

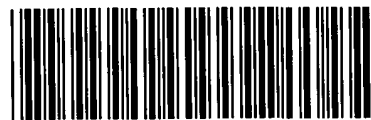
Registration number: 01331817

## PGIM Private Capital Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2021

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## **PGIM Private Capital Limited**

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**PGIM Private Capital Limited**

**Company Information**

<b>Directors</b>	D. J. Campbell
	M. L. Fioramonti
	E. A. Jolly
	T. Sirvanci
	M. G. Fresson
<b>Company secretary</b>	L. D. King
<b>Registered office</b>	Grand Buildings 1-3 Strand Trafalgar Square London WC2N 5HR
<b>Solicitors</b>	S.J. Berwin 10 Queen Street Place London EC4R 1BE
<b>Independent Auditors</b>	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 7 More London Riverside London SE1 2RT

## **PGIM Private Capital Limited**

### **Strategic Report for the Year Ended 31 December 2021**

The Directors present their Strategic Report for PGIM Private Capital Limited ('PPC' or the 'Company') for the year ended 31 December 2021.

#### **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', NYSE: PRU). PPC provides investment management and investment advisory services (collectively 'Asset Management services') and investment origination and sourcing services to institutional investors (including PGIM, PFI and other subsidiaries of PFI ('PFI Group')).

The Company is authorised and regulated by the Financial Conduct Authority ('FCA').

#### **Fair review of the business**

Whilst 2021 continued to be a challenging time for global markets as a whole as the UK and other countries, entered in and out of periods of physical and economic lockdown, the performance of the Company has proven to be robust and the financial impact of the ongoing pandemic on the Company, and assets that the Company manages has not been material during the year. From an operational perspective, the Company has continued to operate business as usual during the periods of lockdown, with employees working remotely or in the Company offices when able to do so. As restrictions are now eased, many employees are returning to work at the Company offices.

During the year the Company continued to provide loan origination, sourcing and asset management services. In the opinion of the Directors, the Company's performance in the year was satisfactory. Investment originations were £1,845m (2020: £756.9m) reflecting an increase in market activity as it recovers from the impact of the COVID-19 pandemic. However, assets under management ('AUM') decreased throughout the year to £947.1m (2020: £994.7m) as a result market movements accompanied by a strengthened Great British Pound ('GBP') against the Swiss Franc ('CHF'), which lowered the value of CHF AUM held by the Company.

The Company holds 5.45% (115,208 shares) of PGIM Private Capital (Ireland) Limited's ('PPCIL') share capital as a result of the transfer of the Frankfurt, Milan and Paris branches in 2019 as part of the Group's Brexit strategy. In 2021, the Company did not recognise an increase in fair value relating to its investment in PPCIL (2020: £0.1m).

The Company refined its transfer pricing policy effective 1 January 2021 to align itself with other members of the PFI Group. As a result of this change, sub-advisory and asset management fees received by the Company are being paid to PGIM, Inc. resulting in a fall in profitability of the Company during 2021.

#### **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

### Strategic Report for the Year Ended 31 December 2021

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

The Directors regularly assess the Company's strategy from both a commercial and risk perspective to ensure the long term consequences of any strategic decision are understood and are taking into account when making decisions.

The ongoing market volatility as a result of COVID-19 and the ensuing lock-downs has been monitored and the Directors do not consider the impact to be material. As the financial impact of COVID-19 on the Company was not material, the Directors were able to pursue their longer term strategy of aligning its activity to that of the PGIM Private Capital business line.

Following engagement with the Group's transfer pricing team, the Directors approved the passthrough of investment advisory fees to PGIM, Inc. effective 1 January 2021. The potential impact on the performance and cash flows of the Company was considered when assessing whether the Company had sufficient liquidity and capital adequacy to adopt the change and to meet its obligations as they fall due. The net assets of the Company as at 31 December 2021 are £9.7m (2020: £7.7m).

The Directors are mindful of the environmental and social impact of the long term decisions made within the Company and to support the management of the Company with its Environmental and Social Governance, a Group Global Head of ESG was appointed during the year, based in the London offices.

**(b) The interests of the Company's employees**

The Company views its employees as fundamental to the success of the business. The Directors take active steps to ensure that the suggestions, views and interests of the workforce are captured and considered in their decision-making.

With the continuation of the global pandemic, the Company's employees continued to substantially work remotely in 2021. To support employees working remotely during this period of general uncertainty, the Company has continued to focus on employee wellbeing and launched a number of support programs and initiatives. These include:

- Additional day's leave provided for self-care;
- The introduction of wellbeing at work initiative which includes the appointment of wellbeing ambassadors, virtual events with guest speakers, fitness Fridays and a health & wellbeing app (Ondo);
- A global mental health champions initiative was launched globally across PGIM;
- Subscription to mindfulness application;
- Added communications about support programs;
- Ongoing flexibility around carrying unused leave forward to 2022.

The Group also has a number of effective workforce engagement mechanisms in place.

(i) Employees are kept informed of Group performance and provided with relevant business updates through regular company-wide Town Halls from the management team as well as regular business briefings. Regular announcements and video blogs updates by senior management are also made available on the intranet site.

(ii) There is an annual performance management process for all employees that provides a forum for feedback by individuals, peers and managers.

