Registration number: 1024618

PGIM Financial Limited

Annual Report and Consolidated Financial Statements

for the Year Ended 31 December 2018

Contents

Strategic Report

The Directors present their Strategic Report for PGIM Financial Limited ('PFL' or the 'Company') and its subsidiary undertakings (together the 'Group') for the year ended 31 December 2018.

Principal Activities

PFL is wholly owned subsidiary of PGIM Inc., the asset management division of Prudential Financial Inc., ('PFI') and provides investment management and investment advisory services (collectively 'Asset Management services') to institutional investors (including PGIM Inc. and other companies within the PFI group) and various collective investment schemes. The Group provides Asset Management services in five core business lines (PGIM Real Estate, PGIM Fixed Income, Pricoa Capital Group and PGIM Real Estate Finance and PGIM UCITS) through its three principal operating subsidiaries.

- PGIM Limited is authorised and regulated by the Financial Conduct Authority ('FCA') and is authorised by the Securities and Exchange Commission ('SEC') as a registered investment adviser and has a branch in Germany.
- PGIM Fund Management Limited is authorised as an Alternative Investment Fund Manager and regulated by the FCA and is authorised by the SEC as an investment advisor.
- Pricoa Capital Group Limited is authorised and regulated by the FCA and has branches in Germany, France and Italy.

Group Business Review

Review of Group performance

In the opinion of the Directors, the Group's performance in the year was satisfactory. Investment Originations in the Pricoa Capital Group business were £2.5bn (2017: £2.6bn) reflecting an increasingly competitive market. Growth in PGIM Fixed Income continues with strong net inflows of Assets Under Management ('AUM') £31.5bn (2017: £26.3bn), particularly from European institutional investors. and the successful launch of four European Collateralised Loan Obligations ('CLOs'). PGIM Real Estate continues to develop its fund management business. The Directors expect all business lines to continue to grow in 2019.

In addition, the Group's parent PGIM Inc. operates a UCITS platform in Ireland for which the Group provides administration and distribution services.

During the year, PGIM Limited, one of PGIM Financial Limited's subsidiaries borrowed €207.9m from PGIM Foreign Investment Inc, an associated company within the Prudential Financial Inc Group and these amounts were utilised to reduce the amount due to its parent PGIM Financial Limited. PGIM Financial Limited paid off its own loans of €62.0m to Pramerica (Hong Kong) Holdings Limited, €53.6m to Pramerica Systems Ireland Limited and €56.0m to PGIM Foreign Investment Inc.

During the year the Company issued shares of £20m to support the growth in the underlying businesses.

Strategic Investing

In support of its investment management services the Group is also required to co-invest in CLOs and collective investment schemes alongside third party investors. During the year the Group significantly expanded its holdings of CLOs in support of its Fixed Income business. Investments in CLOs at the year-end were £298.3m (2017: £219.0m) and are analysed in more detail in note 13 to the financial statements. These are made up of Financial assets at fair value through profit or loss of £27.2m (1 Jan 2018 restated £17.8m) and Financial assets at amortised cost of £271.1m (1 Jan 2018 restated £199.6m).

Key Performance Indicators

The Group's key financial and other performance indicators during the year were as follows:

	2018 £	2017 £
Group revenue	176,455,275	161,763,507
Profit before tax	49,320,445	32,865,106
Tax expense	(7,223,495)	(6,092,042)
Profit for the financial year	**42,096,950**	**26,773,064**

Strategic Report (continued)

As well as overall Group profitability, the Directors consider Assets Under Management, including assets managed under sub-advisory agreements, and Investment Originations to be key performance indicators for these business lines.

	2018 £ bn	2017 £ bn
Assets Under Management		
PGIM Real Estate	3.7	3.8
PGIM Fixed Income	31.5	26.3
Pricoa Capital Group	0.9	-
Investment Originations		
Pricoa Capital Group	2.5	2.6
PGIM Real Estate Finance	0.5	0.4

Principal risks and uncertainties

The Directors continually assess the risks faced by the Group and believe that its main risk is business risk which is defined as - the Group's failure to meet its strategic objectives through significant market movements or other external factors. The Group's approach to managing business risk is to closely monitor market and other movements in the business environment and amend its strategy where necessary. The Group also maintains sufficient capital to enable a wind down of its operations in an orderly fashion should the need arise. In addition to business risk the Group faces other principal risks which are outlined below. Management of financial risks is discussed in more detail in note 27 to the financial statements.

Market risk

The Group is exposed to market risks, in the form of foreign exchange risk, interest rate risk and pricing risk arising from the market value of Group investments. Foreign exchange risk arises from fluctuations in the value of its assets and liabilities denominated in currencies other than sterling. To the extent that the market risk associated with a particular asset or liability is deemed to be material, the Group utilises various hedging strategies to mitigate this risk which are discussed in more detail in note 27 to the financial statements. The Group is exposed to interest rate risk through its holdings of floating rate loan notes in certain collateralised loan obligations. The Group is also subject to market risk on the marked to market value of those loan notes, however, neither price risk nor interest rate risk are considered material at this stage and no hedging strategies have been utilised to mitigate these risks.

Credit risk

Credit risk arises mainly from cash and cash equivalents and from receivables from third parties, including balances with other affiliated companies. The Group'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 Group does not therefore consider credit risk to be material.

Liquidity risk

The Group manages liquidity risk through a combination of maintenance of cash surpluses held by the Group, funding lines with affiliated companies and detailed regular forecasting of the Group's funding requirements, and does not consider liquidity risk to be material.

Strategic Report (continued)

Brexit Risk
Following the UK's vote to withdraw from the European Union on 23 June 2016, the Company participated in a working group to assess the impact of Brexit on the UK Group's business, of which the Company is a participant, and analyse the options available for continuing the Group's various regulated activities in the EU. The UK Group has the benefit of being able to work with other regulated affiliated entities located within the EU and the working group concluded that the establishment of a further 2 EU regulated legal entities and an extension of the regulatory permissions of an existing EU affiliate were required to manage the potential impacts on the UK Group's business. By taking these steps, the Board believe that the Group is well positioned to ensure as little disruption as possible to the existing business set-up and PGIM's ability to market its products into EU jurisdictions and, directly or indirectly, provide its investment management services to EU domiciled clients.

There is still a high degree of uncertainty regarding the final outcome of the political discussions between the UK and EU and, while the potential transition period running through to 1 January 2021 is welcomed, the UK Group has continued to prepare for a "hard" Brexit and has contingency plans, as appropriate, for each business. At this stage, the Board has not identified nor does it anticipate a material impact on business.

Approved by the Board and signed on its behalf on 28 March 2019 by:

....
M. G. Fresson
Company secretary

Directors' Report

The Directors present their Annual Report and the audited Consolidated Financial Statements of the Group for the year ended 31 December 2018.

PGIM Financial Limited is a company incorporated in the United Kingdom and has its registered office at Grand Buildings, 1-3 Strand, Trafalgar Square, London WC2N 5HR. The consolidated financial statements include the Company and its subsidiaries, as detailed in note 15 to the financial statements. Two subsidiaries of the Company have foreign branches, Pricoa Capital Group Limited has branches in Germany, France and Italy, and PGIM Limited has a branch in Germany.

The Company's immediate parent is PGIM Inc. (the 'Parent'), a company incorporated in the United States. PGIM Inc. is itself a subsidiary of Prudential Financial Inc., (the 'Ultimate Parent') a company incorporated in the United States, and listed on the New York Stock Exchange (NYSE; PRU), and the parent undertaking of the largest group for which Group financial statements are prepared.

The financial statements have been prepared on a going concern basis using International Financial Reporting Standards as adopted by the European Union (IFRS).

Directors' of the Group

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

P. M. Barrett

D. Campbell

H. C. Day

A. Dyson (appointed 19 December 2018)

M. L. Fioramonti

M. G. Fresson

R. Greenwood

S. Saperstein

E. Samson

Proposed dividend

No interim dividends were paid in the year (2017: £nil). The Directors do not recommend the payment of a final dividend (2017: £nil).

Branches outside the United Kingdom

Pricoa Capital Group Limited has branches in Frankfurt, Paris and Milan, and PGIM Limited has a branch in Munich. Detail on the Group's international activities is disclosed in the financial statements of Pricoa Capital Group Limited and PGIM Limited. The revenue from these branches is shown below:

	2018 £	2017 £
Frankfurt	1,768,777	1,518,706
Paris	2,199,804	2,166,171
Milan	981.912	543,859
Munich	1,356,502	1,015,758
	6,306,995	5,244,494

Future outlook and events after the Statement of Financial Position date

The Group will continue to look to expand its five principal business lines. The Group launched four new CLO's in 2018 and anticipates to launch three new CLO's in 2019 with one currently in the warehousing stage. Wadhwani Asset Management was aquired on 9 January 2019 and the Group is looking to further expand this new business.

Political donations

The Group has made no political donations and incurred no political expenditure during the year (2017: £nil)

Directors' Report (continued)

Financial instruments

The Group holds certain financial instruments. Additional information on the Group's financial instruments can be found in note 13 to the financial statements. Further information on the risks associated with the Group's financial instruments and the Group's approach to financial risk management can be found in the Strategic Report and in note 27 to the financial statements.

Pillar 3 Disclosures

Under the Pillar 3 requirements of the Capital Requirements Directive, as enacted in the UK by the Financial Conduct Authority through Chapter 11 of the Prudential Sourcebook for Banks, Buildings Societies ("BIPRU 11"), the Group is required to disclose in a public forum its principal risk management and capital adequacy procedures. The Group's BIPRU 11 disclosures are unaudited and included on the Group's website:

www.pgim.com/links/terms-conditions

Country by country reporting

As a qualifying investment firm, the Company has obligations under Article 89 of the Capital Requirements Directive to report its international activities and establishments. The Company's obligations disclosures are unaudited and included on the Compay's website:

www.pgim.com/links/terms-conditions

Non adjusting subsequent events to the financial year

On 9 January 2019, the Group acquired 100 per cent of the Wadhwani Asset Management Group comprising QMA Wadhwani LLP (formerly Wadhwani Asset Management LLP) ("QMAW"). Wadhwani Capital Limited and Wadhwani Cayman Limited, together the QMAW Group. QMAW is based in London and conducts quantitative macro-focused investment management activities for third party clients. All numbers disclosed below are considered to be provisional.

The total consideration paid on completion was £17m, all of which was settled in cash. The fair value of net tangible assets acquired is approximately £2m, principally comprising cash, trade and other receivables and trade and other payables. The fair value assigned to goodwill and intangible assets on the acquisition is provisionally determined to be approximately £15m. The goodwill arises from acquiring a high quality client base, talented management and employees and a broader platform for business growth. Full statutory disclosure of the acquisition will be given in the Group's Annual Report and Accounts for the period ending 31 December 2019.

Contingent consideration will be payable to the sellers if certain revenue related performance criteria are achieved. The value of this contingent consideration cannot be reliably measured at this time due to uncertainties of future cash flows.

The acquisition was announced on 13 November 2018 and completed on 9 January 2019.

The acquisition will strengthen the US parent group's global expansion strategy and extend its product set. It offers an appealing combination of access to complementary industry-leading products, with the benefit of broadening the geographic reach and operational scale.

The acquisition also adds £1,005.8m (US$1,281m) of Assets Under Management and brings with it additional investment talent.

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 throughout the last financial year and is currently in force. The Group does not have its own Directors' and Officers' liability insurance but is covered by a scheme run by its ultimate parent, Prudential Financial Inc maintained throughout the financial year in respect of itself and its Directors.

Directors' Report (continued)

Statement of Directors' Responsibilities
The Directors are responsible for preparing the Annual Report and the Consolidated 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 Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 Group and Company and of the profit or loss of the Group and Company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the Group financial statements and IFRSs as adopted by the European Union have been followed for the Company financial statements, 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 Group and Company will continue in business.

The Directors are also responsible for safeguarding the assets of the Group and 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 Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and 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 Group and 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 Group and Company's auditors are aware of that information.

Disclosure of information to the auditors
Each Director has taken 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. The Directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

Reappointment of auditors
In accordance with section 485 of the Companies Act 2006, a resolution for the re-appointment of PricewaterhouseCoopers LLP as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

Approved by the Board and signed on its behalf on 28 March 2019 by:

....
M. G. Fresson
Company secretary

Independent Auditors' Report to the Members of PGIM Financial Limited

Opinion

In our opinion, PGIM Financial Limited's Group financial statements and Company financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's and the Company's affairs as at 31 December 2018 and of the Group's profit and the Group's and the Company's cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Company's financial statements, as applied in accordance with the provisions of the Companies Act 2006; 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 Consolidated Financial Statements (the "Annual Report"), which comprise: the Consolidated and Company Statements of Financial Position as at 31 December 2018, the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Cash Flows, the Consolidated and Company Statements 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 Group 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

ISAs (UK) require us to report to you when:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's and Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the Company's trade, customers, suppliers and the wider economy.

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 Financial 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 the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require 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 2018 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 Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 6, 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 Group's and 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 Group or 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.

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.

