

Registration number: 01957069

PGIM European Services Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2020

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PGIM European Services Limited
Annual Report and Financial Statements
for the Year Ended 31 December 2020

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PGIM European Services Limited
Annual Report and Financial Statements
for the Year Ended 31 December 2020

Company Information

Directors	P. Aronoff
	M.G. Fresson
	S.L. Pollard
	P.M. East
Company secretary	L.D. King
Registered office	Grand Buildings 1-3 Strand Trafalgar Square London WC2N 5HR
Solicitors	Simmons & Simmons LLP One Ropemaker Street London EC2Y 9SS
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 7 More London Riverside London SE1 2RT

PGIM European Services Limited
Annual Report and Financial Statements
for the Year Ended 31 December 2020

Strategic Report for the Year Ended 31 December 2020

The Directors present their strategic report for PGIM European Services Limited ('PGIMESL' or the 'Company') for the year ended 31 December 2020.

Principal activities

The Company performs certain UK based services, on behalf of the ultimate parent company, Prudential Financial, Inc. ('PFI'), and its subsidiaries ('PFI Group'). These services are limited to the administration of payroll and pension payments to certain PFI employees, predominantly based in the UK and Europe, as well as the provision of taxation and human resources support to affiliated companies in the UK and Europe.

In 2011, the Company became the principal employer for the Pramerica UK Retirement Savings Plan ('Plan'), formerly called the Bache and Associates Retirement Plan.

The Plan includes both a defined benefit scheme and a defined contribution scheme. The defined benefit scheme was closed to new members in 2001 (see note 2 to the financial statements). The Company will continue to act as the principal employer for the Plan and to perform its administrative duties in 2020, and for the foreseeable future.

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

Fair review of the business

During the year the Company continued to provide payroll and pension administration services and taxation and human resources support to the PFI Group. The Directors are satisfied with the result for the year and the financial position at the balance sheet date and note that the loss for the year of £0.9m (2019: £0.1m) is largely attributable to pension related accounting entries which are effectively reversed out by amounts flowing through other comprehensive income.

The Directors do not foresee any change to the nature of the Company's activity going forward.

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 the Company's ultimate parent, PFI, is listed in the US (NYSE: PRU).

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

The Company regularly assesses its strategy from both a commercial and risk perspective to ensure the long term consequences of any strategic decision are understood and taken into account.

The potential impact of COVID-19 on the performance and cash flows of the Company was considered when assessing whether the Company had sufficient liquidity and capital adequacy to meet its obligations as they fall due. The net assets of the Company as at 31 December 2020 were £2.2m (2019: £2.4m).

Following engagement with the Company's parent, Pramerica Holdings Limited ('PHL'), the Directors approved the payment of a dividend of £0.15m on 7 August 2020 to ensure PHL maintained positive net assets.

Strategic Report for the Year Ended 31 December 2020 (continued)

(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.

As a result of the World Health Organisation declaring a global pandemic in March 2020, the Company's employees substantially worked remotely in 2020. To support employees working remotely during this period of general uncertainty, the Directors of the Company have supported the European Human Resources Strategy of focussing on employee wellbeing and the launch of a number of support programmes and initiatives. These include:

- Additional day's leave provided for wellness;
- Team challenges and regular online activity hours;
- Introduction of online mindfulness sessions and offer of subscription to mindfulness application;
- Added communications about support programmes;
- Company-wide initiatives in respect of mental health challenges of working from home;
- Greater flexibility around carrying forward unused leave.

The objective of these initiatives was to foster greater community spirit and to encourage employee interactions in an informal forum. The Company also has a number of effective workforce engagement mechanisms in place.

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

(ii) During the year a new online tool was put in place to facilitate ongoing, meaningful performance and development conversations between managers and teams. This tool also provides a forum for feedback by individuals, peers and managers.

(iii) The Head of HR EMEA is a director of the Company, and 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 as well as other HR initiatives.

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

(v) Employees are supported and encouraged to leverage the resources of the PFI Group 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. The survey is normally conducted biannually, but was brought forward in 2020 in light of COVID-19 and the move to remote working. The results are communicated to senior management and help inform and improve subsequent HR initiatives.

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Strategic Report for the Year Ended 31 December 2020 (continued)

With the Government announcing the transition to phase 3 of the 5 step plan out of lockdown on 17 May 2021, the Company has enacted a series of precautions to allow employees to safely return to the office when and if they feel comfortable to do so. These include, but are not limited to:

- Maximum office capacity of 50% of available seating;
- Regular extensive cleaning of the office;
- An employee health check required to be completed each day before entering the office.

(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. PGIMESL supports payment functions for the UK group and PGIM Financial Limited, the UK parent company, is publishing 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.