(iii) The Head of HR EMEA regularly provides updates on employee-related matters, including workforce demographics, engagement activities, the results of employee surveys, staff retention rates, diversity & inclusion, pay and reward and HR initiatives.

## **PGIM Private Capital Limited**

### **Strategic Report for the Year Ended 31 December 2021**

(iv) In order to ensure that the Group continues to retain, develop and attract talent, the Group has a competitive reward structure in place, which provides a wide range of benefits covering health and wellbeing, lifestyle and family. The Group reviews and enhances its benefits packages on an ongoing basis and seeks input from employees to better accommodate their personal circumstances and needs.

(v) The employees are supported and encouraged to leverage the resources of the PGIM global network. On-going on the job training as well as online or in person training is provided to support individual professional development.

(vi) All employees were asked to participate in an online Global Employee Engagement Survey in July 2021. The results are communicated to senior management who have committed to act on the feedback and help inform and improve subsequent HR initiatives.

**(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 maintains good performance payment practices ensuring that suppliers continued to be paid in a timely manner. The Company has not experienced an increase in the aging of its receivables and has not taken advantage of any government financial assistance offered as a result of the pandemic.

**(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

### Strategic Report for the Year Ended 31 December 2021

#### 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 2020 as set out below:

	2021	2020
	£	£
Revenue	18,256,538	15,927,754
Profit before tax	2,539,223	4,731,843
Taxation	(673,945)	(816,735)
Profit for the financial year	<u>1,865,278</u>	<u>3,915,108</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.

	2021	2020
	£m	£m
<i>Originations</i>		
PGIM Private Capital Limited	<u>1,845</u>	<u>757</u>

	2021	2020
	£m	£m
<i>Assets Under Management</i>		
PGIM Private Capital Limited	<u>947</u>	<u>995</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.

As a result of the Russian and Ukrainian conflict, ongoing since 24 February 2022, management have performed an assessment of the Company's potential direct and indirect exposure and the potential financial and operational implications of the conflict. The Company does not have employees, offices nor assets situated in Russia or Ukraine, and, having reviewed its relationships with customers and suppliers, has found no evidence of exposure to sanctioned entities or individuals nor any direct exposure in Russia nor Ukraine.

Management have considered indirect exposure to the conflict, in particular the risk of potential further inflationary pressure, and the performance and cash flows of the Company have been stressed to include this risk as part of the going concern analysis. As a result, management believe the impact of the crisis on the financial performance and operational capacity of the Company not to be material.

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.

**PGIM Private Capital Limited**  
**Strategic Report for the Year Ended 31 December 2021**

*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.

*Brexit Risk*

On 31 January 2020, the UK left the EU with a transition period in relation to existing laws and regulations until 31 December 2020. Although a post-Brexit trade deal was secured prior to the end of the transitional period, this did not cover financial services and so for regulatory purposes the UK is now considered a "third country". The impact of a "hard" Brexit is mitigated by the ability to work with other regulated entities within the PGIM group which means the PGIM group is able to continue to provide services in different regulatory jurisdictions. These regulatory entities include PGIM Private Capital (Ireland) Limited ('PPCIL'), which is an Irish AIFM and benefits from certain passport rights in the EU. As part of the Group's Brexit Strategy, the Frankfurt, Paris and Milan branches of the Company were transferred to PPCIL in April 2019 in order to enable the business activities conducted within the branches to continue in a post-Brexit environment and to further the Group's overall strategy. In 2021, PPCIL established a Spanish branch which will provide a platform for activities in that region.

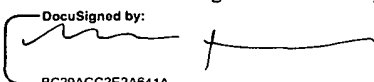
As the post-Brexit regulatory landscape develops there will undoubtedly be further changes, which will be monitored by the Company.

*Business Continuity Risk*

2021 continued to be a challenging time for the Company due to the ongoing COVID-19 pandemic. As a result of the pandemic, the UK and other countries have entered in and out of periods of physical and economic lockdown. During this time, the employees of the Company have substantially worked remotely. The operational control environment has been maintained throughout this time and the Company has continued to provide services without interruption, demonstrating the operational resilience of the Business Continuity Plan (BCP) framework. As different geographical locations come out of lockdown the Company's employees are making a gradual return to its business premises, with a hybrid model of working becoming the new business as usual.

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 monitored on an ongoing basis.

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

DocuSigned by:  


.....BC29ACC2E2A641A.....

M. L. Fioramonti  
Director  
26 April 2022



## **PGIM Private Capital Limited**

### **Directors' Report for the Year Ended 31 December 2021**

The Directors present their Annual Report and the audited Financial Statements for the year ended 31 December 2021.

#### **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

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 will look to increase the portfolio of investment management services to third parties.

On 7 September 2021, the government announced plans to increase the funding of health and social care through a new levy. From April 2022, employers will pay an additional 1.25% in relation to Class 1A employer National Insurance Contributions. However from April 2023, the national insurance rate will return to its current rate and the extra tax will be collected as a new 'Health and Social Care Levy'.

#### **Dividend**

During the year the Company did not pay any interim dividends (2020: £5.0m). The Directors do not recommend the payment of a final dividend (2020: £nil).

#### **Political donations**

The Company has made no political donations and incurred no political expenditure during the year (2020: £nil).

