

Company No: 01967719

PGDS (UK ONE) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018



PGDS (UK ONE) LIMITED

Incorporated and registered in England and Wales. Registered No: 01967719
Registered office: 10 Fenchurch Avenue, London EC3M 5AG

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PGDS (UK ONE) LIMITED

Directors

The Directors in office during the year and up to the date of signing of the accounts were as follows:

Mr G Vincent (resigned 29/06/2018)
Mr M D Croft (resigned 29/06/2018)
Mr D W Sheppard (resigned 26/06/2018)
Mr D S E Burke (resigned 29/06/2018)
Mr J A V Grimshaw (resigned 26/06/2018)
Ms R L Wyatt (resigned 26/06/2018)
Mr S J McGregor (resigned 28/02/2018)
Mr M E Ortiz (resigned 28/02/2019)
Mr C Cochrane (appointed 13/08/2018)
Mr R Thomson (resigned 13/08/2018 and appointed 21/03/2019)

Secretary

Prudential Group Secretarial Services Limited

Auditor

KPMG LLP, London

PGDS (UK ONE) LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

Principal activity

The principal activity of PGDS (UK One) Limited ('the Company') is to provide Information Technology ('IT') and Infrastructure services to various companies within the Prudential Group. This activity is expected to continue in 2019.

Business review

In August 2017, Prudential plc, the Company's ultimate parent, brought together M&G, the investment management business, with Prudential's UK and European life insurance business ('Prudential UK'), of which the Company forms a part, to create M&G Prudential. The Company is part of M&G Prudential, the UK and European savings and investments business of Prudential plc.

In March 2018 Prudential plc announced its intention to demerge M&G Prudential from Prudential plc, resulting in two separately-listed companies, with different investment characteristics and opportunities. M&G Prudential is one of the savings and asset management business in the UK and Europe. M&G Prudential as a standalone group will continue to drive its transformation into a more capital-efficient and customer-focussed business, targeting growing customer demand for comprehensive financial solutions in these markets.

In support of this, M&G Prudential announced a major investment programme in the new combined business's infrastructure to improve customer service, accelerate product development, and widen customer choice. A substantial investment has been made in a five-year business modernisation programme which is now well advanced.

The Company has entered into a partnership with Tata Consultancy Services ('TCS') to enhance its operations and customer service. As part of the arrangement, TCS has taken on the hosting, networking of IT infrastructure and project delivery services from 1 May 2018. The services that PGDS provide to the Group does not change post-outsourcing (as services go through PGDS to the other business units). Thus, the nature of PGDS' trade has not changed and PGDS has retained the business of the other Group entities.

On 19 December 2018 the legal ownership of the Company was transferred from its previous parent company Prudential Group Holdings Limited to a new holding company, M&G Prudential (Holdings) Limited. M&G Prudential (Holdings) Limited is a subsidiary of M&G Prudential plc (previously known as M&G Prudential Limited), which is a subsidiary of Prudential plc. The ultimate parent of the Company therefore remains Prudential plc, a public limited company, limited by shares, incorporated and registered in England and Wales and the parent company of the Prudential group ('the Prudential Group' or 'the Group').

Key Performance Indicators	2018	2017	Change
	£000	£000	%
Turnover	138,944	122,720	13
Operating expenses	(138,750)	(121,939)	14
Profit before tax	73	265	(72)
Shareholders' funds	12,310	13,775	(11)

During 2018, the Company continued to render IT services and support to group companies. The Company invoices staff and facilities and accommodation costs at a margin of 5% for services. For income derived from project services, the Company raises invoices based on pre-approved charging rates. Other operating expenses incurred in the provision of these services are invoiced at cost. The Company posted a pre-tax profit of £73k (2017: £265k) for the year.

Risks & uncertainties

The Company, a wholly owned subsidiary of the Prudential Group, is subject to the Group's internal control and risk management processes as detailed in the Group Governance Manual (GGM) and Group Risk Framework (GRF). The control procedures and systems established within the Group are designed to manage, rather than eliminate, the risk of failure to meet business objectives. They can only provide reasonable, rather than absolute assurance against material

PGDS (UK ONE) LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

misstatement or loss, and focus on optimising the levels of risk and reward with the aim of achieving the business objectives.

The GRF requires all businesses and functions within the Group, including the Company, to establish processes for identifying, evaluating and managing key risks. The risk management framework is based on the concept of three lines of defence: risk management, risk oversight and independent assurance.

The Company's results and financial condition are exposed to both financial and non-financial risks. The key risk factors mentioned below should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties.

Financial risk

The Company is exposed to financial risk through its financial assets and liabilities. The key financial risk factors affecting the Company are described below together with details of the management of the risks.

a) Credit risk

Credit risk is the risk of loss to the Company, or of adverse change in the financial position resulting from fluctuations in the credit standing of counterparties and any debtors in the form of default or other significant credit event.

The debtors are predominantly intra group and therefore the risk of default is considered to be minimal given the overall financial strength of the Group.

Impairment methodology

The impairment allowance calculation is based on Prudential Group's counterparty default risk calibration used for Solvency II. The counterparty default risk uses a default state model and a recovery rate model which is run through 1 million scenarios to generate a probability distribution of losses.

This produces a loss rate reflecting the default losses as a percentage of exposure for various stresses over a 12 month period. These rates have been applied to the balances as at 31 December 2018 to derive the expected credit losses (ECL). The impact of collateral and financial guarantees has been considered, where relevant, in the determination of ECL.

