

Registered number: 01796126

Prudential Unit Trusts Limited

Annual Report and Financial Statements

For the year ended 31 December 2016

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Prudential Unit Trusts Limited

Company Information

Directors	M Lewis (resigned 13 June 2016) G W MacDowall L J Mumford W J Nott
Company secretary	M&G Management Services Limited
Registered number	01796126
Registered office	Laurence Pountney Hill London EC4R 0HH
Independent auditor	KPMG LLP 15 Canada Square London E14 5GL

Prudential Unit Trusts Limited

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Prudential Unit Trusts Limited

Strategic Report For the year ended 31 December 2016

Business review

The principal activity of the Company up until October 2014 was that of Authorised Corporate Director of Prudential Open Ended Investment Companies, including the management of these funds along with the management of Qualified Investor Schemes (QIS). In October 2014, the Company transferred the responsibility for management of these funds to Capita plc.

The Company continues to be authorised and regulated by the Financial Conduct Authority and as such, will continue to report on a going concern basis for the foreseeable future. The Company's continuing activity is limited to receiving interest on cash balances retained on the Balance Sheet following the transfer of business to Capita plc, and the residual administrative costs associated.

The Company had a profit after tax of £8,000 (2015: loss £22,000). Further details of the results for the year are set out in the Profit and Loss Account and Other Comprehensive Income on page 7.

The Company is an indirect subsidiary of M&G Group Limited. The Company, along with the fellow direct and indirect subsidiaries of M&G Group Limited, form the M&G Group.

Principal risks and uncertainties

The risks and uncertainties faced by the Company are those inherent within the investment management industry, primarily:

Operational risk

Operational risk is the risk of loss or unintended gain arising from inadequate or failed internal processes, or from personnel and systems, or from external events. The Company has a robust risk management framework, established risk governance arrangements and effective risk management processes to ensure appropriate challenge and oversight of operational risk exposures and continued effectiveness of controls in the context of risk appetite.

Financial risk

Financial risk is the risk that the Company is unable to maintain adequate capital and liquidity to meet its clients' and stakeholders' requirements. Financial risk encompasses credit, liquidity and market risk.

Credit risk is the exposure to loss arising from counterparties' failure to meet their contractual obligations, either as a result of business failure or intentional withholding of amounts due. In order to help ensure the profitability and solvency of the Company, the Company actively manages the exposure to credit risk on its balance sheet.

Liquidity risk is the risk that the Company, although solvent, does not have available financial resources to enable it to meet its obligations as they fall due, or that the Company can secure such resources only at excessive cost. The Company expects to hold sufficient liquidity to ensure the continuity of its business under normal and stressed conditions.

In accordance with the Capital Requirements Directive, the Pillar 3 disclosures for the M&G Group, along with the M&G Group's compliance with the provisions of the FCA's Remuneration Code, and disclosures in respect of the Capital Requirements (Country by Country Reporting) Regulations 2013 are published on the internet at:

www.mandg.com/en/corporate/about-mg/financial-regulatory-reporting/

Prudential Unit Trusts Limited

**Strategic Report
For the year ended 31 December 2016**

The M&G Group operates administrative and organisational arrangements to identify and manage conflicts of interest that might adversely affect its clients including:

- effective procedures to restrict the exchange of information where such exchange might harm clients;
- effective segregation of duties with appropriate supervision; and
- charging and remuneration policies that are reasonably designed to align the long-term interests of the Company, employees and clients.

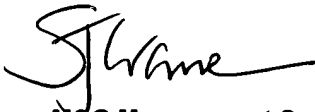
Financial key performance indicator

The Company is no longer actively involved in business activity.

Net assets

Net assets have increased by £8,000 to £5,574,000 at 31 December 2016.

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



M&G Management Services Limited
Secretary

Date: 20 March 2017

Prudential Unit Trusts Limited

Directors' Report For the year ended 31 December 2016

The directors present their report and the financial statements for the year ended 31 December 2016.

Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'. 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 these financial statements, the directors are required to:

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

The directors are responsible for 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. They 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.

