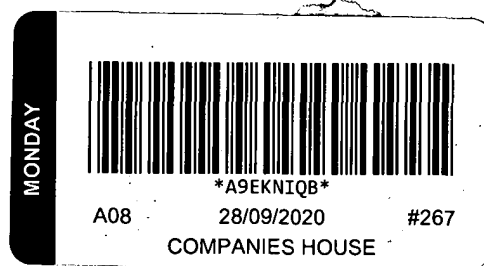


Registration number: 01331817

PGIM Private Capital Limited (formerly known as Pricoa Capital Group Limited)

Annual Report and Financial Statements

for the Year Ended 31 December 2019



PGIM Private Capital Limited (formerly known as Pricoa Capital Group Limited)

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PGIM Private Capital Limited (formerly known as Pricoa Capital Group Limited)

Company Information

Directors	D. J. Campbell M. L. Fioramonti E. A. Jolly T. Sirvanci M. G. Fresson
Company secretary	L. D. King
Registered office	Grand Buildings 1-3 Strand Trafalgar Square London WC2N 5HR
Solicitors	S.J. Berwin 10 Queen Street Place London EC4R 1BE
Independent Auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 1 Embankment Place London WC2N 6RH

PGIM Private Capital Limited (formerly known as Pricoa Capital Group Limited)

Strategic Report for the Year Ended 31 December 2019

The Directors present their Strategic Report for PGIM Private Capital Limited (formerly known as Pricoa Capital Group Limited) ('PPC' or the 'Company') for the year ended 31 December 2019.

Principal Activities

The Company is a wholly owned subsidiary of PGIM Financial Limited ('PFL') and its results are also included in the consolidated financial statements of PFL and its subsidiaries (collectively the "Group"). PFL is in turn a direct subsidiary of PGIM, Inc. ('PGIM'), the asset management division of Prudential Financial, Inc. ('PFI'), and provides investment origination and sourcing services to institutional investors (including PGIM and other companies within the PFI group). The Company also manages and monitors portfolios of investments on behalf of investors.

The Company is authorised and regulated by the Financial Conduct Authority ('FCA'). The branches in Germany, France and Italy were transferred, on 12 April 2019, to Pricoa Capital Group (Ireland) Limited, which has been established to give the Group greater flexibility in a post Brexit environment.

Fair review of the business

During the year the Company continued to provide investment origination, sourcing and asset management services. In the opinion of the Directors, the Company's performance in the year was satisfactory. Investment Originations were £1.6bn (2018: £2.5bn) reflecting an increasingly competitive market and assets under management ('AUM') fell as a result of the transfer of branch activity.

The Company forms part of a Global Business Unit which refined its branding during 2019. The Company adopted PGIM Private Capital as its investor facing name and Pricoa Private Capital as its borrower facing name. In keeping with this initiative, the Company changed its name on 3 April 2020 to Pricoa Private Capital Limited and further changed on 7 April 2020 to PGIM Private Capital Limited.

On 12 April 2019, the Company transferred the activities of its three branches, including the employees working in those branches, to Pricoa Capital Group (Ireland) Limited. This transfer was in exchange for the issuance of new shares at par, representing 5.45% (115,208 shares) of Pricoa Capital Group (Ireland) Limited. As a result of the transfer of the branch activities, the Company has reported a fall in revenue in 2019 compared to 2018. This fall was partially offset by an increase in asset management fees. The fall in revenue is a direct result of the transfer of the branch activities and will have an ongoing permanent impact. The rationale behind the transfers is to enable the business activities conducted within the branches to continue in a post-Brexit environment. The decision to transfer the branches and the activity was to facilitate the continuation of operations and further the Group's overall strategy.

During 2019 the strategic decision was also taken to terminate the Deed of Guarantee for insurance mediation activities carried out by PGIM Limited ('PGIML') underwritten by PPC and for PGIM Real Estate (UK) Limited (formerly PGIM Fund Management Limited) ('PGIMREL') to underwrite a similar Deed of Guarantee to PGIML instead. Following the termination of the Deed of Guarantee by PPC, PPC bought back 5,751,000 £1 Ordinary shares at par from PFL, and, in line with the Group's Capital Management policy of ensuring surplus capital is deployed efficiently, returned £12.0 million of surplus capital to its sole shareholder, PFL, by way of an interim dividend.

Section 172(1) Statement

The Strategic Report must include a statement describing how the Directors have a regard to the matters as set out in section 172(1) of the Companies Act 2016 (CA 2016) as detailed below. Sections 465 to 467 of CA 2016 do allow for certain exemptions from this disclosure on the basis of size or materiality, however the Company is excluded from benefiting from these exemptions on the basis that it forms part of an ineligible group, that is a group which, amongst other criteria, contains a MiFID investment Firm or UCITS management company.

PGIM Private Capital Limited (formerly known as Pricoa Capital Group Limited)

Strategic Report for the Year Ended 31 December 2019

(a) The likely consequences of any decision in the long term

The Company regularly assess its strategy from both a commercial and risk perspective to ensure the long term consequences of any strategic decision are understood and taken into account as detailed in the decision to transfer the activities of the Company's branches above.

During 2019 the strategic decision was taken to terminate the Deed of Guarantee for insurance mediation activities carried out by PGIM Limited from PPC, with a new Deed of Guarantee underwritten by PGIM Real Estate UK Limited (formerly known as PGIM Fund Management Limited) instead. In order to be able to make this Deed of Guarantee, the Company was required to have net assets of at least £10 million. Following the decision to terminate the Deed of Guarantee, the Company bought back 5,751,000 £1 Ordinary shares at par from PGIM Financial Limited in line with the Company's Capital Management policy of ensuring surplus capital is deployed efficiently and in addition returned £12.0 million of surplus capital to its sole shareholder, PGIM Financial Limited, by way of an interim dividend.

(b) The interests of the Company's employees

The Company seeks to promote the interests of its employees by ensuring that they are skilled to undertake the role they perform, receiving regular training to maintain their competencies, and that all employees are fairly and appropriately remunerated. The Company also engages with its employees at least annually via an anonymous questionnaire, the results of which are summarised and shared with its employees to identify key areas of development.

(c) The need to foster the Company's business relationships with suppliers, customers and others

The Company works to foster positive business relationships with suppliers, customers and other stakeholders. Relationships with customers are governed by written contracts to ensure transparency and clarity of expectation of performance.

The Company has established good working relationships with its suppliers and seeks to ensure a responsible payment culture, with the publishing for the Group of its Business Payment practices and Performance reporting on the Companies' House website. Following a review of the Modern Slavery Act, the Company has engaged with its suppliers to ensure mutual compliance.

The Company seeks to establish positive relationships with the local regulatory authorities.

(d) The impact of the Company's operations on the community and the environment

The Company encourages its employees to contribute to the community in which the Company operates by offering the opportunity to take part in local charity and volunteering initiatives. The Company seeks where possible to minimize its impact on the environment and has developed in-house initiatives, such as an internal recycling scheme and the provision of employee cycle racks, to this aim.

(e) Maintaining high standards of business conduct

There is worldwide engagement with employees regarding individual conduct and the high standards of ethics and integrity expected of employees is outlined in Prudential's Code of Conduct "Making the Right Choices". The Code of Conduct is supported by ongoing training and annual re-certification.

(f) The need to act fairly between members of the Company

The Company is a Private Limited Company with a sole shareholder.

PGIM Private Capital Limited (formerly known as Pricoa Capital Group Limited)

Strategic Report for the Year Ended 31 December 2019

Key Performance Indicators

The Company's principal measure of performance is its profit after tax. The financial statements show results for the year ended 31 December as set out below:

	2019 £	2018 £
Revenue	15,587,166	19,896,267
Profit before tax	4,240,900	5,136,322
Taxation	(833,885)	(1,055,391)
Profit for the financial year	<u>3,407,015</u>	<u>4,080,931</u>

As well as overall Company profitability, the Directors consider investment originations and assets under management to be a key performance indicator for the business.