Independent Auditors' Report to the Members of PGIM Financial 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 Company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

S Copeland

....
Sonia Copeland (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

London

28 March 2019

Consolidated Income Statement
for the year ended 31 December 2018

	Note	2018 £	2017 £
Management fees and other revenue		172,194,090	161,763,507
Interest income on financial assets at amortised cost		4,261,185	-
Total revenue	5	**176,455,275**	**161,763,507**
Administrative expenses		**(129,539,275)**	**(125,123,967)**
Gross profit		**46,916,000**	**36,639,540**
Other gains	6	**5,720,945**	**-**
Operating profit	7	**52,636,945**	**36,639,540**
Finance income		69,263	4,016
Finance expense		(3,385,763)	(3,778,450)
Net finance expense	10	**(3,316,500)**	**(3,774,434)**
Profit before tax		**49,320,445**	**32,865,106**
Tax expense	11	**(7,223,495)**	**(6,092,042)**
Profit for the year attributable to the owners		**42,096,950**	**26,773,064**

The above results were derived from continuing operations.

Consolidated Statement of Comprehensive Income
for the year ended 31 December 2018

	2018 £	2017 £
Profit for the year	**42,096,950**	**26,773,064**
Other comprehensive income/(expense)		
Items that may be reclassified subsequently to profit or loss		
Available for sale financial assets – net change in fair value	-	(436,234)
Foreign currency translation differences – foreign operations	32,482	9,986
Other comprehensive income/(expense) for the year, net of income tax	**32,482**	**(426,248)**
Total comprehensive income for the year	**42,129,432**	**26,346,816**

Consolidated Statement of Financial Position
as at 31 December 2018

	Note	2018 £	2017 £
Non current assets			
Property, plant and equipment	12	3,454,884	3,452,534
Investments available for sale	13	-	218,987,529
Financial assets at fair value though profit or loss	13	27,143,488	-
Financial assets at amortised cost	13	271,140,655	-
Deferred tax assets	17	1,024,795	1,072,850
		302,763,822	**223,512,913**
Current assets			
Trade and other receivables	18	46,923,433	55,116,432
Cash and cash equivalents	19	78,681,480	78,295,617
Financial assets at fair value through profit or loss	13	2,543,533	-
		128,148,446	**133,412,049**
Total assets		**430,912,268**	**356,924,962**
Current liabilities			
Trade and other payables	20	(53,367,492)	(74,640,102)
Derivative financial instruments	16	(359,518)	(231,962)
Current tax liabilities		(3,731,582)	(4,215,449)
		(57,458,592)	**(79,087,513)**
Non-current liabilities			
Trade and other payables	20	(7,036,717)	(7,202,218)
Loans and borrowings	21	(208,412,671)	(173,933,551)
Provisions	24	(251,403)	(165,152)
		(215,700,791)	**(181,300,921)**
Total liabilities		**(273,159,383)**	**(260,388,434)**
Net assets		**157,752,885**	**96,536,528**
Capital and reserves			
Share capital	25	43,760,256	23,760,256
Fair value reserve	30	-	(1,606,063)
Other reserves	26	11,078	(21,404)
Retained earnings		113,981,551	74,403,739
Total equity		**157,752,885**	**96,536,528**

Approved by the Board and signed on its behalf on 28 March 2019 by:

....
M. G. Fresson
Director

Registered number: 1024618

The notes on pages 18 to 63 form an integral part of these financial statements.

Company Statement of Financial Position
as at 31 December 2018

	Note	2018 £	2017 £
Assets			
Non-current assets			
Property, plant and equipment	12	3,018,244	2,976,129
Trade and other receivables	18	3,000,000	3,000,000
Investments in subsidiaries, joint ventures and associates	15	57,489,476	30,486,546
Deferred tax assets	17	867,859	947,139
		64,375,579	**37,409,814**
Current assets			
Trade and other receivables	18	114,640,667	241,446,702
Cash and cash equivalents	19	29,459,239	48,888,090
		144,099,906	**290,334,792**
Total assets		**208,475,485**	**327,744,606**
Current liabilities			
Trade and other payables	20	(89,433,369)	(98,371,396)
Derivative financial instruments	16	(359,518)	(231,962)
Current tax liabilities		(105,407)	(1,315,079)
		(89,898,294)	**(99,918,437)**
Non-current liabilities			
Trade and other payables	20	(7,036,717)	(7,202,218)
Loans and borrowings	21	(21,763,782)	(173,933,551)
Provisions	24	(197,117)	(118,270)
		(28,997,616)	**(181,254,039)**
Total liabilities		**(118,895,910)**	**(281,172,476)**
Net assets		**89,579,575**	**46,572,130**
Capital and reserves			
Share capital	25	43,760,256	23,760,256
Other reserves	26	154,110	154,110
Retained earnings		45,665,209	22,657,764
Total equity		**89,579,575**	**46,572,130**

Approved by the Board and signed on its behalf on 28 March 2019 by:

....
M. G. Fresson
Director

Registered number: 1024618

The notes on pages 18 to 63 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity
for the year ended 31 December 2018

	Share capital £	Fair value reserve £	Other reserves £	Retained earnings £	Total equity £
Balance at 1 January 2017	23,760,256	(1,169,829)	(31,390)	48,425,202	70,984,239
Profit for the year	-	-	-	26,773,064	26,773,064
Other comprehensive income					
Unrealised loss on Available For Sale investments	-	(436,234)	-	-	(436,234)
Foreign currency translation differences – foreign operations	-	-	9,986	-	9,986
Total comprehensive income	-	**(436,234)**	**9,986**	**26,773,064**	**26,346,816**
Equity settled share based payments	-	-	-	(794,527)	(794,527)
Balance at 31 December 2017	**23,760,256**	**(1,606,063)**	**(21,404)**	**74,403,739**	**96,536,528**
Balance at 1 January 2018	23,760,256	(1,606,063)	(21,404)	74,403,739	96,536,528
Adjustment to restate Available For Sale financial assets at fair value	-	3,827,363	-	(3,827,363)	-
Adjustment to restate Available For Sale financial assets at fair value through profit and loss	-	(2,221,300)	-	649,852	(1,571,448)
At 1 January 2018 (As restated)	**23,760,256**	-	**(21,404)**	**71,226,228**	**94,965,080**
Profit for the year	-	-	-	42,096,950	42,096,950
Other comprehensive income					
Foreign currency translation differences – foreign operations	-	-	32,482	-	32,482
Total comprehensive income	-	-	**32,482**	**42,096,950**	**42,129,432**
Issue of additional share capital	20,000,000	-	-	-	20,000,000
Equity settled share based payments	-	-	-	658,373	658,373
Balance at 31 December 2018	**43,760,256**	-	**11,078**	**113,981,551**	**157,752,885**

The notes on pages 18 to 63 form an integral part of these financial statements.

Company Statement of Changes in Equity
for the year ended 31 December 2018

	Share capital £	Other reserves £	Retained earnings £	Total £
Balance at 1 January 2017	23,760,256	154,110	10,832,830	34,747,196
Profit for the year	-	-	12,327,087	12,327,087
Total comprehensive income	-	-	**12,327,087**	**12,327,087**
Equity settled share based payments	-	-	(502,153)	(502,153)
Balance at 31 December 2017	**23,760,256**	**154,110**	**22,657,764**	**46,572,130**
Balance at 1 January 2018	23,760,256	154,110	22,657,764	46,572,130
Profit for the year	-	-	22,556,461	22,556,461
Total comprehensive income	-	-	**22,556,461**	**22,556,461**
Issue of additional share capital	20,000,000	-	-	20,000,000
Equity settled share based payments	-	-	450,984	450,984
Balance at 31 December 2018	**43,760,256**	**154,110**	**45,665,209**	**89,579,575**

Consolidated and Company Statements of Cash Flows for the Year Ended 31 December 2018

	Note	Consolidated Group 2018 £	2017 £	Company 2018 £	2017 £
Cash flows from operating activities					
Profit for the year before tax		**49,320,445**	**32,865,106**	**23,498,228**	**12,327,087**
Adjustments to cash flows from non-cash items					
Depreciation, amortisation and impairment	7	1,258,345	826,216	988,134	693,186
Gain on derivative contracts	10	677,616	1,569,462	677,616	1,569,462
Fair value gain/(loss) on financial assets through profit and loss		(1,254,624)	-	-	-
Gain/(loss) on sale of financial assets at amortised cost	6	(394,972)	-	-	-
Finance expense	10	2,603,624	2,037,410	1,448,730	2,037,410
Equity settled share based payments		658,373	(794,527)	450,984	(502,153)
Foreign exchange loss on investments	13	(3,019,315)	(6,142,873)	-	-
Foreign exchange gain/(loss) on loans		2,026,280	4,683,038	(535,638)	4,683,038
Dividends received		-	-	(7,000,000)	(2,900,000)
		51,875,772	**35,043,832**	**19,528,054**	**17,908,030**
Working capital adjustments					
Decrease/(increase) in trade and other receivables	18	8,162,745	(23,335,386)	126,885,315	(129,277,822)
(Decrease)/increase in trade and other payables	20	(21,194,602)	27,712,321	(8,638,001)	54,236,103
Increase in provisions and employee benefits	24	86,251	94,311	78,847	78,846
Cash generated from/(used in) operations		**38,930,166**	**39,515,078**	**137,854,215**	**(57,054,843)**
Income taxes paid		(7,632,181)	(3,297,167)	(2,072,159)	-
Interest paid		(2,873,345)	(1,930,695)	(1,977,887)	(1,930,695)
Net cash flow generated from/(used in) operating activities		**28,424,640**	**34,287,216**	**133,804,169**	**(58,985,538)**
Cash flows from investing activities					
Settlement of derivative contracts	10	(550,060)	(1,343,334)	(538,830)	(1,343,334)
Dividend income	10	-	-	7,000,000	2,900,000
Acquisitions of property, plant and equipment	12	(1,260,695)	(825,065)	(1,030,249)	(816,226)
Acquisition of investments	13	(135,032,108)	(122,748,111)	-	-
Investment in subsidiary	15	-	-	(27,002,930)	-
Disposal of investments	13	56,345,445	43,856,357	-	-
Net cash flows (used in)/generated from investing activities		**(80,497,418)**	**(81,060,153)**	**(21,572,009)**	**740,440**

Consolidated and Company Statements of Cash Flows for the Year Ended 31 December 2018 (continued)

	Note	Consolidated Group 2018 £	2017 £	Company 2018 £	2017 £
Cash flows from financing activities					
Proceeds from issue of ordinary shares, net of issue costs	25	20,000,000	-	20,000,000	-
Proceeds from new loan	21	184,087,170	177,490,636	-	177,490,636
Repayment of borrowings	21	(151,661,011)	(77,539,871)	(151,661,011)	(77,539,871)
Net cash flows generated from/(used in) financing activities		**52,426,159**	**99,950,765**	**(131,661,011)**	**99,950,765**
Net increase/(decrease) in cash and cash equivalents		**353,381**	**53,177,828**	**(19,428,851)**	**41,705,667**
Cash and cash equivalents at 1 January		**78,295,617**	**25,107,803**	**48,888,090**	**7,182,423**
Effect of exchange rate fluctuations on cash held		**32,482**	**9,986**	**-**	**-**
Cash and cash equivalents at 31 December	19	**78,681,480**	**78,295,617**	**29,459,239**	**48,888,090**

Notes to the Financial Statements

1 General information

PGIM Financial Limited (the 'Company') is a private company limited by share capital, incorporated and domiciled in United Kingdom. The Company has subsidiaries that provide Asset Management services to institutional investors and affiliates of the Company, including the Company's direct parent, PGIM Inc. Further details of the activities of the Company and its subsidiaries are included in the Strategic Report. The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the 'Group'). The parent company financial statements present information about the Company as a separate entity and not about its Group. The Company is a wholly owned direct subsidiary of PGIM Inc. and of its ultimate parent, Prudential Financial Inc. It is included in the consolidated results of both PGIM Inc. and of Prudential Financial Inc. Prudential Financial Inc.'s financial statements are available at 751 Broad Street, Newark, NJ 07102.

The address of its registered office is:
Grand Buildings
1-3 Strand
Trafalgar Square
London
WC2N 5HR

These financial statements were authorised for issue by the Board on 28 March 2019.

2 Accounting policies

Basis of preparation
The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, applicable as at 31 December 2018 and have been prepared on a going concern basis. The consolidated financial statements have been prepared in accordance with the Companies Act 2006 as applicable to companies using IFRS and EU adopted IFRS and interpretations issued by the IFRS Interpretations Committee (IFRS IC) and under the historical cost convention, as modified by the revaluation of financial investments measured at fair value through profit and loss. These policies have been consistently applied to all the years presented, unless otherwise stated. On publishing the parent company financial statements here together with the Group financial statements, the Company is taking advantage of the exemption in Section 408 of the Companies Act 2006 not to present its individual income statement and related notes that form a part of these approved financial statements.

Statement of compliance
The Group financial statements have been prepared in accordance with International Financial Reporting Standards and its interpretations adopted by the EU ("adopted IFRSs").

Going concern
The Group is currently profitable and in line with forecasts is expected to continue making profits into the future; consequently, the financial statements have been prepared on a going concern basis.

Foreign currencies

Functional and presentation currency

Items included in the financial statements of the Group are measured using the currency of the primary economic environment in which the Group operates ('the functional currency'). These consolidated financial statements are presented in Pounds Sterling which is the Group's functional currency.

