

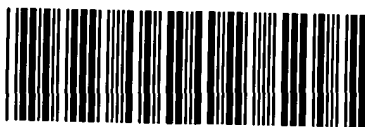
Registration number: 01331817

# PGIM Private Capital Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2022

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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 2022**

The Directors present their Strategic Report for PGIM Private Capital Limited ('PPC' or the 'Company') for the year ended 31 December 2022.

#### **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**

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 £1,479m (2021: £1,845m) 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 £910m (2021: £947.1m) as a result market movements accompanied by a weakened Great British Pound ('GBP') against the Swiss Franc ('CHF') and the US Dollar ('USD').

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 2022, the Company did not recognise an increase in fair value relating to its investment in PPCIL (2021: £nil).

#### **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 2022**

**(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.

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 2022 are £11.9m (2021: £9.7m).

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.

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.

(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 2022. The results are communicated to senior management who have committed to act on the feedback and help inform and improve subsequent HR initiatives.

## **PGIM Private Capital Limited**

### **Strategic Report for the Year Ended 31 December 2022**

**(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 2022

#### 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:

	2022 £	2021 £
Revenue	20,789,289	18,256,538
Profit before tax	2,723,565	2,539,223
Taxation	(495,942)	(673,945)
Profit for the financial year	<u>2,227,623</u>	<u>1,865,278</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.

	2022 £m	2021 £m
<i>Originations</i>		
PGIM Private Capital Limited	<u>1,479</u>	<u>1,845</u>

	2022 £m	2021 £m
<i>Assets Under Management</i>		
PGIM Private Capital Limited	<u>910</u>	<u>947</u>

#### Principal risks and uncertainties

The Company's strategic goals in 2023 are to continue to develop its asset management, origination and sourcing activity.

The Directors continually 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 the strategic objectives detailed above through significant market movements or other external factors.

The Company has limited exposure to foreign exchange risk on its assets and liabilities denominated in currencies other than GBP. The Company is exposed to Counterparty Credit Risk in that it has internal and external creditors. The Directors believe this risk to be mitigated by the fact that a proportion of the balance is held with other associated entities of the Group and there is no history of default with external counterparties.

Following the seizure of Silicon Valley Bank and Signature Bank by US regulators and the news that UBS Group is acquiring Credit Suisse, management have been monitoring the developing banking situation and reviewing corporate banking relationships. It can be confirmed that PGIM Private Capital (UK) Ltd has no direct exposure to either Credit Suisse or any of the US regional banks. Management will monitor for any indirect exposures, and take appropriate action as needed.

The Company has no long term borrowings and the short term borrowings consist predominately of intercompany payables, in respect of re-charged costs. The company has no direct exposure to interest rate risk and its exposure to investment risk is limited to its minority shareholding in PGIM Private Capital (Ireland) Limited.

## PGIM Private Capital Limited

### Strategic Report for the Year Ended 31 December 2022

#### *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.

#### *Business Continuity Risk*

In 2022 with the UK moving in and out of periods of physical and economic lockdowns, staff were able to adopt a hybrid model of working. 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.

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:  
  
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E. A. Jolly  
Director  
26 April 2023



## **PGIM Private Capital Limited**

### **Directors' Report for the Year Ended 31 December 2022**

The Directors present their Annual Report and the audited Financial Statements for the year ended 31 December 2022.

#### **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.

#### **Dividend**

During the year the Company did not pay any interim dividends (2021: £nil). The Directors do not recommend the payment of a final dividend (2021: £nil).

During the year the Company received a dividend of £46,799 from PPC Ireland (2021: £64,061)

#### **Political donations**

The Company has made no political donations and incurred no political expenditure during the year (2021: £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 (2021: cash, trade receivables and payables and a 5.45% in PGIM Private Capital (Ireland) Limited).

#### **MIFIDPRU 8 Disclosures**

Under the MIFIDPRU 8 requirements of the Investment Firm Prudential Regime (IFPR), the Company is required to disclose in a public forum its principal risk management, capital adequacy and remuneration. These disclosures are unaudited and included on the Group's website.

#### **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>

## **PGIM Private Capital Limited**

### **Directors' Report for the Year Ended 31 December 2022**

#### **Going concern**

2022 was marked by economic uncertainty as countries, including the UK, were affected by the on-going conflict between Russia and Ukraine and the subsequent economic volatility characterised by rising inflation and the cost of living crisis.