The entity held cash balances of £18,120k at 31 December 2018 (2017: £2,139k). These balances are held with bank and financial institution counterparties, and are considered to have low credit risk.

A 12-month ECL has been calculated in respect of these balances. This reflects the short maturities of the exposures. The entity considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

The adoption of IFRS 9 did not result in any material change to the amount of impairment losses recognised.

b) Liquidity risk

Liquidity risk is the risk of the Company being unable to generate sufficient cash resources to meet financial obligations as they fall due in business as usual and stress scenarios.

This risk is managed through careful management of bank balances and cash-flow forecasting.

Non-financial risk

The Company has a limited exposure to business environment, strategic, conduct, operational and group risk.

PGDS (UK ONE) LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

a) Business environment risk

Business environment risk is the risk of exposure to forces in the external environment that could significantly change the fundamentals that drive the business's overall objectives and strategy.

Changes in government policy, legislation (including tax) regulation or regulatory interpretation applying to companies in the financial services sector, rapid changes in technology and IT infrastructure may adversely affect the Company's reported results and financing requirements.

b) Strategic risk

Strategic risk is the risk of ineffective, inefficient or inadequate senior management processes for the development and implementation of business strategy in relation to the business environment and the Group's capabilities.

While not directly impacted, the Company is exposed to risk associated with strategic decisions taken at the Group or M&GPrudential level. The merger of M&G and Prudential UK and planned demerger from Prudential Plc, along with the transformation strategy will deliver capital-light, digitally enabled, customer-focused solutions. This presents a significant opportunity to leverage scale, financial strength and complementary product and distribution capabilities but does carry an element of strategic risk for the Company in terms of overall availability of funding, resources and the wider impacts of an extensive change agenda.

c) Conduct risk

Conduct risks are risks that arise from the approach taken to customer relationships throughout the business model and is defined as the risk that Prudential's behaviours and decision making are inappropriate, leading to unfair or poor outcomes for customers.

Customer needs are central to all decisions the Company makes regarding the provision of financial services. In so doing, the Company aims to uphold its reputation for acting responsibly and with integrity in supporting customers whilst respecting the laws and regulations, as well as meeting internationally accepted standards of responsible business conduct.

d) Operational risk

Operational risk is the risk of loss (or unintended gain/profit) arising from inadequate or failed internal processes, personnel and systems, or from external events. This includes employee error, system failures, fraud or some other event which disrupts business processes.

The Group Risk Framework sets out the accountabilities for operational risk management and oversight based on the principles of the 'three lines of defence' model. The approach adopted is proportional to the size, nature and complexity of the business unit and the risks it manages.

The Company's systems and processes incorporate controls which are designed to manage and mitigate the operational risks associated with its activities as any weakness in the administration systems, finance systems and processes could have an impact on its results during the effective period.

The Company is subject to people risks resulting in business disruption/failing to deliver its objectives, in respect of transformation, merger and demerger, and ongoing customer service. This may be due to organisational stretch (subject matter experts, senior leaders), industrial action or malicious activity.

An important element of operational risk relates to compliance with changing regulatory requirements. The high rate of global regulatory change, in an already complex and evolving regulatory landscape, increases the risk of non-compliance due to a failure to identify, correctly interpret, implement and/or monitor regulations. Legislative developments over recent years, together with enhanced regulatory oversight and increased capability to issue sanctions, have resulted in a complex regulatory environment that may lead to breaches of varying magnitude if the Company's business-as-usual operations are not compliant.

PGDS (UK ONE) LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

The performance of group entities' core activities places reliance on the IT infrastructure that supports day-to-day transaction processing. The Company must ensure a secure and stable IT environment and address an increasing cyber risk threat as the digital footprint increases. The risk that the IT infrastructure does not meet these requirements is a key area of focus, particularly the risk that legacy IT infrastructure supporting core activities/processes affects business continuity or impacts on business growth.

The Company is subject to the risk of incurring additional costs from third-party suppliers and missing recharge targets due to a lack of appropriate finance processes and controls, the risk that material outsourced suppliers fail to deliver the expected level of service or fail to keep pace with our changing requirements resulting in unexpected disruption or deterioration in service provided.

The Company's exposure to operational risk is managed and mitigated using the following:

- operational risk policies including, outsourcing and third-party supply;
- strategic IT service delivery with controls and oversight based on outsourcing and third-party supply and security policies;
- implementation of Data Privacy policies, training and awareness to mitigate the operational risk resulting from any data breach;
- a cyclical risk management framework, based on the policy standards, that delivers processes and tools to identify, assess, control and monitor the operational risk exposures;
- corporate insurance programmes to limit the impact of operational risks;
- internal and external review of cyber security;
- regular testing of elements of the business continuity and disaster recovery plans;
- robust structural risk challenge, oversight and reporting of merger, transformation and demerger activity.

e) Group risk

Group risk is the risk associated with being part of a group, particularly as a result of contagion.

Being a member of a group can provide significant advantages for the Company in terms of diversification of risk, financial strength, technical expertise and management experience. It can also give rise to risks; if a guarantee of financial support given by the parent were removed, or from particular transactions arising from an impaired parent or affiliate within the group. The independent capitalisation of the Company as well as the risk management processes and internal control mechanisms within the Company ensure group risk is appropriately managed. This is particularly important given the de-merger.

Signed for and on behalf of Board of Directors of the Company



M Seebaluck

On behalf of Prudential Group Secretarial Services Limited
Company Secretary
13 September 2019

PGDS (UK ONE) LIMITED

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DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2018.