In spite of the overnight move to working from home as a result of COVID-19 and the operational challenges this initially entailed, the Company has maintained good performance payment practices ensuring that suppliers continued to be paid in a timely manner. The Company has not experienced an increase in the ageing 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.

Key performance indicators

	2020	2019
	£	£
Turnover	11,932,541	9,921,584
Loss before tax	(890,188)	(58,642)
Tax on loss	49,599	(20,316)
Loss for the financial year	<u>(840,589)</u>	<u>(78,958)</u>

Strategic Report for the Year Ended 31 December 2020 (continued)

Principal risks and uncertainties

The Directors regularly assess the risks faced by the Company and have outlined the significant risks below.

Business Risk

Business risk is defined as the Company's failure to meet its strategic objectives through significant market movements or other external factors. The Company's approach to managing business risk is to closely monitor market and other movements in the business environment and amend its strategy where necessary.

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.

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.

Brexit Risk

On 31 January 2020, the UK left the EU with a transition period in relation to existing laws and regulations running through to 31 December 2020. Although a post-Brexit trade deal was secured prior to the end of that transitional period, it did not cover financial services and so, for regulatory purposes, the UK is now considered a "third country". The impact of this "hard" Brexit for the Company is mitigated by its ability to partner with its UK and non UK affiliates which benefit either from their continuing EU permissions, or certain transitional permissions and third-country licenses. As the post-Brexit regulatory landscape develops, there will undoubtedly be further changes and, whilst these will be monitored by the Company, it is not anticipated that they will materially impact the Company's ability to earn its fee income from administrative services.

Strategic Report for the Year Ended 31 December 2020 (continued)

Business Continuity Risk

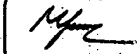
On 11 March 2020, the World Health Organisation declared a global pandemic in respect of COVID-19. Since March 2020, to protect the wellbeing of its employees and ensure continuity of services to its clients, the employees of the Group have been working remotely and continue to substantially do so today. As vaccination campaigns are rolled out across the globe and lockdown measures are eased in certain countries, the situation will continue to be monitored and a staged return to the workplace will take place as local conditions allow.

Following the move to working remotely, internal controls and procedures have been reviewed to ensure that all controls continue to perform as expected and where necessary, additional IT solutions and equipment have been sourced.

The Company has continued to provide services without interruption, demonstrating the operational resilience of its BCP framework, which has effectively now become the Company's Business as Usual method of operating. It is anticipated that the employees of the Company will continue to substantially work remotely until they feel comfortable to return to the workplace.

Approved by the Board of Directors and signed on its behalf on 5 July 2021 by:

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M.G. Fresson

Director

Directors' Report for the Year Ended 31 December 2020

The Directors present their annual report and the audited financial statements of PGIMESL financial statements for the year ended 31 December 2020.

Directors of the company

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

P. Aronoff

M.G. Fresson

G. Murphy (resigned 30 June 2021)

S.L. Pollard

The following Director was appointed after the year end:

P.M. East (appointed 30 June 2021)

Dividends

An interim dividend of £150,000 was paid in the year (2019: £nil). The Directors do not recommend the payment of a final dividend (2019: £nil).

Political donations

The Company has made no political donations and incurred no political expenditure during the year (2019: £nil).

Financial instruments

The Company holds financial instruments including cash, receivables and payables as detailed in the Balance Sheet (2019: cash, receivables and payables).

Branches outside the United Kingdom

The Company previously held a branch in Amsterdam, Netherlands. The sole employee of the Amsterdam branch left the Company in July 2019 and the branch was subsequently closed.

Important non adjusting events after the financial period

The direct parent, Pramerica Holdings Limited, is currently in voluntary liquidation. Once the liquidation is finalised the Company will be a direct subsidiary of The Prudential Insurance Company of America ('PICA').

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25%. Since the proposal to increase the rate to 25% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements. However, it is likely that the overall effect of the change, had it been substantively enacted by the balance sheet date, would be to reduce the tax expense for the period by £30,240, to increase the deferred tax asset by £30,240.

Directors' Report for the Year Ended 31 December 2020 (continued)

Going concern

On 11 March 2020, the World Health Organisation declared a global pandemic in respect of COVID-19. Since March 2020, to protect the wellbeing of its employees and ensure continuity of services to its clients, the employees of the Group have been working remotely and continue to substantially do so today. As vaccination campaigns are rolled out across the globe and lockdown measures are eased in certain countries, the situation will continue to be monitored and a staged return to the workplace will take place as local conditions allow.

Following the move to working remotely, internal controls and procedures have been reviewed to ensure that all controls continue to perform as expected and where necessary, additional IT solutions and equipment have been sourced.