Following the seizure of Silicon Valley Bank and Signature Bank by US regulators and the news that UBS Group is acquiring Credit Suisse in early 2023, management have been monitoring the developing banking situation and reviewing corporate banking relationships. It can be confirmed that PGIM Private Capital (UK) Ltd has no direct exposure to either Credit Suisse or any of the US regional banks. Management will continue to monitor for any indirect exposures, and take appropriate action as needed.

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 2023 expected performance on the Company. The potential impact of uncertainty 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.

The Directors are confident that the Company is a going concern and the financial statements have been prepared on a going concern basis.

#### **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:

## **PGIM Private Capital Limited**

### **Directors' Report for the Year Ended 31 December 2022**

- 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***

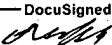
In the case of each Director in office at the date the Directors' Report is approved:

- 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 25 April 2023 and signed on its behalf on 26 April 2023 by:

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E. A. Jolly  
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 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Statement of Financial Position as at 31 December 2022; 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 2022 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.



Jennifer March (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
26 April 2023

## PGIM Private Capital Limited

### Income Statement for the Year Ended 31 December 2022

	Note	2022 £	2021 £
Revenue	4	20,789,289	18,256,538
Administrative expenses		(18,239,071)	(15,752,221)
Other income	5	<u>46,799</u>	<u>64,061</u>
<b>Operating profit</b>	6	<u><b>2,597,017</b></u>	<u><b>2,568,378</b></u>
Finance Income	7	148,862	-
Finance costs	8	<u>(22,314)</u>	<u>(29,155)</u>
Net finance income/(cost)		<u><b>126,548</b></u>	<u><b>(29,155)</b></u>
<b>Profit before tax</b>		<b>2,723,565</b>	<b>2,539,223</b>
Income tax expense	11	<u>(495,942)</u>	<u>(673,945)</u>
<b>Profit for the financial year</b>		<u><b>2,227,623</b></u>	<u><b>1,865,278</b></u>

The above results were derived from continuing operations.  
There was no other comprehensive income for the year (2021: £nil).



# PGIM Private Capital Limited

## Statement of Financial Position as at 31 December 2022


	Note	2022 £	2021 £
<b>Non-current assets</b>			
Property, plant and equipment	12	280,493	187,745
Right-of-use assets	13	482,843	784,097
Investments	14	248,682	248,682
Deferred tax assets	11	176,848	243,001
		<u>1,188,866</u>	<u>1,463,525</u>
<b>Current assets</b>			
Trade and other receivables	15	2,053,339	2,057,178
Income tax receivable		96,078	-
Cash and cash equivalents	16	17,781,376	14,702,515
		<u>19,930,793</u>	<u>16,759,693</u>
<b>Total assets</b>		<u>21,119,659</u>	<u>18,223,218</u>
<b>Current liabilities</b>			
Trade and other payables	20	(8,632,229)	(7,483,503)
Lease liabilities	19	(381,437)	(373,029)
Income tax liability		-	(18,151)
		<u>(9,013,666)</u>	<u>(7,874,683)</u>
<b>Net current assets</b>		<u>10,917,127</u>	<u>8,885,010</u>
<b>Total assets less current liabilities</b>		<u>12,105,993</u>	<u>10,348,535</u>
<b>Non-current liabilities</b>			
Lease Liabilities	19	(234,182)	(615,619)
		<u>(234,182)</u>	<u>(615,619)</u>
<b>Total liabilities</b>		<u>(9,247,848)</u>	<u>(8,490,302)</u>
<b>Net assets</b>		<u>11,871,811</u>	<u>9,732,916</u>
<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		7,357,943	5,219,048
<b>Total equity</b>		<u>11,871,811</u>	<u>9,732,916</u>

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

## **PGIM Private Capital Limited**

### **Statement of Financial Position as at 31 December 2022**

The financial statements on pages 14 to 40 were approved by the Board on 25 April 2023 and signed on its behalf on 26 April 2023 by:

DocuSigned by:  
  
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M. G. Fresson  
Director

Registration number: 01331817

The notes on pages 18 to 40 form an integral part of these financial statements.  
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**PGIM Private Capital Limited**

**Statement of Changes in Equity for the Year Ended 31 December 2022**

	<b>Called up share capital £</b>	<b>Other reserves £</b>	<b>Retained earnings £</b>	<b>Total £</b>
<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
<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>
	<b>Called up share capital £</b>	<b>Other reserves £</b>	<b>Retained earnings £</b>	<b>Total £</b>
<b>At 1 January 2022</b>	4,500,000	13,868	5,219,048	9,732,916
Profit for the financial year	-	-	2,227,623	2,227,623
<b>Total comprehensive income</b>	-	-	2,227,623	2,227,623
Share based payment transactions	-	-	(88,728)	(88,728)
<b>At 31 December 2022</b>	<u>4,500,000</u>	<u>13,868</u>	<u>7,357,943</u>	<u>11,871,811</u>

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

# **PGIM Private Capital Limited**

## **Notes to the Financial Statements for the Year Ended 31 December 2022**

### **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.

### **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 2022**

#### **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**

2022 was marked by economic uncertainty as countries, including the UK, were affected by the on-going conflict between Russia and Ukraine and the subsequent economic volatility characterised by rising inflation and the cost of living crisis.