Future Developments

Likely future developments in the business of the Company are discussed in the strategic report in accordance with section 414C of the Companies Act 2006 (the Act).

Ultimate Parent Company

On 19 December 2018 the legal ownership of the Company was transferred from its previous parent company Prudential Group Holdings Limited to a new holding company, M&G Prudential (Holdings) Limited. M&G Prudential (Holdings) Limited is a subsidiary of Prudential plc. The ultimate parent of the Company therefore remains Prudential plc, a public limited company, limited by shares, incorporated and registered in England and Wales and the parent company of the Prudential group ('the Prudential Group' or 'the Group').

Corporate responsibility

The Company is a wholly owned subsidiary within the Prudential Group and Corporate Responsibility (CR) is integral to the way the Group does business.

The Group, of which the Company is a part, has developed a Group Governance Framework which is underpinned by a Group Governance Manual and associated processes. This encompasses all key policies and procedures for example, the Group Code of Business Conduct.

As a business that provides savings, income, investment and protection products and services, social value is created through the day-to-day operations. The Group provides customers with ways to help manage uncertainty and build a more secure future. In seeking to match the long-term liabilities the Group has towards its customers with similarly long-term financial assets, it provides capital that finances businesses, builds infrastructure and fosters growth in both developed and developing markets.

The Group's sustainable approach to business is reinforced by the Group-wide CR strategy. While the Group believes that CR is best managed on the ground by those closest to the customer and local stakeholders, the Group approach is underpinned by four global CR themes:

- Serving its customers: The Group aims to provide fair and transparent products that meet the customers' needs.
- Valuing its people: The Group aspires to retain and develop highly engaged employees.
- Supporting local communities: The Group seeks to make a positive contribution to its communities through long-term partnerships with charitable organisations that make a real difference.
- Protecting the environment: The Group takes responsibility for the environment in which it operates.

These themes demonstrate the Group's CR commitments and principles to its stakeholders and provide clarity to its businesses, including the Company, on where they should focus their CR efforts and resources in the context of their individual markets.

The Prudential plc Board discusses the Group's performance in the areas of social and environmental management at least once a year and also reviews and approves the Group's corporate responsibility report and strategy on an annual basis.

Accounts

The state of affairs of the Company at 31 December 2018 is shown in the statement of financial position on page 13. The statement of comprehensive income appears on page 12.

PGDS (UK ONE) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

Share Capital

There have been no changes to the Company's share capital during the year.

Post Balance sheet events

There have been no significant events affecting the Company since the balance sheet date.

Directors

The directors holding office during the year are shown on page 1.

Mr C Cochrane was appointed as a director on 13 August, 2018 and Mr R Thomson was appointed as a director on 21 March, 2019. Mr S J McGregor resigned as a director on 28 February, 2018, Ms R L Wyatt, Mr J A V Grimshaw and Mr D W Sheppard resigned as directors on 26 June, 2018, Mr D S E Burke, Mr G Vincent and Mr M D Croft resigned as directors on 29 June 2018, Mr R Thomson resigned as a director on 13 August, 2018 and Mr M E Ortiz resigned as a director on 28 February, 2019.

There were no further changes during the year and up to the date of the report being authorised for issue.

Employees

The following information is given in respect of the employees of the Company in the United Kingdom:

- **Equal opportunity**

The Company's policy is to recruit, develop and employ staff on the basis of suitability of their qualifications and experience to the work to be performed, regardless of sex, marital status, creed, race, nationality or disability. Full consideration is given to continuing the employment of staff who become disabled and to providing training and career development opportunities to disabled employees. The requirements of the Disability Discrimination Act 1996 have been put into effect.

- **Employee involvement**

It is the Company's policy to communicate with employees on issues that concern them and to provide information to them through employee reports and regular manager briefings. Views of employees are sought through a number of channels including consultation through the medium of a staff consultative group. Since March 2009 employees have been invited to participate in the Prudential Savings-Related Share Option Scheme and can also participate in the Prudential Share Incentive Plan.

Financial risk management objectives, policies and exposure

The Company's objectives and policy in relation to the management of financial risk resulting from its financial assets and liabilities are to minimise any risk. The Company's exposure to financial risk through its financial assets and liabilities is not considered material to the assessment of the Company's assets, liabilities, financial position and the profit and loss of the Company.

Disclosure of information to the auditor

The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

PGDS (UK ONE) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

Auditor

In accordance with Section 487(2) of the Companies Act 2006, KPMG LLP will be deemed to be re-appointed auditor of the Company for the current financial year.

Directors' and Officers' Protection

Prudential plc has arranged appropriate insurance cover in respect of legal action against directors and senior managers of companies within the Prudential Group. Prudential plc also provides protections for directors and senior managers of companies within the Group against personal financial exposure they may incur in their capacity as such.

Signed for and on behalf of Board of Directors of the Company



M Seebaluck

On behalf of Prudential Group Secretarial Services Limited
Company Secretary
13 September 2019

PGDS (UK ONE) LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 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 judgements and 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;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PGDS (UK ONE) LIMITED

We have audited the financial statements of PGDS (UK One) Limited for the year ended 31 December 2018 which comprise the Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Financial Position and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Other matter

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Other information

The directors are responsible for the other information, which comprises the strategic report and the directors' report. Our opinion on the financial statements does not cover the other information and, accordingly we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PGDS (UK ONE) LIMITED (continued)

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 9, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view. They 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; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.



