PGIM

PGIM Limited

Annual Report and Financial Statements

For the Year Ended 31 December 2018

Registered number: 3809039

Contents

Officers and professional advisers

Directors

R. Amabile
P. M. Barrett
J. P. Butler
H. C. Day
M. R. Crowther
M. G. Fresson
R. Greenwood
A. J. S. Macland
E. Samson
S. Saperstein

Company Secretary

M. G. Fresson

Registered office

Grand Buildings
1-3 Strand
Trafalgar Square
London
WC2N 5HR

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
1 Embankment Place
London
WC2N 6RH

Solicitors

CMS Cameron McKenna LLP
Cannon Place
78 Cannon Street
London
EC4N 6AF

Strategic Report

The Directors present their Strategic Report for PGIM Limited (or the "Company") for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The Company is wholly owned subsidiary of PGIM Financial Limited ("PFL") and its results are also included in the consolidated financial statements of PFL and its subsidiaries (collectively the 'Group'). PFL is a direct subsidiary of PGIM Inc. ("PGIM"), 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 and other companies within the PFI group) and various collective investment schemes. The Company provides Asset Management services in two principal asset classes, Real Estate and Fixed Income.

The Company 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.

BUSINESS REVIEW

During the year, the Company continued to provide Asset Management services across both principal asset classes.

Review of Company performance

In the opinion of the Directors, the Company's performance in the year was satisfactory. Growth in Fixed Income continues with strong net inflows of Assets Under Management ('AUM'), particularly from European investors, and the successful launch of four further European Collateralised Loan Obligations ('CLOs'), with a total number now of fifteen European CLOs. Real Estate continues to expand and develop its fund management business. The Directors expect both principal asset classes to continue to grow in 2019.

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

The Company also provides Asset Management services for other asset classes.

During the year, the Company borrowed €207.9m from PGIM Foreign Investment Inc, an affiliated company within the Prudential Financial Inc Group and these amounts were utilised to reduce the amount due to its parent PGIM Financial Limited. In addition, the capital in the Company was increased by £27m by the issue of additional shares to its parent PGIM Financial Limited.

Strategic Investing

In support of its investment management services the Company is also required to co-invest in CLOs and collective investment schemes alongside third-party investors. During the year, the Company 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 9 to the financial statements. These are made up of Financial assets at fair value through profit or loss £27.2m (1 Jan 2018 restated £17.8m) and Financial assets at amortised cost £271.1m (1 Jan 2018 restated £201.2m).

Strategic Report *(continued)*

Key Performance Indicators

The Company's principal measure of performance is profitability. The financial statements show results for the year as set out below:

	2018	2017
	£	£
Total Revenue	**135,286,094**	120,285,295
Profit before tax	**20,944,018**	7,825,999
Taxation	**(3,992,908)**	(1,517,091)
Profit for the financial year	**16,951,110**	6,308,908

As well as overall Company profitability, the Directors consider Assets Under Management, including assets managed under sub-advisory agreements for the principal business lines to be a key measure of performance.

	2018	2017
	£bn	£bn
Assets Under Management		
Real Estate	**3.0**	3.0
Fixed Income	**31.5**	26.3

PRINCIPAL RISKS AND UNCERTAINTIES

The Directors continually assess the risks faced by the Company and believe that its principal risk is business risk which is defined as the Company's failure to meet its strategic objectives through significant market movements or other external factors. The Company's approach to managing business risk is to closely monitor market and other movements in the business environment and amend its strategy where necessary. In addition to business risk the Company faces other significant risks which are outlined below.

Market Risk

The Company is exposed to market risks, in the form of foreign exchange risk, interest rate risk and pricing risk arising from the market value of subordinated tranches for all CLOs. 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 in currencies other than sterling, the Company utilises forward foreign exchange contracts to mitigate this risk. The Company is exposed to interest rate risk through its holdings of floating rate loan notes in certain CLOs. The Company is also subject to market risk on the fair value of the subordinated tranches for all CLOs, however, neither price risk nor interest rate risk are considered material at this stage.