#### **Financial instruments**

The Company holds financial instruments including cash, trade receivables and payables and a 5.45% investment in PGIM Private Capital (Ireland) Limited as detailed in the Statement of Financial Position (2020: cash, trade receivables and payables and a 5.45% in PGIM Private Capital (Ireland) Limited).

## **PGIM Private Capital Limited**

### **Directors' Report for the Year Ended 31 December 2021**

#### **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'), 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/node/909>

#### **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. These disclosures are unaudited and included on the Company's website:

<https://www.pgim.com/node/909>

#### **Going concern**

As outlined in the Strategic Report, the employees of the Company have, as a result of the global pandemic, been substantially working remotely during 2021, with a gradual return to the Company offices as different geographical locations come out of lockdown. During this period of remote working, the Company has continued to provide services without interruption, demonstrating the operational resilience of the BCP framework. The control framework continues to be monitored as employees return partially to the office and a hybrid working model becomes the new business as usual.

The Company is FCA regulated and 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 monitored on an ongoing basis.

The Directors have performed an analysis of expected cashflows and on the 2022 expected performance of the Company. The potential impact on the performance of the Company for the 12 months following the signature of the accounts is difficult to forecast and is being monitored closely. The Company is currently profitable and is forecast to remain profitable for the 12 months following the signing of the accounts. The Company has sufficient cash reserves to enable it 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 the Company is a going concern and the financial statements have been prepared on a going concern basis.

## **PGIM Private Capital Limited**

### **Directors' Report for the Year Ended 31 December 2021**

#### **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.

#### **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**

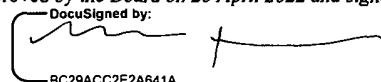
In the case of each Director in office at the date the Directors' Report is approved:

- 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.

#### **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 26 April 2022 and signed on its behalf by:

DocuSigned by:  


BC29ACC2E2A641A...  
M. L. Fioramonti  
Director

# Independent auditors' report to the members of PGIM Private Capital Limited

## Report on the audit of the financial statements

### Opinion

In our opinion, PGIM Private Capital Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 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 2021; the Income Statement and the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

### Basis for opinion

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

### Independence

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

### Conclusions relating to going concern

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

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

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

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

## **Reporting on other information**

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

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

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

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

### **Strategic report and Directors' Report**

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

## **Responsibilities for the financial statements and the audit**

### **Responsibilities of the directors for the financial statements**

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### **Auditors' responsibilities for the audit of the financial statements**

*Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.*

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

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of UK regulatory principles, such as those governed by the Financial Conduct Authority, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to manipulation of financial data to present a more favourable financial or capital position and the posting of inappropriate journal entries to increase revenue. Audit procedures performed by the engagement team included:

- Enquiries with management, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Reviewing correspondence with the Financial Conduct Authority in relation to compliance with laws and regulations;
- Reviewing relevant meeting minutes, including those of the Board of Directors;
- Challenging assumptions and judgements made by management in their significant accounting estimates;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations against revenue; 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

### **Use of this report**

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

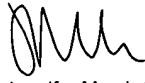
## **Other required reporting**

### **Companies Act 2006 exception reporting**

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

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

We have no exceptions to report arising from this responsibility.

A handwritten signature in black ink, appearing to read 'J March', with a stylized, cursive flourish at the end.

Jennifer March (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London

26 April 2022

**PGIM Private Capital Limited**  
**Income Statement for the Year Ended 31 December 2021**

	Note	2021 £	2020 £
Revenue	4	18,256,538	15,927,754
Administrative expenses		(15,752,221)	(11,313,953)
Other income	5	64,061	149,407
<b>Operating profit</b>	6	<b>2,568,378</b>	<b>4,763,208</b>
Finance Income	7	-	2,674
Finance costs	8	(29,155)	(34,039)
Net finance cost		(29,155)	(31,365)
<b>Profit before tax</b>		<b>2,539,223</b>	<b>4,731,843</b>
Income tax expense	11	(673,945)	(816,735)
<b>Profit for the financial year</b>		<b>1,865,278</b>	<b>3,915,108</b>

The above results were derived from continuing operations.  
There was no other comprehensive income for the year (2020: £nil).



## PGIM Private Capital Limited

## Statement of Financial Position as at 31 December 2021

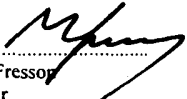
	Note	2021 £	2020 £
<b>Non-current assets</b>			
Property, plant and equipment	12	187,745	255,608
Right-of-use assets	13	784,097	1,125,810
Investments	14	248,682	248,682
Deferred tax assets	11	243,001	184,721
		<u>1,463,525</u>	<u>1,814,821</u>
<b>Current assets</b>			
Trade and other receivables	15	2,057,178	6,032,546
Cash and cash equivalents	16	14,702,515	7,569,868
		<u>16,759,693</u>	<u>13,602,414</u>
<b>Total assets</b>		<u>18,223,218</u>	<u>15,417,235</u>
<b>Current liabilities</b>			
Trade and other payables	20	(7,483,503)	(5,954,523)
Lease liabilities	19	(373,029)	(364,163)
Income tax liability		(18,151)	(376,097)
		<u>(7,874,683)</u>	<u>(6,694,783)</u>
<b>Net current assets</b>		<u>8,885,010</u>	<u>6,907,631</u>
<b>Total assets less current liabilities</b>		<u>10,348,535</u>	<u>8,722,452</u>
<b>Non-current liabilities</b>			
Lease Liabilities	19	(615,619)	(987,169)
		<u>(615,619)</u>	<u>(987,169)</u>
<b>Total liabilities</b>		<u>(8,490,302)</u>	<u>(7,681,952)</u>
<b>Net assets</b>		<u>9,732,916</u>	<u>7,735,283</u>