	2019 £Mn	2018 £Mn
<i>Originations</i>		
Pricoa Capital Group Limited	<u>1,596</u>	<u>2,531</u>

	2019 £Mn	2018 £Mn
<i>Assets Under Management</i>		
Pricoa Capital Group Limited	<u>784</u>	<u>877</u>

Principal risks and uncertainties

The Directors regularly assess the risks faced by the Company and believe that its principal risk is business risk which is defined as the Company's failure to meet its strategic objectives through significant market movements or other external factors. The Company's approach to managing business risk is to closely monitor market and other movements in the business environment and amend its strategy where necessary. In addition to business risk, the Company faces other significant risks which are outlined below.

Market risk

The Company is exposed to market risks, principally in the form of foreign exchange risk. Foreign exchange risk arises from fluctuations in the value of its assets and liabilities denominated in currencies other than Pounds Sterling. To the extent that the market risk associated with a particular asset or liability is deemed to be material, the Company utilises various hedging strategies to mitigate this risk. The Company currently has no material foreign exchange assets or liabilities and has no currency hedges in place.

Credit risk

Credit risk arises mainly from cash holdings and from receivables from third parties, including balances with other affiliated companies. The Company's approach to managing this risk is to hold cash with large, systemically important banks and to monitor and arrange settlement of receivable balances and non affiliated balances with third parties on a timely basis. The Company does not therefore consider credit risk to be material.

Liquidity risk

The Company manages liquidity risk through a combination of maintenance of cash surpluses held by the Company, funding lines with affiliated companies and detailed regular forecasting of the Company's funding requirements, and does not consider liquidity risk to be material.

PGIM Private Capital Limited (formerly known as Pricoa Capital Group Limited)

Strategic Report for the Year Ended 31 December 2019

Brexit Risk

Following the UK's vote to withdraw from the European Union on 23 June 2016, a working group was established to assess the impact of Brexit on the PGIM Group's business and analyse the options available for continuing the UK Group's various regulated activities in the EU. The UK Group has the benefit of being able to work with other regulated affiliated entities located within the EU and the working group concluded that the establishment of a further two EU regulated legal entities and an extension of the regulatory permissions of an existing EU affiliate would be beneficial to manage the potential impact on the UK Group's business. The PPC Board believes that the UK Group is well positioned to ensure as little disruption as possible to its existing business set-up and PGIM's ability to market its products into EU jurisdictions and, directly or indirectly, provide its investment management services to EU domiciled clients.

On 31 January 2020, the UK left the EU with a transition period in relation to existing laws and regulations until 31 December 2020. There is still a high degree of uncertainty regarding the outcome of the trade negotiations between the UK and EU in relation to the period beyond 1 January 2021 especially in the context of financial services (the transition period could be extended subject to agreement between the UK and EU by 1 July 2020). The UK Group has continued to prepare for a "hard" Brexit and has contingency plans, as appropriate, for each business. At this stage, the PGIM Group boards have not identified nor do they anticipate Brexit having a material impact to any of their businesses.

Business Continuity Risk


On 11 March the World Health Organisation declared a global pandemic in respect of Covid-19. As a result of the pandemic the stock markets are witnessing significant levels of turmoil and many countries have implemented "lockdown" measures. To protect the wellbeing of its employees and ensure continuity of services to its clients, the employees of the Company are as of March 2020 working remotely.

Following the move to working remotely, internal controls and procedures have been reviewed to ensure that all controls continue to perform as expected. The governance of the Company has been augmented with more frequent Management and Board meetings to ensure the ongoing market and operational impacts of the crisis are being monitored and where necessary, appropriate actions taken. Where necessary, additional IT solutions and equipment have been sourced. PPC has not taken advantage of any local government support made available at this time.

The Company has continued to provide services without interruption, demonstrating the operational resilience of the BCP framework, which has effectively now become the Company's Business as Usual method of operating until the end of the lockdown is announced.

The Company is regulated by the FCA. The Company holds capital sufficient to provide resilience against a severe yet plausible event as part of its normal business activity. In order to ensure the Company continues to hold sufficient capital for regulatory purposes and liquidity to meet obligations as they fall due. Capital and liquidity adequacy are being monitored on an ongoing basis.

By order of the Board and signed on its behalf by:



T. Sirvanci
Director
27 April 2020

PGIM Private Capital Limited (formerly known as Pricoa Capital Group Limited)

Directors' Report for the Year Ended 31 December 2019

The Directors present their Annual Report and the audited Financial Statements for the year ended 31 December 2019.

PGIM Private Capital Limited (formerly known as Pricoa Capital Group Limited) ('PPC') is a private company limited by shares incorporated by the Registrar of Companies (England and Wales) in the United Kingdom and has its registered office at Grand Buildings, 1-3 Strand, Trafalgar Square, London WC2N 5HR.

The Company's immediate parent is PGIM Financial Limited ('PFL'), which in turn is a subsidiary of PGIM, Inc., a company incorporated in the United States. PGIM, Inc. is itself a subsidiary of Prudential Financial, Inc., a company incorporated in the United States, and listed on the New York Stock Exchange (NYSE: PRU), and the parent undertaking of the largest group for which group financial statements are prepared.

The financial statements have been prepared on a going concern basis.

Directors of the Company

The Directors who held office during the year and up to the date of signing the financial statements were as follows:

D. J. Campbell

M. L. Fioramonti

E. A. Jolly

T. Sirvanci

E. M. Barker (resigned 13 August 2019)

M. G. Fresson

Future outlook and events after the Statement of Financial Position date

As outlined in the Strategic Report the Company will continue to provide investment origination, sourcing and asset management services and, despite the current market turmoil due to the Covid-19 global pandemic, will look to increase the portfolio of investment management services to third parties.

The Company forms part of a Global Business Unit which refined its branding during 2019. The Company adopted PGIM Private Capital as its investor facing name and Pricoa Private Capital as its borrower facing name. In keeping with this initiative, the Company changed its name on 3 April 2020 to Pricoa Private Capital Limited and further changed on 7 April 2020 to PGIM Private Capital Limited.

On 12 April 2019, the Company transferred the activities of its three branches, including the employees working in those branches, to Pricoa Capital Group (Ireland) Limited. Following the transfer of activity in the three branches, the Paris branch was closed effective 15 April 2019. The Frankfurt and Milan branches will be closed in 2020.

Share Buy-back

During 2019 the decision was taken to buy back 5,751,000 £1 Ordinary shares at par from PFL in order to be able to return surplus capital to PFL, the sole shareholder.

Dividend

During the year an interim dividend of £12,000,000 was paid (2018: £nil). The Directors do not recommend the payment of a final dividend (2018: £nil).

PGIM Private Capital Limited (formerly known as Pricoa Capital Group Limited)

Directors' Report for the Year Ended 31 December 2019

Political donations

The Company has made no political donations and incurred no political expenditure during the year (2018: £nil).

Financial instruments

The Company holds financial instruments including cash, trade receivables and payables and a 5.45% investment in Pricoa Capital Group (Ireland) Limited as detailed in the Statement of Financial Position (2018: cash, trade receivables and payables).

