has been a significant increase in credit risk from initial recognition, in which case, lifetime expected losses are recognised.

#### *(d) 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.

#### *(e) 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 Company financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

### 1.5 Foreign currency translations

***Functional and presentation currency***
The Company’s functional and presentation currency is pounds sterling.

***Transaction and balances***
Foreign currency transactions are translated into sterling at average rates of exchange during the year. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated 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 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 Statement of Comprehensive Income.

### 1.6 Interest income

Interest income is recognised in the Statement of Comprehensive Income as it accrues, using the effective interest rate method.

### 1.7 Expense recognition

All expenses are recognised in the Statement of Comprehensive Income as a cost when incurred.

**Notes to the financial statements** (continued)

## 1. Accounting policies (continued)

### 1.8 Tax

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. Temporary differences are not provided for on the initial recognition of assets or liabilities that affect neither accounting nor taxable profit.

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.

### 1.9 Share-based payments

All share-based payments made to employees for services rendered, 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 where appropriate, taking into account the terms and conditions of the award.

For equity-settled share-based payments, the fair value of services rendered is based on the fair value of the equity instrument at the grant date, which is not remeasured subsequently. The share-based payment expense is recognised over the vesting period and is based on the number of equity instruments expected to vest, 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.

The Company offers share award and option plans for certain key employees and a Save As You Earn (SAYE) plan for all UK and certain overseas employees. Share options and awards of the parent company's equity instruments, for which the parent company has the obligation to settle, are valued using the fair value at the date of grant and accounted for as equity-settled, i.e. recognised in equity as a capital contribution from the ultimate parent company. Share options and awards for which the Company has the obligation to settle are valued using the fair value at the balance sheet date and accounted for as cash-settled, i.e. an obligation of the Company to transfer the equity instruments of the parent company.

The compensation costs for all awards and options are recognised in comprehensive income over the plans' respective vesting periods.

## Notes to the financial statements (continued)

## 1. Accounting policies (continued)

### 1.10 Pension costs

Certain employees of the Company are members of the Prudential Staff Pension Scheme ("PSPS") defined benefit scheme which is operated by the Group. Previously, certain other employees of the Company were members of the M&G Group Pension Scheme (“M&GGPS”) defined benefit scheme, also operated by the Group. However, during the year ended 31 December 2023, active members of the M&GGPS defined benefit scheme were transferred to the PSPS defined benefit scheme.

Contributions are payable at the minimum level of contributions required under the scheme rules and are charged to the Statement of Comprehensive Income as contributions become due. The net surplus or deficit of the PSPS defined benefit scheme is recognised in the financial statements of The Prudential Assurance Company Limited, M&G Corporate Services Limited and M&G FA Limited, which are all related Group undertakings. The net surplus or deficit of the M&GGPS defined benefit scheme is recognised in the financial statements of M&G FA Limited.

For those employees who are not members of the PSPS defined benefit scheme, contributions are made by the Company to the PSPS defined contribution plan which is also operated by the Group. Contributions are expensed by the Company when due.

### 1.11 Share capital and share premium

An equity instrument is any contract that evidences a residual interest in the assets of the Company, after deducting all of its liabilities. Shares are classified as equity when their terms do not create an obligation to transfer assets. The nominal value of shares issued is recorded in share capital.

Where the consideration received from the issue or sale of existing shares exceeds the nominal value recorded in share capital, the difference is recorded in share premium. Share premium is recorded net of share issue costs.

**Notes to the financial statements** (continued)

## 2. Interest income

| | 2024 | 2023 |
|---|---|---|
| | £'000 | £'000 |
| Interest income on debt securities | **30,004** | 34,495 |
| Interest and fee income on derivatives | **20,261** | 18,911 |
| Interest income from loans to Group undertakings | **772** | 555 |
| Interest income on bank and short-term deposits | **9,857** | 12,396 |
| **Total interest income** | **60,894** | 66,357 |

## 3. Interest expense and similiar charges

| | 2024 | 2023 |
|---|---|---|
| | £'000 | £'000 |
| Interest expenses due to Group undertakings | **42,057** | 41,599 |
| Interest and fee expenses on derivatives | **2,260** | 2,064 |
| Other interest expenses | **4,881** | 10,361 |
| **Total interest expense and similar charges** | **49,198** | 54,024 |

## 4. Other operating income

| | 2024 | 2023 |
|---|---|---|
| | £'000 | £'000 |
| Management fees from fellow Group undertakings | **3,642** | 3,162 |
| Other income from recharges to Group undertakings | **6,565** | 9,321 |
| Realised losses on debt securities | **(12,371)** | (27,709) |
| Realised gains on derivatives | **25,313** | 23,619 |
| Foreign exchange gains/(losses) | **23** | (84) |
| Other income | **9** | 93 |
| **Total operating income** | **23,181** | 8,402 |

## 5. Auditors' remuneration

Fees payable to the Company's external auditors, PricewaterhouseCoopers LLP, its member firms and its associates have been paid by M&G Corporate Services Limited, a related Group undertaking, and recharged to the Company. Auditors' remuneration ( inclusive of VAT) amounted to £172k (2023: £165k) in respect of the audit of the Company's financial statements.