William Greenfield (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square

Canary Wharf

London E14 5GL

13 September 2019

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PGDS (UK ONE) LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

	2018	2017	Note
	£000	£000	
Operating income	138,944	122,720	
Staff costs	(38,241)	(47,496)	3
Other operating charges	(100,509)	(74,443)	4
Operating costs	(138,750)	(121,939)	
Operating profit	194	781	
Interest income	49	5	
Interest expense	(479)	(376)	
Foreign exchange gains/(losses)	309	(145)	
Profit before tax	73	265	
Tax (charge)/credit	(1,934)	517	7
(Loss)/Profit after tax	(1,861)	782	

All of the amounts above are in respect of continuing operations.

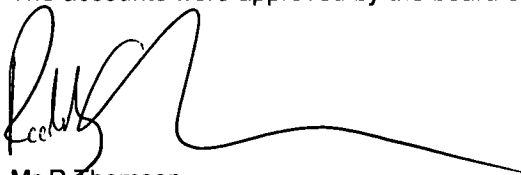
The accounting policies on pages 15 to 19 with accompanying notes on pages 19 to 27 form an integral part of these financial statements.

PGDS (UK ONE) LIMITED**STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018**

	2018	2017	Note
	£000	£000	
Fixed assets			
Tangible and intangible fixed assets	15,429	15,479	8
Non-current assets			
Deferred tax asset	5,270	7,123	7
Current assets			
Tangible and intangible fixed assets - held for sale	—	14,217	9
Trade and other debtors	60,670	34,565	10
Cash at bank and in hand	18,120	2,139	11
	78,790	50,921	
Current liabilities			
Trade and other creditors: amounts falling due within one year	(72,335)	(56,928)	12
Corporation tax payable	(2,720)	(2,820)	
Net current assets/(liabilities)	3,735	(8,827)	
Total assets less current liabilities	24,434	13,775	
Creditors: amounts falling due after one year	(12,124)	—	13
Net assets	12,310	13,775	
Capital and reserves			
Ordinary share capital	7,000	7,000	15
Profit and loss	2,297	4,158	
Capital reserve	3,013	2,617	
Shareholders' funds	12,310	13,775	

The accounting policies on pages 15 to 19 with accompanying notes on pages 19 to 27 form an integral part of these financial statements.

The accounts were approved by the board of directors on 13 September 2019.


 Mr R Thomson
 Director

PGDS (UK ONE) LIMITED**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018**

	Called Up Share Capital £000	Profit and Loss Account £000	Capital Reserves £000	Total Equity £000
Balance at 1 January 2017	7,000	3,376	2,405	12,781
Increase in capital reserve during the year	—	—	212	212
Profit for the financial year	—	782	—	782
Total comprehensive income for the period	—	782	—	782
Balance at 31 December 2017	<u>7,000</u>	<u>4,158</u>	<u>2,617</u>	<u>13,775</u>
Balance at 1 January 2018	7,000	4,158	2,617	13,775
Increase in capital reserve during the year	—	—	209	209
Current tax credited to capital reserve	—	—	162	162
Deferred tax credited to capital reserve	—	—	25	25
Profit for the financial year	—	(1,861)	—	(1,861)
Total comprehensive income for the period	—	(1,861)	—	(1,861)
Balance at 31 December 2018	<u>7,000</u>	<u>2,297</u>	<u>3,013</u>	<u>12,310</u>

The increase in the capital reserve represents the movement in respect of share-based payment during the year in accordance with IFRS 2 *Share-based Payment*.

The accounting policies on pages 15 to 19 with accompanying notes on pages 19 to 27 form an integral part of these financial statements.

PGDS (UK ONE) LIMITED

NOTES ON THE FINANCIAL STATEMENTS

1. Accounting Policies

A. Company information

The Company is a private limited company incorporated and domiciled in England and Wales. The address of its registered office is 10 Fenchurch Avenue, London EC3M 5AG.

B. Basis of preparation

The financial statements have been prepared in accordance with FRS101, Part 15 of the Companies Act 2006 and Schedule 1 of The Large and Medium-sized Companies and Group (Accounts and Reports) Regulations 2008.

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.

IFRS 9 *Financial Instruments* (IFRS 9) sets out the requirements for recognising and measuring financial assets and financial liabilities. This standard is effective from 1 January 2018 and replaces IAS 39 *Financial Instruments: Recognition and Measurement*. The adoption of IFRS 9 did not result in any material impact on the 1 January 2018 opening balance of retained earnings.

IFRS 15 *Revenue from Contracts with Customers* (IFRS 15) sets out the requirements for recognising and measuring revenue. This standard is effective from 1 January 2018 and replaces IAS 18 *Revenue*. The adoption of IFRS 15 did not result in any impact on the opening balance of retained earnings or materially affect accounting for revenue as from 1 January 2018.

The Company's ultimate parent undertaking, Prudential plc, includes the Company in its consolidated financial statements. The consolidated financial statements of Prudential plc are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from the Company Secretary, 1 Angel Court, London EC2R 7AG.

In these financial statements, the Company has applied the exemptions available under FRS101 in respect of the following disclosures:

- Cash flow statement and related notes;
- Disclosures in respect of transactions with wholly owned subsidiaries within the Group;
- Disclosures in respect of the compensation of key management personnel;
- Comparative period reconciliations for share capital and tangible fixed assets;
- The effect of new but not effective IFRSs; and
- Disclosures in respect of revenue from contracts with customers.