Strategic Report *(continued)*

Credit Risk

Credit risk arises mainly from cash and cash equivalents and from receivables from third parties, including balances with other affiliated companies and CLOs. The Company's approach to managing this risk is to hold cash with large, systemically important banks and to monitor and arrange settlement of receivable balances and non affiliated balances with third parties on a timely basis. The Company holds capital against potential losses on its CLO investments. The Company is supported by its parent company against losses on CLOs.

Liquidity Risk

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

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 Company 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.

By order of the Board

M. G. Fresson
Company Secretary
28 March 2019

Directors' Report

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

PGIM 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 Company's immediate parent company is PGIM Financial Limited which in turn is a subsidiary of PGIM Inc. ("PGIM"), a Company incorporated in the United States. PGIM Inc. is itself a subsidiary of Prudential Financial Inc., 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.

Going concern

The Company is in a net current liability position and PGIM Financial Limited, its parent company, would be in a position to support the Company if the need arose. Consequently, the financial statements have been prepared on a going concern basis.

Directors

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

R. Amabile	
P. M. Barrett	
J. P. Butler	
H. C. Day	
M. R. Crowther	
M. L. Fioramonti	Resigned 6 August 2018
M. G. Fresson	Appointed 6 April 2018
R. Greenwood	
A.J.S. Macland	
E. Samson	
S. Saperstein	

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).

Future outlook and events after the Balance Sheet date

The Company will continue to look to expand its two principal business lines, PGIM Real Estate and PGIM Fixed Income. At year end, the Company contributed £2.5m (€2.8m) towards its warehouse investment in Dryden 69 Euro CLO which is expected to launch in 2019. The Company is examining further opportunities in collateralised loan obligations.

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 Company's website:

www.pgim.com/links/terms-conditions

Political donations

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

Directors' Report *(continued)*

Financial instruments

The Company holds certain financial instruments. Additional information on the Company's financial instruments can be found in note 11 to the financial statements. The Strategic Report has further information on the financial risk management strategies employed by the Company.

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

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

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' Report *(continued)*

Directors' confirmations

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

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent Auditors

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

By order of the Board

M. G. Fresson
Company Secretary
28 March 2019

Independent Auditors' Report to the Members of PGIM Limited

Report on the Audit of the Financial Statements

Opinion

In our opinion, PGIM Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Statement of Financial Position as at 31 December 2018; the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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 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 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.

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on 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 Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the Financial Statements and the Audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 8 the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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.

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

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other Required Reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Sonia Copeland (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
28 March 2019

Income Statement
for the year ended 31 December 2018

	Note	2018 £	2017 £
Management fees and other revenue	3	**131,024,909**	120,285,295
Interest Income on Financial Assets at Amortised Cost	3	**4,261,185**	-
Total Revenue		**135,286,094**	120,285,295
Administrative expenses		**(118,900,297)**	(112,307,484)
Other gains(losses)	4	**5,720,945**	-
Operating profit	5	**22,106,742**	7,977,811
Finance income	7	**63,843**	3,653
Finance expense	7	**(1,226,567)**	(10,364)
Net finance expense		**(1,162,724)**	(6,711)
Realised losses		**-**	(145,101)
Profit before tax		**20,944,018**	7,825,999
Income tax expense	8	**(3,992,908)**	(1,517,091)
Profit for the financial year		**16,951,110**	6,308,908

All amounts are from continuing operations. The notes on pages 17 to 42 are an integral part of these financial statements.

Statement of Comprehensive Income

for the year ended 31 December 2018

	Note	**2018** **£**	2017 £
Profit for the financial year		**16,951,110**	6,308,908
Other comprehensive income/(expense): *Items that may be reclassified to profit or loss*			
Available for sale financial assets – net change in fair value	*9*	-	(436,234)
Other comprehensive (expense)/income net of income tax		-	(436,234)
Total comprehensive income for the year		**16,951,110**	**5,872,674**

The notes on pages 17 to 42 are an integral part of these financial statements.