Notes to the Financial Statements (continued)

2 Accounting policies (continued)

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group 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 income statement specifically in the administrative expenses. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

Foreign operations

The Group has overseas operations including subsidiaries and branches that prepare their financial statements in foreign currencies being the currency of the primary economic environment in which they operate. On consolidation, the assets and liabilities of these operations are translated into Pounds Sterling at exchange rates at the balance sheet date whilst income and expenses are translated at rates applicable to particular transactions or approximate rates thereof. The exchange differences arising from this translation of foreign operations are reported as an item of other comprehensive income and accumulated in other reserves. When a foreign operation is disposed of, such that control or significant influence (as the case may be) is lost, the accumulated amount in the other reserves is recycled to profit or loss as part of the gain or loss on disposal.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2018.

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Changes in accounting policy

New standards, interpretations and amendments effective

In the current year, the Company has applied a number of new standards to IFRSs and a new Interpretation issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2018.

The following standards have been adopted by the Company for the first time for the financial year beginning on 1 January 2018:

- IFRS 9 'Financial instruments'
- IFRS 15 'Revenue from contracts with customers'

The Company had to update its accounting policies following the adoption of IFRS 9 and 15 but there were no retrospective adjustments following the adoption. This is disclosed further below.

IFRS 9 Financial Instruments

IFRS 9 replaces the provision of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liability, derecognition of financial instruments, impairment of financial assets and hedge accounting. Under IAS 39: Financial Instruments: Recognition and Measurement, an entity only considers impairments that arise as a result of incurred loss events. The effects of possible future loss events cannot be considered, even when they are expected.

Notes to the Financial Statements (continued)

2 Accounting policies (continued)

IFRS 9 introduces a new expected credit loss ('ECL') model which broadens the information that an entity is required to consider when determining its expectations of impairment. Under this new model, expectations of future events must be taken into account and this will result in the earlier recognition of larger impairments. The Group has adopted the simplified approach to trade receivables that do not contain a significant financing component and the Group will measure lifetime credit losses at all times to trade receivables.

Under the simplified approach, there is no need to monitor for significant increases in credit risk and entities will be required to measure lifetime expected credit losses at all times. However, impairments will still be higher because historical provision rates will need to be adjusted to reflect relevant. reasonable and supportable information about future expectations.

a) Classification
From 1 January 2018 (the date of the initial application of IFRS 9), the Group classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through OCI or though profit or loss); and
- Those to be measured at amortised cost.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI.
The Group reclassifies debt investments when and only when its business model for managing those assets changes.

The Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate IFRS 9 categories.

b) Measurement
At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Debt instruments: Collateral loan obligations
Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group has debt instruments which are held for collection of cash flows where those cash flow represent solely payments of principal and interest. These are subsequently measured at amortised cost. Interest income from these financial assets is included in revenue income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses). Impairment losses are presented as separate line item in the statement of profit or loss.

c) Recognition and derecognition
Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

d) Impairment of financial assets
The company assessed at the end of each reporting period whether there was objective evidence that a financial asset or group of financial assets was impaired. A financial asset or a group of financial assets was impaired and impairment losses were incurred only if there was objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) had an impact on the estimated future cash flows of the financial asset or group of financial assets that could be reliably estimated.

The Company holds intercompany trade and other receivables balances with the Group affiliates as disclosed in note 13. The Company's significant assets that are subject to IFRS 9's new expected credit loss model are trade receivables. The Company was required to revise its impairment methodology under IFRS 9. This did not result in a material impact on the Company's Financial Statements from the recognition of loss allowance for the trade and other receivables under IFRS 9 compared to the previous impairment provision held under IAS 39 (2017: £nil).

Notes to the Financial Statements (continued)

2 Accounting policies (continued)

e) Collateral Loan Obligations

The classification of investments in CLOs has been assessed under IFRS 9 and has resulted in a reclassification as of 1 January 2018, the date of adoption. Under IAS 39, investments in CLOs were accounted for as Available for Sale investments with gains / (losses) classified in Other Comprehensive Income.

Under IFRS 9, the contractual cash flows of debt instruments must be assessed as to whether they meet the test of being solely payments of principle and interest ("SPPI"). The subordinated tranches for all CLOs fail this test. As a result, they are accounted for as Fair Value through Profit and Loss, and gains / (losses) on fair value are now recorded in the Income Statement.

The remaining tranches, having passed the SPPI test, were then assessed under the business model test. The Company's business model is to hold these investments to maturity. As a result, these remaining tranches are now classified as Financial Assets at Amortised Cost.

The following tables show the Balance Sheet adjustments to reclassify the investments in CLOs as described above. Line items that were not affected by the changes have not been included. The other financial assets held in the current or previous reporting period have not been reclassified upon adoption of IFRS 9.

As a result of the below reclassification, at 1 January 2018:

- The fair value of subordinated tranches was reclassified from Investments Available for Sale to Financial Assets at Fair Value through Profit or Loss.
- The remaining tranches were reclassified from Investments Available for Sale to Financial Assets at Amortised Cost, and the balance was adjusted to reflect these assets at Amortised Cost at 1 January 2018 per the table.

	FVPL	FVOCI (Available for sale 2017)	Amortised cost
	£	£	£
Investments - closing balance as at 31 December 2017	-	218,987,529	-
Reclassify investments from available for sale to FVPL	17,829,419	(17,829,419)	-
Reclassify investment from available for sale to amortised cost	-	(201,158,110)	201,158,110
Adjustment for amortised cost	-	-	(1,581,401)
Opening balance as at 1 January 2018 (Restated)	**17,829,419**	**-**	**199,576,709**

The impact of these changes on the Group's equity is as follows:

Cumulative gains/(losses) on fair value related to the subordinated tranches that was previously recorded in Other Comprehensive Income was reclassified to Retained Earnings on 1 January 2018 as a result of the change in classification from Investments Available for Sale to Financial Assets and Fair Value through Profit or Loss.

Cumulative gains/(losses) on the remaining tranches was reclassified from Other Comprehensive Income to the Balance Sheet to restate the assets to their original cost balance. A further adjustment was made to the assets on the Balance Sheet to account for the cumulative amortisation from inception of each asset to 1 January 2018, with the balance taken directly to Retained Earnings at 1 January 2018.

	Effect on FVOCI reserve	Effect on retained earnings
	£	£
Closing balance as at 31 December 2017	(1,606,063)	74,403,739
Reclassify investments from available for sale to FVPL	(2,221,300)	649,852
Reclassify investment from available for sale to amortised cost	3,827,363	(3,827,363)
Opening balance as at 1 January 2018 (Restated)	**-**	**71,226,228**

Notes to the Financial Statements (continued)

2 Accounting policies (continued)

IFRS 15 Revenue from Contracts with Customers

The Company has adopted IFRS 15 Revenue from Contracts with Customers from 1 January 2018.

IFRS 15 applies to revenue streams, and they fall into the following broad categories: Cost plus revenues; Asset Management fees; Incentive fees based on the performance of certain funds/joint ventures; Revenue from the collateral loan obligations being investment income. Management fees and profits on sale.

The standard impacts the timing of the Company's recognition of performance fees and those fees which incorporate a performance related element for which entitlement is not certain. Under IAS 18, the Company's policy was to recognise these fees at the end of the performance period when the fee crystallises. The Company has assessed these revenue streams under IFRS 15. Where it is determined that the performance obligations associated with these revenue streams are met over a period of time, revenue is recorded to the extent that it is "highly probable that a significant reversal" will not occur. This has resulted in an additional £3.2m in revenue recognised during the year-ended 31 December 2018 that would not otherwise have been recognised under the previous accounting policy.

There were no other adjustments to the amounts recognised in the financial statements as a result of the adoption of IFRS 15 and no restatement of the comparative 2017 financial year.

The change to accounting policies as a result of the Adoption of IFRS 9 and IFRS 15 has also resulted in changes to the presentation of Interest income from CLOs and gains/(losses) from sale of CLOs within the Income Statement. These changes are described further in note 5.

None of the other standards, interpretations and amendments effective for the first time from 1 January 2018 have had a material effect on the financial statements.

New standards, interpretations and amendments not yet effective

IFRS 16 Leases

IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The Group has set up a project team which has reviewed all of the Group's leasing arrangements over the last year in light of the new lease accounting rules in IFRS 16. The standard will affect primarily the accounting for the Group's operating leases.

As at the reporting date, the Group has non-cancellable operating lease commitments of £10,129,919 (2017: £10,916,405), see note 28. Of these commitments, approximately £548,531 relate to short-term leases which will be recognised on a straight-line basis as expense in profit or loss.

For the remaining lease commitments the Group expects to recognise right-of-use assets of approximately £9,295,847 on 1 January 2019 and lease liabilities of £8,731,027 (after adjustments for prepayments and accrued lease payments recognised as at 31 December 2018).

The Group's activities as a lessor are not material and hence the Group does not expect any significant impact on the financial statements. However, some additional disclosures will be required from next year.

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

None of the standards, interpretations and amendments which are effective for periods beginning after 1 January 2019 and which have not been adopted early, are expected to have a material effect on the financial statements.

Notes to the Financial Statements (continued)

2 Accounting policies (continued)

Revenue recognition

The Group receives services agreement fees for services provided to the Group's parent company and fellow subsidiaries. The Group also provides investment management services to third party investment funds, CLOs and affiliates of the Group for which it receives management fees, transaction fees and performance fees.

Under IFRS 15, performance fees were assessed under the five steps to recognising revenue. The Group meets the performance obligation for these revenue streams over time. Accordingly, the amount of variable consideration earned under these revenue streams is recognised as revenue to the extent that it is highly probable that a significant reversal will not occur.

The Group receives investment income from the CLOs based on the investment share the Group holds.

Interest income from those investments classified as financial assets at amortised cost is accounted for in revenue on an accruals basis where reliable estimates of income are available.

The Group also charges its divisional parent, PGIM Inc., for certain services performed on a cost-plus basis. Services are performed in support of individual business lines as well as senior relationship management of PGIM Inc's European institutional clients.

Other gains/(losses)

As disclosed in note 13 the Group is also required to co-invest in CLOs alongside third-party investors.

The Group receives investment income from the CLOs based on the investment share the Company holds. Interest income from CLOs accounted for as financial assets at fair value through profit or loss are now recorded in other gains/(losses). Other gains/(losses) also includes gains/(losses) on financial assets at amortised cost and fair value gains/(losses) on financial assets at fair value through profit or loss.

Interest receivable and interest payable

Interest receivable and interest payable is recognised in the income statement as it accrues, using the effective interest method.

Tax

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

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

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

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Notes to the Financial Statements (continued)

2 Accounting policies (continued)

Property, plant and equipment
Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Costs include the original purchase price of the assets and the costs attributable to bringing the asset to its working condition for its intended use.

Depreciation
Depreciation is calculated over the depreciable amount, which is the cost of an asset less its residual value. Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of the asset.

The rates of depreciation are as follows:

Asset class	Depreciation method and rate
Leasehold improvements	Over the term of the lease
Office equipment, furniture and fittings	10% - 33% per annum

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date. Any impairment loss on an asset carried at historical cost is recognised in the income statement.

Cash and cash equivalents
In the Consolidated Statement of Cash Flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less and bank overdrafts.

Trade and other receivables
A regular review is performed of all the group's receivables. If there is significant uncertainty regarding the recoverability of any of its debtors, a provision is recognised. If there is strong evidence indicating the amounts recognised in the Statement of Financial Position will not be recovered, they will be written off.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost less provision for impairments.

The Group has applied the simplified approach to measuring expected credit losses for trade and other receivables and the Group will measure lifetime credit losses at all times for trade and other receivables.

Trade and other payables
Trade and other payables, including accrued expenses and other creditors qualifying as financial instruments, are initially recognised at fair value net of transaction costs incurred and subsequently carried at amortised cost using the effective interest method.

Derivative contract - foreign currency hedging
Where the Directors consider that an individual exposure to a foreign currency is material to the Group, hedging strategies will be employed to mitigate the effects of the exposure. The Group utilises forward currency contracts to hedge currency exposures and values the effects of those contracts in the financial statements as the difference between the forward rate of exchange agreed in the contract and the forward currency rates prevailing at the balance sheet date. The forward currency contract is held at fair value through the profit and loss account.

Exceptional items
Where the Group receives income, or is subject to expenses, that are exceptional by virtue of their size and/or incidence it presents those amounts separately on the face of the income statement.

Notes to the Financial Statements (continued)

2 Accounting policies (continued)

Administrative expenses
The Group does not incur costs of sales or distribution expenses in generating its income and it considers all expenses incurred to be administrative in nature recognised on an accrual basis.

Borrowings
All borrowings are initially recorded at the amount of proceeds received, net of transaction costs. Borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the income statement over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Provisions
A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

Leases
Rental cost payments made under operating leases are recognised as an operating expense in the income statement on a straight-line basis over the lease term. Operating lease incentives are amortised over the duration of the lease.

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.

Defined contribution scheme
A defined contribution pension scheme is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

Share based payments
The Group participates in the ultimate parent Prudential Financial Inc's ('PFI') share-based incentive schemes, for Stock Options, Restricted Stock Units and Performance Awards. The scheme is an equity settled share-based payment scheme in which the Group receives goods or services as consideration for PFI's equity instruments.