As the consolidated financial statements of Prudential plc include the equivalent disclosures, the Company has also taken advantage of the exemptions available under FRS 101 in respect of any relevant disclosures required by IFRS 7 *Financial Instruments: Disclosures* and IFRS 13 *Fair Value Measurement* and certain disclosures required by IFRS 2 *Share Based Payments*.

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

The directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future and thus continue to adopt the going concern basis of accounting in preparing the financial statements. This conclusion has been based upon the following: the Company is a subsidiary within the Prudential Group and its parent company and the ultimate parent company are continuing to trade and there are no plans for liquidation. In addition consideration has also been given to the Company's performance, the market in which it operates, its strategy and risks and uncertainties, as set out in the Strategic Report on page 2.

PGDS (UK ONE) LIMITED

NOTES ON THE FINANCIAL STATEMENTS (continued)

Notwithstanding a loss for the year then ended of £1,861k the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

Based on the cash flow forecasts for a period of 12 months from the date of approval of these financial statements, taking account of reasonably possible downsides, it is expected that the Company will have sufficient funds to meet its liabilities as they fall due for that period.

Those forecasts are dependent on Prudential Distribution Limited (PDL), another group company, not seeking repayment of the amounts currently due under a loan facility, which at 31 December 2018 amounted to £12,124k. PDL has indicated that it does not intend to seek repayment of amounts due under the loan facility in the period until 12 months from the date of signing of the financial statements of the Company for the period ended 31 December 2018. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

C. Financial assets - Policy applicable from 1 January 2018

Recognition and initial measurement

A financial asset is initially measured at fair value plus, for a financial asset not measured at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

Classification and subsequent measurement

On initial recognition, a financial asset is classified and measured at either amortised cost or fair value through profit or loss (FVTPL).

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets that do not meet the criteria for being measured at amortised cost, as described above, are measured at FVTPL. This includes assets that are held for trading or are part of a portfolio that is managed on a fair value basis.

Financial assets are not reclassified subsequent to their initial recognition unless the entity changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Financial assets at FVTPL are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial liabilities - Policy applicable from 1 January 2018

Financial liabilities are classified as measured at amortised cost (using the effective interest method) or FVTPL. A financial liability is classified as at FVTPL if it is held-for-trading or a derivative. Financial liabilities at FVTPL are

PGDS (UK ONE) LIMITED

NOTES ON THE FINANCIAL STATEMENTS (continued)

measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Financial instruments - Policy applicable before 1 January 2018

Non-derivative financial instruments

Under IAS39, upon initial recognition financial instruments are recognised at fair value. The Company is permitted, subject to specific criteria, to designate its instruments as either at fair value through profit and loss, held on an available-for-sale basis, held to maturity, or loans and receivables. The Company holds financial instruments on the following bases:

Loans and receivables - this comprises instruments that have fixed or determinable payments and are not designated as fair value through profit and loss. These instruments include deposits, other unsecured loans and receivables and trade and other creditors. These instruments are carried at amortised cost using the effective interest method and subject to impairment reviews. The Company measures the amount of the impairment loss, if any, by comparing the amortised cost with the present value of its estimated future cash flows discounted at the original effective interest rate.

D. Financial instruments - Impairment

Financial assets impairment - Policy applicable from 1 January 2018

Impairment is recognised on financial assets measured at amortised cost based on expected credit losses (ECL).

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the entity expects to receive).

The impact of any collateral and financial guarantees is taken into account when determining ECL.

ECLs are discounted at the effective interest rate of the financial asset.

A financial instrument is considered to have low credit risk when it has an external credit rating of 'investment grade'. The entity has determined that the cash balances and deposits with credit institutions are considered to have low credit risk and therefore impairment is based on a 12 month ECL for these assets.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs, where material.

Financial assets impairment - Policy applicable before 1 January 2018

Loans and receivables are carried at amortised cost using the effective interest method and subject to impairment reviews. The Company measures the amount of the impairment loss, if any, by comparing the amortised cost with the present value of its estimated future cash flows discounted at the original effective interest rate.

E. Revenue recognition

Revenue recognition - Policy applicable from 1 January 2018

Operating income, comprising income earned on recharges to group undertakings including profit margin and other income received from Group companies, is recognised when the Company satisfies the related performance obligation, in accordance with IFRS 15 *Revenue from contracts with customers*.

Interest receivable is recognised on an accruals basis.

PGDS (UK ONE) LIMITED

NOTES ON THE FINANCIAL STATEMENTS (continued)

Revenue recognition - Policy applicable before 1 January 2018

Operating income represents recharges including profit margin and other income received from Group companies. Income is accounted for on an accruals basis.

F. Taxation

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 or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

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. Temporary differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future are not provided for. 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.

G. Fixed assets

Depreciation is provided at a rate calculated to write off the cost or value of the assets less their estimated residual value over their estimated useful lives as follows:

Purchased Software

- (i) Software licenses paid on an annual basis, software support and maintenance fees are not capitalised, but are expensed over the period to which the invoice relates.
- (ii) Initial software licenses purchased at the same time as hardware (e.g. MS Office licenses bought with a PC) are capitalised on the same terms as the hardware. It is the intention that future licenses will be purchased as block licenses and not individually.
- (iii) Purchased software licenses are capitalised if the invoice cost is greater than £1,000, otherwise the expenditure is expensed in the period in which it is incurred. Software license version upgrade charges are expensed if the value is less than £1,000 with effect from January, 2012. Software assets are amortised on a straight line basis over their useful economic life which is generally 3 to 5 years.