Dividends paid

Dividends paid in the year amount to £nil (2015: £4,500,000).

Results and dividends

The profit for the year, after taxation, amounted to £8,000 (2015: loss of £22,000).

The directors do not recommend the payment of a further dividend.

Directors

The directors who served during the year were:

M Lewis (resigned 13 June 2016)
G W MacDowall
L J Mumford
W J Nott

Political contributions

The Company made no political contributions during the year (2015: £nil).

Prudential Unit Trusts Limited

**Directors' Report (continued)
For the year ended 31 December 2016**

Employee involvement

All head office support staff were employed during the year by the immediate parent company. Employment policies are described in the annual report and financial statement of that Company.

Qualifying third party indemnity provisions

Qualifying third-party indemnity provisions (as defined by section 234 of the Companies Act 2006) were accordingly in force during the course of the financial year ended 31 December 2016 for the benefit of the then directors and, at the date of this report, are in force for the benefit of the directors in relation to certain losses and liabilities which may occur (or have occurred) in connection with their duties, power or office.

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Going concern

The directors have a reasonable expectation that the Company has adequate resources to continue their operations for the foreseeable future. In support of this expectation the directors are unaware of any factors likely to affect the Company in the foreseeable future. Accordingly, they continue to adopt a going concern basis in preparing the annual report and financial statements.

Post balance sheet events

There have been no significant events affecting the Company since the year end.

Auditor

Under section 487(2) of the Companies Act 2006, KPMG LLP will be deemed to have been reappointed as auditor 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

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



M&G Management Services Limited
Secretary

Date: 20 March 2017

Prudential Unit Trusts Limited

Independent Auditor's Report to the Members of Prudential Unit Trusts Limited

We have audited the financial statements of Prudential Unit Trusts Limited for the year ended 31 December 2016, set out on pages 7 to 16. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

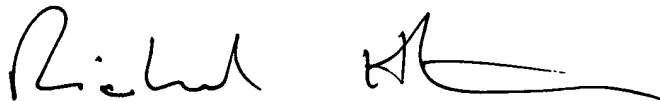
Prudential Unit Trusts Limited

Independent Auditor's Report to the Members of Prudential Unit Trusts Limited (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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



Richard Hinton (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

20 March 2017

Prudential Unit Trusts Limited

**Profit and Loss Account and Other Comprehensive Income
For the year ended 31 December 2016**

		Continuing operations 2016 £000	Discontin'd operations 2016 £000	Total 2016 £000	Continuing operations 2015 £000	Discontinued operations 2015 £000	Total 2015 £000
	Note						
Turnover	2	-	-	-	-	(2)	(2)
Administrative expenses		(17)	14	(3)	-	(45)	(45)
Operating (loss)/profit	3	(17)	14	(3)	-	(47)	(47)
Interest receivable and similar income	6	14	-	14	31	-	31
(Loss)/profit before tax		(3)	14	11	31	(47)	(16)
Tax on (loss)/profit	7	(3)	-	(3)	(6)	-	(6)
(Loss)/profit for the year		(6)	14	8	25	(47)	(22)
Total comprehensive income/(loss) for the year				8			(22)

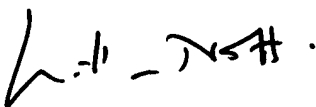
The notes on pages 10 to 16 form part of these financial statements.

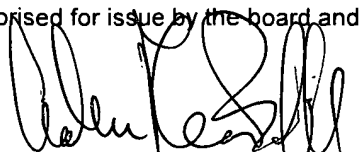
Prudential Unit Trusts Limited
Registered number:01796126

Balance Sheet
As at 31 December 2016

	Note	2016 £000	2015 £000
Current assets			
Debtors: amounts falling due within one year	9	81	115
Cash at bank and in hand	10	5,496	5,483
		<u>5,577</u>	<u>5,598</u>
Creditors: amounts falling due within one year	11	(3)	(32)
Net current assets		5,574	5,566
Net assets		<u>5,574</u>	<u>5,566</u>
Capital and reserves			
Called up share capital	12	5,000	5,000
Profit and loss account		<u>574</u>	<u>566</u>
		<u>5,574</u>	<u>5,566</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:


W J Nott
Director


G W MacDowall
Director

Date: 20 March 2017

The notes on pages 10 to 16 form part of these financial statements.