Pillar 3 Disclosures

Under the Pillar 3 requirements of the Capital Requirements Directive, as enacted in the UK by the Financial Conduct Authority through Chapter 11 of the Prudential Sourcebook for Banks, Buildings Societies ("BIPRU 11"), Pricoa Capital Group Limited ("PPC") and all PFL subsidiaries comprise the PGIM Financial Limited Group (the "Group"), which is required to disclose in a public forum its principal risk management and capital adequacy procedures. The Group's BIPRU 11 disclosures are unaudited and included on the Group's website:

<https://www.pgim.com/links/terms-conditions>

Country by country reporting

As a qualifying investment firm, the Company has obligations under Article 89 of the Capital Requirements Directive to report its international activities and establishments. The Company's obligations disclosures are unaudited and included on the Company's website:

www.pgim.com/links/terms-conditions

Branches outside the United Kingdom

The Company previously held branches in Paris, Frankfurt and Milan. The activity of these were transferred to Pricoa Capital Group (Ireland) Limited on 12 April 2019. Following the transfer of activity in the three branches, the Paris branch was closed effective 15 April 2019. The Frankfurt and Milan branches will be closed in 2020.

PGIM Private Capital Limited (formerly known as Pricoa Capital Group Limited)

Directors' Report for the Year Ended 31 December 2019

Going concern

On 11 March the World Health Organisation declared a global pandemic in respect of Covid-19. As a result of the pandemic the stock markets are witnessing significant levels of turmoil and many countries have implemented "lockdown" measures. To protect the wellbeing of its employees and ensure continuity of services to its clients, the employees of the Group are as of March 2020 working remotely.

Following the move to working remotely, internal controls and procedures have been reviewed to ensure that all controls continue to perform as expected. The governance of the Company has been augmented with more frequent Management and Board meetings to ensure the ongoing market and operational impacts of the crisis are being monitored and where necessary, appropriate actions taken. Where necessary, additional IT solutions and equipment have been sourced. The Company has not taken advantage of any local government support made available at this time.

The Company has continued to provide services without interruption, demonstrating the operational resilience of its BCP framework, which has effectively now become the Company's Business as Usual method of operating. This will continue until the end of the official lockdown.

The Company is regulated by the FCA. The Company holds capital sufficient to provide resilience against a severe yet plausible event as part of its normal business activity. In order to ensure the Company continues to hold sufficient capital for regulatory purposes and liquidity to meet obligations as they fall due capital and liquidity adequacy are being monitored on an ongoing basis.

The Directors have performed an analysis of expected cashflows, including work performed on stress testing due to the Covid-19 situation and planned for mitigating actions. An assessment of the actual and potential impact of the deteriorating market conditions on the 2020 expected performance of the Company has been performed. Currently there is no significant impact and the Company is currently profitable. The Company is forecasted to remain profitable for the 12 months following the signing of the accounts. The Company has sufficient cash reserves to meet its strategic goals as planned.

Because of the diversity of its revenue base, its liquidity and the strength of its balance sheet, the Directors are confident that, in spite of the current market turmoil, the Company can meet its liabilities as they fall due in the next 12 months and is a going concern and the Financial Statements have been prepared on a going concern basis.

PGIM Private Capital Limited (formerly known as Pricoa Capital Group Limited)

Directors' Report for the Year Ended 31 December 2019

Directors' liabilities

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third-party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and as at the date of signature of the financial statements. The Company does not have its own Directors' and Officers' liability insurance but is covered by a scheme run by its ultimate parent, Prudential Financial Inc., maintained throughout the financial year in respect of itself and its Directors.

Deed of Guarantee for Insurance Mediation Activities

On 12 November 2019, the Deed of Guarantee for insurance mediation activities carried out by PGIM Limited, up to a maximum claim of £3 million, was transferred from PPC to PGIM Real Estate UK Limited (formerly known as PGIM Fund Management Limited).

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

- select suitable accounting policies and 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 also 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 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.

Directors' confirmations

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.

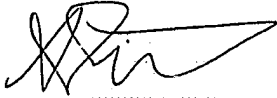
PGIM Private Capital Limited (formerly known as Pricoa Capital Group Limited)

Directors' Report for the Year Ended 31 December 2019

Reappointment of independent auditors

It is the intention of the Directors to reappoint the independent auditors, PricewaterhouseCoopers LLP, in accordance with the requirements of Section 487 of the Companies Act 2006.

Approved by the Board on 27 April 2020 and signed on its behalf by:

A handwritten signature in black ink, appearing to be 'T. Sirvanci', written over a dotted line.

T. Sirvanci
Director

PGIM Private Capital Limited (formerly known as Pricoa Capital Group Limited)

**Independent Auditors' Report to the Members of PGIM Private Capital Limited
(formerly known as Pricoa Capital Group Limited)**

Report on the audit of the financial statements

Opinion

In our opinion, PGIM Private Capital Limited's (formerly known as Pricoa Capital Group Limited) financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising 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: the Statement of Financial Position as at 31 December 2019; the Income Statement, 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

ISAs (UK) require us to report to you when:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- The Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

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

PGIM Private Capital Limited (formerly known as Pricoa Capital Group Limited)

**Independent Auditors' Report to the Members of PGIM Private Capital Limited
(formerly known as Pricoa Capital Group Limited)**

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 the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require 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 2019 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 set out on page 9, 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.

PGIM Private Capital Limited (formerly known as Pricoa Capital Group Limited)

**Independent Auditors' Report to the Members of PGIM Private Capital Limited
(formerly known as Pricoa Capital Group Limited)**

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.

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 received 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.



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Sonia Copeland (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

27 April 2020

PGIM Private Capital Limited (formerly known as Pricoa Capital Group Limited)

Income Statement for the Year Ended 31 December 2019

	Note	2019 £	2018 £
Revenue	4	15,587,166	19,896,267
Administrative expenses		(11,191,644)	(14,755,220)
Other losses	5	<u>(152,497)</u>	<u>-</u>
Operating profit	6	<u>4,243,025</u>	<u>5,141,047</u>
Finance income	7	34,207	972
Finance costs	8	<u>(36,332)</u>	<u>(5,697)</u>
Net finance cost		<u>(2,125)</u>	<u>(4,725)</u>
Profit before tax		4,240,900	5,136,322
Income tax expense	11	<u>(833,885)</u>	<u>(1,055,391)</u>
Profit for the financial year		<u><u>3,407,015</u></u>	<u><u>4,080,931</u></u>

The above results were derived from continuing operations.

The notes on pages 19 to 41 form an integral part of these financial statements.

PGIM Private Capital Limited (formerly known as Pricoa Capital Group Limited)

Statement of Comprehensive Income for the Year Ended 31 December 2019

	2019 £	2018 £
Profit for the financial year	<u>3,407,015</u>	<u>4,080,931</u>
Items that may be reclassified subsequently to profit or loss		
Foreign currency translation differences - foreign operations	<u>-</u>	<u>26,822</u>
Other comprehensive income for the year	<u>-</u>	<u>26,822</u>
Total comprehensive income for the year	<u><u>3,407,015</u></u>	<u><u>4,107,753</u></u>

The notes on pages 19 to 41 form an integral part of these financial statements.

PGIM Private Capital Limited (formerly known as Pricoa Capital Group Limited)

Statement of Financial Position as at 31 December 2019

	Note	2019 £	2018 £
Non-current assets			
Property, plant and equipment	12	317,907	432,568
Right-of-use assets	13	1,143,649	-
Investments	14	99,274	-
Deferred tax assets	11	141,447	156,936
		<u>1,702,277</u>	<u>589,504</u>
Current assets			
Trade and other receivables	15	13,179,576	19,015,710
Cash	16	401,612	10,373,896
		<u>13,581,188</u>	<u>29,389,606</u>
Total assets		<u>15,283,465</u>	<u>29,979,110</u>
Current liabilities			
Trade and other payables	20	(4,687,681)	(6,187,101)
Lease liabilities	19	(211,200)	-
Income tax liability		(367,501)	(21,748)
		<u>(5,266,382)</u>	<u>(6,208,849)</u>
Net current assets		<u>8,314,806</u>	<u>23,180,757</u>
Non-current liabilities			
Lease Liabilities	19	(1,163,242)	-
Provisions	23	(68,008)	(54,286)
		<u>(1,231,250)</u>	<u>(54,286)</u>
Total liabilities		<u>(6,497,632)</u>	<u>(6,263,135)</u>
Net assets		<u>8,785,833</u>	<u>23,715,975</u>

The notes on pages 19 to 41 form an integral part of these financial statements.