Software licenses are valued initially at the price paid to acquire them and are subsequently carried at cost less amortisation and any accumulated impairment losses.

Hardware

Asset Category	Asset Life Years	Depreciation % p.a.
Air Conditioning / UPS	10	10
UPS Batteries	5	20
Mainframe	5	20
Network / Server	5	20
Mid-Range computing equipment	3 to 4	25 to 33.33
Desktop	4	25
Other IT hardware	3 to 5	20 to 33.33

PGDS (UK ONE) LIMITED

NOTES ON THE FINANCIAL STATEMENTS (continued)

- (i) Mid-Range - Useful Economic Life (UEL) for mid-range purchased after January, 2015 will be 4 years. The Useful Economic Life (UEL) for mid-range purchased prior to January, 2015 was 3 years.
- (ii) Other IT hardware - refers to other IT hardware assets that do not sit within the main categories listed. Useful Economic Life (UEL) for such assets is determined within the identified 3 to 5 year range by reference to the specific characteristics of the hardware.

Costs incurred in respect of the construction of the assets are capitalised and depreciation commences when the asset is brought into use.

H. Non-current assets held for sale

The Company measures its non-current assets held for sale at the lower of the carrying amount (1.e. cost less impairment) and fair value less costs to sell.

I. Pension costs

The charge to revenue in respect of employer's contributions towards defined contribution and benefit schemes is calculated in accordance with applicable accounting standards.

J. Share-based payments

The Company offers share award and option plans for certain key employees and a Save As You Earn (SAYE) plan for all employees. The Company has both equity-settled plans and cash-settled plans.

Share options and awards of the parent company's equity instruments, for which the parent company (Prudential plc) has the obligation to settle, are valued using the fair value at the date of grant and are accounted for as equity-settled i.e. recognised in equity as a capital contribution from Prudential plc. Share options and awards for which the Company has the obligation to settle are valued using the share price at the balance sheet date and are accounted for as cash-settled i.e. as an obligation to transfer the equity instruments of Prudential plc. The compensation costs for all awards and options are recognised in net income over the plans' respective vesting periods.

2. Transition to IFRS 9

(i) Classification and measurement

Under IFRS 9, the Company classifies its financial assets at FVTPL and amortised cost. For an explanation of how the Company classifies and measures financial instruments and accounts for related gains and losses under IFRS 9, see Note 1D. The following table shows the original measurement category and carrying amount under IAS 39 and the new measurement category and carrying amount under IFRS 9 for each class of financial assets and financial liabilities as at 1 January 2018.

	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amounts under IFRS 9
			£'000	£'000
Trade and other debtors	Loans and receivables	Amortised cost	34,565	34,565
Cash at bank and in hand	Loans and receivables	Amortised cost	2,139	2,139
Total financial assets			36,704	36,704
Trade and other creditors	Loans and receivables	Amortised cost	(56,928)	(56,928)
Total financial liabilities			(56,928)	(56,928)

PGDS (UK ONE) LIMITED

NOTES ON THE FINANCIAL STATEMENTS (continued)

Cash balances and trade and other debtors that were classified as loans and receivables under IAS 39 are now classified at amortised cost. There have been no reclassifications of financial assets out of FVTPL to the amortised cost category as a result of transition to IFRS 9.

The adoption of IFRS 9 did not result in any changes to the carrying value of financial assets.

(ii) Impairment

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an expected credit loss (ECL) model. The new impairment model applies to financial assets measured at amortised cost. Under IFRS 9, credit losses are recognised earlier than under IAS 39. The adoption of IFRS 9 did not result in any material change to the amount of impairment losses recognised.

3. Staff costs

	2018	2017
	£000	£000
Wages and salaries	31,918	39,001
Social security costs	2,213	3,268
Other pension costs	3,679	4,684
Share based payment expenses	431	543
Total	38,241	47,496

	No.	No.
Average number of employees during the period	254	373

The majority of staff employed by the Prudential Group in the UK are members of the Prudential Group's pension schemes. The largest scheme is the Prudential Staff Pension Scheme (PSPS). This scheme is primarily (based on total numbers in the scheme), a defined benefit scheme. This scheme was closed to new employees on 31 July 2003. Employees after this date are enrolled in the defined contribution section of the scheme. At 31 December 2018, the underlying PSPS liabilities account for 83% (2017: 82%) of the aggregate liabilities of the Prudential Group's defined benefit schemes. There is also a smaller defined benefit scheme, Scottish Amicable Staff Pension Scheme (SASPS).

Both schemes are group pension schemes, whereby the costs associated with them are shared across different entities under common control. The contributions into both schemes are payable at the minimum level of contributions required under the scheme rules. Employer contributions for ongoing service of current employees are apportioned in the ratio relevant to current activity.

PAC has provided a guarantee to SASPS, subject to a limit of £270m, on behalf of the principal employer and other participating employing entities (including the Company), should the employing entities fail to meet their payment obligations in respect of the scheme.

Further details of the pension schemes operated by the Company are disclosed in the accounts of PAC and Prudential plc.

4. Other operating charges

	2018	2017
	£000	£000
Depreciation	4,995	16,525
Other operating expenses	95,514	57,918
Total	100,509	74,443

PGDS (UK ONE) LIMITED**NOTES ON THE FINANCIAL STATEMENTS (continued)****5. Directors' emoluments**

	2018	2017
	£000	£000
Aggregate amount of salaries, benefits and fees	585	701
Number of Directors to whom retirement benefits are accruing defined benefit pension schemes	2	2
Number of Directors who exercised share options	2	—
Number of Directors in respect of whose qualifying services shares were received or receivable under long term incentive schemes	3	3

For the highest paid Director the aggregate of emoluments was £266,155 (2017: £262,835).