Prudential Unit Trusts Limited

**Statement of Changes in Equity
For the year ended 31 December 2016**

	Called up share capital	Profit and loss account	Total equity
	£000	£000	£000
At 1 January 2016	5,000	566	5,566
Profit for the year	-	8	8
At 31 December 2016	5,000	574	5,574

**Statement of Changes in Equity
For the year ended 31 December 2015**

	Called up share capital	Profit and loss account	Total equity
	£000	£000	£000
At 1 January 2015	5,000	5,088	10,088
Loss for the year	-	(22)	(22)
Dividends: Equity capital	-	(4,500)	(4,500)
At 31 December 2015	5,000	566	5,566

The notes on pages 10 to 16 form part of these financial statements.

Prudential Unit Trusts Limited

**Notes to the Financial Statements
For the year ended 31 December 2016**

1. Accounting policies

1.1 Basis of preparation of financial statements

Prudential Unit Trusts Limited (the "Company") is a company incorporated and domiciled in the UK.

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies.

Prudential Unit Trusts Limited

Notes to the Financial Statements For the year ended 31 December 2016

1. Accounting policies (continued)

1.2 Financial reporting standard 101 - reduced disclosure exemptions

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

- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - paragraph 79(a)(iv) of IAS 1
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- the requirements in IAS 24 to disclose compensation of Key Management Personnel; and
- the requirements in IAS 24 to disclose transactions with a management entity that provides key management personnel services to the company.

The Company's ultimate parent undertaking, Prudential plc, includes the Company in its consolidated financial statements. The consolidated financial statements of Prudential Group are prepared in accordance with International Financial Reporting Standards as adopted by the EU and are available to the public and may be obtained from Laurence Pountney Hill, EC4R 0HH.

As the consolidated financial statements of Prudential Group include the equivalent disclosures the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

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

1.3 Going concern

The directors have a reasonable expectation that the Company has adequate resources to continue their operations for the foreseeable future. In support of this expectation the directors are unaware of any factors likely to affect the Company in the foreseeable future. Accordingly, they continue to adopt a going concern basis in preparing the annual report and financial statements.

1.4 Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other debtors, trade and other creditors, and cash at bank and in hand.

Prudential Unit Trusts Limited

**Notes to the Financial Statements
For the year ended 31 December 2016**

1. Accounting policies (continued)

Trade and other debtors

Trade and other debtors are recognised initially at cost, which materially equates to fair value. Subsequent to initial recognition they are measured at cost less any impairment losses.

Trade and other creditors

Trade and other creditors are recognised at cost, which materially equates to fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Cash at bank and in hand

Cash at bank and in hand comprise cash balances and call deposits.

1.5 Turnover

Management fee revenue was based on investment assets under management and is recognised as the service is provided and when it is probable that the fee will be received, on an accruals basis.

1.6 Interest receivable and similiar income

Interest receivable is recognised in profit or loss as it accrues.

1.7 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the Profit and Loss Account and Other Comprehensive Income 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 balance sheet date, and any adjustment to tax payable in respect of previous years.

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

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

1.8 Expenses

Administrative expenses include a recharge from the immediate parent company of costs borne on behalf of the Company.

All expenses are recognised in profit or loss on an accruals basis.

Prudential Unit Trusts Limited

**Notes to the Financial Statements
For the year ended 31 December 2016**

1. Accounting policies (continued)

1.9 Dividends

Equity dividends are recognised when they become legally payable.

1.10 Discontinued operations

A discontinued operation is a component of the Company's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative Profit and Loss Account and Other Comprehensive Income is restated as if the operation has been discontinued from the start of the comparative period.