No non-audit services have been provided to the Company by the Company's auditors during the year (2023: none).

## Notes to the financial statements *(continued)*

## 6. Operating expenses

| | **2024** | 2023 |
|---|---|---|
| | **£'000** | £'000 |
| Staff costs | **7,334** | 10,077 |
| Recharges from Group undertakings | **1,520** | 1,139 |
| Other | **67** | 1,127 |
| **Total operating expenses** | **8,921** | 12,343 |

Included within Operating expenses are the following staff costs:

| | **2024** | 2023 |
|---|---|---|
| | **£'000** | £'000 |
| Wages and salaries | **5,190** | 6,912 |
| Share based payments | **941** | 1,220 |
| Social security costs | **947** | 1,517 |
| Pension scheme costs | **256** | 428 |
| **Total staff Costs** | **7,334** | 10,077 |

The average number of staff employed by the Company was 18 (2023: 21). Staff provide services to manage the Company's asset portfolio, and also provide services to related Group undertakings. Management fee income is recognised for services provided to related Group undertakings (see Note 4).

## 7. Directors' emoluments

One (2023: three) of the Directors was employed by the Company during the year. The aggregate emoluments of the other 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. 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.

| | **2024** | 2023 |
|---|---|---|
| The number of Directors with retirement benefits accruing under the Group's defined benefit schemes | **—** | 2 |
| The number of Directors on whose behalf contributions were made to defined contribution pension schemes during the year | **3** | 3 |
| The number of Directors who exercised share options during the year | **1** | 4 |
| The number of Directors in respect of whose services shares were received or receivable under long term schemes | **2** | 5 |

**Notes to the financial statements** (continued)

## 8. Unrealised (losses) / gains on measurement to fair value

| | **2024** | 2023 |
|---|---|---|
| | **£'000** | £'000 |
| Unrealised (losses) / gains on debt securities | **(32,352)** | 43,288 |
| Unrealised gains / (losses) on derivatives | **11,261** | (43,175) |
| **Total unrealised (losses) / gains on measurement to fair value** | **(21,091)** | 113 |

## 9. Tax on profit

### (a) Analysis of tax charge for the year

| | **2024** | 2023 |
|---|---|---|
| | **£'000** | £'000 |
| **Current tax:** | | |
| Current tax on profit for the year | **(297)** | (1,108) |
| Adjustment in respect of prior years | **(30)** | (49) |
| **Total current tax on profit** | **(327)** | (1,157) |
| | | |
| **Deferred tax:** | | |
| Origination and reversal of timing differences | **(826)** | (946) |
| Adjustment in respect of prior years | **32** | 64 |
| Effect of changes in tax rates | **—** | 12 |
| **Total deferred tax on profit** | **(794)** | (870) |
| | | |
| **Total tax on profit for the year** | **(1,121)** | (2,027) |

| | **2024** | 2023 |
|---|---|---|
| | **£'000** | £'000 |
| **Equity items** | | |
| Current tax credit on share-based payments | **211** | 815 |
| Deferred tax (charge) on share-based payments | **(157)** | (409) |
| **Total tax taken to equity** | **54** | 406 |

### (b) Reconciliation of effective tax rate

The tax assessed for the year is lower (2023: higher) than the blended standard rate of corporation tax in the UK of 25% (2023: 23.52%).

**Notes to the financial statements** (continued)

## 9. Tax on profit (continued)

### (b) Reconciliation of effective tax rate (continued)

| | **2024** | 2023 |
|---|---|---|
| | **£'000** | £'000 |
| Profit before tax for the year | **4,865** | 8,505 |
| Tax charged based on the standard UK corporation tax rate of 25% (2023: 23.52%) | **(1,216)** | (2,000) |
| **Effects of:** | | |
| Tax rate changes | **—** | 12 |
| Share-based payments | **93** | (54) |
| Adjustments in respect of prior years | **2** | 15 |
| **Total tax on profit for the year** | **(1,121)** | (2,027) |

### (c) Future tax implications

Changes in tax laws and rates may affect the Company's effective tax rate in the future.