Following the seizure of Silicon Valley Bank and Signature Bank by US regulators and the news that UBS Group is acquiring Credit Suisse in early 2023, management have been monitoring the developing banking situation and reviewing corporate banking relationships. It can be confirmed that PGIM Private Capital (UK) Ltd has no direct exposure to either Credit Suisse or any of the US regional banks. Management will continue to monitor for any indirect exposures, and take appropriate action as needed.

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 2023 expected performance on the Company. The potential impact of uncertainty 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.

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 2022

#### 2 Accounting policies (continued)

##### New standards, interpretations and amendments

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

- Annual Improvements to IFRS 2018–2020, effective 1 January 2022
- Onerous Contracts—Cost of Fulfilling a Contract (Amendments to IAS 37), effective 1 January 2022
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16), effective 1 January 2022
- Reference to the Conceptual Framework (Amendments to IFRS 3), effective 1 January 2022

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 2022 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 2022 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.

## PGIM Private Capital Limited

### Notes to the Financial Statements for the Year Ended 31 December 2022

#### 2 Accounting policies (continued)

##### (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.

##### (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.

## **PGIM Private Capital Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2022**

#### **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 taxable 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

### Notes to the Financial Statements for the Year Ended 31 December 2022

#### 2 Accounting policies (continued)

##### **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.

##### **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 (2021: nil).

Cash is also subject to the impairment requirements of IFRS 9 and no impairment loss was identified (2021: nil).

## **PGIM Private Capital Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2022**

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

##### **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.

##### **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.

## **PGIM Private Capital Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2022**

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

##### **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.

##### **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.

## **PGIM Private Capital Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2022**

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

##### **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 2022**

#### **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 2022

#### 4 Revenue

	2022	2021
	£	£
Total revenue comprises:		
Management fees in respect of the investment origination and sourcing	18,240,529	15,759,996
Sub-advisory fees	245,769	337,950
Asset management fees	<u>2,302,991</u>	<u>2,158,592</u>
	<u>20,789,289</u>	<u>18,256,538</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:

	2022	2021
	£	£
Dividends Received	<u>46,799</u>	<u>64,061</u>

#### 6 Operating profit

Operating profit is stated after charging/(crediting):

	2022	2021
	£	£
Fees payable to Company's auditors in respect of:		
- audit of the Company's financial statements	87,611	77,795
- audit related assurance services	5,074	4,613
Staff costs (Note 9)	11,971,028	10,392,896
Depreciation on tangible fixed assets (Note 12)	80,292	73,406
Depreciation on right-of-use assets (Note 13)	301,254	341,713
Foreign exchange loss/(gain)	310,198	(33,377)
Management recharge from parent company	4,140,982	4,076,973

#### 7 Finance income

	2022	2021
	£	£
Interest income from third parties	<u>148,862</u>	<u>-</u>

# PGIM Private Capital Limited

## Notes to the Financial Statements for the Year Ended 31 December 2022

### 8 Finance costs

	2022	2021
	£	£
Interest paid to Group undertakings	5,510	2,005
Interest expense on leases - Property	16,804	27,150
	<u>22,314</u>	<u>29,155</u>

### 9 Staff costs

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

	2022	2021
	£	£
Wages and salaries	9,782,647	8,571,506
Social security costs	1,375,058	1,159,283
Share-based payment expenses	346,860	265,634
Other pension costs	466,463	396,473
	<u>11,971,028</u>	<u>10,392,896</u>

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

	2022	2021
	No.	No.
By activity:		
Investment advisers	25	20
Finance and administration	8	7
	<u>33</u>	<u>27</u>

### 10 Directors' remuneration

	2022	2021
	£	£
Directors' emoluments	2,751,244	3,700,003
Amounts (excluding shares) receivable under long term incentive schemes	348,171	170,296
Contributions to pension schemes	12,000	12,000
	<u>3,111,415</u>	<u>3,882,299</u>