2. Analysis of turnover

An analysis of turnover by class of business is as follows:

	2016	2015
	£000	£000
Management fees	-	(2)

All turnover arose within the United Kingdom.

3. Notes to the Profit and Loss Account

All staff were employed during the year by the immediate parent company. Analysis of staff costs, pensions commitments and share-based payments are shown in the annual report and financial statements of that company.

4. Auditor's remuneration

	2016	2015
	£000	£000
Audit of these financial statements	3	5
	3	5

Amounts receivable by the Company's auditor in respect of services to the Company and its associates, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the Company's ultimate parent, Prudential plc.

Prudential Unit Trusts Limited

**Notes to the Financial Statements
For the year ended 31 December 2016**

5. Directors' remuneration

No remuneration was paid to the directors during the period in connection with the management of the affairs of the Company (2015: £nil).

One (2015: one) of the directors exercised Prudential plc share options during the year.

6. Interest receivable and similar income

	2016 £000	2015 £000
Other interest receivable	14	31

7. Taxation

	2016 £000	2015 £000
Corporation tax		
Current tax on profits for the year	3	6
Total current tax	3	6
Taxation on profit on ordinary activities	3	6

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2015: the same as) the standard rate of corporation tax in the UK of 20.00% (2015: 20.25%). The differences are explained below:

	2016 £000	2015 £000
(Loss)/profit on ordinary activities before tax - continuing operations	(3)	31
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.00% (2015: 20.25%)	(1)	6
Effects of:		
Expenses not deductible for tax purposes	4	9
Discontinued operations	3	(9)
Income not taxable	(3)	-
Total tax charge for the year	3	6

Prudential Unit Trusts Limited

**Notes to the Financial Statements
For the year ended 31 December 2016**

7. Taxation (continued)

Factors that may affect future tax charges

A reduction in the UK corporation tax rate from 20% to 19% (effective 1 April 2017) was substantively enacted on 26 October 2015. A further reduction to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. This will reduce any future current tax charge for the company accordingly.

8. Dividends

	2016 £000	2015 £000
On 5,000,000 ordinary shares of £1 each	-	4,500

9. Debtors

	2016 £000	2015 £000
Amounts owed by group undertakings	81	115

10. Cash at bank and in hand

	2016 £000	2015 £000
Cash at bank and in hand	5,496	5,483

Under the terms of the Company's arrangements with the Prudential Group's main UK banker, the bank has a right of set-off between credit balances at the bank and all overdrawn balances of those group undertakings with similar arrangements. At the 31 December 2016, total cash at bank included an amount of £4,445,868 (2015: £4,433,392) which was held with the Prudential Group's main UK banker.

11. Creditors: Amounts falling due within one year

	2016 £000	2015 £000
Amounts owed to group undertakings	-	17
Corporation tax	3	15
	3	32

Prudential Unit Trusts Limited

**Notes to the Financial Statements
For the year ended 31 December 2016**

12. Share capital

	2016	2015
	£000	£000
Shares classified as equity		
Allotted, called up and fully paid		
5,000,000 ordinary shares of £1 each	5,000	5,000

13. Discontinued operations

In October 2014, the Company transferred the responsibility for management of funds to Capita plc. No consideration was receivable on the transfer.

	2016	2015
	£000	£000
Cash flows from discontinued operations		
Net cash from/(used in) operating activities	13	(6,096)
Net cash used in investing activities	-	-
Net cash from financing activities	-	(4,500)
Net cash from discontinued operations	13	(10,596)

14. Related party transactions

The Company has taken advantage of the exemption under paragraph 8(k) of FRS101 not to disclose transactions with fellow wholly owned group companies and the exemption under paragraph 8(j) of FRS101 not to disclose key management personnel compensation and amounts incurred for the provision of key management personnel services by a separate management entity.

15. Immediate and ultimate parent company

The Company's immediate parent company is M&G Limited.

The Company's ultimate parent company is Prudential plc, a company registered in England and Wales. Consolidated financial statements are prepared by Prudential plc and copies of these are available from the Registered Office at Laurence Pountney Hill, London, EC4R 0HH.