The Group recognises an expense based on the fair value of the options at the grant date. The fair value of the options granted is measured using a binomial option pricing model, taking into account the terms and conditions upon which the options were granted. The valuation methodology and assumptions are disclosed in note 20 to the financial statements. This cost is spread over the three-year vesting period for each grant. These amounts have been recognised as an employee expense for the year with corresponding amounts included in equity. At each balance sheet date the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in profit and loss, with a corresponding adjustment to equity.

Notes to the Financial Statements (continued)

2 Accounting policies (continued)

Investments (prior to 1 January 2018)

The investments are held as Available For Sale. These assets are initially recognised at cost, which is a reasonable approximation of fair value, plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than foreign currency gains / (losses) and impairment losses, are recognised in Other Comprehensive Income ("OCI") and accumulated in retained earnings. When these assets are derecognised, the gain or loss accumulated in equity is reclassified to the income statement.

Available For Sale financial assets are assessed at each reporting date to determine whether there is objective evidence of impairment. Impairment losses are recognised by reclassifying the losses accumulated in the fair value reserve to profit or loss. The amount reclassified is the difference between the acquisition cost and the current fair value, less any impairment loss previously recognised in profit or loss. If the fair value of an impaired Available For Sale financial asset subsequently increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed through profit or loss; otherwise it is reversed through OCI.

Certain investments ('risk retention investments') have been acquired for regulatory reasons under which the Group is required to co-invest alongside third party investors. Risk retention investments held in this way are required to be held by the Group for the life of the investments and so have been reclassified in the year as held to maturity investments

Investment in subsidiaries

Investments in subsidiaries in the Company Statement of Financial Position are stated at cost less, where appropriate, provisions for impairment.

Financial instruments (post 1 January 2018)

Initial recognition

Financial assets and financial liabilities comprise all assets and liabilities reflected in the statement of financial position, although excluding property, plant and equipment, investment properties, intangible assets, deferred tax assets, prepayments, deferred tax liabilities and employee benefits plan.

The Group recognises financial assets and financial liabilities in the statement of financial position when, and only when, the Group becomes party to the contractual provisions of the financial instrument.

Financial assets are initially recognised at fair value. Financial liabilities are initially recognised at fair value, representing the proceeds received net of premiums, discounts and transaction costs that are directly attributable to the financial liability.

All regular way purchases and sales of financial assets and financial liabilities classified as fair value through profit or loss ("FVPL") are recognised on the trade date, i.e. the date on which the Group commits to purchase or sell the financial assets or financial liabilities. All regular way purchases and sales of other financial assets and financial liabilities are recognised on the settlement date, i.e. the date on which the asset or liability is received from or delivered to the counterparty. Regular way purchases or sales are purchases or sales of financial assets that require delivery within the time frame generally established by regulation or convention in the market place.

Subsequent to initial measurement, financial assets and financial liabilities are measured at either amortised cost or fair value.

Notes to the Financial Statements (continued)

2 Accounting policies (continued)

Classification and measurement
Financial instruments are classified at inception into one of the following categories, which then determine the subsequent measurement methodology.

Financial assets are classified into one of the following three categories:
· financial assets at amortised cost;
· financial assets at fair value through other comprehensive income (FVOCI); or
· financial assets at fair value through the profit or loss (FVPL).

Financial liabilities are classified into one of the following two categories:
· financial liabilities at amortised cost: or
· financial liabilities at fair value through the profit or loss (FVPL).

The classification and the basis for measurement are subject to the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, as detailed below.

Financial assets at amortised cost
A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVPL:
· the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
· the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

If either of the above two criteria is not met, the financial assets are classified and measured at fair value through profit or loss (FVPL).

If a financial asset meets the amortised cost criteria, the Group may choose to designate the financial asset at FVPL. Such an election is irrevocable and applicable only if the FVPL classification significantly reduces a measurement or recognition inconsistency.

Financial assets at fair value through other comprehensive income (FVOCI)
A financial asset is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVPL:
· the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
· the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investments that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

If an equity investment is designated as FVOCI, all gains and losses, except for dividend income, are recognised in other comprehensive income and are not subsequently included in the statement of income.

Financial assets at fair value through the profit or loss (FVPL)
Financial assets not otherwise classified above are classified and measured as FVPL.

Financial liabilities at amortised cost
All financial liabilities, other than those classified as financial liabilities at FVPL, are measured at amortised cost using the effective interest rate method.

Financial liabilities at fair value through the profit or loss
Financial liabilities not measured at amortised cost are classified and measured at FVPL. This classification includes derivative liabilities.

Notes to the Financial Statements (continued)

2 Accounting policies (continued)

Derecognition

Financial assets

The Group derecognises a financial asset when;
- the contractual rights to the cash flows from the financial asset expire,
- it transfers the right to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred; or
- the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset and the sum of the consideration received is recognised as a gain or loss in profit or loss.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled, or expire.

Modification of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to the cash flows from the original financial asset are deemed to expire. In this case the original financial asset is derecognised and a new financial asset is recognised at either amortised cost or fair value.

If the cash flows are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Group recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in the Income Statement.

Financial liabilities

If the terms of a financial liabilities are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual obligations from the cash flows from the original financial liabilities are deemed to expire. In this case the original financial liabilities are derecognised and new financial liabilities are recognised at either amortised cost or fair value.

If the cash flows are not substantially different, then the modification does not result in derecognition of the financial liabilities. In this case, the Group recalculates the gross carrying amount of the financial liabilities and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in the Income Statement.

Impairment of financial assets

The Group assessed at the end of each reporting period whether there was objective evidence that a financial asset or group of financial assets was impaired. A financial asset or a group of financial assets was impaired and impairment losses were incurred only if there was objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) had an impact on the estimated future cash flows of the financial asset or group of financial assets that could be reliably estimated.

The Group's significant assets that are subject to IFRS 9's new expected credit loss model are trade and other receivables, including intercompany receivables. The Goup was required to revise its impairment methodology under IFRS 9. This did not result in a material impact on the Group's Financial Statements from the recognition of loss allowance for the trade and other receivables under IFRS 9 compared to the previous impairment provision held under IAS 39 (2017 £nil).

Notes to the Financial Statements (continued)

2 Accounting policies (continued)

Derivative financial instruments

Derivative financial instruments are contracts, the value of which is derived from one or more underlying financial instruments or indices, and include futures, forwards, swaps and options in the interest rate, foreign exchange, equity and credit markets.

Derivative financial instruments are recognised in the statement of financial position as financial assets at fair value through profit or loss. Fair values are derived from prevailing market prices, discounted cash flow models or option pricing models as appropriate.

In statement of financial position, derivative financial instruments with positive fair values (unrealised gains) are included as assets and derivative financial instruments with negative fair values (unrealised losses) are included as liabilities.

The changes in the fair values of derivative financial instruments entered into for trading purposes are included in trading income.

3 Critical accounting judgements and key sources of estimation uncertainty

The preparation of the consolidated financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

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

- The fair value of the investment held in collateral loan obligations that are held at FVPL are estimated based on market data and independent prices received from third party arranger banks.

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

- The Group is entitled to receive incentive fees based on the performance of certain real estate funds. for which it performs investment management services. such incentive fees are based upon the investment return in those funds meeting pre-defined performance targets across the life of the fund. The Directors have reviewed the funds in question and have concluded that no incentive fees should be recognised at this time because, either fund performance has not met target levels, or the remaining life of the fund is sufficiently long that no reasonable estimate of the ultimate fund performance can be made.
- The Group is entitled to Management fees on CLOs for acting as collateral manager and Subordinated collateral management fees which arise after satisfying the senior fees. The Directors have reviewed the funds in question and have concluded these fees should be recognised at this time because it is highly probable that the Company will receive these fees.
- Deferred tax has been recognised in line with the accounting policy above. The Group has recognised several deferred tax assets based on an assessment of future profitability and an ability to recover these tax assets.
- The Group has utilised forward foreign currency contracts to hedge certain currency exposures. In the opinion of the Directors the terms of the contracts do not meet the criteria for the adoption of hedge accounting under IFRS 9.

4 Profit of Company

As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the Company is not presented as part of these financial statements. The Company's gain for the financial year after tax was £22,556,461 (2017: £12,327,087).

Notes to the Financial Statements (continued)

5 Revenue

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

	2018 £	2017 £
Fees charged to parent company and fellow subsidiaries	89,480,851	77,843,962
Fees received and receivable from third parties	82,713,239	77,078,305
Interest income on investments available for sale	-	6,841,240
Interest income on financial assets at amortised cost	4,261,185	-
	176,455,275	161,763,507

Financial assets held at fair value to profit or loss is now in other gains/(losses).
Total interest income on financial assets that are measured at amortised cost for the year was £4,261,185.
In the prior year, this was £3,090,337 and was classified in interest income on Available for Sale.

If Group revenue was split by business lines the analysis would be as follows:

	2018 £	2017 £
Pricoa Capital Group	19,896,267	18,207,616
PGIM Real Estate	49,733,169	59,740,524
PGIM Fixed Income	90,534,716	71,614,970
PGIM Real Estate Finance	6,326,148	6,063,210
Institutional Relationship Management	3,044,743	1,745,802
Undertakings for Collective Investment in Transferable Securities (UCITS)	4,456,504	3,926,223
Quantitative Management Associates	1,876,380	-
Sundry income	587,348	465,162
Total revenue	176,455,275	161,763,507

6 Other gains

Gains on sale of Available for Sale Investments was previously classified separately on the Income Statement as finance income/(expense). From 1 January 2018. Gains/(losses) on sale of Financial Assets at Amortised Cost is classified in Other gains. The analysis of the Group's other gains for the year is as follows:

	2018 £	2017 £
Net fair value gains on financial assets at fair value through profit or loss	1,157,043	-
Interest income on financial assets at fair value through profit or loss	4,168,930	-
Net gains on sale of amortised cost financial assets	394,972	-
	5,720,945	-

Total interest income from financial assets measured at fair value through profit or loss (FVPL) for the year was £4,168,930. Interest income on financial assets at FVPL was previously recognised in revenue as interest income. In the prior year, this was £3,750,900 and classified as Interest income on investments available for sale within Revenue.

Notes to the Financial Statements (continued)

7 Operating profit

Operating profit is stated after charging/(crediting):

	2018 £	2017 £
Total staff costs (note 8)	79,242,402	74,443,077
Depreciation expense (note 12)	1,258,345	826,216
Operating lease expense - plant and machinery	39,331	28,762
Operating lease expense - property	2,749,704	2,754,029
Foreign exchange (gains)/losses	(893,344)	(3,218,491)
Fees payable to Company's auditors in respect of:		
- audit of the Company's financial statements	105,361	104,642
Fees payable to Group's auditors in respect of:		
- audit of Group subsidiaries financial statements	392,852	364,158
- audit-related assurance services	66,447	64,201
Management recharges for the Group:		
- Parent entity	24,481,052	24,872,616
- affiliated entities	1,137,201	1,492,144

8 Staff costs

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

	2018 £	2017 £
Wages and salaries	65,620,103	62,096,486
Share-based payments (note 22)	2,666,179	2,912,628
Social security costs	8,400,440	7,385,579
Other pension costs (note 23)	2,555,680	2,048,384
Staff costs	**79,242,402**	**74,443,077**

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

	2018 £	2017 £
Wages and salaries	55,917,146	53,068,865
Share-based payments (note 22)	2,220,163	2,475,274
Social security costs	7,164,802	6,282,362
Other pension costs (note 23)	2,296,698	1,869,319
Staff costs	**67,598,809**	**63,695,820**

Notes to the Financial Statements (continued)

8 Staff costs (continued)

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

	2018 No.	2017 No.
Investment professionals	128	95
Finance and support functions	67	62
	195	157

9 Directors' remuneration

Company

The Directors' remuneration for the year was as follows:

	2018 £	2017 £
Aggregate emoluments	2,093,263	1,626,780
Aggregate amounts (excluding shares) receivable under long term incentive schemes	441,077	374,036
Contributions to pension schemes	25,050	13,687
	2,559,390	2,014,503

In respect of the highest paid Director:

	2018 £	2017 £
Aggregate emoluments	1,044,611	1,012,775

The value of awards receivable by the highest paid Director under long-term incentive schemes is £228,000 (2017: £272,657). Four Directors received Restricted Stock Units and/or Options during the year (2017: Four). Two Directors are members of the defined contributions scheme operated for the benefit of all eligible employees of the PGIM Financial Limited Group (2017: Four). The highest paid Director had no accrued UK defined benefits plan entitlements at the end of the year (2017: £nil). Five Directors participate in the Ultimate Parent company's pension scheme (2017: Four). No options were exercised by the Directors during the year (2017: nil). The highest paid Director did not exercise any options during the year (2017: nil).

Included in 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.