PGIM Private Capital Limited (formerly known as Pricoa Capital Group Limited)

Statement of Financial Position as at 31 December 2019

	Note	2019 £	2018 £
Capital and reserves			
Called up share capital	17	4,500,000	10,251,000
Foreign currency translation reserve		-	(152,497)
Other reserves	18	13,868	13,868
Profit and loss account		<u>4,271,965</u>	<u>13,603,604</u>
Total equity		<u><u>8,785,833</u></u>	<u><u>23,715,975</u></u>

The financial statements on pages 14 to 41 were approved by the Board on 27 April 2020 and signed on its behalf by:

Mark Fresson

.....
M. G. Fresson
Director

Registration number: 01331817

PGIM Private Capital Limited (formerly known as Pricoa Capital Group Limited)

Statement of Changes in Equity for the Year Ended 31 December 2019

	Share capital £	Foreign currency translation £	Other reserves £	Retained earnings £	Total £
At 1 January 2019	10,251,000	(152,497)	13,868	13,603,604	23,715,975
Effect of adoption of IFRS16: Leases	-	-	-	(107,887)	(107,887)
Adjusted balance as at 1 January 2019	10,251,000	(152,497)	13,868	13,495,717	23,608,088
Profit for the financial year	-	-	-	3,407,015	3,407,015
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	3,407,015	3,407,015
Realised foreign exchange loss on transfer	-	152,497	-	-	152,497
Dividends	-	-	-	(12,000,000)	(12,000,000)
Share buy back	(5,751,000)	-	-	-	(5,751,000)
Share based payment transactions	-	-	-	(630,767)	(630,767)
At 31 December 2019	4,500,000	-	13,868	4,271,965	8,785,833
	Share capital £	Foreign currency translation £	Other reserves £	Retained earnings £	Total £
At 1 January 2018	10,251,000	(179,319)	13,868	9,401,054	19,486,603
Profit for the financial year	-	-	-	4,080,931	4,080,931
Other comprehensive income	-	26,822	-	-	26,822
Total comprehensive income	-	26,822	-	4,080,931	4,107,753
Share based payment transactions	-	-	-	121,619	121,619
At 31 December 2018	10,251,000	(152,497)	13,868	13,603,604	23,715,975

The notes on pages 19 to 41 form an integral part of these financial statements.

PGIM Private Capital Limited (formerly known as Pricoa Capital Group Limited)

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

1 General information

PGIM Private Capital Limited (formerly known as Pricoa Capital Group Limited) ('PPC' or the 'Company') is a wholly owned subsidiary of PGIM Financial Limited ('PFL'). PPC and all PFL subsidiaries comprise the PFL Group (the 'Group'). The results of PPC are consolidated with the results of both PFL and of Prudential Financial, Inc. both of which are publicly available. PFL's financial statements are available at Grand Buildings, 1-3 Strand, Trafalgar Square, London WC2N 5HR. Prudential Financial, Inc.'s financial statements are available at 751 Broad Street, Newark, NJ 07102.

The Company previously held branches in Paris, Frankfurt and Milan. The activity of these were transferred to Pricoa Capital Group (Ireland) Limited on 12 April 2019. Following the transfer of activity in the three branches, the Paris branch was closed effective 15 April 2019. The Frankfurt and Milan branches will be closed in 2020.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The Company prepared its financial statements in accordance with Finance Reporting Standard 101 - Reduced Disclosures Framework ('FRS 101').

Summary of disclosure exemptions

FRS 101 allows a qualifying entity certain disclosure exemptions. The Company is a member of the PGIM Financial Limited and Prudential Financial, Inc. groups, both of which prepare consolidated, publicly available financial statements. As a result the Company has taken advantage of the following disclosure exemptions under FRS 101:

- (a) the requirements of IFRS 7 Financial instruments: Disclosures to disclose quantitative and qualitative information regarding risks arising from all financial instruments held by the Company. Equivalent disclosures are included in the consolidated financial statements of PGIM Financial Limited, the Company's immediate parent;
- (b) the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement to disclose the valuation techniques and inputs used to develop fair value measurements for assets and liabilities held at fair value. Equivalent disclosures are included in the consolidated financial statements of PGIM Financial Limited, the Company's immediate parent;

PGIM Private Capital Limited (formerly known as Pricoa Capital Group Limited)

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

2 Accounting policies (continued)

- (c) the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of
 - (i) Paragraph 79(a)(iv) of IAS 1 to prepare a reconciliation of share capital at the beginning and end of the period;
 - (ii) Paragraph 73(e) of IAS 16 Property, plant and equipment to disclose a reconciliation of the carrying amount at the beginning and end of the period for the prior year;
- (d) the requirements of the following paragraphs of IAS 1:
 - a. 10(d) to prepare a statement of cash flows;
 - b. 16 to make an explicit statement of compliance with all IFRSs;
 - c. 38(a) to present a minimum of two primary statements, including cash flow statements
 - d. 38(b-d) to present additional comparative information, and
 - e. 111 to present cash flow information, such as the ability to generate cash;
- (e) the requirements of IAS 7 Statement of Cash Flows to present a cash flow statement for the Company;
- (f) the requirements of paragraphs 30 and 31 of IAS 8 Accounting policies, changes in accounting estimates and errors to present the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective;
- (g) the requirements of paragraph 17 of IAS 24 Related party disclosures to disclose key management personnel compensation in total and for all applicable categories;
- (h) the requirements of IAS 24 Related party disclosures to disclose related parties transactions entered into between two or more members of a group; and
- (i) the requirements of paragraphs 45(b) and 46 - 52 of IFRS 2 Share-based payment to disclose the details of the number and weighted-average exercise prices at the share options, and how the fair value of goods or services received was determined.

Going concern

On 11 March 2020, the World Health Organisation declared a global pandemic in respect of Covid-19. As a result of the pandemic the stock markets are witnessing significant levels of turmoil. The Company has performed an assessment of the actual and potential impact of the deteriorating market conditions of the 2020 expected performance of the Company and has seen that currently there is no significant impact on the performance of the Company as at 31 March 2020. The potential impact on the performance of the Company for the 12 months following the signature of the accounts is difficult to forecast given the changing market conditions and is being monitored closely.

The Directors have performed an analysis of expected cashflows, including work performed on stress testing due to the Covid-19 situation and planned for mitigating actions. The Company is currently profitable and is forecasted to remain profitable for the 12 months following the signing of the accounts. The Company has sufficient cash reserves to meet its strategic goals as planned and for at least 12 months from the signing of the accounts.

Because of the diversity of its revenue base, its liquidity and the strength of its balance sheet, the Directors are confident that, in spite of the current market turmoil, the Company can meet its liabilities as they fall due in the next 12 months and is a going concern and the Financial Statements have been prepared on a going concern basis.

PGIM Private Capital Limited (formerly known as Pricoa Capital Group Limited)

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

2 Accounting policies (continued)

Changes in accounting policy

New standards, interpretations and amendments adopted by the Company

The following have been applied for the first time from 1 January 2019 and have had a material effect on the financial statements. There are no other amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2019 that had a material impact on the Company's financial statements.

IFRS 16 'Leases'

IFRS 16 was issued in January 2016 and is effective from 1 January 2019. It resulted in almost all leases being recognised on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The Company has set up a project team which has reviewed all of the Company's leasing arrangements over the last year in light of the new lease accounting rules in IFRS 16. The standard affects primarily the accounting for the Company's operating leases. The Company leases various offices and equipment. Rental contracts are typically made for fixed periods of 2 to 5 years but may have extension options.