Statement of Financial Position
as at 31 December 2018

	Note	2018 £	2017 £
Assets			
Non-current assets			
Investments available for sale	*9*	-	218,987,529
Financial assets at fair value through profit or loss	*9(a)*	**27,143,488**	-
Financial assets at amortised cost	*9(b)*	**271,140,655**	-
		298,284,143	218,987,529
Current assets			
Trade and other receivables	*12*	**52,446,302**	62,381,393
Cash and cash equivalents	*13*	**29,728,322**	16,973,157
Financial assets at fair value through profit or loss	*9*	**2,543,533**	-
		84,718,157	79,354,550
Current liabilities			
Trade and other payables	*14*	**(102,608,504)**	(247,062,600)
Net current liabilities		**(17,890,347)**	(167,708,050)
Total assets less current liabilities		**280,393,796**	51,279,479
Non-current liabilities			
Trade and other payables	*14*	**(3,000,000)**	(3,000,000)
Loans and borrowings	*15*	**(186,648,888)**	-
Net assets		**90,744,908**	48,279,479
Capital and reserves			
Called up share capital	*17*	**50,700,000**	23,700,000
Capital contribution reserve	*18*	**400,000**	400,000
Fair value reserve	*21*	-	(1,606,063)
Profit and loss account		**39,644,908**	25,785,542
Total equity		**90,744,908**	48,279,479

The notes on pages 17 to 42 are an integral part of these financial statements.

The financial statements on pages 13 to 42 were approved by the Board and were signed on its behalf on 28 March 2019 by:

M. G. Fresson
Director

Registered number 3809039

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

	Called up share capital	Capital contribution reserve	Fair value reserve	Profit and loss account	Total equity
	£	£	£	£	£
Balance at 1 January 2017	**23,700,000**	**400,000**	**(1,169,829)**	**19,476,634**	**42,406,805**
Profit for the financial year	-	-	-	6,308,908	6,308,908
Other Comprehensive Income/(Expense) Available For Sale financial assets-net change in fair value	-	-	(436,234)	-	(436,234)
Total Comprehensive Income	-	-	(436,234)	6,308,908	5,872,674
Shares issued	-	-	-	-	-
Balance at 31 December 2017	**23,700,000**	**400,000**	**(1,606,063)**	**25,785,542**	**48,279,479**
IFRS 9 amortised cost adjustment: Adjustment to restate Available For Sale financial assets at fair value	-	-	(2,221,300)	649,852	(1,571,448)
Adjustment to restate Available For Sale financial assets at fair value through profit and loss	-	-	3,827,363	(3,827,363)	-
Restated balance at 1 January 2018	**23,700,000**	**400,000**	**-**	**22,608,031**	**46,708,031**
Profit for the financial year	-	-	-	16,951,110	16,951,110
Other Comprehensive Income/(Expense) Share option reserve	-	-	-	-	-
Total Comprehensive Income	-	-	-	16,951,110	16,951,110
Shares issued	27,000,000	-	-	-	27,000,000
Equity settled share based payments	-	-	-	85,767	85,767
Balance at 31 December 2018	**50,700,000**	**400,000**	**-**	**39,644,908**	**90,744,908**

The notes on pages 17 to 42 are an integral part of these financial statements.

Notes to the financial statements *(forming part of the financial statements)*

1. General information

The Company is a wholly owned subsidiary of PGIM Financial Limited and of its ultimate parent, Prudential Financial Inc. The Company and all PGIM Financial Limited subsidiaries comprise the PGIM Financial Limited Group (the 'Group'). The results of PGIM Limited are consolidated with PGIM Financial Limited and of Prudential Financial Inc., both of which are publicly available. PGIM Financial Limited's financial statements are available at Grand Buildings, 1-3 Strand, Trafalgar Square, London WC2N 5HR. Prudential Financial Inc. is the ultimate controlling party and its financial statements are available at 751 Broad Street, Newark, NJ 07102.

2. Summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these financial statements to the extent they have not already been disclosed in the other notes. These policies have been consistently applied to all the years presented, unless otherwise stated.

(i) Basis of preparation

The Company has prepared its financial statements in accordance with *Financial Reporting Standard 101-Reduced Disclosure Framework ('FRS 101')*. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial instruments measured at fair value through profit or loss,and in accordance with the Companies Act 2006 as applicable to companies using FRS 101. The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(ii) Historical cost convention

The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006 as applicable to companies using FRS 101.