Notes to the Financial Statements (continued)

9 Directors' remuneration (continued)

Company

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

Directors	Paid for by
P. M. Barrett	PGIM Financial Limited
H. C. Day	PGIM Financial Limited
D. Campbell	Pricoa Capital Group Limited (a subsidiary of PGIM Financial Limited)
M. G. Fresson	PGIM European Services Limited (a subsidiary of Prudential Financial Inc.)
R. Greenwood	PGIM, Inc. (the parent company of PGIM Financial Limited)
A. Dyson	PGIM, Inc. (the parent company of PGIM Financial Limited)
S. Saperstein	PGIM, Inc. (the parent company of PGIM Financial Limited)
E. Samson	PGIM, Inc. (the parent company of PGIM Financial Limited)
M. L. Fioramonti	PGIM, Inc. (the parent company of PGIM Financial Limited)

10 Finance income and expense

Group

	2018 £	2017 £
Finance income		
Interest income from Group undertakings	69,263	4,016
Finance expense		
Interest expense to third parties	(12,644)	-
Bank charges	(35,858)	(26,477)
Loan interest payable to Group affiliates	(2,659,645)	(2,037,410)
Realised loss on sale of investment	-	(145,101)
Realised loss on derivative contract	(550,060)	(1,343,334)
Unrealised loss on derivative contract	(127,556)	(226,128)
Total finance costs	**(3,385,763)**	**(3,778,450)**
Net finance costs	**(3,316,500)**	**(3,774,434)**

Company

	2018 £	2017 £
Finance income		
Interest income from Group undertakings	4,442	4,016
Finance expense		
Bank charges	(22,076)	(26,477)
Loan interest payable to Group affiliates	(1,448,730)	(2,037,410)
Realised loss on derivative contract	(550,060)	(1,343,334)
Unrealised loss on derivative contract	(127,556)	(226,128)
Total finance costs	**(2,148,422)**	**(3,633,349)**
Net finance costs	**(2,143,980)**	**(3,629,333)**

Notes to the Financial Statements (continued)

11 Tax expense

Tax charged/(credited) in the income statement

	2018 £	2017 £
Current taxation		
UK corporation tax	7,056,502	5,452,721
Double taxation relief	(220,654)	(175,884)
Overseas taxes	339,592	281,459
Total current income tax	**7,175,440**	**5,558,296**
Deferred taxation		
Arising from origination and reversal of temporary differences	48,055	533,746
Total deferred taxation	**48,055**	**533,746**
Tax expense in the income statement	7,223,495	6,092,042

No income tax is recognised in Other Comprehensive Income (2017: £nil).

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2017 - lower than the standard rate of corporation tax in the UK) of 19.00% (2017 - 19.25%).

The differences are reconciled below:

	2018 £	2017 £
Profit before tax	49,320,445	32,865,106
Corporation tax at standard rate	**9,305,030**	**6,326,532**
Increase (decrease) from effect of capital allowances depreciation	258,044	(204,624)
Decrease (increase) from effect of revenues exempt from taxation	-	(52,548)
Increase (decrease) from effect of expenses not deductible in determining taxable profit (tax loss)	497,112	398,709
Increase (decrease) from effect of unrelieved tax losses carried forward	-	(408,792)
Increase (decrease) arising from overseas tax suffered (expensed)	339,592	281,459
Increase (decrease) from effects of double taxation relief	(220,654)	(175,884)
Increase (decrease) from changes in pension fund prepayment	(409,795)	(320,446)
Disallowable share based payments	433,126	548,381
Allowable share based payments	(437,803)	(589,545)
Increase (decrease) from effect of unrelieved advance corporation tax carried forward	(2,541,157)	-
Losses carried forward	-	288,800
Total tax charge	7,223,495	6,092,042

The tax charge is stated after taking benefit for the Company's brought forward balance of Advance Corporation Tax ("ACT") of £2,541,157. The ACT is specific to the Company and cannot be utilised by other Group companies nor till the Company itself has absorbed all of its shadow ACT. As the utilisation of the ACT has now become sufficiently certain, the full amount is being recognised in the current year.

Notes to the Financial Statements (continued)

11 Tax expense (continued)

The Company's profits for this accounting year are taxed at a standard rate of 19%. During the previous year, the Company profits were taxed at rate of 19.25%. From April 2020 there will be a reduction in the rate of corporation tax from 19% to 17%. The relevant deferred tax balances have therefore been re-measured at 17%. The Directors consider that the tax charge in future years will be affected by movements to the corporation tax rate.

12 Property, plant and equipment

Group

	Furniture, fittings and equipment £	Leasehold improvements £	Total £
Cost or valuation			
At 1 January 2017	2,734,115	5,161,266	7,895,381
Additions	898,790	(73,725)	825,065
At 31 December 2017	**3,632,905**	**5,087,541**	**8,720,446**
At 1 January 2018	3,632,905	5,087,541	8,720,446
Additions	563,377	697,318	1,260,695
At 31 December 2018	**4,196,282**	**5,784,859**	**9,981,141**
Accumulated depreciation			
At 1 January 2017	2,298,238	2,143,458	4,441,696
Charge for year	326,785	499,431	826,216
At 31 December 2017	**2,625,023**	**2,642,889**	**5,267,912**
At 1 January 2018	2,625,023	2,642,889	5,267,912
Charge for the year	659,908	598,437	1,258,345
At 31 December 2018	**3,284,931**	**3,241,326**	**6,526,257**
Net book value			
At 31 December 2018	**911,351**	**2,543,533**	**3,454,884**
At 31 December 2017	**1,007,882**	**2,444,652**	**3,452,534**
At 1 January 2017	**435,877**	**3,017,808**	**3,453,685**

Notes to the Financial Statements (continued)

12 Property, plant and equipment (continued)

Company

	Furniture, fittings and equipment £	Leasehold improvements £	Total £
Cost or valuation			
At 1 January 2017	2,115,705	4,326,361	6,442,066
Additions	889,951	(73,725)	816,226
At 31 December 2017	**3,005,656**	**4,252,636**	**7,258,292**
At 1 January 2018	3,005,656	4,252,636	7,258,292
Additions	333,907	696,342	1,030,249
At 31 December 2018	**3,339,563**	**4,948,978**	**8,288,541**
Accumulated depreciation			
At 1 January 2017	1,846,533	1,742,445	3,588,978
Charge for year	247,963	445,222	693,185
At 31 December 2017	**2,094,496**	**2,187,667**	**4,282,163**
At 1 January 2018	2,094,496	2,187,667	4,282,163
Charge for the year	503,754	484,380	988,134
At 31 December 2018	**2,598,250**	**2,672,047**	**5,270,297**
Net book value			
At 31 December 2018	**741,313**	**2,276,931**	**3,018,244**
At 31 December 2017	**911,160**	**2,064,969**	**2,976,129**
At 1 January 2017	**269,172**	**2,583,916**	**2,853,088**

Notes to the Financial Statements (continued)

13 Investments - Group

a) Investments Available for Sale

As discussed further in note 2, Investments in CLOs were previously classified as Available for Sale Investments. Upon adoption of IFRS 9 on 1 January 2018, these investments are now classified as either Financial Assets at Amortised Cost or Financial Assets at Fair Value through Profit or Loss. The table below shows the movements in Available for Sale Investments in the prior year.

Analysis of movements:

	Warehouse £	Collateralised loan obligations £
At 1 January 2017	6,804,495	127,584,641
Additions	-	122,748,111
Disposals	(6,847,456)	(37,008,901)
Movement in fair value due to foreign exchange gains/(losses)	42,961	6,245,013
Realised losses	-	(145,101)
Movement in fair value transferred to equity	-	(436,234)
At 31 December 2017	**-**	**218,987,529**

At 1 January 2018, Available for Sale Investments of £17,829,419 were reclassified as Financial Assets at Fair Value through Profit or Loss. The remaining Available for Sale Investments of £201,158,110 were reclassified as Financial Assets at Amortised Cost and adjusted by a reduction of £1,581,401 to appropriately reflect their Amortised Cost balance at 1 January 2018.

The Group classifies CLO's that do not qualify for measurement at either amortised cost or FVOCI as financial assets at fair value through profit or loss (FVPL).

b) Financial assets at fair value through profit or loss

Non-current Assets

Analysis of movements:	Collateralised loan obligations £
As at 1 January 2018	17,829,419
Additions	7,801,485
Movement in fair value due to foreign exchange gains/(losses)	257,960
Gain/(loss) on financial assets at fair value to profit or loss	1,254,624
As at 31 December 2018	**27,143,488**

Notes to the Financial Statements (continued)

13 Investments - Group (continued)

Financial assets at fair value through profit or loss

Current Assets

Analysis of movements:	Warehouse £
As at 1 January 2018	-
Additions	8,618,339
Disposals	(6,096,500)
Movement in fair value due to foreign exchange gains/(losses)	21,694
At 31 December 2018	2,543,533

During the year, the Group contributed £2.5m (€2.8m) towards its warehouse investment in Dryden 69 Euro CLO, which is expected to close by mid-2019.

c) Financial assets at amortised cost

The Group classifies its financial assets as at amortised cost only if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cash flows; and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

Analysis of movements:

	Collateralised loan obligations £
At 31 December 2017	**201,158,110**
IFRS 9 adoption changes	(1,581,401)
As at 1 January 2018 (Restated)	199,576,709
Additions	118,612,285
Disposals	(50,248,945)
Movement in fair value due to foreign exchange gains/(losses)	2,749,717
Realised gains on sale of investment	394,868
Amortisation charges	56,021
As at 31 December 2018	271,140,655

For financial assets, a 12-month ECL model was used which calculated the estimated expected credit loss for the 12 months subsequent to the balance sheet date based on a probability weighted range of expected outcome. The expected credit loss was immaterial, which would have otherwise been recognised in profit or loss. Due to the waterfall structure in the CLOs, the sub tranches are effectively absorbing the credit loss on behalf of the tranches carried at amortised cost. The fair value of CLO instruments classified as financial assets at amortised cost at 31 December 2018 is £267,029,962 (2017: £nil).

Notes to the Financial Statements (continued)

13 Investments - Group (continued)

Investments in collateralised loan obligations

The Group's investments in CLOs are held as 'Available For Sale' at fair value. All realised and unrealised gains and losses are recognised in the Consolidated Income Statement.

PGIM Limited, a subsidiary of the Company, has various investments in CLOs, which are classed as 'Structured Entities' as defined by International Financial Reporting Standard 12 - Disclosure of Interests in Other Entities ('IFRS 12'). The investments in the CLOs comprise loan notes of variable seniority secured on the CLOs investments in various fixed income products, principally traded bank loans and bonds. The Group's interests have been acquired in accordance with the Risk Retention rules of Article 405 of the Capital Requirements Regulations (EU no 575/2015). Under the Risk Retention rules, PGIM Limited, as the Collateral Manager for the CLOs, is required to co-invest alongside third party note holders and to hold its investment until the maturity of the notes or, in the event of prepayment of the notes, the date of final prepayment.

The newly launched CLOs additions of £126.4m (€123.8m EUR CLO and £16.5m GBP CLO) is made up of the purchase of new notes totalling £76.7m (€67.7m) in Dryden 59, Dryden 62, Dryden 63 and Dryden 66 also included in additions is an amount of £49.7m (€56.0m) related to the purchase of new notes in Dryden 29, Dryden 32 and Dryden 44 following a reset/refinance in 2018.

The Disposals of £49.9m (€56.3m) reflects the notes repaid in Dryden 29, Dryden 32 and Dryden 44 following the reset/refinance in January, July and August 2018.

Repayment of £0.3m reflects repayment of Class X tranches in Dryden 29R and Dryden 39R.

Current contractual maturity of the loan notes and the maximum exposure to loss on the loan notes is as follows:

Non-current assets:	**Maturity**	**Carrying value / Maximum exposure to loss £**
Dryden XXVII-R Euro CLO 2017 B.V.	2030	21,197,485
Dryden 29 Euro CLO 2013 B.V.	2026	18,306,185
Dryden 32 Euro CLO 2014 B.V.	2026	18,149,515
Dryden 35 Euro CLO 2014 B.V.	2027	19,498,843
Dryden 39 Euro CLO 2015 B.V.	2031	22,710,717
Dryden 44 Euro CLO 2015 B.V.	2030	18,369,087
Dryden 46 Euro CLO 2016 B.V.	2030	20,455,842
Dryden 48 Euro CLO 2016 B.V.	2031	18,017,967
Dryden 51 Euro CLO 2017 B.V.	2031	18,081,808
Dryden 52 Euro CLO 2017 B.V.	2031	18,525,762
Dryden 56 Euro CLO 2017 B.V.	2032	27,700,156
Dryden 59 Euro CLO 2017 B.V.	2032	21,768,667
Dryden 62 Euro CLO 2017 B.V.	2031	20,910,503
Dryden 63 Euro CLO 2018 B.V.	2032	16,284,677
Dryden 66 Euro CLO 2018 B.V.	2032	18,306,929
		298,284,143

Notes to the Financial Statements (continued)

13 Investments - Group (continued)

At 31 December the following Group balances relate to the Group's investments in CLOs.

	2018 £	2017 £
Carrying value of investments	-	218,987,529
Carrying value of financial assets through profit or loss	27,143,488	-
Carrying value of financial assets at amortised cost	271,140,655	-
Total investments	**298,284,143**	**218,987,529**

Maximum exposure to loss
The investment comprises loan notes independently rated as follows:
(Standard & Poor's / Moody's)

	2018 £	2017 £
AAA / Aaa	174,609,610	127,688,681
AA+ / Aa1	2,423,481	6,902,611
AA / Aa2	32,964,875	20,156,295
A+ / A1	1,419,537	4,344,856
A / A2	18,032,443	11,000,076
BBB+ / Baa1	969,496	2,052,996
BBB / Baa2	11,081,814	8,538,560
BBB- / Baa3	3,917,961	1,167,332
BB+ / Ba1	-	976,769
BB / Ba2	14,491,444	11,005,490
BB- / Ba3	1,023,023	-
B+ / B1	1,271,001	727,087
B / B2	8,935,968	6,597,356
Not rated	27,143,490	17,829,420
Maximum exposure to loss	**298,284,143**	**218,987,529**

The investments in CLOs, and funding obtained by the Group from affiliates to purchase the investments, are denominated in Euros. Where Euro purchases have been only partially funded by Euro borrowing the Group is exposed to currency movements against the Group's functional currency, Sterling. Where exposures are considered material, the Group has utilised hedging strategies, principally forward currency contracts to mitigate the exposure.