### (d) Deferred tax

| | **2024** | 2023 |
|---|---|---|
| | **£'000** | £'000 |
| **Deferred tax assets :** | | |
| Opening balance | **1,690** | 2,970 |
| Deferred tax charge to income statement for the year | **(826)** | (934) |
| Deferred tax charge in equity for the year | **(157)** | (409) |
| Adjustments in respect of prior years | **32** | 64 |
| Other | **—** | (1) |
| **Net deferred tax assets** | **739** | 1,690 |

The net deferred tax asset balance is attributable to the following:

| | **2024** | 2023 |
|---|---|---|
| | **£'000** | £'000 |
| Employee benefits | **39** | 43 |
| Share based payments | **700** | 865 |
| Debt securities | **—** | (2,268) |
| Derivatives | **—** | 3,050 |
| **Net deferred tax assets** | **739** | 1,690 |

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.

**Notes to the financial statements** (continued)

## 9. Tax on profit (continued)

### (e) Current tax

| | **2024** | 2023 |
|---|---|---|
| | **£'000** | £'000 |
| Corporation tax receivable | **81** | 752 |
| **Net current tax assets** | **81** | 752 |

## 10. Debt securities

Debt securities, which are mandatorily held at fair value through profit and loss, comprise the following:

| | **2024** | 2023 |
|---|---|---|
| | **£'000** | £'000 |
| Government gilts | **518,975** | 601,499 |
| Supranational securities | **47,747** | 47,105 |
| Residential mortgage-backed securities | **25,812** | 48,966 |
| Other asset-backed securities | **—** | 2,345 |
| Corporate securities | **178,942** | 282,577 |
| **Total debt securities** | **771,476** | 982,492 |

Details of debt securities pledged by the Company as collateral to counterparties in respect of its over-the counter (‘OTC’) derivative positions and borrowings under repurchase agreements are detailed in Note 22. The debt securities not pledged as collateral, are unencumbered high quality bonds and UK gilts which are liquid and can be readily converted into cash.

## 11. Derivative assets

| | **2024** | 2023 |
|---|---|---|
| | **£’000** | £’000 |
| Derivative assets | **135,918** | 137,760 |
| **Total derivative assets** | **135,918** | 137,760 |

Derivative assets include balances totalling £3,067k (2023: £5,365k) which relate to derivative transactions undertaken with a Group counterparty.

## 12. Loans

| | **2024** | 2023 |
|---|---|---|
| | **£'000** | £'000 |
| Loans to Group undertakings | **—** | 40,005 |
| **Total loans** | **—** | 40,005 |

As at 31 December 2024, the Company had no loan balances. Previous intra-Group liquidity arrangements involving the related Group undertakings M&G Real Impact Fund and Catalyst Credit Fund expired in December 2024 without any further renewals.

Interest was accrued at either the SONIA or SOFR daily compounded rate, depending on the counterparty, with margin. As at 31 December 2024 the accrued interest receivable by the Company was £nil (2023: £198k) and is presented within Accrued investment income and other receivables on the Statement of Financial Position.

## 13. Accrued investment income and other receivables

| | **2024** | 2023 |
|---|---|---|
| | **£'000** | £'000 |
| Amounts due from Group undertakings | **192** | 819 |
| Interest receivable | **9,823** | 11,750 |
| Accrued income | **39** | 70 |
| Other debtors | **117** | 179 |
| **Total accrued investment income and other receivables** | **10,171** | 12,818 |

Amounts due from Group undertakings are unsecured, interest free and have no fixed date of repayment.

## 14. Cash and cash equivalents

| | **2024** | 2023 (Restated)[1] |
|---|---|---|
| | **£'000** | £'000 |
| Cash at bank | **23,497** | 228,377 |
| **Total cash and cash equivalents** | **23,497** | 228,377 |

[1]Following a review of the Company's presentation of the Statement of Financial Position, certain cash collateral items have been reclassified from Cash and cash equivalents to a new separate line item, Deposits. The comparatives have been restated from those previously reported to reflect this presentation change. The restatement has had no impact on the Statement of Comprehensive Income or net assets.See Note 1.1 for further information.

Cash and cash equivalents consist of cash at bank and other short term deposits held with banks with less than 90 days maturity from the date of acquisition.