The Company has continued to provide services without interruption, demonstrating the operational resilience of its BCP framework, which has effectively now become the Company's Business as Usual method of operating. It is anticipated that the employees of the Company will continue to substantially work remotely until they feel comfortable to return to the workplace.

The Directors have performed an assessment of the expected performance of the company for the 12 months following the signature of the accounts. The Directors have performed an analysis of actual and potential impact of the current market conditions on the financial position, including work performed on stress-testing such as a severe but plausible downside scenario, and planned for mitigating actions that can be taken.

Because of the nature of its revenue base and the strength of its balance sheet, the directors are confident that the company can meet its liabilities as they fall due for the next 12 months and is a going concern and the financial statements have been prepared on a going concern basis.

The Company will continue to act as the principal employer for the Plan and to perform its administrative duties for the foreseeable future. The Company will continue to recharge the cost of the shared services functions for the foreseeable future.

Directors' indemnity statement

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 during the financial year and also at the date of approval 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, PFI, 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 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law).

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

- select suitable accounting policies and then apply them consistently;

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Directors' Report for the Year Ended 31 December 2020 (continued)

- state whether applicable United Kingdom Accounting Standards, comprising FRS 102 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 auditors

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

Approved by the Board of Directors and signed on its behalf on 5 July 2021 by:

DocuSigned by:



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M.G. Fresson
Director

Independent Auditors' Report to the Members of PGIM European Services Limited

Report on the audit of the financial statements

Opinion

In our opinion, PGIM European Services Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 Balance Sheet as at 31 December 2020; the Profit and Loss Account, the Statement of Comprehensive Income and the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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.

Independent Auditors' Report to the Members of PGIM European Services Limited (continued)

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 2020 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 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.

Independent Auditors' Report to the Members of PGIM European Services Limited (continued)

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 considered the principal risks of non-compliance with laws and regulations, including those that have a direct impact on the financial statements such as the Companies Act 2006 and the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the manipulation of financial data to present a more favourable financial or capital position. 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 relevant meeting minutes, including those of the Board;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations; and
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

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.

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Independent Auditors' Report to the Members of PGIM European Services Limited (continued)

Other required reporting

Companies Act 2006 exception reporting


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

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

We have no exceptions to report arising from this responsibility.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to: prepare financial statements in accordance with the small companies regime. We have no exceptions to report arising from this responsibility.



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Jennifer March (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

6 July 2021

PGIM European Services Limited
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Profit and Loss Account for the Year Ended 31 December 2020

	Note	2020 £	2019 £
Turnover	3	11,932,541	9,921,584
Administrative expenses		<u>(12,823,905)</u>	<u>(9,979,544)</u>
Operating loss	4	<u>(891,364)</u>	<u>(57,960)</u>
Finance income	7	1,176	-
Finance expenses	8	<u>-</u>	<u>(682)</u>
		<u>1,176</u>	<u>(682)</u>
Loss before tax		(890,188)	(58,642)
Tax on loss	10	<u>49,599</u>	<u>(20,316)</u>
Loss for the financial year		<u><u>(840,589)</u></u>	<u><u>(78,958)</u></u>

The notes on pages 18 to 34 form an integral part of these financial statements.

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Statement of Comprehensive Income for the Year Ended 31 December 2020

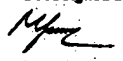
	2020 £	2019 £
Loss for the financial year	<u>(840,589)</u>	<u>(78,958)</u>
Effect of change in assumptions	(22,845,000)	(28,556,000)
Return on plan assets	31,394,000	26,182,000
Changes in asset ceiling	<u>(7,686,000)</u>	<u>2,801,000</u>
Other comprehensive income for the year, net of income tax	<u>863,000</u>	<u>427,000</u>
Total comprehensive income for the year	<u><u>22,411</u></u>	<u><u>348,042</u></u>

PGIM European Services Limited
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(Registration number: 01957069)
Balance Sheet as at 31 December 2020

	Note	2020 £	2019 £
Current assets			
Trade and other receivables	11	4,410,257	7,856,622
Cash at bank and in hand	12	1,186,125	732,806
Deferred tax assets	10	95,760	-
		<u>5,692,142</u>	<u>8,589,428</u>
Current liabilities			
Trade and other payables	13	(3,453,544)	(6,234,716)
Net current assets		<u>2,238,598</u>	<u>2,354,712</u>
Total assets less current liabilities		<u>2,238,598</u>	<u>2,354,712</u>
Net assets		<u>2,238,598</u>	<u>2,354,712</u>
Capital and reserves			
Called up share capital	15	1,263,374	1,263,374
Profit and loss account		<u>975,224</u>	<u>1,091,338</u>
Total equity		<u>2,238,598</u>	<u>2,354,712</u>