The Group has adopted IFRS 16 on 1 January 2019. In accordance with the transition provisions in IFRS 16 the modified retrospective approach has been adopted with the cumulative effect of initial application of the new standard recognised on 1 January 2019. Comparatives for the 2018 financial year have not been restated.

Practical expedients applied

In applying IFRS 16 for the first time, the Company has used the following practical expedients permitted by the standard:

- leases with an annual value of less than £5,000 are recognised in the Income Statement
- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- replying on previous assessments on whether leases are onerous as an alternative to performing an impairment review - there were no onerous contracts as at 1 January 2019
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

On adoption of IFRS 16, the Group recognised an additional £2,628,996 of right-of-use assets and £2,747,742 of lease liabilities, in relation to leases which had previously been classified as operating leases under the principles of IAS 17.

Measurement of right-of-use assets

Right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. All other right-of-use assets are measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses). Right-of-use assets were measured at cost comprising the following:

- the amount of the initial measurement of lease liability, and
- any lease payments made at or before the commencement date less any lease incentives received

PGIM Private Capital Limited (formerly known as Pricoa Capital Group Limited)

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

2 Accounting policies (continued)

Measurement of lease liabilities

The lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average incremental borrowing rate applied to the lease liabilities recognised on 1 January 2019 was 2.23% for assets in the UK and 1.78% for assets in Europe

	£
Operating lease commitments disclosed as at 31 December 2018	3,135,858
Less: short-term leases not recognised as a liability	(30,630)
Less: low-value leases not recognised as a liability	(20,976)
	<u>3,084,252</u>
Discounted using the Group's incremental borrowing rates	<u>2,747,742</u>
Lease liability recognised as at 1 January 2019	<u>2,747,742</u>

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

PGIM Private Capital Limited (formerly known as Pricoa Capital Group Limited)

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

2 Accounting policies (continued)

Adjustments recognised in the balance sheet on 1 January 2019.

	£
Assets as at 31 December 2018	29,979,110
Right-of-use assets	2,628,996
Prepayments	(107,887)
Assets as at 1 January 2019	32,500,219
Liabilities as at 31 December 2018	(6,263,135)
Lease liabilities	(2,747,742)
Operating lease liability	118,746
Liabilities as at 1 January 2019	(8,892,131)
Net assets as at 1 January 2019	23,608,088
Net assets as at 31 December 2018	(23,715,975)
Net effect on Retained Earnings	(107,887)

Payments associated with short-term leases and low-value leases are recognised on a straight-line basis as an expense in profit or loss.

The Company's activities as a lessor are not material and hence the Group does not expect any significant impact on the financial statements.

None of the other standards, interpretations and amendments effective for the first time from 1 January 2019 have had a material effect on the financial statements.

IFRS 9 Financial Instruments

Classification and measurement

On 1 January 2018 (the date of initial application of IFRS 9), the Group's management assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate IFRS 9 categories. The Group did not hold assets classified as 'held to maturity' or 'available for sale' under IAS 39 at 1 January 2018 and as a result there was no reclassification of these financial assets on adoption of IFRS 9. The other financial assets held in the current or previous reporting period have not been reclassified upon adoption of IFRS 9.

On 12 April 2019, the Company acquired a 5.45% investment in Pricoa Capital Group (Ireland) Limited ("PCGIL") in return for the transfer of the activity of the Company's Paris, Frankfurt and Milan branches to PCGIL. This investment represents an equity investment not held for trading and has been categorised at fair value through profit and loss.

Impairment of financial assets

The Company's significant financial assets that are subject to IFRS 9's expected credit loss model are trade and other receivables. The Company has not suffered any losses as a result of trade debtors or counterparty defaults during the year (2018: nil).

Cash is also subject to the impairment requirements of IFRS 9 and no impairment loss was identified (2018: nil).

The Company's investment in PCGIL has been assessed for impairment by reviewing the audited financial statements, and no impairment loss was identified.

PGIM Private Capital Limited (formerly known as Pricoa Capital Group Limited)

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

2 Accounting policies (continued)

Revenue

The Company earns revenue from the provision of investment origination, sourcing and asset management services to related party investment funds for which it receives fees. The provision of services is deemed to be simultaneously received and consumed by the customer and on this basis fees are accrued throughout the contract period on the basis of the fee rate agreed in the asset management agreement.

Accounting policy - IFRS 15

The Company recognises revenue under IFRS 15, which came into effect on 1 January 2018. IFRS 15 introduces a new model for revenue recognition, based on the transfer of control rather than the transfer of risks and rewards and replaces IAS18 "Revenue" (goods and services) and IAS 11 "Constructions Contracts".

IFRS 15 introduces a 5 step model to recognising revenue:

- (a) Identify the contract with a customer: each revenue stream is covered by an asset management agreement which details the enforceable rights and obligations in respect of which the Company can expect to receive money;
- (b) Identify the performance obligations in the contract: the asset management agreements include promises to deliver services to a customer and, to the extent that those promises are distinct, they represent the discrete performance obligations which are accounted for separately;
- (c) Determine the transaction price: the asset management agreements detail the agreed fees to be paid. The fees may be fixed in price and/or variable. Where variable, the amount of consideration to which the Company becomes entitled and the related conditions are detailed in the asset management agreement;
- (d) Allocate the transaction price to the performance obligations; The transaction price is as per the asset management agreement and usually is a rate applies to the assets under management calculated on an average daily basis.
- (e) Recognise revenue when the performance obligation is satisfied: By nature of the service provided, the provision of services is deemed to be simultaneously received and consumed by the customer and on this basis fees are accrued throughout the contract period on the basis of the fee rate agreed in the asset management agreement.

Performance obligations

IFRS 15 introduces the concept of performance obligations "POs", which are essentially the units of account for revenue recognition.

In relation to revenue recognition, PPC provides investment origination, sourcing and asset management services which are simultaneously received and consumed by the customer. This characteristic of the service provided satisfies point 5 of the recognition criteria. Where it is determined that the performance obligations associated with the Company's revenue streams are met over the period of time, revenue is recorded to the extent that it is highly probable that a significant reversal will not occur. The Company did not recognise performance fees in the year (2018: nil).

Revenue disaggregation

Note 4 "Revenue" disaggregates the revenue of the Company into management fees in respect of the investment origination and sourcing, sub advisory and asset management fees, representing meaningful categories for the Company's business.

PGIM Private Capital Limited (formerly known as Pricoa Capital Group Limited)

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

2 Accounting policies (continued)

Foreign Currencies

Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the 'functional currency'). The Company's functional and presentation currency is Pounds Sterling (£).

Foreign Currency Transactions

Transactions in foreign currencies are translated at exchange rates at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies, outstanding at the balance sheet date, are translated at the exchange rates ruling at that date.

Foreign exchange differences arising on translation are recognised in the Income Statement specifically in the administrative expenses. 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 operations

When a foreign operation is disposed of, such that control or significant influence (as the case may be) is lost, the accumulated amount in the other reserves is recycled to profit or loss as part of the gain or loss on disposal.

Tax

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

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 reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

PGIM Private Capital Limited (formerly known as Pricoa Capital Group Limited)

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

2 Accounting policies (continued)

Cash

Cash is comprised of cash on hand and call deposits.

Property, plant and equipment

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Any impairment loss on an asset carried at depreciated historical cost is recognised in the profit and loss account.

Depreciation

The rates of depreciation, charged in equal instalments, are as follows:

Leasehold improvements	Over term of the lease
Office equipment, furniture and fittings	25% per annum

Trade and other receivables

A regular review is performed of all the Company's receivables. If there is significant uncertainty regarding the recoverability of any of its debtors, a provision is recognised. If there is strong evidence indicating the amounts recognised in the Statement of Financial Position will not be recovered, they will be written off.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost less provision for impairments.