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**Notes to the financial statements** (continued)

## 15. Deposits

| | 2024 | 2023 |
|---|---|---|
| | £'000 | £'000 |
| Cash collateral posted in respect of OTC derivatives | 47,450 | 71,531 |
| Reverse repurchase agreements | 147,000 | 50,000 |
| **Total deposits** | **194,450** | 121,531 |

UK Gilts with a total fair value of £145,608k (2023: £49,801k) were pledged as collateral to the Company by external counterparties in respect of reverse repurchase arrangements.

## 16. Derivative liabilities

| | 2024 | 2023 |
|---|---|---|
| | £'000 | £'000 |
| Derivative liabilities | **216,638** | 262,515 |
| **Total derivative liabilities** | **216,638** | 262,515 |

Derivative liabilities at 31 December 2024 included balances totalling £254k which relate to derivative transactions undertaken with a Group counterparty. There are no such Group counterparty balances at 31 December 2023.

## 17. Accruals and other liabilities

| | 2024 | 2023 |
|---|---|---|
| | £'000 | £'000 |
| Amounts owed to group undertakings | **10,803** | 26,426 |
| Obligations under repurchase agreements | **39,758** | 102,204 |
| Cash collateral received in respect of OTC derivatives collateral creditors | **70,521** | 92,670 |
| Interest payable | **3,714** | 3,867 |
| Accrued expenses, deferred income and other payables | **3,526** | 5,430 |
| **Total accruals and other liabilities** | **128,322** | 230,597 |

UK Gilts with a total fair value of £11,348k (2023: £25,663k) were posted as collateral by the Company in respect of obligations under repurchase arrangements with a Group counterparty and UK Gilts with a total fair value of £39,213k (2023: £105,042k) and cash of £622k (2023: £1,420k) were posted as collateral by the Company to external counterparties.

**Notes to the financial statements** (continued)

## 18. Borrowings

| | 2024 | 2023 |
|---|---|---|
| | **£'000** | £'000 |
| Loans from Group undertakings | **705,078** | 950,000 |
| Bank overdraft | **180** | — |
| **Total borrowings** | **705,258** | 950,000 |

As at 31 December 2024 and 31 December 2023, the Company had received loans from its parent, M&G plc, as well as fellow Group undertaking, M&G Group Regulated Entity Holding Company Limited.

In the prior year, the Company had also received a loan from fellow Group undertaking, Investment Funds Direct Limited as part of the management of the Group’s liquidity. This loan was fully repaid during 2024.

Each of the loans from Group undertakings are repayable on demand, in full or in part, and each has a contractual maturity of one year from the date of issue. Interest is accrued and payable at the SONIA daily compounded rate, with no margin.

## 19. Share capital

| | 2024 | 2023 |
|---|---|---|
| | **£'000** | £'000 |
| Allotted, issued and fully paid<br>10 million ordinary shares of £1 each | **10,000** | 10,000 |

Amounts recorded in share capital represent the nominal value of shares issued with any difference between proceeds received on issue of shares, net of issue costs, and the nominal value of shares issued being credited to the share premium reserve. The share premium reserve at 31 December 2024 was £nil (2023: £nil).

## 20. Commitments

### Financial commitments

| | 2024 | 2023 |
|---|---|---|
| | **£'000** | £'000 |
| Commitments to Group undertakings | **—** | 101,363 |
| **Total financial commitments** | **—** | 101,363 |

The Company had previously entered into commitments to provide loan facilities to certain related Group undertakings. The commitments were entered into in the normal course of business and the committed facilities expired in December 2024 without any further renewals. Hence there were no drawdowns on these facilities as at 31 December 2024 (2023: £40,005k). In the prior year, the drawdowns were presented as Loans on the Statement of financial position. See Note 12 for further details.

**Notes to the financial statements** (continued)

## 20. Commitments (continued)

**Off balance sheet arrangements**

The Company provided credit protection on UK Government bonds to market counterparties under credit default swaps. The total notional exposure amounted to £115,778k (2023: £210,000k).

The Company has provided a guarantee to The Prudential Assurance Company Limited (‘PAC’), a related Group undertaking, under which it provides collateral of £32,000k (2023: £170,000k) in the form of debt securities. The value of collateral pledged under this guarantee is subject to haircut adjustments; see Note 22 for further details.

The Company has seconded several employees to M&G Investment Management Limited (‘MAGIM’), a related Group undertaking, to provide services in relation to MAGIM’s role as agent for securities lending activities on behalf of PAC and certain funds within the M&G securities lending programme, of which PAC and certain affiliates are the only investors.

The Company has also provided an indemnity to the participants of the M&G securities lending programme in respect of losses arising from the securities lending activity which is uncapped for credit and market risks and capped at £7,500k per annum for operational losses. Losses relating to retrospective changes in tax legislation are not covered by the indemnities. This indemnity did not give rise to any liabilities as at 31 December 2024 (2023: none).