The financial statements on pages 14 to 34 were approved by the Board of Directors and signed on its behalf on 5 July 2021 by:

DocuSigned by:

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 M.G. Fresson
 Director

PGIM European Services Limited
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for the Year Ended 31 December 2020

Statement of Changes in Equity for the Year Ended 31 December 2020

	Share capital £	Profit and loss account £	Total £
At 1 January 2019	1,263,374	918,010	2,181,384
Loss for the financial year	-	(78,958)	(78,958)
Other comprehensive income	-	427,000	427,000
Total comprehensive income	-	348,042	348,042
Equity settled share based payments	-	(174,714)	(174,714)
At 31 December 2019	<u>1,263,374</u>	<u>1,091,338</u>	<u>2,354,712</u>
	Share capital £	Profit and loss account £	Total £
At 1 January 2020	1,263,374	1,091,338	2,354,712
Loss for the financial year	-	(840,589)	(840,589)
Other comprehensive income	-	863,000	863,000
Total comprehensive income	-	22,411	22,411
Dividends	-	(150,000)	(150,000)
Equity settled share based payments	-	11,475	11,475
At 31 December 2020	<u>1,263,374</u>	<u>975,224</u>	<u>2,238,598</u>

The notes on pages 18 to 34 form an integral part of these financial statements.

Notes to the Financial Statements for the Year Ended 31 December 2020

1 General information

PGIM European Services Limited ('PGIMESL' or the 'Company') provides certain services, on behalf of the ultimate parent company, Prudential Financial, Inc. ('PFI'), and its subsidiaries ('PFI Group'). These services are to provide the administration of payroll and pension payments to certain PFI employees in the UK and Europe and to provide shared services to the PFI Group in the UK and Europe. The Company is a private company limited by share capital and is incorporated and domiciled in the United Kingdom. The registered office of the Company is Grand Buildings, 1-3 Strand, Trafalgar Square, London WC2N 5HR.

The financial statements are presented in Pounds Sterling (£) which is also the Company's functional and operating currency.

The Company is a wholly owned direct subsidiary of Pramerica Holdings Limited ('PHL') and of its ultimate parent, PFI. It is included in the consolidated results of PFI which are publicly available. PFI's financial statements are available at 751 Broad Street, Newark, NJ 07102.

The direct parent, PHL, is currently in voluntary liquidation. Once the liquidation is finalised the Company will be a direct subsidiary of The Prudential Insurance Company of America ('PICA').

2 Accounting policies

Basis of preparation

The Company is preparing its financial statements in accordance with Financial Reporting Standard 102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland ('FRS 102'). The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006. 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.

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

2 Accounting policies (continued)

Going concern

On 11 March 2020, the World Health Organisation declared a global pandemic in respect of COVID-19. Since March 2020, to protect the wellbeing of its employees and ensure continuity of services to its clients, the employees of the Group have been working remotely and continue to substantially do so today. As vaccination campaigns are rolled out across the globe and lockdown measures are eased in certain countries, the situation will continue to be monitored and a staged return to the workplace will take place as local conditions allow.

Following the move to working remotely, internal controls and procedures have been reviewed to ensure that all controls continue to perform as expected and where necessary, additional IT solutions and equipment have been sourced.

The Company has continued to provide services without interruption, demonstrating the operational resilience of its BCP framework, which has effectively now become the Company's Business as Usual method of operating. It is anticipated that the employees of the Company will continue to substantially work remotely until they feel comfortable to return to the workplace.

The Directors have performed an assessment of the expected performance of the company for the 12 months following the signature of the accounts. The Directors have performed an analysis of actual and potential impact of the current market conditions on the financial position, including work performed on stress-testing such as a severe but plausible downside scenario, and planned for mitigating actions that can be taken.

Because of the nature of its revenue base and the strength of its balance sheet, the directors are confident that the company can meet its liabilities as they fall due for the next 12 months and is a going concern and the financial statements have been prepared on a going concern basis.

The Company will continue to act as the principal employer for the Plan and to perform its administrative duties for the foreseeable future. The Company will continue to recharge the cost of the shared services functions for the foreseeable future.

Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions. The Company is a member of the PFI Group which prepare consolidated, publicly available financial statements. As a result, in accordance with Section 7 of FRS 102 and paragraph 3.17(d), the Company is exempt from the requirement to prepare a cash flow statement under FRS 102 as the cash flows of the Company are included in the consolidated cash flow statement of the parent company, PFI.

Significant estimates and judgements

The preparation of the financial statements in conformity with FRS 102 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.

Significant 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.

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

- Deferred tax has been recognised in line with the accounting policy below.

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

2 Accounting policies (continued)

- The Company has made assumptions relating to the pension arrangement which are disclosed in note 8 to the financial statements.