The services of D W Sheppard, R L Wyatt and S J McGregor were primarily provided to Prudential Services Limited and the services of M Lewis and J A V Grimshaw to M&G and J S Deeks, S Vasudeva and R Thomson to Prudential Distribution Limited, fellow Group undertakings. Directors' remuneration in respect of the Company was £5,000 (2017: £5,000). No other remuneration was received in respect of services attributable to the Company. These amounts were borne by another group company.

6. Auditors' remuneration

	2018	2017
	£000	£000
Auditor's remuneration	22	20

Amounts receivable by the Company's auditor in respect of services rendered to the Prudential Group, 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 Prudential plc. No non-audit services were provided to the Company by the auditor in 2018 or 2017.

7. Tax**a) Tax (charged)/credited**

	2018	2017
	£000	£000
Current tax:		
Current tax on profits for the year	187	(2,508)
Adjustments in respect of prior years	(248)	149
Foreign tax	5	1
Total current tax charge	(56)	(2,358)
Deferred tax:		
Current year	(369)	2,161
Adjustments in respect of prior periods	(1,532)	714
Effect of changes in tax rates	23	—
Total deferred tax (charge)/credit	(1,878)	2,875
Total tax (charge)/credit on ordinary activities	(1,934)	517

PGDS (UK ONE) LIMITED

NOTES ON THE FINANCIAL STATEMENTS (continued)

	2018	2017
	£000	£000
Tax reported in the capital reserve		
Current tax:		
Current year	64	—
Adjustments in respect of prior years	98	—
Deferred tax :		
Current year	(24)	—
Adjustments in respect of previous years	49	—
Total tax credit in the period	187	—

b) Factors affecting tax charge for the period

The charge for the year can be reconciled to the profit per the income statement as follows:

	2018	2017
	£000	£000
Profit before tax	73	265
Tax on profit at standard UK tax rate of 19.00% (2017: 19.25%)	(14)	(51)
Effects of:		
Expenses not deductible	(21)	(15)
Share options	(147)	30
Adjustments in respect of prior years	(1,780)	863
Overseas tax	5	—
Tax rate changes	23	(310)
Total tax (charge)/credit for the year	(1,934)	517

c) Factors that may affect future tax charges

A reduction in the UK corporation tax rate from 19% 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.

Based on current capital investment plans, the group expects to continue to be able to claim capital allowances in excess of depreciation in future years at a similar level to the current year.

PGDS (UK ONE) LIMITED**NOTES ON THE FINANCIAL STATEMENTS (continued)****d) Balance sheet**

	2018	2017
	£000	£000
Deferred tax asset explained by:		
Accelerated capital allowances	5,082	6,827
Short term timing differences	188	296
Total	5,270	7,123
Deferred tax asset at start of period	7,123	4,248
Adjustments in respect of prior years	(1,483)	714
Deferred tax (charged)/credited in profit and loss account for the year	(346)	2,161
Deferred tax charged to capital reserve for the year	(24)	—
Deferred tax asset at end of period	5,270	7,123

8. Fixed assets

	Assets in course of construction £000	Hardware £000	Software £000	Total £000
Cost				
At 1 January 2018	5,583	13,305	15,627	34,515
Additions	11,613	—	—	11,613
Capitalised during the year	(15,075)	12,112	2,963	—
Disposed during the year	—	(9,040)	(12,290)	(21,330)
At 31 December 2018	2,121	16,377	6,300	24,798
Depreciation				
At 1 January 2018	—	(8,531)	(10,505)	(19,036)
Charge for year	—	(3,289)	(1,706)	(4,995)
On assets disposed during the year	—	5,563	9,099	14,662
At 31 December 2018	—	(6,257)	(3,112)	(9,369)
Net book value				
At 31 December 2018	2,121	10,120	3,188	15,429
At 31 December 2017	5,583	4,774	5,122	15,479

PGDS (UK ONE) LIMITED**NOTES ON THE FINANCIAL STATEMENTS (continued)****9. Non-current assets held for sale**

	Assets in course of construction £000	Hardware £000	Software £000	Total £000
At 1 January 2018	—	11,896	2,321	14,217
Assets reclassified as fixed assets	—	(5)	—	(5)
Assets sold during the year	—	(11,891)	(2,321)	(14,212)
At 31 December 2018	—	—	—	—
At 31 December 2017	—	11,896	2,321	14,217

The assets that were held as non-current assets held for sale in 2017 were sold to Tata Consultancy Services ('TCS') during the year as part of the arrangement entered with TCS wherein TCS has taken on the hosting, networking of IT infrastructure and project delivery services from 1 May 2018. The net book value of the assets held for sale in 2017 was £24,765k and an impairment loss of £10,548k was recognised in 2017. In addition to the assets held for a sale, assets of net book value of £6,669k were sold to TCS during the year. These assets were sold for a total consideration of £17,291k. An additional loss of £3,595k was reported during the year.

10. Trade and other debtors

	2018 £000	2017 £000
Amounts falling due within one year:		
Amounts due from group undertakings	12,501	5,417
Sundry debtor	17,243	—
Prepayments and accrued income	30,926	29,148
Total debtors	60,670	34,565

11. Cash at bank and in hand

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 (other than those of long - term business funds) and all overdrawn balances of those group undertakings with similar arrangements.