The notes on pages 18 to 39 form an integral part of these financial statements.  
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**PGIM Private Capital Limited****Statement of Financial Position as at 31 December 2021**

	Note	2021 £	2020 £
<b>Capital and reserves</b>			
Called up share capital	17	4,500,000	4,500,000
Other reserves	18	13,868	13,868
Profit and loss account		<u>5,219,048</u>	<u>3,221,415</u>
<b>Total equity</b>		<u>9,732,916</u>	<u>7,735,283</u>

The financial statements on pages 14 to 39 were approved by the Board and signed on its behalf on 26 April 2022 by:

  
.....  
M. G. Fresson  
Director

Registration number: 01331817

## PGIM Private Capital Limited

## Statement of Changes in Equity for the Year Ended 31 December 2021

	Called up share capital £	Other reserves £	Retained earnings £	Total £
<b>At 1 January 2020</b>	4,500,000	13,868	4,271,965	8,785,833
Profit for the financial year	-	-	3,915,108	3,915,108
<b>Total comprehensive income</b>	-	-	3,915,108	3,915,108
Dividends	-	-	(5,000,000)	(5,000,000)
Share based payment transactions	-	-	34,342	34,342
<b>At 31 December 2020</b>	<u>4,500,000</u>	<u>13,868</u>	<u>3,221,415</u>	<u>7,735,283</u>
	Called up share capital £	Other reserves £	Retained earnings £	Total £
<b>At 1 January 2021</b>	4,500,000	13,868	3,221,415	7,735,283
Profit for the financial year	-	-	1,865,278	1,865,278
Other comprehensive income	-	-	-	-
<b>Total comprehensive income</b>	-	-	1,865,278	1,865,278
Share based payment transactions	-	-	132,355	132,355
<b>At 31 December 2021</b>	<u>4,500,000</u>	<u>13,868</u>	<u>5,219,048</u>	<u>9,732,916</u>

The notes on pages 18 to 39 form an integral part of these financial statements.  
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## **PGIM Private Capital Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2021**

#### **1 General information**

PGIM Private Capital 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 into the results of both PFL and of Prudential Financial, Inc. ('PFI') both of which are publicly available. PFL's financial statements are available at Grand Buildings, 1-3 Strand, Trafalgar Square, London WC2N 5HR. PFI'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 PGIM Private Capital (Ireland) Limited ('PPCIL') on 12 April 2019. Following the transfer of activity in the three branches, the Paris branch was closed effective 15 April 2019, the Frankfurt branch was closed effective 13 December 2020 and the Milan branch was closed effective 6 August 2021.

#### **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'). The financial statements have been prepared on a going on concern basis under the historical cost convention and in accordance with the Companies Act 2006.

##### **Summary of disclosure exemptions**

- (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;
- (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;

## PGIM Private Capital Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021

#### 2 Accounting policies (continued)

- (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

As outlined in the Strategic Report, the employees of the Company have, as a result of the global pandemic, been substantially working remotely during 2021, with a gradual return to the Company offices as different geographical locations come out of lockdown. During this period of remote working, the Company has continued to provide services without interruption, demonstrating the operational resilience of the BCP framework. The control framework continues to be monitored as employees return partially to the office and a hybrid working model becomes the new business as usual.

The Company is FCA regulated and 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 monitored on an ongoing basis.

The Directors have performed an analysis of expected cashflows and on the 2022 expected performance of the Company. The potential impact on the performance of the Company for the 12 months following the signature of the accounts is difficult to forecast and is being monitored closely. The Company is currently profitable and is forecast to remain profitable for the 12 months following the signing of the accounts. The Company has sufficient cash reserves to enable it 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 the Company is a going concern and the financial statements have been prepared on a going concern basis.

## PGIM Private Capital Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021

#### 2 Accounting policies (continued)

##### New standards, interpretations and amendments

During the year, the following amendments to accounting standards came into effect:

- IFRS 16, 'COVID 19 related rent concessions beyond 30 June 2021';
- IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest rate benchmark reform Phase 2.

Following a review of the amendments, the Directors consider that none of the standard, interpretations and amendments effective for the first time from 1 January 2021 have had a material effect on the financial statements.

There are no other amendments to the accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2021 that had a material impact on the consolidated financial statements.

##### Revenue

The Company earns revenue from the provision of loan origination, sourcing, sub-advisory and asset management services to related party investment funds for which it receives fees. The Company also charges its divisional parent, PGIM, Inc., for loan origination services performed on a cost-plus basis.