(iii) New and amended standards adopted by the Company

The Company has applied the following standards and amendments for the first time for its annual reporting period commencing 1 January 2018:

- IFRS 9, 'Financial Instruments';
- IFRS 15, 'Revenue from Contracts with Customers'.

The Company had to change its accounting policies and make certain retrospective adjustments following the adoption of IFRS 9. This is disclosed in note 2(d).

(iv) Going concern

The Company has sufficient cash reserves, is currently profitable and, in line with forecasts, is expected to continue making profits into the future. However, the Company is in a net current liability position and PGIM Financial Limited, its parent company, has confirmed that it would be in a position to support the Company if the need arose. Consequently, the financial statements have been prepared on a going concern basis.

a) Exemptions for qualifying entities under FRS 101

FRS 101 allows a qualifying entity certain disclosure exemptions. The Company is a member of the PGIM Financial Limited and Prudential Financial Inc. Groups both of which prepare consolidated, publicly available financial statements. As a result the Company has taken advantage of the following disclosure exemptions under FRS 101:

Notes to the financial statements *(continued)*

2. Accounting policies (continued)

(a) the requirement in paragraph 38 of IAS 1 '*Presentation of Financial Statements*' to present comparative information in respect of:
   (i) Paragraph 79(a)(iv) of IAS 1 to prepare a reconciliation of share capital at the beginning and end of the period;
   (ii) Paragraph 118(e) of IAS 38 *Intangible Assets* to prepare a reconciliation between the carrying amount at the beginning and end of the period for each class of intangible asset;

(b) the requirements of IAS 7 *Statement of Cash Flows* to present a cash flow statement for the Company;
(c) the requirements of the following paragraphs of IAS 1:
   (i) 10(d) to prepare a statement of cash flows,
   (ii) 16 to make an explicit statement of compliance with all IFRSs,
   (iii) 38(a) to present a minimum of two primary statements, including cash flow statements,
   (iv) 38(b-d) to present additional comparative information, including note disclosures for the third statement of financial position, and
(d) 111 to present cash flow information, such as the ability to generate cash; the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 *Impairment of Assets* to present estimates used to measure recoverable amount of cash-generating units containing goodwill or intangible assets with indefinite useful lives;
(e) the requirements of paragraphs 30 and 31 of IAS 8 *Accounting policies, changes in accounting estimates and errors* to present the disclosure information when an entity has not applied a new IFRS that has been issued but is not yet effective);
(f) the requirements of paragraph 17 of IAS 24 *Related party disclosures* to disclose key management personnel compensation in total and for all applicable categories; and
(g) The requirements of IAS 24 *Related party disclosures* to disclose related parties transactions entered into between two or more members of a group.

(b) Foreign Currencies

Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the 'functional currency'). The Company's functional and presentational currency is Pounds Sterling (£).

Foreign Currency Transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Company 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.

Notes to the financial statements *(continued)*

2. Accounting policies (continued)

(c) *Significant estimates and judgements*

The preparation of the financial statements in conformity with FRS 101 requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

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

- The 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 Company 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 Company 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.

(d) *New standards adopted by the Company*

Changes in accounting policy

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 liabilities, 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.

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 Company has adopted the simplified approach to trade receivables that do not contain a significant financing component and the Company 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.

Notes to the financial statements *(continued)*

2. Accounting policies (continued)

i) Classification

From 1 January 2018 (the date of the initial application of IFRS 9), the Company 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 Company reclassifies debt investments when and only when its business model for managing those assets changes.

The Company'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.

ii) Measurement

At initial recognition, the Company 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 Company's business model for managing the asset and the cash flow characteristics of the asset. The Company 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.

iii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Company 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 Company has transferred substantially all the risks and rewards of ownership.

iv) 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's significant assets that are subject to IFRS 9's new expected credit loss model are trade and other receivables, including intercompany 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)

v) 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 31 Dec 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	-	-	(1,571,448)
Restated Balance 1 January 2018 - IFRS 9	17,829,419	-	199,586,662

The impact of these changes on the Company'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.