Notes to the Financial Statements (continued)

14 Interests in unconsolidated structured entities

The Group invests in unconsolidated structured entities. Please refer to note 13 above for further details. The Group's exposure to these interests is detailed below.

	Financial investment (£m)	Total assets under management (£m)	Management fee income (£m)
2018			
CLO	298.3	5,723	29.1
2017			
CLO	219.0	4,389	15.2

The principal risks associated with the investments in CLOs arise from movements in currencies, interest rates associated with floating rate loan notes and fluctuations in the market values of loan notes prior to maturity. The Group does not consider the effects of market movements and interest rates to be material at this stage. Disclosures on the financial risk management policies and procedures used by the Group are included in the note Financial risk management - Group and Company.

As the collateral manager for the CLOs, the Group is entitled to receive collateral management fees and performance related incentive fees. Other than collateral management services the Group has not provided and has no future intention of providing any financial or other support to the CLOs.

Other interests in structured entities

The Group performs asset management services for a number of other unconsolidated structured entities comprising other CLOs and collective investment schemes in which it has no investment interest. The Group's exposure to loss from these interests relates solely to future management fees.

The Group does not act as sponsor to any structured entities. The total assets of structured entities managed by the Group and the fees earned there on, are included in the table below.

	Assets under management (£m)	Investment management fees earned (£m)
2018		
Collective investment schemes	3,501	16.4
Institutional investors	11,417	33.5
2017		
Collective investment schemes	2,679	16.6
Institutional investors	10,682	31.1

Notes to the Financial Statements (continued)

15 Investments in subsidiaries, joint ventures and associates - Company

Summary of the Company investments

Subsidiaries	Subsidiaries £	Other investments £	Total £
Cost or valuation			
At 1 January 2017	30,486,525	1	30,486,526
Additions	20	-	20
At 31 December 2017	**30,486,545**	**1**	**30,486,546**
At 1 January 2018	30,486,545	1	30,486,546
Additions	27,002,930	-	27,002,930
At 31 December 2018	**57,489,475**	**1**	**57,489,476**
Carrying amount			
At 31 December 2018	**57,489,475**	**1**	**57,489,476**
At 1 January 2017	**30,486,525**	**1**	**30,486,526**

The Company invested £27m in return for shares purchased at par into its subsidiary PGIM Limited to support the growth in their business. The Directors consider the value of the investments to be supported by their underlying assets.

The Company has the following investments in its subsidiaries[1]:

Name of subsidiary	Country of incorporation	Class of shares held	Ownership 2018	2017
PGIM Limited	UK	£1 Ordinary	100%	100%
Pricoa Capital Group Ltd	UK	£1 Ordinary	100%	100%
PGIM Fund Management Limited	UK	£1 Ordinary	100%	100%
Pricoa Management Partner Ltd	UK	£1 Ordinary	100%	100%
PGIM (Scots) Limited	UK[2]	£1 Ordinary	100%	100%
Pramerica Real Estate Capital IV GP Ltd	UK	£1 Ordinary	100%	100%
Pramerica Luxembourg Corporate Directorships Sarl	Luxembourg[3]	€100 Ordinary	100%	100%
PGIM Management Partner Limited	UK	£1 Ordinary	100%	100%
German Retail Income General Partner Limited	Jersey[4]	£1 Ordinary	100%	100%
Pramerica Fixed Income Funds Management Limited	Ireland[5]	€1 Ordinary	100%	100%
Pramerica PRECAP I GP LLP	UK	£1 Ordinary	50%	50%
Pramerica PRECAP II GP LLP	UK	£1 Ordinary	50%	50%
Pramerica PRECAP III GP LLP	UK	£1 Ordinary	50%	50%
Pramerica PRECAP IV GP LLP	UK	£1 Ordinary	50%	50%
Pramerica Real Estate Capital V (Netherlands) GP LLP	UK	£1 Ordinary	50%	50%

Notes to the Financial Statements (continued)

15 Investments in subsidiaries, joint ventures and associates - Company (continued)

Name of subsidiary	Country of incorporation	Class of shares held	Ownership 2018	2017
Pramerica General Partner LLP	UK	£1 Ordinary	50%	50%
Pramerica Europrisa Feeder GP LLP	UK	£1 Ordinary	50%	50%
Pramerica Real Estate Capital I GP (Scots Feeder) LLP	UK[2]	£1 Ordinary	50%	50%
Pramerica Real Estate Capital IV GP (Scots Feeder) LLP	UK[2]	£1 Ordinary	50%	50%
Pramerica (Scots) CP GP LLP	UK[2]	£1 Ordinary	50%	50%
Sterling Private Placement Management LLP	UK	£1 Ordinary	50%	50%
PPPF General Partner LLP	UK	£1 Ordinary	50%	50%
Preco III GP LLP	UK	£1 Ordinary	50%	50%
Legos GP Limited	Jersey[4]	£1 Ordinary	50%	50%
Pramerica PRECAP VI GP (Scots Feeder) LLP	UK[2]	£1 Ordinary	50%	50%
Pramerica PRECAP VI GP LLP	UK	£1 Ordinary	50%	50%
Pricoa Capital Group (Ireland) Ltd	UK[6]	€1 Ordinary	100%	0%
PGIM Netherlands B.V.	Netherlands[7]	€1 Ordinary	100%	0%

[1] All with Registered Office as: Grand Buildings, 1-3 Strand, Trafalgar Square. London WC2N 5HR, unless otherwise stated
[2] Registered Office: 50 Lothian Road, Festival Square, Edinburgh EH3 9WJ
[3] Registered Office: Boulevard de la Foire, L-1528 Luxembourg, Grand-Duché de Luxembourg
[4] Registered Office: First Island House, Peter Street, St Helier, Jersey JE2 4SP Channel Islands
[5] Registered Office: 70 Sir John Rogerson's Quay, Dublin, Ireland
[6] Registered Office: Pramerica Drive, Letterkenny Business & Technology Park, Letterkenny, Ireland
[7] Registered Office: Herikerbergweg 238 Luna Arena, Amsterdam, Netherlands

16 Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When available, the Group measures the fair value of an instrument using quoted prices from an orderly transaction in the principal market, or in the absence of a principal market, in the most advantageous market. for that instrument. The market for a financial instrument is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active, then the Group establishes fair value using a valuation technique considered appropriate by the Directors. The chosen valuation technique makes maximum use of observable inputs, relies as little as possible on estimates specific to the Group, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments.

Notes to the Financial Statements (continued)

16 Fair value of financial instruments (continued)

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Quoted price (unadjusted) in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques for which all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Group investments

2018

	Level 1 £	Level 2 £	Level 3 £	Total £
Financial assets at fair value through profit or loss				
Unconsolidated structured entities	-	-	27,143,488	27,143,488
Warehouse investments	2,543,533	-	-	2,543,533
Total	**2,543,533**	**-**	**27,143,488**	**29,687,021**

2017

	Level 1 £	Level 2 £	Level 3 £	Total £
Financial assets at Available For Sale				
Unconsolidated structured entities	-	-	218,987,529	218,987,529
Total	**-**	**-**	**218,987,529**	**218,987,529**

Group and Company derivative financial instruments

2018

	Level 1 £	Level 2 £	Level 3 £	Total £
Fair value through (profit)/ loss				
Derivative forward contract	-	359,518	-	359,518
Total	**-**	**359,518**	**-**	**359,518**

2017

	Level 1 £	Level 2 £	Level 3 £	Total £
Fair value through (profit)/ loss				
Derivative forward contract	-	231,962	-	231,962
Total	**-**	**231,962**	**-**	**231,962**

Notes to the Financial Statements (continued)

16 Fair value of financial instruments (continued)

Level 3 roll forward table for unconsolidated structured entities

	Unconsolidated structured entities - CLOs £
Opening balance 1 January 2018	17,829,419
Acquisitions	7,801,485
Disposals	-
Gains/(losses) recognised in profit and loss	-
Movement in fair value due to foreign exchange rate	257,960
Financial assets at fair value to profit or loss	1,254,624
Closing balance 31 December 2018	**27,143,488**

Valuation inputs and relationships to fair value

2018

Description	Fair value at 31 December 2018 £	Unobservable input	Range of input (probability weighted average)	Relationship of unobservable input to fair value
Unconsolidated structured entities	27,143,488	Tranche value	71.00-106.00 (85.85)	An increase in the input would lead to an increase in the fair value.
Unconsolidated structured entities	-	Purchase price (GBP)	-	An increase in the input would lead to an increase in the fair value.

2017

Description	Fair value at 31 December 2018 £	Unobservable input	Range of input (probability weighted average)	Relationship of unobservable input to fair value
Unconsolidated structured entities	218,987,529	Tranche value	52.18-107.10 (97.87)	An increase in the input would lead to an increase in the fair value.
Unconsolidated structured entities	-	Purchase price (GBP)	-	An increase in the input would lead to an increase in the fair value.

Notes to the Financial Statements (continued)

17 Deferred tax assets

Deferred tax

Group

Recognised deferred tax assets

Deferred tax assets are attributable to the following:

2018	Asset £
Disallowed share based payments	973,150
Accelerated tax depreciation	51,645
	1,024,795

2017	Asset £
Disallowed share based payments	844,995
Accelerated tax depreciation	227,855
	1,072,850

From April 2020 there will be a reduction in the rate of corporation tax from 19% to 17%. The relevant deferred tax balances have therefore been re-measured at 17% (2017: 17% corporation tax rate). The Directors, after evaluating forecasts of future profitability, consider that sufficient future profits will be generated to offset the deferred tax credits and have therefore recognised the deferred tax asset. There are no deferred tax liabilities (2017: nil).

Deferred tax movement during the year:

	At 1 January 2018 £	Rate change £	Recognised in income £	Recognised in equity £	At 31 December 2018 £
Disallowed share based payments	844,995	-	128,155	-	973,150
Accelerated tax depreciation	227,855	-	(176,210)	-	51,645
Net tax assets/(liabilities)	1,072,850	-	(48,055)	-	1,024,795

Deferred tax movement during the prior year:

	At 1 January 2017 £	Rate change £	Recognised in income £	At 31 December 2017 £
Disallowed share based payments	716,637	-	128,358	844,995
Accelerated tax depreciation	(4,536)	-	232,391	227,855
Net tax assets/(liabilities)	712,101	-	360,749	1,072,850

Based on the growth of the business and current forecasts, the Group is of the opinion that these balances will be recovered in future years and so a deferred asset has been recognised.

Notes to the Financial Statements (continued)

17 Deferred tax assets (continued)

Company

Recognised deferred tax assets

Deferred tax assets are attributable to the following:

2018	Asset £
Disallowed share based payments	843,709
Accelerated tax depreciation	24,150
	867,859

2017	Asset £
Disallowed share based payments	715,258
Accelerated tax depreciation	231,881
	947,139

The deferred tax asset is calculated using the 17% corporation tax rate (2017: 17% corporation tax rate). The Directors, after evaluating forecasts of future profitability, consider that sufficient future profits will be generated to offset the deferred tax credits and have therefore recognised the deferred tax asset. There are no deferred tax liabilities (2017: nil).

Deferred tax movement during the year:

	At 1 January 2018 £	Rate change £	Recognised in income £	Recognised in equity £	At 31 December 2018 £
Disallowed share based payments	715,258	-	128,451	-	843,709
Accelerated tax depreciation	231,881	-	(207,731)	-	24,150
Net tax assets/(liabilities)	947,139	-	(79,280)	-	867,859

Deferred tax movement during the prior year:

	At 1 January 2017 £	Rate change £	Recognised in income £	At 31 December 2017 £
Disallowed share based payments	570,549	-	144,709	715,258
Accelerated tax depreciation	(5,391)	-	237,272	231,881
Net tax assets/(liabilities)	565,158	-	381,981	947,139

Notes to the Financial Statements (continued)

18 Trade and other receivables

	Group		Company	
	2018	2017	2018	2017
Current	£	£	£	£
Trade receivables	2,410,056	3,793,611	259,530	130,872
Receivables from Group undertakings	21,690,992	31,190,384	111,272,554	237,790,992
Receivables from related parties	10,173,771	7,392,443	-	-
Accrued income	9,089,934	8,804,207	-	-
Prepayments	1,475,815	1,194,239	1,226,839	832,490
Other receivables	2,082,865	2,741,548	1,881,744	2,692,348
	46,923,433	**55,116,432**	**114,640,667**	**241,446,702**
Non-current				
Receivables from Group undertakings	-	-	**3,000,000**	**3,000,000**

Amounts included within amounts due from Group undertakings are interest free, unsecured and repayable on demand. Included in the Company receivables is an amount of £3,000,000 (2017: £3,000,000) due from PGIM Limited (PGIML), a subsidiary of the Company, which represents a perpetual loan to PGIML and which forms part of the regulatory capital of PGIML.