The Company has applied the simplified approach to measuring expected credit losses for trade and other receivables and the Company will measure lifetime credit losses at all times for trade and other receivables.

Trade payables

Creditors are recognised initially at fair value and subsequently measured at amortised cost.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

PGIM Private Capital Limited (formerly known as Pricoa Capital Group Limited)

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

2 Accounting policies (continued)

Provisions for dilapidations

Provisions for dilapidations are recognised on a lease by lease basis and based on Company's best estimate of the likely committed cash flow.

Defined contribution scheme

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

Share based payments

The Company participates in the ultimate parent Prudential Financial, Inc.'s ("PFI") share-based incentive schemes, for stock options and restricted stock units. The Company recognises an expense based on the fair value of the options granted. This cost is spread over the three-year vesting period for each grant. These amounts have been included in employee costs for the period with corresponding amounts included in equity. Disclosures for the scheme have been provided in note 22 to the financial statements.

At each balance sheet date the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the Income Statement, with a corresponding adjustment to equity.

Administrative expenses

Administrative expenses are comprised of costs incurred by the Company. These are recognised on an accruals basis.

PGIM Private Capital Limited (formerly known as Pricoa Capital Group Limited)

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

3 Significant estimates and judgements

The preparation of the financial statements in conformity with FRS 101 requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Estimates made in the preparation of these financial statements are as follows:

- The Company utilises a share based payments programme for senior staff. The calculation of the liability under this programme incorporates certain assumptions which are disclosed in note 22 to the financial statements.
- Following the introduction of IFRS 16 lease accounting, the lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is the case for leases in the Company, the lessee's incremental borrowing rate ('IBR') is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. The IBR is composed of two components, the spread rate and the country risk free rate (the country specific bond rate). The spread rate applied is broadly equivalent to the PGIM, Inc. borrowing rate, this is because the IBR is effectively the rate of interest a lessee would have to pay to borrow the equivalent of the lease payments. If the Company were to borrow outside of the Group, it is probable that in the absence of other assets with which to secure the loan PGIM, Inc. would be asked to offer a guarantee, the lender in this instance would take the credit rating of PGIM, Inc. into consideration when determining the borrowing rate, which would bring the local borrowing rate into line with the PGIM Inc. rate adjusted for the country risk free rate.

Significant judgements made in the preparation of these financial statements are as follows:

- Deferred tax has been recognised in line with the accounting policy above. The Company has recognised deferred tax assets based on an assessment of future profitability and an ability to recover these tax assets.
- The Company follows the Group policy and applies a single discount rate to a portfolio of leases with reasonably similar characteristics (e.g. term and similar economic environments) to determine the right-of-use asset and corresponding lease liability to be recognised in the Statement of Financial Position following the introduction of IFRS 16. As the Group makes use of a centralised treasury function for its funding, it was judged appropriate to use a rate to reflect this, adjusted for local conditions.
- In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, extension options are only included in the lease term if the lease is reasonably determined to be extended.

PGIM Private Capital Limited (formerly known as Pricoa Capital Group Limited)

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

4 Revenue

	2019	2018
	£	£
Total revenue comprises:		
Management fees in respect of the investment origination and sourcing	13,174,451	17,721,279
Sub advisory fees	112,724	326,026
Asset management fees	2,299,991	1,848,962
	<u>15,587,166</u>	<u>19,896,267</u>

Revenue classified by geographical office, is analysed as follows:

	2019	2018
	£	£
London	14,572,956	14,945,774
Frankfurt	335,412	1,768,777
Paris	502,409	2,199,804
Milan	176,389	981,912
	<u>15,587,166</u>	<u>19,896,267</u>

Management fees in respect of the investment origination and sourcing services provided by the Company are charged to affiliated companies, as well as third parties. The branches in Frankfurt, Paris and Milan were transferred to Pricoa Capital Group (Ireland) Limited in April 2019 and therefore only revenue up to the date of transfer of 13 April 2019 is recognised by the Company.

5 Other losses

Other losses relate to the realisation of foreign exchange losses on the transfer of the three branches.

6 Operating profit

Operating profit is stated after charging/(crediting):

	2019	2018
	£	£
Fees payable to Company's auditors in respect of:		
- audit of the Company's financial statements	167,097	53,368
- audit related assurance services	3,955	3,767
Staff costs (Note 9)	7,926,025	10,663,954
Depreciation on tangible fixed assets	77,932	161,226
Operating lease rentals - plant and machinery	3,278	8,087
Operating lease rentals - other	-	555,479
Foreign exchange gain	249,264	5,029
Management recharge from parent company	640,114	616,137

PGIM Private Capital Limited (formerly known as Pricoa Capital Group Limited)

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

7 Finance income

	2019	2018
	£	£
Interest income from third parties	<u>34,207</u>	<u>972</u>

8 Finance costs

	2019	2018
	£	£
Interest paid to group undertakings	<u>36,332</u>	<u>5,697</u>

9 Staff costs

The aggregate payroll costs (including Directors' remuneration) were as follows:

	2019	2018
	£	£
Wages and salaries	6,735,101	8,802,074
Social security costs	682,147	1,203,112
Share-based payment expenses	194,631	399,786
Other pension costs	<u>314,146</u>	<u>258,982</u>
	<u>7,926,025</u>	<u>10,663,954</u>

The monthly average number of persons employed by the Company (including Directors) during the year, analysed by category was as follows:

	2019	2018
	No.	No.
By activity:		
Investment advisers	20	27
Finance and administration	<u>5</u>	<u>4</u>
	<u>25</u>	<u>31</u>

10 Directors' remuneration

	2019	2018
	£	£
Aggregate emoluments	2,544,964	2,557,337
Aggregate amounts (excluding shares) receivable under long term incentive schemes	240,451	201,028
Contributions to pension schemes	<u>41,038</u>	<u>65,176</u>
	<u>2,826,453</u>	<u>2,823,541</u>

PGIM Private Capital Limited (formerly known as Pricoa Capital Group Limited)

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

10 Directors' remuneration (continued)

Remuneration of the highest paid Director

	2019 £	2018 £
- aggregate emoluments	726,884	691,908
- contribution to pension schemes	18,844	-
	<u>745,728</u>	<u>691,908</u>

The value of awards receivable by the highest paid Director under long-term incentive schemes is £48,689 (2018: £102,826). The highest paid Director had no accrued UK defined benefit plan entitlements at the end of the year (2018: none). None of the Directors exercised share options in the year (2018: none). Four of the Directors (2018: four) were members of the Group defined contributions pension plan operated for all eligible employees of the Company and other affiliated companies which operate in the UK.

The emoluments of D. J. Campbell, T. Sirvanci, E. A. Jolly and E. M. Barker are paid by the Company. The emoluments of M. L. Fioramonti, are paid by PGIM, Inc., the parent company of PGIM Financial Limited, the immediate parent of the Company. The emoluments of M. G. Fresson, are paid by PGIM European Services Limited, a subsidiary of Prudential Financial, Inc.

PGIM Private Capital Limited (formerly known as Pricoa Capital Group Limited)

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

11 Income tax expense

Recognised in the Income Statement

	2019 £	2018 £
Total current tax:		
Current year	805,771	999,549
Other adjustments	(21,542)	-
Overseas taxes on the profit of the year	86,799	246,016
Double tax relief on overseas profit	<u>(52,632)</u>	<u>(158,949)</u>
Total current tax	<u>818,396</u>	<u>1,086,616</u>
Total deferred tax:		
Origination and reversal of temporary differences	<u>15,489</u>	<u>(31,226)</u>
Total deferred tax	<u>15,489</u>	<u>(31,226)</u>
Tax on profit on ordinary activities	<u>833,885</u>	<u>1,055,391</u>

Current year income tax is recognised in Other Comprehensive Income of £nil (2018: £nil).