## PGIM Private Capital Limited

### Notes to the Financial Statements for the Year Ended 31 December 2022

#### 10 Directors' remuneration (continued)

##### Remuneration of the highest paid Director

	2022 £	2021 £
- directors' emoluments	1,018,933	1,271,648
- contribution to pension schemes	<u>4,000</u>	<u>4,000</u>
	<u>1,022,933</u>	<u>1,275,648</u>

The value of awards receivable by the highest paid Director under long-term incentive schemes is £103,348 (2021: £84,018). The highest paid Director had no accrued UK defined benefit plan entitlements at the end of the year (2021: none). None of the Directors exercised share options in the year (2021: none). Three of the Directors (2021: 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 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 2022

#### 11 Income tax expense

Recognised in the Income Statement

	2022	2021
	£	£
Total current tax:		
Current year	508,586	470,281
Other adjustments	(78,797)	261,944
	<u>429,789</u>	<u>732,225</u>
Total current tax		
Total deferred tax:		
Origination and reversal of temporary differences	66,153	(58,280)
	<u>66,153</u>	<u>(58,280)</u>
Total deferred tax		
Tax on profit	<u>495,942</u>	<u>673,945</u>

Current year income tax is recognised in Other Comprehensive Income of £nil (2021: £nil).

The tax on profit for the year is higher than the standard rate of corporation tax in the UK (2021: higher than the standard rate of corporation tax in the UK) of 19% (2021: 19%).

The differences are reconciled below:

	2022	2021
	£	£
Profit before tax	2,723,565	2,539,223
Dividends Received	(46,799)	(64,061)
	<u>2,676,766</u>	<u>2,475,162</u>
Corporation tax at standard rate	508,586	470,281
Increase (decrease) in current tax from adjustment for prior periods	(60,878)	225,622
Increase (decrease) from effect of capital allowances depreciation	8,349	1,911
Increase from effect of expenses not deductible in determining taxable profit (tax loss)	18,890	10,352
Stock option not deductible for tax purposes	3,050	(29,753)
Decrease from changes in tax provisions due to legislation	17,945	(4,468)
	<u>495,942</u>	<u>673,945</u>
Total tax charge		

The standard rate of corporation tax is 19% (2021: 19%).

# PGIM Private Capital Limited

## Notes to the Financial Statements for the Year Ended 31 December 2022

### 11 Income tax expense (continued)

#### Deferred tax

##### Recognised deferred tax assets

Deferred tax assets are attributable to the following:

	2022 £	2021 £
Share based payments	158,032	170,738
Decelerated capital allowances	(14,378)	21,124
IFRS 16 leases	33,194	51,139
	<u>176,848</u>	<u>243,001</u>

The deferred tax asset is calculated using the 25% corporation tax rate (2021: 25% 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.

On 30th November 2022, the Chancellor announced that from 1 April 2023 the corporation tax rate would increase to 25% (rather than remaining at 19%, as previously enacted in the 'Mini-Budget'). This will be for businesses with profits of more than £250,000 where else businesses whose profits are below £50,000 will continue to pay 19% corporation tax and those with profits between £50,000 and £250,000 will pay at a marginal tax rate. 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 2022 £	Recognised in income £	31 December 2022 £
Share-based payment	170,738	(12,706)	158,032
Decelerated capital allowances	21,124	(35,502)	(14,378)
IFRS 16 Leases	51,139	(17,945)	33,194
Net tax assets/(liabilities)	<u>243,001</u>	<u>(66,153)</u>	<u>176,848</u>

Deferred tax movement during the prior year:

	At 1 January 2021 £	Recognised in income £	At 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>

# PGIM Private Capital Limited

## Notes to the Financial Statements for the Year Ended 31 December 2022

### 12 Property, plant and equipment

	Leasehold improvements £	Office Equipment, Furniture and Fittings £	Total £
<b>Cost or valuation</b>			
At 1 January 2022	884,021	462,571	1,346,592
Additions	<u>122,955</u>	<u>50,087</u>	<u>173,042</u>
At 31 December 2022	<u>1,006,976</u>	<u>512,658</u>	<u>1,519,634</u>
<b>Accumulated depreciation</b>			
At 1 January 2022	730,743	428,104	1,158,847
Depreciation charge for the financial year	<u>65,560</u>	<u>14,734</u>	<u>80,294</u>
At 31 December 2022	<u>796,303</u>	<u>442,838</u>	<u>1,239,141</u>
<b>Carrying amount</b>			
At 31 December 2022	<u>210,673</u>	<u>69,820</u>	<u>280,493</u>
At 31 December 2021	<u>153,278</u>	<u>34,467</u>	<u>187,745</u>