## 21. Share-based payments

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

Share-based compensation expenses recognised during the year are disclosed in Note 6.

**Description of the plans**

The Company operates various share-based payment schemes that award M&G plc shares to participants upon meeting the required vesting conditions. All discretionary and approved schemes are accounted for as equity-settled as the awards will be settled in M&G plc shares. Details of those schemes are stated below:

| Discretionary Schemes | Description |
|---|---|
| Performance Share Plan ("PSP") | The PSP is a conditional share plan: the shares awarded will ordinarily be released to participants after a predetermined period, usually three years, to the extent that performance conditions have been met. |
| Deferred Incentive Plan ("DIP") | Under these plans, part of the participant's annual bonus is paid in the form of a share award that vests after three or four years. There are no performance conditions associated with this plan. |

| Approved Schemes | Description |
|---|---|
| Save As You Earn (“SAYE”) plans | The Company participates in  SAYE plans operated by the Group, which allow eligible employees the opportunity to save a monthly amount from their salaries, over either a three or five year period. This can then be used to purchase shares in M&G plc at a predetermined price subject to the employee remaining in employment for three years after the grant date of the options and the employee satisfying the monthly savings requirement. |
| Share Incentive Plan (“SIP”) | The Company also participates in SIPs operated by the Group, which allow eligible employees to invest a monthly or annual amount from their salaries in M&G plc shares; M&G plc will then contribute a share for every two the employee purchases. |

**Notes to the financial statements** (continued)

## 21. Share-based payments (continued)

### Outstanding options and awards

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 |
|---|---|---|---|---|
| **2024** | | | | |
| **£1 - £2** | **200,968** | **1.42** | **1.48** | **—** |
| 2023 | | | | |
| £1 - £2 | 254,225 | 2.09 | 1.42 | — |

## 22. Financial instruments

### Financial risk management objectives and policies

The Company's business involves the acceptance and management of risks.

The Company's exposure to financial risks associated with financial instruments held in the ordinary course of business includes:

***Credit risk***

Credit risk is the risk that a counterparty or an issuer of securities, which the Company holds in its asset portfolio, defaults or another party fails to perform according to the terms of the contract.

The acceptance of credit risk is a significant part of the Company's business. Credit risk is controlled using the credit experience of the staff of the Company and M&G plc assigned to monitoring exposure. The Company's maximum exposure to credit risk from financial instruments before any allowance for collateral is represented by the carrying value of financial instruments on the balance sheet that have exposures to credit risk, comprising cash at bank and cash equivalents, deposits, debt securities, loans and derivative assets.

The following table summarises the securities detailed above by rating. Standard & Poor's ('S&P') ratings have been used where available. For securities where S&P ratings are not immediately available, those produced by Moody's and then Fitch have been used as an alternative.

| | **2024** | 2023 |
|---|---|---|
| | **£'000** | £'000 |
| AAA | **214,076** | 283,531 |
| AA+ to AA- | **557,400** | 671,323 |
| A+ to A- | **—** | 27,638 |
| **Total debt securities** | **771,476** | 982,492 |

**Notes to the financial statements** (continued)

## 22. Financial instruments (continued)

***Credit risk*** (continued)

Analysis of the debt securities by listing status is as follows:

| | **2024** | 2023 |
|---|---|---|
| | **£'000** | £'000 |
| Listed | **771,476** | 962,659 |
| Unlisted | **—** | 19,833 |
| **Total debt securities** | **771,476** | 982,492 |

### Collateral pledged and received

The following table details the debt securities and deposits pledged or received by the Company in respect of its activities.

| | **Debt Securities** | | **Deposits[1]** | |
|---|---|---|---|---|
| | **Pledged** | **Received** | **Pledged** | **Received** |
| | **£'000** | **£'000** | **£'000** | **£'000** |
| **31 December 2024** | | | | |
| OTC derivative positions | **173,698** | **—** | **46,828** | **70,521** |
| Reverse Repo trades | **—** | **145,608** | **—** | **—** |
| Repo trades | **50,561** | **—** | **622** | **—** |
| Group guarantees (Note 20) | **35,001** | **—** | **—** | **—** |
| **Total debt securities and deposits pledged or received** | **259,260** | **145,608** | **47,450** | **70,521** |
| 31 December 2023 | | | | |
| OTC derivative positions | 217,929 | 5,517 | 70,111 | 92,670 |
| Reverse Repo trades | — | 49,801 | — | — |
| Repo trades | 130,706 | — | 1,420 | — |
| Group guarantees (Note 20) | 180,309 | — | — | — |
| Total debt securities and deposits pledged or received | 528,944 | 55,318 | 71,531 | 92,670 |

[1]Following a review of the Company's presentation of the Statement of Financial Position, certain cash collateral items have been reclassified from Cash and cash equivalents to a new separate line item, Deposits. The table has been updated to reflect this presentation change.