Turnover

Turnover consists of certain payroll and administrative costs recharged to affiliated companies at either cost or cost plus 10% in accordance with the underlying service agreement.

Revenue is measured at the fair value of the consideration received or receivable and represents the amount receivable for services rendered.

The Company's revenue streams are recognised as the services are provided and the amount of revenue can be measured reliably and is shown net of VAT and other sales related taxes.

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'). These financial statements are presented in Pounds Sterling which is the Company's functional currency.

Foreign Currency Transactions

Transactions in foreign currencies are translated to the respective functional currencies of Company entities 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 Profit and Loss Account specifically in the administrative expenses. However, the foreign exchange differences arising on the movement in fair value on the investments is recognised in other comprehensive income. 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

The Company does not have any foreign operations.

Tax

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the Profit and Loss Account except to the extent that it relates to items recognised directly in equity, 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.

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

2 Accounting policies (continued)

Deferred tax is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that 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.

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

Related parties

The Company discloses transactions with related parties which are not wholly owned within the PFI Group. The Company does not disclose transactions with its parent or with members of the same group that are wholly owned.

Cash

Cash includes cash in hand.

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. Dividends are recognised in the Statement of Changes in Equity.

Share based payments

The Company participates in PFI's share-based incentive schemes for 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 13 to the financial statements.

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

Pension costs

The Company has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan and where a constructive obligation does exist for the Company to pay further contributions if the fund does not have sufficient assets.

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

2 Accounting policies (continued)

The cost of a defined contribution scheme is equal to the contributions paid into the scheme for the period.

Upon the sale of Bache Commodities Limited ('BCL') in April 2011, the Company assumed responsibility for a defined benefit scheme based in the UK. The assets of that scheme are measured at their market value at the balance sheet date. The liabilities are measured using the projected unit method with a discount rate equal to the rate of return on an AA corporate bond of equivalent term and currency. The extent to which the scheme's assets exceed its liabilities is shown as a surplus in the balance sheet, if the Directors consider that a surplus is recoverable by the Company. The extent to which the scheme's assets fall short of its liabilities is shown as a deficit in the balance sheet, net of the related deferred tax asset, to the extent that a deficit represents an obligation of the Company.

Where applicable, the following amounts are charged to operating profit in the period:

- (i) the increase in the present value of scheme liabilities arising from employee service in the period;
- (ii) gains and losses arising on settlements/curtailments in the period; and
- (iii) a credit representing the expected return on the scheme's assets and a charge relating to the increase in the present value of the scheme's liabilities are included in administrative expenses.

In addition, any increase in the present value of scheme liabilities resulting from benefit improvements is recognised over the period during which such improvements vest. Actuarial gains and losses are recognised in the change in benefit obligation.

Additional details of the Company's pension arrangements have been provided in Note 8.

Trade and other receivables

A regular review is performed on 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 Balance Sheet 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.

Trade and other payables

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

3 Turnover

The analysis of the Company's revenue for the year from continuing operations is as follows:

	2020	2019
	£	£
Recharge and reimbursement income	11,932,541	9,921,584
Total turnover	<u>11,932,541</u>	<u>9,921,584</u>

The turnover is accrued and earned in the United Kingdom.

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Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

4 Operating loss

Arrived at after charging/(crediting):

	2020	2019
	£	£
Total employment costs (Note 5)	10,280,148	7,808,171
Depreciation expense	75,530	147,489
Foreign exchange (gains)/losses	(15,219)	30,520
Operating lease expense - property	3,757	1,450
Pension administrative expense	863,000	427,000
Fees payable to Company's auditors in respect of: - audit of the Company's financial statements	<u>58,076</u>	<u>50,123</u>

5 Staff costs

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

	2020	2019
	£	£
Wages and salaries	8,378,308	6,291,339
Social security costs	1,002,490	771,972
Pension costs, defined contribution scheme	779,409	570,146
Share-based payment expenses	<u>119,941</u>	<u>174,714</u>
	<u>10,280,148</u>	<u>7,808,171</u>

The monthly average number of persons employed by the Company, which includes directors, is analysed below:

	2020	2019
By activity:	No.	No.
Managerial and administration	<u>68</u>	<u>45</u>
	<u>68</u>	<u>45</u>

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Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

6 Directors' remuneration

	2020 £	2019 £
Directors' emoluments	1,174,112	1,091,660
Amounts (excluding shares) paid under long term incentive schemes	74,990	73,556
Contributions to pension schemes	14,000	39,285
	<u>1,263,102</u>	<u>1,204,501</u>

	2020 £	2019 £
Remuneration of the highest paid director		
Directors emoluments	441,104	485,457
Amounts (excluding shares) paid under long term incentive schemes	47,404	-
Contributions to pension schemes	5,500	10,000
	<u>494,008</u>	<u>495,457</u>

The value of awards receivable by the highest paid director under long-term incentive schemes is £70,475 (2019: £nil). Three directors received Restricted Stock Units and/or Options during the year. Three directors are members of the defined contributions scheme operated for the benefit of all eligible employees of the PGIM Financial Limited group. The highest paid director has no accrued UK defined benefits plan entitlements at the end of the year. One director participates in the ultimate parent company's pension scheme. No options were exercised by the directors during the year. The highest paid director did not exercise any options during the year.