12. Trade and other creditors

	2018 £000	2017 £000
Amounts falling due within one year:		
Amounts due to group undertakings	(20,907)	(42,341)
Accruals and deferred income	(51,379)	(14,517)
Taxation and social security	(49)	(70)
Total creditors	(72,335)	(56,928)

PGDS (UK ONE) LIMITED

NOTES ON THE FINANCIAL STATEMENTS (continued)

13. Creditors: amounts falling due after one year

	2018	2017
	£000	£000
Amounts due to group undertakings	(12,124)	—
	(12,124)	—

14. Share-based payments

The Group maintains a number of main share award and share option plans relating to Prudential plc shares, which are described below:

(i) Prudential Long term Incentive Plan (PLTIP)

The PLTIP is a conditional share plan: the shares which are awarded will ordinarily be released to participants after three years to the extent that performance conditions have been met. If performance conditions are not achieved in full, the unvested portion of any award lapses and performance cannot be retested. The performance conditions attached to PLTIP awards are: Relative Total Shareholder Return (TSR) (50 per cent of award); and Group IFRS profit (50 per cent of award), or Business unit IFRS profit (50 per cent of award). The performance conditions attached to each award are dependent on the role of the participants. The Relative TSR is measured over three years. The TSR is measured against a peer group of international insurers (currently 18) which are similar to Prudential in size, geographic footprint and products. IFRS profit is the three year cumulative IFRS operating profit assessed at Group or business unit level. Threshold and maximum achievement levels will be set at the beginning of the performance periods in line with the three year business plan.

(ii) Restricted Share Plan (RSP)

The Company operates the RSP for certain employees. The grant of awards are subject to performance targets measured for normally a minimum period of a year beginning either with the Grant Date or with the start of the financial year of the Company in which the Award is granted. All awards are made in Prudential shares. The share awards will vest four years from the point of the award.

For share awards granted under PLTIP and RSP, the Company has the obligation to settle and these are accounted for as cash-settled.

(iii) Savings-related options

The Company participates in share option schemes satisfied by the issue of new shares: UK-based executive directors and eligible employees are eligible to participate in the Prudential HM Revenue & Customs (HMRC) approved UK savings related share option scheme (SAYE scheme). These schemes allow all eligible employees to save towards the exercise of options over Prudential plc shares with the option price set at the beginning of the savings period at a discount of up to 20 per cent of the market price.

Participants can elect to enter into savings contracts of up to £500 per month for a period of three or five years. At the end of this term, participants may exercise their options within six months and purchase shares. If an option is not exercised within six months, participants are entitled to a refund of their cash savings plus interest if applicable under the rules. Shares are issued to satisfy those options which are exercised. No options may be granted under the schemes if the grant would cause the number of shares which have been issued, or which remain issuable pursuant to options granted in the preceding 10 years under the scheme and other share option schemes operated by the Company, or which have been issued under any other share incentive scheme of the Company, to exceed 10 per cent of the Company's ordinary share capital at the proposed date of grant.

For share options granted under SAYE scheme, the ultimate parent company (Prudential plc) has the obligation to settle and these are accounted for as equity-settled.

PGDS (UK ONE) LIMITED**NOTES ON THE FINANCIAL STATEMENTS (continued)**

Average share price of Prudential plc for the year ended 31 December 2018 was £16.78 compared to £17.49 for the year ended 31 December 2017.

The following table provides a summary of the range of exercise prices for Prudential plc options (including conditional options) outstanding at 31 December 2018.

Range of exercise prices	Number outstanding	Outstanding	Weighted average exercise prices £	Exercisable	Weighted average exercise prices £
		Weighted average remaining contractual life (years)		Number exercisable	
Between £6 and £7	—	—	—	—	—
Between £9 and £10	—	—	—	—	—
Between £11 and £12	67,938	1.57	11.23	7,992	11.11
Between £14 and £15	29,500	2.76	14.55	—	—
Total	97,438	1.93	12.24	7,992	11.11

The following table provides a summary of the range of exercise prices for Prudential plc options outstanding at 31 December 2017.

Range of exercise prices	Number outstanding	Outstanding	Weighted average exercise prices £	Exercisable	Weighted average exercise prices £
		Weighted average remaining contractual life (years)		Number exercisable	
Between £6 and £7	954	0.41	6.29	954	6.29
Between £9 and £10	8,180	1.41	9.01	—	—
Between £11 and £12	196,493	2.26	11.21	6,850	11.55
Between £14 and £15	69,900	3.72	14.55	—	—
Total	275,527	2.6	11.97	7,804	10.91

The years shown above for weighted average remaining contractual life include the time period from end of vesting period to expiration of contract.

15. Share capital

	2018	2017
	£000	£000
Issued:		
7,000,000 ordinary shares of £1 each	7,000	7,000

16. Capital commitments

The Company is committed to the following expenditure as at 31 December 2018:

	2018	2017
	£000	£000
Tangible assets	1,466	1,406
	1,466	1,406

PGDS (UK ONE) LIMITED

NOTES ON THE FINANCIAL STATEMENTS (continued)

17. Immediate and ultimate parent undertaking

The immediate parent company is M&G Prudential (Holdings) Limited and copies of its accounts are available from the Company Secretary, 10 Fenchurch Avenue, London EC3M 5AG. The ultimate parent undertaking is Prudential plc, which is the only parent undertaking that prepares consolidated accounts, copies of which can be obtained from the Company Secretary, 1 Angel Court, London EC2R 7AG.