The Company has also provided credit protection on UK Government bonds to external counterparties under credit default swaps. The total notional exposure amounted to £115,778k (2023: £210,000k).

Deposits are placed with banks and financial institutions which are regulated and rated by rating agencies.

***Market risk***

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates will affect the Company's income or the value of its holdings of financial instruments.

The Company enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts and interest rate swaps.

## Notes to the financial statements (continued)

## 22. Financial instruments (continued)

***Market risk – Interest rate risk:***

The following table summarises the Company's sensitivity to a 1% and 2% change in interest rates, and the net impact to profit after tax. The calculations assume that the change occurred at the balance sheet date and had been applied to risk exposures at that date.

| | Decrease 2% £'000 | Decrease 1% £'000 | Increase 1% £'000 | Increase 2% £'000 |
|---|---|---|---|---|
| **2024** | | | | |
| Debt securities | **133,788** | **60,723** | **(51,046)** | **(94,434)** |
| OTC derivatives | **(108,972)** | **(53,699)** | **52,256** | **103,186** |
| Current tax | **(6,204)** | **(1,756)** | **(302)** | **(2,188)** |
| **Increase in profit after tax** | **18,612** | **5,268** | **908** | **6,564** |
| 2023 | | | | |
| Debt securities | 168,436 | 75,038 | (51,128) | (113,769) |
| OTC derivatives | (125,873) | (61,128) | 48,032 | 116,306 |
| Current tax | (10,011) | (3,272) | 728 | (597) |
| Increase / (decrease) in profit after tax | 32,552 | 10,638 | (2,368) | 1,940 |

***Market risk - Currency risk***

The Company's net exposure to currency risk is as follows:

| | GBP £'000 | USD £'000 | EUR £'000 | Other £'000 | Total £'000 |
|---|---|---|---|---|---|
| **31 December 2024** | | | | | |
| Net exposure | **863** | **85,499** | **(1,020)** | **760** | **86,102** |
| **31 December 2023** | | | | | |
| Net exposure | (98,953) | 181,664 | (780) | 380 | 82,311 |

***Sensitivity analysis***

A 5% weakening of the US dollar and euro currencies against pound sterling at 31 December 2024 would have decreased profit before tax by the amounts shown below. A 5% strengthening of the US dollar and euro currencies against pound sterling at 31 December 2024 would have increased profit before tax by the equal and opposite of the amounts shown below. These calculations assume that the change occurred at the balance sheet date and had been applied to risk exposures at that date. This analysis assumes that all other variables, in particular other exchange rates and interest rates, remain constant.

| | Impact on profit / (loss) before tax £'000 |
|---|---|
| **2024** | |
| USD | **(267)** |
| EUR | **(50)** |
| 2023 | |
| USD | (99) |
| EUR | (43) |

**Notes to the financial statements** (continued)

## 22. Financial instruments (continued)

***Market risk - Liquidity risk***

Liquidity risk is the risk that the Company may be unable to meet its payment obligations in a timely manner at a reasonable cost or the risk of unexpected increases in the cost of funding the portfolio at appropriate maturities or rates. Liquidity management in the Company and the wider group seeks to ensure that, even under adverse conditions, the Company has access to funds necessary to cover maturing liabilities.

The following table sets out the contractual maturities for financial liabilities, excluding derivative liabilities that are separately presented. The financial liabilities are included in the column relating to the contractual maturities at the undiscounted cash flows (including contractual interest payments) due to be paid, assuming conditions are consistent with those at year end.

| | Total carrying value | Contractual cash flows | 1 year or less | After 1 year to 5 years | No stated maturity |
|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| **2024** | | | | | |
| Amounts owed to group undertakings | **715,881** | **715,881** | **715,881** | **—** | **—** |
| Obligations under repurchase agreements | **39,758** | **39,758** | **39,758** | **—** | **—** |
| Other creditors | **77,761** | **77,761** | **6,262** | **525** | **70,974** |
| | **833,400** | **833,400** | **761,901** | **525** | **70,974** |
| **2023** | | | | | |
| Amounts owed to group undertakings | 976,426 | 976,426 | 976,426 | — | — |
| Obligations under repurchase agreements | 102,204 | 102,204 | 102,204 | — | — |
| Other creditors | 101,967 | 101,967 | 3,867 | 626 | 97,474 |
| | 1,180,597 | 1,180,597 | 1,082,497 | 626 | 97,474 |