### 13 Right-of-use assets

	Property £	Total £
<b>Cost or valuation</b>		
At 1 January 2022	<u>1,728,634</u>	<u>1,728,634</u>
At 31 December 2022	<u>1,728,634</u>	<u>1,728,634</u>
<b>Accumulated depreciation</b>		
At 1 January 2022	944,537	944,537
Depreciation charge for the financial year	<u>301,254</u>	<u>301,254</u>
At 31 December 2022	<u>1,245,791</u>	<u>1,245,791</u>
<b>Carrying amount</b>		
At 31 December 2022	<u>482,843</u>	<u>482,843</u>
At 31 December 2021	<u>784,097</u>	<u>784,097</u>

## PGIM Private Capital Limited

### Notes to the Financial Statements for the Year Ended 31 December 2022

#### 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

	2022 £	2021 £
At 1 January	248,682	248,682
At 31 December	248,682	248,682

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 (2021: 5.45%). The Company has not recognised any revaluation in investment during the year.

#### 15 Trade and other receivables

	2022 £	2021 £
Trade receivables	853,499	762,755
Amounts due from PFI Group companies	992,777	1,091,465
Prepayments	139,860	132,974
Other receivables	67,203	69,984
	2,053,339	2,057,178

# PGIM Private Capital Limited

## Notes to the Financial Statements for the Year Ended 31 December 2022

### 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 (2021: £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 (2021: £nil).

### 16 Cash and cash equivalents

	2022 £	2021 £
Cash at bank	<u>17,781,376</u>	<u>14,702,515</u>

### 17 Called up share capital

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

	No.	2022 £	No.	2021 £
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

	2022 £	2021 £
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 (2021: £nil) represents the movement in foreign exchange as a result of the foreign operations.

#### Capital contribution reserve

The capital contribution reserve of £13,868 (2021: £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 2022

#### 19 Lease liabilities

##### Lease liabilities

	2022 £	2021 £
Lease liability as at 1 January	988,648	1,351,332
Add: Interest expense on lease liabilities	16,804	27,149
Less: Rental payments in the financial year	<u>(389,833)</u>	<u>(389,833)</u>
Lease liability as at 31 December	<u>615,619</u>	<u>988,648</u>
	2022 £	2021 £
Current portion of long term lease liabilities	381,437	373,029
Long term lease liabilities	<u>234,182</u>	<u>615,619</u>
	<u>615,619</u>	<u>988,648</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 2022

#### 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

	2022	2021
	£	£
Accrued expenses	6,181,765	5,252,297
Amounts due to PFI Group companies	<u>2,450,464</u>	<u>2,231,206</u>
	<u>8,632,229</u>	<u>7,483,503</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.

## PGIM Private Capital Limited

### Notes to the Financial Statements for the Year Ended 31 December 2022

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

##### 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.

##### Defined contribution pension schemes

Contributions made by the Company are paid wholly into the defined contribution plan and, in 2022, amounted to £466,463 (2021: £396,473). At the year-end, £nil remained payable to the scheme (2021: £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 2022 and 2021:

	2022	2021
	Number of	Number of
Non-vested Shares	shares	shares
At 1 January	12,344	9,050
Granted	4,411	5,389
Vested	(4,851)	(2,095)
At 31 December	11,904	12,344

The movements in the weighted average grant-date fair value of restricted stock units during the years ended 31 December 2022 and 2021 were as follows:



## PGIM Private Capital Limited

### Notes to the Financial Statements for the Year Ended 31 December 2022

#### 22 Share-based payments (continued)

	2022	2021
	£	£
Non-vested Shares		
At 1 January	67.74	72.37
Granted	98.47	62.21
Vested	72.19	76.95
At 31 December	81.23	67.74

The Company recorded an expense of £346,860 (2021: £265,633) in share-based payments, related to restricted stock units, during the year ended 31 December 2022.

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

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.

There has been no dilapidation provision in 2021 and 2022.

#### 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.

## **PGIM Private Capital Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2022**

#### **25 Capital Management (continued)**

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 2022 this totalled £11,871,811 (2021: £9,732,916). 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.

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

In March 2023, PGIM Financial Limited subscribed for 4 million ordinary shares in the Company at par and paid the full amount in cash. This transaction has increased the called up and allotted share capital of the Company to 8,500,000 ordinary £1 shares.