Included in the remuneration are amounts paid to directors for their qualifying services to affiliated companies. It is not possible to make an accurate apportionment of their emoluments in respect of each affiliated company. Accordingly no recharges have been made.

Company

The emoluments, including pension contributions of the following directors, were paid for by:

Directors	Paid for by
M. G. Fresson	PGIM European Services Limited (a subsidiary of Prudential Financial Inc.)
G. Murphy	PGIM European Services Limited (a subsidiary of Prudential Financial Inc.)
S.L. Pollard	PGIM European Services Limited (a subsidiary of Prudential Financial Inc.)
P. Aronoff	Prudential Financial, Inc. (the ultimate parent company of PGIM European Services Limited)

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Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

7 Finance income

	2020	2019
	£	£
Other finance income	<u>1,176</u>	<u>-</u>

8 Finance expenses

	2020	2019
	£	£
Other finance costs	<u>-</u>	<u>682</u>

9 Pension and other schemes

The Company operates pension schemes in the United Kingdom for the benefit of its employees. Details of these schemes are provided below.

UK pension schemes - Defined benefit plan

The principal employer as of 31 December 2020 is PGIM European Services Limited.

The Plan's assets are legally separated from the Company's assets and do not form part of these financial statements. The actuarial valuation at 31 December 2020 for the Plan showed surplus of £81.8 million (2019: £72.7 million). The accounting valuations for the defined benefit pension plan have been performed by Mercer, an independent actuary. Since it is in surplus and the Company does not view this surplus as recoverable, in accordance with Section 28 of FRS 102, there is also no pension asset recognised in the Balance Sheet.

The defined benefit plan is closed to all new members. As such the defined benefit section of the pension plan is closed to future accruals.

PGIM Financial Limited did not make any contribution to the pension scheme during 2020 (2019: £nil).

UK pension schemes- Defined contribution plan

The defined contribution plan is operated for all eligible employees of subsidiaries of PFI, operating in the United Kingdom, who entered service on or after 1 April 2002. Company contributions to this scheme are based on the age of the member on joining or on renewal at 1 April each year.

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Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

9 Pension and other schemes (continued)

Pramerica UK Retirement Savings Plan - UK Defined Benefit Plan Disclosures under Section 28 of FRS 102

	2020 £	2019 £
Change in benefit obligation		
Benefit obligation at beginning of year	(209,549,000)	(188,309,000)
Interest cost	(4,062,000)	(5,189,000)
Actuarial gain/(loss)	(22,845,000)	(28,556,000)
Loss on curtails/changes/introductions	(340,000)	-
Benefits paid	12,947,000	12,505,000
Benefit obligation at end of year	<u>(223,849,000)</u>	<u>(209,549,000)</u>

	2020 £	2019 £
Amounts recognised in the Balance Sheet		
Fair value of plan assets at beginning of year	282,244,000	261,713,000
Interest income	5,510,000	7,275,000
Benefit payments from plan assets	(12,947,000)	(12,505,000)
Administrative expenses paid from plan assets	(517,000)	(421,000)
Return on plan assets (excluding interest income)	31,394,000	26,182,000
Fair value of plan assets at end of year	<u>305,684,000</u>	<u>282,244,000</u>

	2020 £	2019 £
Amounts recognised in the Balance Sheet		
Defined benefit obligation	(223,849,000)	(209,549,000)
Fair value of plan assets	305,684,000	282,244,000
Funded status	81,835,000	72,695,000
Effect of asset ceiling	(81,835,000)	(72,695,000)
Asset balance	<u>-</u>	<u>-</u>

In accordance with paragraph 28.22 of FRS 102, the Company are of the view that they are unable to recognise a plan surplus as a defined benefit plan asset as they do not believe they will be able to recover the surplus.