The tax on profit for the year is higher than the standard rate of corporation tax in the UK (2018 - higher than the standard rate of corporation tax in the UK) of 19% (2018 - 19%).

The differences are reconciled below:

	2019 £	2018 £
Profit before tax	<u>4,240,900</u>	<u>5,136,322</u>
Corporation tax at standard rate	805,771	975,901
Increase (decrease) from effect of capital allowances depreciation	12,336	(18,621)
Increase from effect of expenses not deductible in determining taxable profit (tax loss)	10,532	6,682
Stock option not deductible for tax purposes	3,558	78,253
Stock option deductible for tax purposes	-	(73,891)
Increase arising from overseas tax suffered (expensed)	86,799	246,016
Decrease from effects of double taxation relief	(52,632)	(158,949)
Decrease from changes in tax provisions due to legislation	<u>(32,479)</u>	<u>-</u>
Total tax charge	<u>833,885</u>	<u>1,055,391</u>

The standard rate of corporation tax is 19% (2018: 19%). In the Spring Budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020. As the proposal to keep the rate at 19% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements.

PGIM Private Capital Limited (formerly known as Pricoa Capital Group Limited)

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

11 Income tax expense (continued)

Deferred tax

Recognised deferred tax assets

Deferred tax assets are attributable to the following:

	2019	2018
	£	£
Share based payments	95,411	129,441
Decelerated capital allowances	13,556	27,495
IFRS 16 Leases	32,480	-
	<u>141,447</u>	<u>156,936</u>

The deferred tax asset is calculated using the 17% corporation tax rate (2018: 17% corporation tax rate). In the Spring Budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020. As the proposal to keep the rate at 19% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements. The Directors, after evaluating forecasts of future profitability, consider that sufficient future profits will be generated to offset the deferred tax credits and have therefore recognised the deferred tax asset.

Deferred tax movement during the year:

	1 January 2019	Recognised in income	31 December 2019
	£	£	£
Share-based payment	129,441	(34,030)	95,411
Decelerated capital allowances	27,495	(13,939)	13,556
IFRS 16 Leases	-	32,480	32,480
Net tax assets/(liabilities)	<u>156,936</u>	<u>(15,489)</u>	<u>141,447</u>

Deferred tax movement during the prior year:

	At 1 January 2018	Recognised in income	At 31 December 2018
	£	£	£
Share-based payment	129,735	(294)	129,441
Decelerated capital allowances	(4,025)	31,520	27,495
IFRS 16 Leases	-	-	-
Net tax assets/(liabilities)	<u>125,710</u>	<u>31,226</u>	<u>156,936</u>

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

12 Property, plant and equipment

	Leasehold improvements £	Office Equipment Furniture and Fittings £	Total £
Cost or valuation			
At 1 January 2019	835,881	852,276	1,688,157
Additions	62,277	13,681	75,958
Assets transferred	<u>(14,137)</u>	<u>(419,678)</u>	<u>(433,815)</u>
At 31 December 2019	<u>884,021</u>	<u>446,279</u>	<u>1,330,300</u>
Accumulated depreciation			
At 1 January 2019	569,279	687,238	1,256,517
Charge for the year	55,247	22,685	77,932
Assets transferred	<u>(14,137)</u>	<u>(307,919)</u>	<u>(322,056)</u>
At 31 December 2019	<u>610,389</u>	<u>402,004</u>	<u>1,012,393</u>
Carrying amount			
At 31 December 2019	<u>273,632</u>	<u>44,275</u>	<u>317,907</u>
At 31 December 2018	<u>266,602</u>	<u>165,966</u>	<u>432,568</u>

13 Right-of-use assets

	Property £	Total £
Cost or valuation		
At 31 December 2018	-	-
Change in accounting policy	2,628,996	2,628,996
Leases transferred	<u>(1,207,056)</u>	<u>(1,207,056)</u>
At 31 December 2019	<u>1,421,940</u>	<u>1,421,940</u>
Accumulated depreciation		
At 1 January 2019	-	-
Charge for the year	<u>278,291</u>	<u>278,291</u>
At 31 December 2019	<u>278,291</u>	<u>278,291</u>
Carrying amount		
At 31 December 2019	<u>1,143,649</u>	<u>1,143,649</u>

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

14 Investments

	2019 £	2018 £
At 1 January	-	-
Additions	99,274	-
At 31 December	99,274	-

Investments comprise equity shares in Pricoa Capital Group (Ireland) Limited ("PCGIL") a private company. PCGIL is incorporated in Ireland. The registered address is Letterkenny Business & Technology Park, Letterkenny, Co. Donegal, F92 W8CY, Ireland.

The Company owns 5.45% of the ordinary shares of Pricoa Capital Group (Ireland) Limited (2018: nil).

15 Trade and other receivables

	2019 £	2018 £
Trade receivables	783,827	1,103,483
Receivables from Group affiliates	12,283,323	17,650,644
Prepayments	80,042	141,662
Other receivables	32,384	119,921
	13,179,576	19,015,710

Amounts included within receivables from Group affiliates are interest free, unsecured and repayable on demand.

The Company has not suffered any losses because of trade debtor or counterparty defaults during the year (2018: £nil). The Company applies the IFRS 9 simplified approach to measuring expected credit losses ("ECLs") which uses a lifetime expected loss allowance for all trade and other receivables and no expected loss allowance was recognized during the year (2018: £nil).

16 Cash

	2019 £	2018 £
Cash at bank	401,612	10,373,896

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

17 Called up share capital

Allotted, called up and fully paid shares

	No.	2019 £	No.	2018 £
Ordinary shares of £1 each	<u>4,500,000</u>	<u>4,500,000</u>	<u>10,251,000</u>	<u>10,251,000</u>

During the year the company repurchased 5,751,000 shares at par (2018: nil).

18 Other reserves

	2019 £	2018 £
At 1 January	(138,629)	(165,451)
Foreign exchange translation differences	<u>152,497</u>	<u>26,822</u>
At 31 December	<u>13,868</u>	<u>(138,629)</u>

Other reserves are comprised of the foreign exchange reserve and the capital contribution reserve.

Foreign exchange reserve

The foreign exchange reserve of £nil (2018: (£152,497)) represents the movement in foreign exchange as a result of the foreign operations. Refer to note 5.

Capital contribution reserve

The capital contribution reserve of £13,868 (2018: £13,868) represents an irrevocable gift to the Company from PGIM Financial Limited, and is a distributable reserve.

19 Leases

Future aggregate minimum lease payments under non-cancellable operating leases are as follows:	2019 £	2018 £
within one year - equipment	-	7,866
within one year - land and buildings	-	594,417
within two to five years - equipment	-	13,110
within two to five years - land and buildings	-	1,861,898
over five years - land and buildings	<u>-</u>	<u>658,567</u>
	<u>-</u>	<u>3,135,858</u>

PGIM Private Capital Limited (formerly known as Pricoa Capital Group Limited)

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

19 Leases (continued)

The Company leases various offices under non-cancellable operating lease agreements.

The Company initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the date of initial application. Thus, the comparative future minimum lease payments presented are based on IAS 17 while the current year are based on IFRS 16.

Lease liabilities

	2019 £
Lease liability recognised as at 1 January 2019	2,747,742
Add: Interest expense on lease liabilities	33,408
Less: Leases transferred	(1,186,246)
Less: Rental payments in the financial year	<u>(220,462)</u>
	<u>1,374,442</u>
	2019 £
Current portion of long term lease liabilities	211,200
Long term lease liabilities	<u>1,163,242</u>
	<u>1,374,442</u>

20 Trade and other payables

	2019 £	2018 £
Accrued expenses	4,390,016	5,873,676
Amounts owed to Group affiliates	<u>297,665</u>	<u>313,425</u>
	<u>4,687,681</u>	<u>6,187,101</u>

Amounts included within payable to Group affiliates are interest free, unsecured and repayable on demand.