The following table shows the gross and net derivatives positions together with a maturity profile of the net derivative position:

| | Carrying value of derivatives | | | Maturity profile of net derivative position | | | | |
|---|---|---|---|---|---|---|---|---|
| | Derivative Assets | Derivative Liabilities | Net Derivative Position | Total Expected cash flows | 1 year or less | After 1 year to 3 years | After 3 years to 5 years | After 5 years |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| **2024** | **135,918** | **(216,638)** | **(80,720)** | **(112,469)** | **20,844** | **19,679** | **(45,344)** | **(107,648)** |
| 2023 | 137,760 | (262,515) | (124,755) | (149,539) | (15,389) | 11,171 | 6,743 | (152,064) |

**Notes to the financial statements** (continued)

## 22. Financial instruments (continued)

***Offsetting assets and liabilities***

The Company's derivative instruments and repurchase agreements are subject to master netting arrangements and collateral arrangements. A master netting arrangement with a counterparty creates a right of offset for amounts due to and due from the same counterparty that is enforceable in the event of default or bankruptcy. The Company recognises amounts subject to master netting arrangements on a gross basis within the Statement of Financial Position. The following table presents the gross and net information about the Company's financial instruments which are subject to master netting and similar collateral arrangements.

| | | Related amounts not offset in the balance sheet | | | |
|---|---|---|---|---|---|
| | Gross amount included in Statement of Financial Position | Financial Instruments | Deposits[1] | Securities Collateral | Net Amount |
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| **2024** | | | | | |
| **Financial assets** | | | | | |
| Derivative assets | **135,918** | **(60,913)** | **(65,321)** | **(4,330)** | **5,354** |
| Reverse repurchase agreements | **147,000** | **—** | **—** | **(145,608)** | **1,392** |
| | **282,918** | **(60,913)** | **(65,321)** | **(149,938)** | **6,746** |
| **Financial liabilities** | | | | | |
| Derivative liabilities | **(216,638)** | **60,913** | **13,482** | **121,382** | **(20,861)** |
| Repurchase agreements | **(39,758)** | **—** | **622** | **39,084** | **(52)** |
| | **(256,396)** | **60,913** | **14,104** | **160,466** | **(20,913)** |
| 2023 | | | | | |
| Financial assets | | | | | |
| Derivative assets | 137,760 | (42,443) | (87,802) | (5,517) | 1,998 |
| Reverse repurchase agreements | 50,000 | — | — | (49,801) | 199 |
| | 187,760 | (42,443) | (87,802) | (55,318) | 2,197 |
| Financial liabilities | | | | | |
| Derivative liabilities | (262,515) | 42,443 | 28,717 | 195,881 | 4,526 |
| Repurchase agreements | (127,203) | — | 1,420 | 130,706 | 4,923 |
| | (389,718) | 42,443 | 30,137 | 326,587 | 9,449 |

[1]Following a review of the Company's presentation of the Statement of Financial Position, certain cash collateral items have been reclassified from Cash and cash equivalents to a new separate line item, Deposits. The table has been updated to reflect this presentation change.

In the table above, the amounts of assets and liabilities presented in the balance sheet are offset first by financial instruments that have the right of offset under master netting arrangements with any remaining amount reduced by the amount of cash and securities collateral. The actual amount of collateral may be greater than amounts presented in the table.

**Notes to the financial statements** (continued)

## 22. Financial instruments (continued)

***Assets and liabilities – Classification and measurement***

The fair values of the financial instruments for which fair valuation is required under IFRS are determined by the use of current market prices for exchange-quoted investments, or by using quotations from independent third parties, such as brokers and pricing services or by using appropriate valuation techniques.

The estimated fair value of derivative financial instruments reflects the estimated amount the Company would receive or pay in an arm's length transaction. This amount is determined using valuations from independent third parties or valued internally using standard market practices.

The carrying amount of the Company's other financial assets and financial liabilities is a reasonable approximation of their fair values.