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Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

9 Pension and other schemes (continued)

	2020	2019
	£	£
Components of pension expense		
Interest cost	(4,062,000)	(5,189,000)
Interest income on plan assets	5,510,000	7,275,000
Interest expense on effect of asset ceiling	(1,454,000)	(2,092,000)
Administrative expense and/or taxes	(517,000)	(421,000)
Loss on curtailments/changes/introductions	(340,000)	-
Total pension expense recognised in the Profit and Loss Account	<u>(863,000)</u>	<u>(427,000)</u>

An exceptional loss of £340,000 has been recognised as part of the total pension expense in the Profit and Loss Account for a potential increase in accounting liabilities in respect of Guaranteed Minimum Pension uplifts to historic transfer values that may arise as a result of the High Court ruling on 20 November 2020 on this matter.

	2020	2019
	£	£
Remeasurements (recognised in other comprehensive income)		
Effect of changes in assumptions	(22,845,000)	(28,556,000)
Return on plan assets	31,394,000	26,182,000
Changes in asset ceiling	(7,686,000)	2,801,000
Total remeasurement included in OCI	<u>863,000</u>	<u>427,000</u>

Plan Assets

The fair value of plan assets at the year end were as follows:

	2020	2019
	£	£
Cash and cash equivalents	32,642,000	22,243,000
Equity instruments	28,298,000	36,591,000
Debt instruments	244,744,000	223,410,000
	<u>305,684,000</u>	<u>282,244,000</u>

To develop the expected long-term rate of return on assets assumption, the Company considered the current level of expected returns on risk free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the actual asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio which resulted in the selection of a rate of return assumption of 2.00% (2019: 2.85%).

Actual return on plan assets

	2020	2019
	£	£
Return on scheme assets	<u>36,904,000</u>	<u>33,457,000</u>

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Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

9 Pension and other schemes (continued)

Weighted-average assumptions to determine benefit obligation at year-end:	2020 %	2019 %
Discount rate	1.45	2.00
Rate of salary increase	N/A	N/A
Rate of pension increase	3.00	3.00
Rate of price inflation (RPI)	<u>3.00</u>	<u>3.00</u>

Weighted-average life expectancy for mortality tables used to determine benefit obligation:	2020 yrs	2019 yrs
Member age 65 (current expectancy)	23.1	23.1
Member age 45 (life expectancy at age 65)	24.6	24.6

10 Tax

Recognised in the profit and loss account	2020	2019
Total current tax:	£	£
Current year	<u>46,161</u>	<u>45,950</u>
Total current tax	<u>46,161</u>	<u>45,950</u>
Total deferred tax:		
Origination and reversal of temporary differences	-	(25,634)
Total deferred tax	<u>(95,760)</u>	<u>-</u>
Income tax expense	<u>(49,599)</u>	<u>20,316</u>

No income tax is recognised in other comprehensive income (2019: £nil).

The tax expense for the year was lower (2019: higher) than the standard rate of corporation tax in the United Kingdom for the year ended 31 December 2020 of 19% (2019: 19%). The difference is explained in the table below.

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Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

10 Tax (continued)

	2020 £	2019 £
Loss before tax	(890,188)	(58,642)
Loss before tax multiplied by standard rate of corporation tax in UK 19% (2019: 19 %)	(169,136)	(11,142)
Effects of:		
Disallowable expenses	17,430	2,984
Stock options not deductible for tax purposes	74,634	6,188
Stock options deductible for tax purposes	(136,497)	(58,844)
Overseas tax	-	4,696
Double tax relief	-	(4,696)
Disallowable pension expense	163,970	81,130
Total tax (credit)/charge	<u>(49,599)</u>	<u>20,316</u>

Deferred tax

Deferred tax asset/(liability) is attributable to the following:

	2020 £	2019 £
Movement in deferred tax		
Disallowed share based payments		
1 January	-	(25,634)
Recognised in profit or loss	(95,760)	25,634
31 December	<u>(95,760)</u>	<u>-</u>

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25%. Since the proposal to increase the rate to 25% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements. However, it is likely that the overall effect of the change, had it been substantively enacted by the balance sheet date, would be to reduce the tax expense for the period by £30,240, to increase the deferred tax asset by £30,240.

11 Trade and other receivables

	2020 £	2019 £
Trade debtors	352,659	339,818
Amounts due from PFI Group	3,933,431	7,388,930
Other receivables	68,541	103,937
Prepayments and accrued income	52,064	23,937
Income tax asset	3,562	-
	<u>4,410,257</u>	<u>7,856,622</u>

Amounts due from PFI Group companies are receivable per the terms agreed in the support services agreement.