The Group has not suffered any losses as a result of trade debtor or counterparty defaults during the year (2017:£nil). The Group applies the IFRS 9 simplified approach to measuring expected credit losses ("ECL") which uses a lifetime expected loss allowance for all trade and other receivables (IAS 39 was applied at 31 December 2017). The adoption of IFRS 9 did not result in a material change in the loss allowance and impairments recognised under IFRS 9 compared to that held under IAS 39.

In addition to the remuneration disclosed in note 9, the Company has made a personal loan to a senior manager of the Real Estate business, who is not a Director of the Company, but is a Director of certain subsidiaries of the Company, of £80,480 (2017: £80,480) which is unsecured, interest free and due for repayment on the earlier of December 2019 or 6 months after the date of termination of employment contract.

19 Cash and cash equivalents

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Cash and cash equivalents	78,681,480	78,295,617	29,459,239	48,888,090

The Group's approach to managing credit 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 Group does not therefore consider credit risk to be material.

Notes to the Financial Statements (continued)

20 Trade and other payables

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Current				
Amounts owed to Group undertakings	6,296,994	33,568,445	50,072,863	64,861,993
Trade payables	238,992	9,133	48,326	-
Other payables	1,132,691	1,165,197	242,485	-
Non-trade payables and accrued expenses	45,179,021	39,204,163	38,878,808	32,816,239
Loan interest payable to Group undertakings	519,794	693,164	190,887	693,164
	53,367,492	**74,640,102**	**89,433,369**	**98,371,396**
Non-current				
Non-trade payables and accrued expenses	**7,036,717**	**7,202,218**	**7,036,717**	**7,202,218**

The amounts owed to Group undertakings are interest free, unsecured and repayable on demand.

21 Loans and borrowings

Non-current amounts owed to related parties includes long term debts owed to affiliated companies borrowed to fund the acquisition of CLO investments. The maturity and interest rate of those loans is shown below. Interest on the borrowing will be paid on a quarterly or annual basis while the loan amount will be paid at maturity.

During the year, PGIM Limited, one of PGIM Financial Limited's subsidiaries borrowed from PGIM Foreign Investment Inc, an associated company within the Prudential Financial Inc Group, €115.9m on 2 May 2018, €36m 10 July 2018 and €56m on 13 December 2018 and these amounts were utilised to reduce the amount due to its parent PGIM Financial Limited. PGIM Financial Limited paid off its own loans of €62.0m to Pramerica (Hong Kong) Holdings Limited on 9 May 2018, €53.6m to Pramerica Systems Ireland Limited on 10 May 2018 and €56.0m to PGIM Foreign Investment Inc on 17 December 2018.

Notes to the Financial Statements (continued)

21 Loans and borrowings (continued)

Group

2018

Lender	Loan amount €	Loan amount £	Maturity	Interest rate
Non-current				
Pramerica (Hong Kong) Holdings Limited	15,000,000	13,463,782	December 2031	1.5888%
Pramerica (Hong Kong) Holdings Limited	-	8,300,000	June 2022	3.1212%
PGIM Foreign Investment Inc.	1,505,597	1,351,402	March 2026	1.3099%
PGIM Foreign Investment Inc.	11,254,897	10,102,232	January 2026	1.2933%
PGIM Foreign Investment Inc.	36,000,000	32,313,078	December 2023	0.9680%
PGIM Foreign Investment Inc.	20,000,000	17,951,710	December 2025	1.3520%
PGIM Foreign Investment Inc.	36,000,000	32,313,079	July 2026	0.1157%
PGIM Foreign Investment Inc.	19,028,738	17,079,919	March 2026	1.3094%
PGIM Foreign Investment Inc.	28,050,353	25,177,590	December 2030	1.8456%
PGIM Foreign Investment Inc.	15,025,818	13,486,956	December 2031	1.9089%
PGIM Foreign Investment Inc.	41,080,123	36,872,923	September 2031	1.8971%
	222,945,526	208,412,671		

Company

2018

Lender	Loan amount €	Loan amount £	Maturity	Interest rate
Non-current				
Pramerica (Hong Kong) Holdings Limited	15,000,000	13,463,782	December 2031	1.5888%
Pramerica (Hong Kong) Holdings Limited	-	8,300,000	June 2022	3.1212%
	15,000,000	**21,763,782**		

Notes to the Financial Statements (continued)

21 Loans and borrowings (continued)

Group and Company

2017

Lender	Loan amount €	Loan amount £	Maturity	Interest rate
Non-current				
Pramerica Systems Ireland Limited	11,067,705	9,824,860	January 2026	2.36%
Pramerica Systems Ireland Limited	1,500,000	1,331,558	March 2026	3.124%
Pramerica Systems Ireland Limited	41,000,000	36,395,917	September 2031	1.8039%
PGIM Foreign Investment Inc.	40,018,490	35,524,625	September 2021	0.1637%
PGIM Foreign Investment Inc.	16,000,000	14,203,285	December 2031	1.5888%
Pramerica (Hong Kong) Holdings Limited	15,000,000	13,315,579	March 2031	2.3857%
Pramerica (Hong Kong) Holdings Limited	28,000,000	24,855,748	December 2030	1.66%
Pramerica (Hong Kong) Holdings Limited	19,000,000	16,866,400	March 2026	1.21%
Pramerica (Hong Kong) Holdings Limited	15,000,000	13,315,579	December 2031	1.5888%
Pramerica (Hong Kong) Holdings Limited	-	8,300,000	June 2022	3.1212%
	186,586,195	173,933,551		

22 Share-based payments

Prudential Financial Inc's Omnibus Incentive Plan

The Group's equity settled share based payment plan consists entirely of Prudential Financial Inc's Omnibus Incentive Plan ('Omnibus Plan') which was adopted by the Board of Directors of Prudential Financial, Inc in March 2003, and subsequently amended and restated in November 2008. Under the Omnibus Plan, eligible employees may be awarded a combination of restricted stock units and stock options which vest over a 3-year period and are exercisable over a 10-year period. A summary of the status of the Company and Group's option grants for the years ended 31 December 2018 and 2017 is as follows:

Group

	Number of stock options 2018	2017
Outstanding at 1 January	14,056	29,561
Granted during the period	3,143	3,789
Exercised during the period	(6,481)	(19,294)
Forfeited/expired during the period	-	-
Transferred	-	-
Outstanding at 31 December	**10,718**	**14,056**

Notes to the Financial Statements (continued)

22 Share-based payments (continued)

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

	Weighted average exercise price 2018 £	2017 £
Outstanding at 1 January	59.45	58.92
Granted during the period	76.95	88.55
Exercised during the period	49.22	47.43
Forfeited/expired during the period	-	-
Transferred	-	-
Outstanding at 31 December	70.76	59.45
Weighted average remaining contractual life (years)	8.1	8.2

The range of exercise prices for options outstanding for the Group at 31 December 2018 was £47.83 to £88.60 (2017: £47.83 to £88.60). The Group recorded £60,150 (2017: £231,450) in share based compensation related to stock options during the year ended 31 December 2018.

Company

	Number of stock options 2018	2017
Outstanding at 1 January	14,056	24,341
Granted during the period	3,143	3,789
Exercised during the period	(6,481)	(14,074)
Transferred	-	-
Outstanding at 31 December	**10,718**	**14,056**

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

	Weighted average exercise price 2018 £	2017 £
Outstanding at 1 January	59.45	58.18
Granted during the period	76.95	88.55
Exercised during the period	49.22	49.32
Forfeited/expired during the period	-	-
Transferred	-	-
Outstanding, end of period	70.76	59.45
Weighted average remaining contractual life (years)	8.1	8.2

The range of exercise prices for option outstanding for the Company at 31 December 2018 was £47.83 to £88.60 (2017: £47.83 to £88.60).The Company recorded £60,150 (2017: £231,450) in share based compensation related to stock options during the year ended 31 December 2018.

Notes to the Financial Statements (continued)

22 Share-based payments (continued)

The weighted average grant date fair value of stock options granted during the years ended 31 December 2018 and 2017 were £20.33, and £21.67, 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 Prudential Financial, Inc ("PFI").

	2018	2017
Expected volatility (%)	35.39	35.29
Expected dividends, expressed as a dividend yield (%)	2.64	2.84
Expected life of option in practice in years	5.49	5.60
Risk-free interest rate (%)	2.64	2.06

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 2018:

	Number of shares	
Non-vested shares	**Group**	**Company**
Outstanding at 1 January 2017	89,415	72,769
Granted during the period	33,996	27,256
Vested during the period	(21,447)	(17,538)
Transfers	568	568
Forfeited during the period	(2,197)	(2,197)
Outstanding at 31 December 2017	**100,335**	**80,858**
Granted during the period	42,586	37,150
Vested during the period	(28,786)	(23,673)
Transfers	-	-
Forfeited during the period	(5,049)	(5,049)
Outstanding at 31 December 2018	**109,086**	**89,286**

Notes to the Financial Statements (continued)

22 Share-based payments (continued)

The movements in the weighted average exercise price of restricted stock during the year were as follows:

	Weighted average grant-date fair value	
Non-vested shares	**Group**	**Company**
Outstanding at 1 January 2017	47.90	48.10
Granted during the period	85.42	88.47
Vested during the period	36.91	51.19
Transfers	69.30	69.30
Forfeited during the period	54.10	54.10
Outstanding at 31 December 2018	60.19	60.91
Granted during the period	74.36	73.99
Vested during the period	51.19	51.20
Transfers	-	-
Forfeited during the period	67.39	67.39
Outstanding at 31 December 2018	68.46	64.79

The Group recorded an expense of £2,606,028 (Company of £2,160,012) (2017: £2,476,645 (Company of £2,039,291)) in share-based payments, related to restricted stock units, during the year ended 31 December 2018.

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 restricted stock award activity for the year ended 31 December 2018:

	Number of shares	
Non-vested shares	**Group**	**Company**
Outstanding at 1 January 2017	8,972	8,972
Granted during the period	3,355	3,355
Vested during the period	(2,889)	(2,889)
Transfers	578	578
Outstanding at 31 December 2017	**10,016**	**10,016**
Granted during the period	2,870	2,870
Vested during the period	(3,224)	(3,224)
Transfers	304	304
Outstanding at 31 December 2018	**9,966**	**9,966**

Notes to the Financial Statements (continued)

22 Share-based payments (continued)

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

	Weighted average grant-date fair value	
Non-vested shares	**Group**	**Company**
Outstanding at 1 January 2017	47.79	47.79
Granted during the period	88.66	88.66
Vested during the period	51.39	51.39
Transfers	51.39	51.39
Forfeited during the period	0.00	0.00
Outstanding at 31 December 2017	61.00	61.00
Granted during the period	76.95	76.95
Vested during the period	51.19	51.19
Transfers	51.19	51.19
Forfeited during the period	0.00	0.00
Outstanding at 31 December 2018	68.47	68.47

The Group recorded an expense of £219,591 (Company of £219.591) (2017: £204,533 (Company of £204.533)) in share-based payments, related to performance awards, during the year ended 31 December 2018.

23 Pension and other schemes

The Group participates in the Pramerica UK Retirement Savings Plan in which there is a defined benefit plan and a defined contribution plan.

The defined benefit plan was closed to new members in 2001 and closed to new contributions in 2011. The Group is unable to identify its share of underlying assets and liabilities in the plan and has accounted for it as if the plan were a defined contribution scheme. Accounting for the assets and liabilities of the plan is included in the financial statements of PGIM European Services Limited, an affiliate of the Group and the Principal Employer for the plan.

Following Prudential Financial Inc.'s disposal of the Company's affiliate, Bache Financial Limited (a further participant in the defined benefit plan), a contribution timetable was agreed between the Company, PGIM Financial Limited (also a participant in the plan), and the Trustees of the plan. Under the contribution timetable, PGIM Financial Limited made contributions of £6.8 million to the plan in 2011 and £3.0 million in 2012, 2013, 2014, 2015, 2016 and 2017.

There is no requirement under the contribution timetable for the Company to make any further contributions to the defined benefit plan (2017: £3.0m).

The Group contributes to a defined contribution scheme. The total expense relating to this plan in the current year was £2,555,680 (Company of £2.296,698) (2017: £2,048,384, (Company of £1.869,319).

Notes to the Financial Statements (continued)

24 Provisions

Non-current

Group

	Dilapidation 2018 £	Dilapidation 2017 £
As at 1 January	165,152	70,841
Provision recognised during the year	86,251	94,311
Total provisions at 31 December	**251,403**	**165,152**

Company

	Dilapidation 2018 £	Dilapidation 2017 £
As at 1 January	118,270	39,424
Provision recognised during the year	78,847	78,846
Total provisions at 31 December	**197,117**	**118,270**

The Group has leases signed for Grand Building and London Bridge offices, therefore dilapidation provision has been estimated.

25 Share capital

Group and Company

Allotted, called up and fully paid shares

	2018 No.	2018 £	2017 No.	2017 £
Ordinary shares of £1 each	43,760,256	43,760,256	23,760,256	23,760,256

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

New shares allotted

During the year 20,000,000 Ordinary shares having an aggregate nominal value of £1 were allotted for an aggregate consideration of £20,000,000.