##### Accounting policy - IFRS 15

The Company recognises revenue under IFRS 15, which recognises revenue based on the transfer of control rather than the transfer of risks and rewards and employs a 5 step model to recognising revenue:

IFRS 15 introduces a 5 step model to recognising revenue:

- (a) Identify the contract with a customer:

Asset management and sub-advisory fees are governed by asset management and advisory agreements and loan origination, sourcing and the re-charge of costs by transfer pricing agreements which detail the enforceable rights and obligations in respect of which the Company can expect to receive money;

- (b) Identify the performance obligations in the contract:

IFRS 15 employs the concept of performance obligations, which are essentially the units of account for revenue recognition. The Company recognises its asset management and sub-advisory revenue by reference to individual funds and its loan origination and sourcing and re-charge revenue by reference to counterparty. The asset management, sub-advisory, loan origination and sourcing and transfer pricing 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, sub-advisory, loan origination and sourcing and transfer pricing agreements detail the agreed fees to be paid. The fees may be fixed in price and/or variable. The variability of the fee income relates to either the value of the underlying assets upon which the fee is based, or the variability of the costs to be re-charged. Where variable fee income is determined by reference to the underlying value of assets, the valuation of those assets is performed by a third party. Where variable re-charge income is determined by reference to costs incurred, the costs to be re-charged are determined when incurred. No significant management judgement is required to determine the transaction price.

## PGIM Private Capital Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021

#### 2 Accounting policies (continued)

- (d) Allocate the transaction price to the performance obligations:

In respect of asset management and sub-advisory fees, the fee rate detailed in the agreement is usually applied to the assets under management, calculated on an average daily basis. In respect of re-charged costs, the amount of costs is re-charged to the counterparty with either a percentage margin or no margin, depending on the transfer pricing agreement. No significant management judgement is required to allocate the transaction price as the pricing approach is detailed in the agreement.

- (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. At regular periods throughout the year, either quarterly or monthly depending on the agreement, the accrued fees will be adjusted to the actual fee earned during the period at the time the invoice is issued.

The Company recognises loan origination and sourcing fees as they occur and variable revenue, in the form of performance fees, is recognised only once the conditions have been met. Judgement is applied in relation to the accounting for variable consideration, which is only recognised to the extent that it is highly probable that no revenue reversal will occur.

In respect of re-charge revenue, revenue is recorded on an incurred basis.

#### *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.

#### **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.

## **PGIM Private Capital Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2021**

#### **2 Accounting policies (continued)**

##### *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.

##### **Cash and cash equivalents**

Cash include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

##### **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.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if it is greater than its estimated recoverable amount.

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



## PGIM Private Capital Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021

#### 2 Accounting policies (continued)

##### 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

##### 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 PPCIL in return for the transfer of the activity of the Company's Paris, Frankfurt and Milan branches to PPCIL. 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 (2020: nil).

Cash is also subject to the impairment requirements of IFRS 9 and no impairment loss was identified (2020: nil).

##### Investments

The investment in PPCIL represents an equity investment not held for trading and is categorised as fair value through profit and loss. Investment are carried at fair value, except where the fair value cannot be measured reliably, in which case they are carried at cost, less any impairment.

Unrealised holding gains and losses are recognised in other income.

##### 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 and other payables

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

## **PGIM Private Capital Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2021**

#### **2 Accounting policies (continued)**

##### **Dividend income**

Dividend income is recognised when the right to receive payment is established.

##### **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.

##### **Provisions for dilapidations**

Provisions for dilapidations are recognised on a lease by lease basis and based on the Company's best estimate of the likely committed cash flow. Dilapidations previously held in respect of the Company's office lease have been reclassified as an intercompany payable to PFL, as the contractual counterparty to the London Bridge lease.

##### **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 PFI's 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.

##### **Share capital**

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

## PGIM Private Capital Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021

#### 2 Accounting policies (continued)

##### Dividends

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

##### IFRS 16 leases

The Company occupies the Eighth Floor of East Building, One London Bridge, London SE1 9BG (London Bridge Office) under a 10 year lease signed on 8 August 2014 by PFL. The Company occupies the entirety of the office space, which, in support of an inter-affiliate agreement, is deemed to transfer the benefits and obligations of the lease to the Company.

For leases classified as operating leases under IAS 17, these 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.

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

- Applying a single discount rate to a portfolio of leases with similar characteristics.
- Accounting for operating leases with a remaining lease term of less than 12 months as short-term leases.
- Using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.
- Leases with an annual value of less than £5,000 were recognised in the Income Statement.

##### *Measurement of right-of-use assets:*

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.

Right-of-use assets are subject to depreciation through the profit and loss, with the estimated useful economic life calculated as the term of the lease.

##### *Measurement of lease liabilities:*

Lease liabilities are measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate. The weighted average incremental borrowing rate applied to the lease liabilities recognised on 1 January 2019 was 2.23%.

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 Company, 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.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The Company's activities associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in the Income Statement.

## **PGIM Private Capital Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2021**

#### **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 external 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**

**Notes to the Financial Statements for the Year Ended 31 December 2021**

**4 Revenue**

	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
Total revenue comprises:		
Management fees in respect of the investment origination and sourcing	15,759,996	13,412,301
Sub-advisory fees	337,950	452,722
Asset management fees	<u>2,158,592</u>	<u>2,062,731</u>
	<u><b>18,256,538</b></u>	<u><b>15,927,754</b></u>

Management fees in respect of the investment origination and sourcing services provided by the Company are charged to related companies.