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Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

12 Cash at bank and in hand

	2020	2019
	£	£
Cash at bank	<u>1,186,125</u>	<u>732,806</u>

13 Trade and other payables

	2020	2019
	£	£
Amounts due to PFI Group	395,837	4,531,421
Accruals	<u>3,057,707</u>	<u>1,703,295</u>
	<u>3,453,544</u>	<u>6,234,716</u>

Amounts due to PFI Group companies are payable per the agreed terms in the intercompany recharge agreement

14 Employee benefits

Share based payments

The Company'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. A summary of the status of the Company's option grants for the years ended 31 December 2020 and 2019 is as follows:

	2020	2019
	Number	Number
At 1 January	-	2,468
Exercised	-	(2,468)
At 31 December	<u>-</u>	<u>-</u>

The movements in the weighted average exercise price of share options during the year were as follows:

	2020	2019
	£	£
At 1 January	-	46.84
Exercised	-	(46.84)
At 31 December	<u>-</u>	<u>-</u>

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

14 Employee benefits (continued)

Weighted average remaining contractual life is nil years (2019: nil years).

There were no options outstanding for the Company at 31 December 2020 was £0.00 to £0.00 (2019: £0.00 to £0.00). The Company recorded £nil (2019: £32,787) in share based compensation related to stock options during the year ended 31 December 2020.

The number of options that are eligible for exercise at 31 December 2020 is nil (2019: £nil).

The weighted average grant date fair value of stock options granted during the years ended 31 December 2020 and 2019 were £nil and £15.61, respectively. The options are valued using a binomial option pricing model on the date of grant. The weighted average grant date assumptions used in the binomial option valuation model are detailed in the table below, components of which take into consideration the worldwide workforce of PFI.

	2020	2019
Expected volatility (%)	-	34.63
Expected dividend yield (%)	-	4.26
Expected term (years)	-	5.54
Risk-free interest rate (%)	-	2.50

Expected volatilities are based on historical volatility of PFI's Common Stock and implied volatilities from traded options on PFI's Common Stock. Historical data and expectations of future exercise patterns to estimate option exercises and employee terminations are used within the valuation model. The expected dividend yield is based on the current expected annual dividend and share price on the grant date. The expected term of options granted represents the period of time that options granted are expected to be outstanding. The risk-free rate for periods within the expected term of the option is based on the U.S. Treasury yield curve in effect at the time of grant.

Restricted stock units

A restricted stock unit is an unfunded, unsecured right to receive a share of 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 year ended 31 December 2020:

	2020 Number of shares	2019 Number of shares
Non-vested Shares		
At 1 January	-	2,451
Vested	-	(2,258)
Forfeited/transferred	-	(193)
At 31 December	-	-

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Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

14 Employee benefits (continued)

	2020 Weighted Average Grant-Date Fair Value £	2019 Weighted Average Grant-Date Fair Value £
Non-vested Shares		
At 1 January	-	62.05
Vested	-	58.78
Forfeited/transferred	-	58.78
At 31 December	<u>-</u>	<u>62.05</u>

The Company recorded an expense of £nil (2019: £nil) in share-based payments, related to restricted stock units, during the year ended 31 December 2020.

Performance awards

A performance award is similar to a restricted stock unit, an unfunded, unsecured right to receive a share of 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 performance award activity for the year ended 31 December 2020:

	2020 Number of Shares	2019 Number of Shares
Non-vested Shares		
At 1 January	-	817
Vested	-	(831)
Performance adjustment	-	14
At 31 December	<u>-</u>	<u>-</u>

	2020 Weighted Average Grant-Date Fair Value £	2019 Weighted Average Grant-Date Fair Value £
Non-vested Shares		
At 1 January	62.05	62.05
Vested	-	58.78
Performance adjustment	-	58.78
At 31 December	<u>62.05</u>	<u>62.05</u>

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

14 Employee benefits (continued)

The Company recorded an expense of £nil (2019: £nil) in share-based payments, related to performance awards, during the year ended 31 December 2020.

15 Called up share capital

Allotted, called up and fully paid shares

	2020		2019	
	No.	£	No.	£
Ordinary shares of £1 each	<u>1,263,374</u>	<u>1,263,374</u>	<u>1,263,374</u>	<u>1,263,374</u>

16 Commitments

The Company had no other commitments at 31 December 2020 (2019: £nil).

17 Contingent liabilities

The Directors are not aware of any contingent liabilities requiring disclosure in these financial statements as at 31 December 2020 (2019: £nil).

18 Relationship between entity and parents

The Company's ultimate parent 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. The Company is a wholly owned direct subsidiary of PHL.

Notes to the Financial Statements for the Year Ended 31 December 2020 (continued)

19 Non adjusting events after financial period

The direct parent, Pramerica Holdings Limited, is currently in voluntary liquidation. Once the liquidation is finalised the Company will be a direct subsidiary of The Prudential Insurance Company of America ('PICA').

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25%. Since the proposal to increase the rate to 25% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements. However, it is likely that the overall effect of the change, had it been substantively enacted by the balance sheet date, would be to reduce the tax expense for the period by £30,240, to increase the deferred tax asset by £30,240.