Notes to the Financial Statements (continued)

26 Other reserves

Group

	2018 £	2017 £
At 1 January	(21,404)	(31,390)
Foreign currency translation differences – foreign operations	32,482	9,986
At 31 December	11,078	(21,404)

Translation reserve
The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

Capital contribution reserve
The capital contribution reserve represents an irrevocable gift to the Group from PGIM Inc, and is a distributable reserve.

Company

	2018 £	2017 £
At 1 January & 31 December	154,110	154,110

Capital contribution reserve
The capital contribution reserve represents an irrevocable gift to the Company from PGIM Inc, and is a distributable reserve.

27 Financial risk management - Group and Company

The Group has exposure to credit risk, liquidity risk and market risk from financial instruments. This note presents information about the Group's exposure to each of these risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

Risk management framework
The Group's board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework and for developing and monitoring the Group's risk management policies.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The board oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The ultimate parent's Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

Notes to the Financial Statements (continued)

27 Financial risk management - Group and Company (continued)

Credit risk

Credit risk is the risk of a counterparty of the Group defaulting on funds deposited with it or the non-receipt of a trade debt.

The Group regularly monitors and reviews its credit risk. The Group's most significant credit risk arises on its investment in CLOs. The Group holds senior, junior and subordinated loan notes in CLOs and is exposed to the risk of partial or non-repayment of those notes on maturity. The senior and junior notes in those CLOs are independently rated (as outlined in note 13). Furthermore, the Group is the collateral manager of the CLOs in which it invests and is therefore able to adequately monitor those investments for impairments.

A significant portion of the Group's counterparties are affiliated entities or investment vehicles for which the Group performs managerial services and has oversight of the records of those vehicles. As a result the Group is well placed to identify potential credit risk issues and respond accordingly. For counterparties where the Group does not have such a relationship, the Group, both on the inception of an agreement with a counterparty and periodically thereafter, reviews and appraises the risk of payment default through reference to standard credit measures and the monitoring of payment patterns and outstanding balances.

A 12 month ECL model was used to calculate the estimated expected credit loss on all CLOs accounted for as Fair Value assets at material cost for the 12 months subsequent to the Balance sheet data. The expected credit loss was immaterial.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses ('ECLs') which uses a lifetime expected loss allowance for all trade receivables (IAS 39 was applied at 31 December 2017). To measure ECLs trade receivables have been grouped by Business Unit to reflect the shared credit risk characteristics. Expected loss rates are based on the historic credit loss experienced for each Business Unit and adjusted for current and forward information affecting the ability of the individual customers to settle receivables. The adoption of IFRS 9 did not result in a material change in the loss allowance and impairments recognised under IFRS 9 compared to that held under IAS 39.

The Group has no loss allowance as at 31 December 2018.

2018	0-30 days £	30-90 days £	90+ days £	Total £
Group				
Trade receivables	86,719	824,037	1,499,300	2,410,056
Company				
Trade receivables	57,514	29,069	172,947	259,530

2017	0-30 days £	30-90 days £	90+ days £	Total £
Group				
Trade receivables	5,339	3,004,256	784,017	3,793,612
Company				
Trade receivables	5,339	5,500	120,033	130,872

Liquidity risk

Liquidity risk is the risk that the Group may be unable to meet its payment obligations as they fall due.

Group liquidity is managed on a daily basis by Group Finance, to ensure that the Group has sufficient cash or highly liquid assets available to meet its liabilities. Group Finance also controls and monitors the use of the Group's non-operating capital resources. It is the Group's policy to ensure that it has access to funds to cover all forecast commitments for at least the next 12 months. Financial liabilities comprise trade and other payables with remaining contractual maturities of less than one year.

Notes to the Financial Statements (continued)

27 Financial risk management - Group and Company (continued)

Maturity analysis

The table below reflects the age profile of the Group's payables. Refer to note 21 for the liquidity of the borrowings.

Group

At 31 December 2018	Within 6 months £	Between 1 and 2 years £	Between 2 and 5 years £	Over 5 years £	Total contractual cash flows £	Carrying amount liabilities £
Non-derivatives						
Amounts owed to Group affiliates	6,274,025	-	-	-	6,274,025	6,274,025
Trade and other payables	238,992	-	-	-	238,992	238,992
Other payables	1,132,691	-	-	-	1,132,691	1,132,691
Non-trade payables and accrued expenses	41,554,617	4,067,412	5,802,395	-	51,424,424	51,825,254
Bank borrowings	101,925,433	2,940,263	49,433,865	183,536,617	337,836,178	208,412,671
Derivatives						
Gross settled (forward foreign exchange contracts)						
- (inflow)	(66,212,301)	-	-	-	(66,212,301)	-
- outflow	66,421,327	-	-	-	66,421,327	209,026
Total	**151,334,784**	**7,007,675**	**55,236,260**	**183,536,617**	**397,115,336**	**268,092,659**

At 31 December 2017	Less than 1 year £	Between 1 and 2 years £	Between 2 and 5 years £	Over 5 years £	Total contractual cash flows £	Carrying amount liabilities £
Non-derivatives						
Amounts owed to Group affiliates	33,568,446	-	-	-	33,568,446	33,568,446
Trade and other payables	9,133	-	-	-	9,133	9,133
Other payables	1,165,197	-	-	-	1,165,197	1,165,197
Non-trade payables and accrued expenses	38,008,411	1,195,751	7,202,218	-	46,406,380	46,406,380
Borrowings (including interest)	2,589,725	2,589,725	7,769,176	191,155,696	204,104,322	173,933,551
Derivatives						
Gross settled (forward foreign exchange contracts)						
- (inflow)	(55,508,000)	-	-	-	(55,508,000)	-
- outflow	55,481,580	-	-	-	55,481,580	231,962
Total	**75,314,492**	**3,785,476**	**14,971,394**	**191,155,696**	**285,227,058**	**255,314,669**

Notes to the Financial Statements (continued)

27 Financial risk management - Group and Company (continued)

Company

At 31 December 2018	Within 6 months £	Between 1 and 2 years £	Between 2 and 5 years £	Over 5 years £	Total contractual cash flows £	Carrying amount liabilities £
Non-derivatives						
Amounts owed to Group affiliates	50,072,863	-	-	-	50,072,863	50,072,863
Trade and other payables	48,326	-	-	-	48,326	48,326
Other payables	242,485	-	-	-	242,485	242,485
Non-trade payables and accrued expenses	36,045,718	4,067,412	5,802,395	-	45,915,525	45,915,525
Borrowings (including interest)	553,734	553,734	9,961,201	16,265,954	27,334,623	21,763,782
Derivatives						
Gross settled (forward foreign exchange contracts)						
- (inflow)	(66,212,301)	-	-	-	(66,212,301)	-
- outflow	66,421,327	-	-	-	66,421,327	209,026
Total	**87,172,152**	**4,621,146**	**15,763,596**	**16,265,954**	**123,822,848**	**118,252,007**

At 31 December 2017	Less than 1 year £	Between 1 and 2 years £	Between 2 and 5 years £	Over 5 years £	Total contractual cash flows £	Carrying amount liabilities £
Non-derivatives						
Amounts owed to Group affiliates	65,996,920	-	-	-	65,996,920	65,996,920
Trade and other payables	-	-	-	-	-	-
Non-trade payables and accrued expenses	31,620,488	1,195,751	7,202,218	-	40,018,457	40,018,457
Borrowings (including interest)	2,589,725	2,589,725	7,769,176	191,155,696	204,104,322	173,933,551
Derivatives						
Gross settled (forward foreign exchange contracts)						
- (inflow)	(55,508,000)	-	-	-	(55,508,000)	-
- outflow	55,481,580	-	-	-	55,481,580	231,962
Total	**100,180,713**	**3,785,476**	**14,971,394**	**191,155,696**	**310,093,279**	**280,180,890**

Notes to the Financial Statements (continued)

27 Financial risk management - Group and Company (continued)

Capital management

Group
The Group's main objectives in managing its capital are as follows:

• ensure continued compliance with its capital requirements as outlined by the FCA; and
• ensure surplus capital in excess of its capital requirements is deployed appropriately, to protect the overall returns of the Group and with due consideration to the Group's liquidity.
The Group was successful in meeting its objectives during this and the previous financial year.

The Group's capital is represented by the Group's total equity as disclosed in the statement of changes in equity. As at 31 December 2018 this totalled £157,851,446 (2017: £96,536,528). The Group's objective when managing capital is to safeguard its ability to continue as a going concern in order to maintain a strong capital base to support the development of the business and provide returns for shareholders.

Externally imposed capital requirements
Certain subsidiaries of the Group are regulated by the Financial Conduct Authority (FCA) in the UK and as such are required to maintain minimum levels of capital. Regulatory capital requirements have been met throughout the financial years ended 31 December 2017 and 31 December 2018.

Company
The Company's capital is represented by the Company's total equity as disclosed in the statement of changes in equity. As at 31 December 2018 this totalled £89,579,575 (2017: £46,572,130). The Company's objective when managing capital is to safeguard its ability to continue as a going concern in order to support the developments of the business and provide returns for shareholders.

Pillar 3 disclosures
Under the Pillar 3 requirements of the Capital Requirements Directive, as enacted in the UK by the FCA through Chapter 11 of the Prudential Sourcebook for Banks, Buildings Societies ("BIPRU 11"), the Group is required to disclose in a public forum its principal risk management and capital adequacy procedures. The Group's BIPRU 11 disclosures are included on the Group's website as follows:

www.pgim.com/links/terms-conditions

The disclosures are unaudited.

28 Operating leases

Group

Operating leases

Future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2018		2017	
	Land & buildings £	Other £	Land & buildings £	Other £
Less than one year	2,852,849	55,064	3,062,344	21,007
Between two and five years	6,471,666	91,773	7,308,999	-
More than five years	658,567	-	524,055	-
	9,983,082	**146,837**	**10,895,398**	**21,007**

Notes to the Financial Statements (continued)

28 Operating leases (continued)

During the year £2,749,704 was recognised as an expense in the income statement in respect of operating leases (2017 - £2,754,029).

There were no significant leasing arrangements to disclose and no significant restrictions on the Group's use for example with respect to dividends, additional debt or further leasing.

29 Related party transactions

Summary of transactions with other related parties

The Group manages a number of Collective Investment Schemes and Structured Entities, which include entities deemed to be related parties investment management agreements and collateral management agreements between companies within the Group and those entities.

Group

Income and receivables from related parties

	2018	2017
Affiliates of the Group	£	£
Revenue charged	43,225,496	34,076,606
Receivables outstanding	10,173,771	7,392,443

Company

Income and receivables from related parties

	2018	2017
Affiliates of the Group	£	£
Revenue charged	-	-
Receivables outstanding	80,480	80,480

30 Fair value reserves

	2018	2017
	£	£
At 1 January	(1,606,063)	(1,169,829)
Movement in the year due to changes in the fair value of the investment	-	(436,234)
Reclassify investments from Available For Sale to financial assets at amortised cost	(2,221,300)	-
Reclassify investments from Available For Sale to FVPL	3,827,363	-
At 31 December	**-**	**(1,606,063)**

31 Commitments

The Company has commited to purchase a 5% interest in Dryden 69 Euro CLO 2018 B.V. for £18m of which £2.5m has already been paid at 31 December 2018.

Notes to the Financial Statements (continued)

32 Non adjusting events after the financial year

On 9 January 2019, the Group acquired 100 per cent of the Wadhwani Asset Management Group comprising QMA Wadhwani LLP (formerly Wadhwani Asset Management LLP) ("QMAW"), Wadhwani Capital Limited and Wadhwani Cayman Limited, together the QMAW Group. QMAW is based in London and conducts quantitative macro-focused investment management activities for third party clients. All numbers disclosed below are considered to be provisional.

The total consideration paid on completion was £17m, all of which was settled in cash. The fair value of net tangible assets acquired is approximately £2m, principally comprising cash, trade and other receivables and trade and other payables. The fair value assigned to goodwill and intangible assets on the acquisition is provisionally determined to be approximately £15m. The goodwill arises from acquiring a high quality client base, talented management and employees and a broader platform for business growth. Full statutory disclosure of the acquisition will be given in the Group's Annual Report and Accounts for the period ending 31 December 2019.

Contingent consideration will be payable to the sellers if certain revenue related performance criteria are achieved. The value of this contingent consideration cannot be reliably measured at this time due to uncertainties of future cash flows.

The acquisition was announced on 13 November 2018 and completed on 9 January 2019.

The acquisition will strengthen the US parent group's global expansion strategy and extend its product set. It offers an appealing combination of access to complementary industry-leading products, with the benefit of broadening the geographic reach and operational scale.

The acquisition also adds £1,005.8m (US$1,281m) of Assets Under Management and brings with it additional investment talent.

On 2 January 2019, the share capital of the Company was increased by £53,183,100, an investment from the Company's parent, PGIM Inc.

On 6 February 2019 the Company invested £3,000,000 into its subsidiary QMA Wadhwani LLP.

On 25 March 2019 the Company invested Euro 2,000,000 into its subsidiary Pricoa Capital Group (Ireland) Limited.

On 25 March 2019 the Company invested Euro 3,000,000 into its subsidiary PGIM Netherlands B.V.