**5 Other income**

The analysis of the company's other operating income for the year is as follows:

	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
Miscellaneous other operating income	-	149,407
Dividends Received	<u>64,061</u>	<u>-</u>
	<u><b>64,061</b></u>	<u><b>149,407</b></u>

**PGIM Private Capital Limited****Notes to the Financial Statements for the Year Ended 31 December 2021****6 Operating profit**

Operating profit is stated after charging/(crediting):

	2021	2020
	£	£
Fees payable to Company's auditors in respect of:		
- audit of the Company's financial statements	77,795	67,312
- audit related assurance services	4,613	5,305
Staff costs (Note 9)	10,392,896	8,480,475
Depreciation on tangible fixed assets (Note 12)	73,406	73,048
Depreciation on right-of-use assets (Note 13)	341,713	314,179
Foreign exchange gain/(loss)	(33,377)	(24,725)
Management recharge from parent company	4,076,973	1,347,519

**7 Finance income**

	2021	2020
	£	£
Interest income from third parties	-	2,674

**8 Finance costs**

	2021	2020
	£	£
Interest paid to Group undertakings	2,005	416
Interest expense on leases - Property	27,150	33,623
	<u>29,155</u>	<u>34,039</u>

**9 Staff costs**

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

	2021	2020
	£	£
Wages and salaries	8,571,506	6,929,804
Social security costs	1,159,283	865,034
Share-based payment expenses	265,634	348,508
Other pension costs	396,473	337,129
	<u>10,392,896</u>	<u>8,480,475</u>

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

**PGIM Private Capital Limited**

**Notes to the Financial Statements for the Year Ended 31 December 2021**

**9 Staff costs (continued)**

	<b>2021</b>	<b>2020</b>
By activity:	<b>No.</b>	<b>No.</b>
Investment advisers	20	19
Finance and administration	<u>7</u>	<u>7</u>
	<u><b>27</b></u>	<u><b>26</b></u>

**10 Directors' remuneration**

	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
Directors' emoluments	3,700,003	2,425,803
Amounts (excluding shares) receivable under long term incentive schemes	170,296	-
Contributions to pension schemes	<u>12,000</u>	<u>14,000</u>
	<u><b>3,882,299</b></u>	<u><b>2,439,803</b></u>

**Remuneration of the highest paid Director**

	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
- directors' emoluments	1,271,648	762,644
- contribution to pension schemes	<u>4,000</u>	<u>3,000</u>
	<u><b>1,275,648</b></u>	<u><b>765,644</b></u>

The value of awards receivable by the highest paid Director under long-term incentive schemes is £84,018 (2020: £nil). The highest paid Director had no accrued UK defined benefit plan entitlements at the end of the year (2020: none). None of the Directors exercised share options in the year (2020: none). Four of the Directors (2020: five) 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 and E. A. Jolly 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**

**Notes to the Financial Statements for the Year Ended 31 December 2021**

**11 Income tax expense**

Recognised in the Income Statement

	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
Total current tax:		
Current year	470,281	899,050
Other adjustments	<u>261,944</u>	<u>(39,041)</u>
Total current tax	<u>732,225</u>	<u>860,009</u>
Total deferred tax:		
Origination and reversal of temporary differences	<u>(58,280)</u>	<u>(43,274)</u>
Total deferred tax	<u>(58,280)</u>	<u>(43,274)</u>
Tax on profit on ordinary activities	<u>673,945</u>	<u>816,735</u>

Current year income tax is recognised in Other Comprehensive Income of £nil (2020: £nil).

The tax on profit for the year is higher than the standard rate of corporation tax in the UK (2020: lower than the standard rate of corporation tax in the UK) of 19% (2020: 19%).

The differences are reconciled below:

	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
Profit before tax	2,539,223	4,731,843
Dividends Received	<u>(64,061)</u>	<u>-</u>
Corporation tax at standard rate	470,281	899,050
Increase (decrease) in current tax from adjustment for prior periods	225,622	(43,800)
Increase (decrease) from effect of capital allowances depreciation	1,911	(3,010)
Increase from effect of expenses not deductible in determining taxable profit (tax loss)	10,352	1,136
Stock option not deductible for tax purposes	(29,753)	(22,450)
Decrease from changes in tax provisions due to legislation	<u>(4,468)</u>	<u>(14,191)</u>
Total tax charge	<u>673,945</u>	<u>816,735</u>

The standard rate of corporation tax is 19% (2020: 19%).



**PGIM Private Capital Limited**

**Notes to the Financial Statements for the Year Ended 31 December 2021**

**11 Income tax expense (continued)**

**Deferred tax**

Recognised deferred tax assets

Deferred tax assets are attributable to the following:

	2021	2020
	£	£
Share based payments	170,738	123,247
Decelerated capital allowances	21,124	14,803
IFRS 16 leases	51,139	46,671
	<u>243,001</u>	<u>184,721</u>

The deferred tax asset is calculated using the 19% corporation tax rate (2020: 19% corporation tax rate). The Directors, after evaluating forecasts and future profitability, consider that sufficient future profits will be generated to offset the deferred tax credits and have therefore recognised the deferred tax asset.