The classification of the Company's assets and liabilities, and the corresponding accounting carrying values reflect the requirements of IFRS.

| | At fair value through profit & loss | Amortised cost | Total carrying amount |
|---|---|---|---|
| | £'000 | £'000 | £'000 |
| **2024** | | | |
| Debt securities | **771,476** | **—** | **771,476** |
| Derivative assets | **135,918** | **—** | **135,918** |
| Accrued investment income and other debtors | **—** | **10,171** | **10,171** |
| Deposits | **—** | **194,450** | **194,450** |
| Cash and cash equivalents | **—** | **23,497** | **23,497** |
| **Total financial assets** | **907,394** | **228,118** | **1,135,512** |
| | | | |
| Derivative liabilities | **(216,638)** | **—** | **(216,638)** |
| Accruals and other liabilities | **—** | **(128,322)** | **(128,322)** |
| Borrowings | **—** | **(705,258)** | **(705,258)** |
| **Total financial liabilities** | **(216,638)** | **(833,580)** | **(1,050,218)** |
| | | | |
| 2023 (Restated)[1] | | | |
| Debt securities | 982,492 | — | 982,492 |
| Derivative assets | 137,760 | — | 137,760 |
| Loans | — | 40,005 | 40,005 |
| Accrued investment income and other debtors | — | 12,818 | 12,818 |
| Deposits | — | 121,531 | 121,531 |
| Cash and cash equivalents | — | 228,377 | 228,377 |
| Total financial assets | 1,120,252 | 402,731 | 1,522,983 |
| | | | |
| Derivative liabilities | (262,515) | — | (262,515) |
| Accruals and other liabilities | — | (230,597) | (230,597) |
| Borrowings | — | (950,000) | (950,000) |
| Total financial liabilities | (262,515) | (1,180,597) | (1,443,112) |

[1]Following a review of the Company's presentation of the Statement of Financial Position, certain cash collateral items have been reclassified from Cash and cash equivalents to a new separate line item, Deposits. The comparatives have been restated from those previously reported to reflect this presentation change. The restatement has had no impact on the Statement of Comprehensive Income or net assets.See Note 1.1 for further information.

**Notes to the financial statements** (continued)

## 22. Financial instruments (continued)

***IFRS 13 Fair value hierarchy***

The table below shows financial instruments carried at fair value analysed by the level of the IFRS 13 'Fair Value Measurement' defined fair value hierarchy. The different levels have been defined as follows:

- **Level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities

- **Level 2:** inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

- **Level 3:** inputs for the asset or liability valuation that are not based on observable market data (unobservable inputs)

The Company's policy is consistent with the Group's policy, which is to recognise transfers out of levels as at the end of each reporting period, except for material transfers, which are recognised as of the date of the event or change in circumstances that caused the transfers. Transfers are deemed to have occurred when there is a material change in the observed valuation inputs or a change in the level of trading activities.

During the year ended 31 December 2024, debt securities with a fair value of £23,105k were transferred from level 1 to level 2. In prior year, debt securities with a fair value of £23,903k were transferred from level 2 to level 1. There were no other transfers in or out of level 1, level 2 or level 3.

| | **Level 1**<br>**£'000** | **Level 2**<br>**£'000** | **Level 3**<br>**£'000** | **Total**<br>**£'000** |
|---|---|---|---|---|
| **2024** | | | | |
| Debt securities | **518,975** | **252,501** | **—** | **771,476** |
| Derivative assets | **—** | **135,918** | **—** | **135,918** |
| **Total assets held at fair value** | **518,975** | **388,419** | **—** | **907,394** |
| | | | | |
| Derivative liabilities | **—** | **(216,638)** | **—** | **(216,638)** |
| **Total liabilities held at fair value** | **—** | **(216,638)** | **—** | **(216,638)** |
| | | | | |
| 2023 | | | | |
| Debt securities | 616,899 | 365,593 | — | 982,492 |
| Derivative assets | — | 137,760 | — | 137,760 |
| Total assets held at fair value | 616,899 | 503,353 | — | 1,120,252 |
| | | | | |
| Derivative liabilities | — | (262,515) | — | (262,515) |
| Total liabilities held at fair value | — | (262,515) | — | (262,515) |

**Notes to the financial statements** (continued)

## 23. Related party transactions

The Company has taken advantage of the exemption under paragraph 8(k) of FRS 101 from disclosing transactions with other wholly owned subsidiary undertakings of the M&G plc Group.

There were no other related party transactions in the years ended 31 December 2024 and 31 December 2023 other than those with wholly owned subsidiary undertakings of the Group and those disclosed in Note 7.

## 24. Immediate and ultimate parent company

The Company's immediate and ultimate parent company is M&G plc, registered at 10 Fenchurch Avenue, London, EC3M 5AG, and incorporated in England and Wales. The smallest and largest group to consolidate these financial statements is M&G plc. Consolidated financial statements are prepared by M&G plc and can be obtained from the registered office.