PGIM Private Capital Limited (formerly known as Pricoa Capital Group Limited)

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

21 Pension and other schemes

The Company participates in the Pramerica UK Retirement Savings Plan in which there is a defined benefit plan and a defined contribution plan.

Defined benefit pension schemes

The defined benefit plan was closed to new members in 2001 and closed to new contributions in 2011. There are no current employees of the Company participating in the defined benefit plan. The Company is unable to identify its share of underlying assets and liabilities in the plan and has accounted for it as if the plan were a defined contribution scheme. Accounting for the assets and liabilities of the plan is included in the financial statements of PGIM European Services Ltd., an affiliate of the Company and the principal employer for the plan.

Following Prudential Financial, Inc.'s disposal of the Company's affiliate, Bache Financial Limited (a further participant in the defined benefit plan), a contribution timetable was agreed between the Company's parent, PGIM Financial Limited (also a participant in the plan), and the Trustees of the plan. Under the contribution timetable, PGIM Financial Limited made contributions of £6.8 million to the plan in 2011 and £3.0 million in 2012, 2013, 2014, 2015, 2016 and 2017. There is no requirement under the contribution timetable for the Company to make contributions to the defined benefit plan.

Defined contribution pension schemes

Contributions made by the Company are paid wholly into the defined contribution plan and, in 2019, amounted to £288,701 (2018: £258,982). At the year-end, £nil remained payable to the scheme (2018: £nil).

22 Share-based payments

The Group's equity settled share based payment plan consists entirely of Prudential Financial, Inc.'s Omnibus Incentive Plan ('Omnibus Plan') which was adopted by the Board of Directors of Prudential Financial, Inc. in March 2003, and subsequently amended and restated in November 2008. Under the Omnibus Plan, eligible employees may be awarded a combination of Restricted Stock Units and Stock Options which vest over a 3-year period and are exercisable over a 10-year period after which they expire.

Restricted stock units

A restricted stock unit is an unfunded, unsecured right to receive a share of Prudential Financial, Inc.'s Common Stock at the end of a specified period of time, which is also subject to forfeiture and transfer restrictions. The restrictions on restricted stock units will lapse on the third anniversary of the date of grant. The number of units is determined over the performance period, and may be adjusted based on the satisfaction of certain performance goals.

The following table summarises restricted stock award activity for the years ended 31 December 2019 and 2018:

PGIM Private Capital Limited (formerly known as Pricoa Capital Group Limited)

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

22 Share-based payments (continued)

	2019	2018
	Number of	Number of
Non-vested Shares	shares	shares
At 1 January	17,721	18,167
Granted	4,610	4,667
Cancelled	(2,363)	-
Vested	(7,012)	(5,113)
Adjusted	<u>(4,719)</u>	<u>-</u>
At 31 December	<u>8,237</u>	<u>17,721</u>

The movements in the weighted average grant-date fair value of restricted stock units during the years ended 31 December 2019 and 2018 were as follows:

	2019	2018
	£	£
Non-vested Shares		
At 1 January	68.00	59.77
Granted	72.44	76.85
Cancelled	76.41	
Vested	55.75	51.19
Adjusted	<u>66.62</u>	
At 31 December	<u>79.26</u>	<u>68.00</u>

The Company recorded an expense of £194,631 (2018: £399,786) in share-based payments, related to restricted stock units, during the year ended 31 December 2019.

The amount relating to the acquisition of shares from the ultimate parent company to satisfy this obligation upon vesting is recognised in Retained Earnings on the Statement of Changes in Equity.

23 Provisions

The provision is entirely an obligation under the lease for the Company's office. Upon expiry of the lease in August 2024 the Company will be obliged to restore the office to its previous condition and the estimated expense for the restoration is being accrued over the life of the lease.

	2019	2018
	£	£
At 1 January	(54,286)	(46,882)
Dilapidation provision	<u>(13,722)</u>	<u>(7,404)</u>
At 31 December	<u>(68,008)</u>	<u>(54,286)</u>

24 Related party transactions

The Company's ultimate parent company is PFI, a company incorporated in the United States of America. Related parties of the Company comprise the ultimate parent and other subsidiaries of the ultimate parent, principally PGIM Limited, for which the Company performs and receives investment advisory and investment management services. The Company is a wholly owned direct subsidiary of PFL, registered address at Grand Buildings, 1-3 Strand, Trafalgar Square, London WC2N 5HR.

PGIM Private Capital Limited (formerly known as Pricoa Capital Group Limited)

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

25 Capital Management

The company's main objectives in managing its capital are as follow:

- ensure continued compliance with its capital requirements as outlined by the FCA; and
- ensure surplus capital in excess of its capital requirements is deployed appropriately, to protect the overall returns of the Company and with due consideration to the Group's liquidity.

The Company was successful in meeting its objectives during this and the previous financial year.

The Company's capital is represented by the Group's total equity as disclosed in the Statement of Changes in Equity. As at 31 December 2019 this totalled £8,785,833 (2018: £23,715,975). The Group's objective when managing capital is to safeguard its ability to continue as a going concern in order to maintain a strong capital base to support the development of the business and provide returns for shareholders.

Externally imposed capital requirements

Certain subsidiaries of the Group are regulated by the Financial Conduct Authority (FCA) in the UK and as such are required to maintain minimum levels of capital. Regulatory capital requirements have been met throughout the financial years ended 31 December 2018 and 31 December 2019.

Pillar 3 disclosures

Under the Pillar 3 requirements of the Capital Requirements Directive, as enacted in the UK by the FCA through Chapter 11 of the Prudential Sourcebook for Banks, Buildings Societies ("BIPRU 11"), the Group is required to disclose in a public forum its principal risk management and capital adequacy procedures. The Group's BIPRU 11 disclosures are included on the Group's website as follows:

www.pgim.com/links/terms-conditions

The disclosures are unaudited.

PGIM Private Capital Limited (formerly known as Pricoa Capital Group Limited)

◦ Notes to the Financial Statements for the Year Ended 31 December 2019

26 Non adjusting events after the financial period

On 12 April 2019, PPC transferred the activities of its three branches in Frankfurt, Paris and Milan, including the employees working in those branches, to Pricoa Capital Group (Ireland) Limited. Following the transfer of activity, the Paris branch was closed effective 15 April 2019. The Frankfurt and Milan branches are in the process of being closed.

On 11 March 2020, the World Health Organisation declared a global pandemic in respect of Covid-19. As a result of the pandemic the stock markets are witnessing significant levels of turmoil. Given this situation was not known as at 31 December 2019, this is deemed to be a non-adjusting post balance sheet event.

The Company has performed an assessment of the actual and potential impact of the deteriorating market conditions on the 2020 expected performance of the Company and has seen that currently there is no significant impact on the performance of the Company as at 31 March 2020. The potential impact on the performance of the Company for the 12 months following the signature of the accounts is difficult to forecast given the changing market conditions and is being monitored closely. The potential impact of Covid-19 on the cash flows of the Company has also been considered when assessing whether the Company has sufficient liquidity to meet its obligations as they fall due for a period of 12 months from the signing of the accounts.

In the Spring Budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020. As the proposal to keep the rate at 19% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements. However, it is likely that the overall effect of the change, had it been substantively enacted by the balance sheet date, would be to increase the tax expense for the period by £1,822 to £835,547, to increase the deferred tax asset by £16,641 to £158,088.

The Company forms part of a Global Business Unit which refined its branding during 2019. The Company adopted PGIM Private Capital as its investor facing name and Pricoa Private Capital as its borrower facing name. In keeping with this initiative, the Company changed its name on 3 April 2020 to Pricoa Private Capital Limited and further changed on 7 April 2020 to PGIM Private Capital Limited.