In the Spring Budget 2021, the UK Government announced that from 1 April 2023 the corporation tax rate would increase to 25% (rather than remaining at 19%, as previously enacted). This new law was substantively enacted on 24 May 2021. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

Deferred tax movement during the year:

	1 January 2021	Recognised in income	31 December 2021
	£	£	£
Share-based payment	123,247	47,491	170,738
Decelerated capital allowances	14,803	6,321	21,124
IFRS 16 Leases	46,671	4,468	51,139
Net tax assets/(liabilities)	<u>184,721</u>	<u>58,280</u>	<u>243,001</u>

Deferred tax movement during the prior year:

	At 1 January 2020	Recognised in income	At 31 December 2020
	£	£	£
Share-based payment	95,411	27,836	123,247
Decelerated capital allowances	13,556	1,247	14,803
IFRS 16 Leases	32,480	14,191	46,671
Net tax assets/(liabilities)	<u>141,447</u>	<u>43,274</u>	<u>184,721</u>

**PGIM Private Capital Limited**

**Notes to the Financial Statements for the Year Ended 31 December 2021**

**12 Property, plant and equipment**

	<b>Leasehold improvements £</b>	<b>Office Equipment, Furniture and Fittings £</b>	<b>Total £</b>
<b>Cost or valuation</b>			
At 1 January 2021	884,021	457,027	1,341,048
Additions	-	5,544	5,544
At 31 December 2021	<u>884,021</u>	<u>462,571</u>	<u>1,346,592</u>
<b>Accumulated depreciation</b>			
At 1 January 2021	670,307	415,134	1,085,441
Depreciation charge for the financial year	<u>60,436</u>	<u>12,970</u>	<u>73,406</u>
At 31 December 2021	<u>730,743</u>	<u>428,104</u>	<u>1,158,847</u>
<b>Carrying amount</b>			
At 31 December 2021	<u>153,278</u>	<u>34,467</u>	<u>187,745</u>
At 31 December 2020	<u>213,715</u>	<u>41,893</u>	<u>255,608</u>

**13 Right-of-use assets**

	<b>Property £</b>	<b>Total £</b>
<b>Cost or valuation</b>		
At 1 January 2021	<u>1,728,634</u>	<u>1,728,634</u>
At 31 December 2021	<u>1,728,634</u>	<u>1,728,634</u>
<b>Accumulated depreciation</b>		
At 1 January 2021	602,824	602,824
Depreciation charge for the financial year	<u>341,713</u>	<u>341,713</u>
At 31 December 2021	<u>944,537</u>	<u>944,537</u>
<b>Carrying amount</b>		
At 31 December 2021	<u>784,097</u>	<u>784,097</u>
At 31 December 2020	<u>1,125,810</u>	<u>1,125,810</u>

## PGIM Private Capital Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021

#### 13 Right-of-use assets (continued)

The Company leases the Eighth Floor of East Building, One London Bridge, London SE1 9BG (London Bridge Office) under a 10 year lease signed on 8 August 2014 by PFL. The Company occupies the entirety of the office space, which, in support of an inter-affiliate agreement, is deemed to transfer the benefits and obligations of the lease to the Company.

Under IFRS 16, the asset and liability arising from the lease are initially measured on a present value basis.

Right-of-use assets are measured at cost comprising the following:

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

The right-of-use assets are subject to depreciation through the profit and loss, with the estimated useful economic life calculated as the term of the lease.

#### 14 Investments

	2021	2020
	£	£
At 1 January	248,682	99,274
Revaluation	-	149,408
<b>At 31 December</b>	<b>248,682</b>	<b>248,682</b>

Investments comprise equity shares in PPCIL a private company. PPCIL 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 PPCIL (2020: 5.45%). The Company has not recognised any revaluation in investment during the year.

#### 15 Trade and other receivables

	2021	2020
	£	£
Trade receivables	762,755	828,987
Amounts due from PFI Group companies	1,091,465	4,644,645
Prepayments	132,974	192,514
Other receivables	69,984	366,400
	<b>2,057,178</b>	<b>6,032,546</b>

# **PGIM Private Capital Limited**

## **Notes to the Financial Statements for the Year Ended 31 December 2021**

### **15 Trade and other receivables (continued)**

Amounts included within amounts due from PFI Group companies are interest free, unsecured and repayable according to the terms of the agreement.

The Company has not suffered any losses because of trade debtor or counterparty defaults during the year (2020: £nil). The Company applies the IFRS 9 simplified approach to measuring expected credit losses ('ECL') which uses a lifetime expected loss allowance for all trade and other receivables and no expected loss allowance was recognised during the year (2020: £nil).

### **16 Cash and cash equivalents**

	2021	2020
	£	£
Cash at bank	<u>14,702,515</u>	<u>7,569,868</u>

### **17 Called up share capital**

**Allotted, called up and fully paid shares**

	No.	2021 £	No.	2020 £
Ordinary shares of £1 each	<u>4,500,000</u>	<u>4,500,000</u>	<u>4,500,000</u>	<u>4,500,000</u>

### **18 Other reserves**

	2021 £	2020 £
At 1 January	<u>13,868</u>	<u>13,868</u>
At 31 December	<u>13,868</u>	<u>13,868</u>

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

#### **Foreign exchange reserve**

The foreign exchange reserve of £nil (2020: £nil) represents the movement in foreign exchange as a result of the foreign operations.

#### **Capital contribution reserve**

The capital contribution reserve of £13,868 (2020: £13,868) represents an irrevocable gift to the Company from PGIM Financial Limited, and is a distributable reserve.

**PGIM Private Capital Limited**

**Notes to the Financial Statements for the Year Ended 31 December 2021**

**19 Lease liabilities**

**Lease liabilities**

	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
Lease liability as at 1 January	1,351,332	1,374,441
Add: Re-assessment of lease payments	-	300,615
Add: Interest expense on lease liabilities	27,149	33,623
Less: Rental payments in the financial year	<u>(389,833)</u>	<u>(357,347)</u>
Lease liability as at 31 December	<u><b>988,648</b></u>	<u><b>1,351,332</b></u>

	<b>2021</b>	<b>2020</b>
	<b>£</b>	<b>£</b>
Current portion of long term lease liabilities	373,029	364,163
Long term lease liabilities	<u>615,619</u>	<u>987,169</u>
	<u><b>988,648</b></u>	<u><b>1,351,332</b></u>

The Company leases the Eighth Floor of East Building, One London Bridge, London SE1 9BG (London Bridge Office) under a 10 year lease signed on 8 August 2014 by PFL. The Company occupies the entirety of the office space, which, in support of an inter-affiliate agreement, is deemed to transfer the benefits and obligations of the lease to the Company.

*Measurement of lease liability*

The lease liability includes the net present value of the following lease payments:

- fixed payments, less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

## PGIM Private Capital Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021

#### 19 Lease liabilities (continued)

As there is no interest rate implicit in the lease, the discount rate used is based on the Company's incremental borrowing rate ('IBR'), or the rate that the Company 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. The weighted average incremental borrowing rate applied to the lease liabilities recognised on 1 January 2019 was 2.23%.

The Company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. During 2020 the lease was subject to a rent review, bringing the rent payable back in-line with market rates. No additional adjustments are expected to be made for the remainder of the lease contract.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

#### 20 Trade and other payables

	2021	2020
	£	£
Accrued expenses	5,252,297	4,978,650
Amounts due to PFI Group companies	<u>2,231,206</u>	<u>975,873</u>
	<u>7,483,503</u>	<u>5,954,523</u>

Amounts included within amounts due to PFI Group companies are interest free, unsecured and repayable according to the terms of the agreement.

#### 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. Accounting for the assets and liabilities of the plan is included in the financial statements of PGIM European Services Limited, a subsidiary of PFI and the principal employer for the plan.

There is no requirement under the contribution timetable for the Company to make contributions to the defined benefit plan.

# **PGIM Private Capital Limited**

## **Notes to the Financial Statements for the Year Ended 31 December 2021**

### **21 Pension and other schemes (continued)**

#### **Defined contribution pension schemes**

Contributions made by the Company are paid wholly into the defined contribution plan and, in 2021, amounted to £396,473 (2020: £337,129). At the year-end, £nil remained payable to the scheme (2020: £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 2021 and 2020:

	2021	2020
	Number of shares	Number of shares
Non-vested Shares		
At 1 January	9,050	8,237
Granted	5,389	3,709
Vested	(2,095)	(2,896)
At 31 December	12,344	9,050

The movements in the weighted average grant-date fair value of restricted stock units during the years ended 31 December 2021 and 2020 were as follows:

	2021	2020
	£	£
Non-vested Shares		
At 1 January	72.37	79.26
Granted	62.21	71.90
Vested	76.95	88.60
At 31 December	67.74	72.37

The Company recorded an expense of £265,633 (2020: £348,509) in share-based payments, related to restricted stock units, during the year ended 31 December 2021.

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.

## PGIM Private Capital Limited

### Notes to the Financial Statements for the Year Ended 31 December 2021

#### 23 Provisions

Provisions for dilapidations are recognised on a lease by lease basis and based on Company's best estimate of the likely committed cash flow. Dilapidations previously held in respect of the Company's office lease have been reclassified as an intercompany payable to PFL, as the contractual counterparty to the London Bridge lease.

	2021	2020
	£	£
At 1 January	-	(68,008)
Dilapidation provision	-	68,008
At 31 December	-	-

#### 24 Related party transactions

The Company has taken advantage of the disclosure exemption available under FRS 101 in respect of the requirements of IAS 24 Related party disclosures to disclose related parties transactions entered into between two or more members of a group.

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, Inc., 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.

#### 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 Company's total equity as disclosed in the Statement of Changes in Equity. As at 31 December 2021 this totalled £9,732,916 (2020: £7,735,283). The Company'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.



**PGIM Private Capital Limited**

**Notes to the Financial Statements for the Year Ended 31 December 2021**

**26 Non adjusting events after the financial period**

On 7 September 2021, the government announced plans to increase the funding of health and social care through a new levy. From April 2022, employers will pay an additional 1.25% in relation to Class 1A employer National Insurance Contributions. However from April 2023, the national insurance rate will return to its current rate and the extra tax will be collected as a new 'Health and Social Care Levy'.

As a result of the Russian and Ukrainian conflict, ongoing since 24 February 2022, management have performed an assessment of the Company's potential direct and indirect exposure and the potential financial and operational implications of the conflict. The Company does not have employees, offices nor assets situated in Russia or Ukraine, and, having reviewed its relationships with customers and suppliers and has not identified any potential exposure from an operational perspective. As a result, management do not believe the Company has, has found no evidence of exposure to sanctioned entities or individuals nor any direct exposure in Russia nor Ukraine.

Management have considered indirect exposure to the conflict, in particular the risk of potential further inflationary pressure, and the performance and cash flows of the Company have been stressed to include this risk as part of the going concern analysis. As a result, management believe the impact of the crisis on the financial performance and operational capacity of the Company not to be material.