Notes to the financial statements *(continued)*

2. Accounting policies (continued)

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* £
Opening balance	(1,606,063)	25,785,542
Reclassify investments from Available For Sale to Amortised Cost	(2,221,300)	649,852
Reclassify investment from Available For Sale to FVPL	3,827,363	(3,827,363)
Restated Balance I January 2018- IFRS 9	-	22,608,031

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 3.

(e) Revenue

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

Under IFRS 15, these fees were assessed under the five steps to recognising revenue. The Company 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.

Notes to the financial statements *(continued)*

2. Accounting policies (continued)

(e) Revenue (continued)

The Company receives investment income from the CLOs based on the investment share the Company 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.

(f) Other gains/(losses)

As disclosed in note 9 the Company is also required to co-invest in CLOs alongside third-party investors.

The Company 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.

(g) Taxation

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.

(h) Interest receivable and interest payable

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

(i) Trade and other receivables

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

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost less provision for impairments. The company has applied the simplified approach to measuring expected credit losses for trade and other receivables and the Company will measure lifetime credit losses at all times for trade and other receivables.

Notes to the financial statements *(continued)*

2. Accounting policies (continued)

(j) Cash and cash equivalents

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. While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

(k) 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 to 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 Company has an unconditional right to defer settlements of the liability for at least 12 months after the reporting date.

(l) Creditors

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

(m) Share-based payments

The Company participates in the ultimate parent Prudential Financial Inc.'s ("PFI") share-based incentive schemes, for Stock Options and Restricted Stock Units. The Company recognises an expense based on the fair value of the options granted. This cost is spread over the three-year vesting period for each grant. These amounts have been included in employee costs for the period with corresponding amounts included in equity. Disclosures for the scheme have been provided in note 16 to the financial statements.

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

(n) Financial assets and liabilities

The Company has adopted the amortised cost model for CLOs that are categorised into junior and senior tranches. Each tranche is assessed under the solely principal and interest payments (SPPI) test and business model tests. The subordinated tranches, due to their position in the CLO structure, are more exposed to the credit risk of the other tranches and therefore do not pass the SPPI test. These are therefore treated as fair value through profit or loss (FVTPL).

Prior to 1 January 2018, all CLOs were classified as Available for Sale investments with gains/(losses) in Fair Value reported in OCI. Refer to note 2(d) for details.

(o) Administrative expenses

Administrative expenses are comprised of costs incurred by the Company. These are recognised on an accrual basis.

Notes to the financial statements (continued)

3. Management fees and other revenue

Prior to 1 January 2018, interest income on Available for Sale investments was classified in revenue. Following the adoption of IFRS 9, the CLOs were reclassified from Available for Sale to either Financial Assets at Amortised Cost or Financial Assets at Fair Value through Profit or Loss, as discussed in note 2. From 1 January 2018, Interest Income on Financial Assets at Amortised Cost is classified in Revenue below. Interest Income on Financial Assets at Fair Value through Profit or Loss is classified in Other gains/(losses).

	2018	2017
	£	£
Fees charged to parent company and fellow subsidiaries	**67,028,161**	64,732,243
Management fees received and receivable from third parties and affiliated companies	**63,996,748**	48,711,812
Interest income on Available for Sale investments	**-**	6,841,240
	131,024,909	120,285,295
Interest income on Financial Assets at Amortised Cost	**4,261,185**	-
Total Revenue	**135,286,094**	120,285,295

Revenue classified by geographical office, is analysed as follows:

	2018	2017
	£	£
London	**133,644,601**	119,269,537
Munich	**1,641,493**	1,015,758
Total	**135,286,094**	120,285,295

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 £3,090,340 and was classified in Interest Income on Available for Sale.

4. Other gains/(losses)

Gains/(losses) on sale of Available for Sale Investments were previously classified separately on the Income Statement as Realised gains/(losses). From 1 January 2018, Gains/(losses) on sale of Financial Assets at Amortised Cost is classified in Other gains/(losses).

	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 in Revenue.

Notes to the financial statements (continued)

5. Operating profit

	2018 £	2017 £
Operating profit is stated after charging/(crediting):		
Employment costs		
Wages and salaries	911,312	585,060
Share based payments (Note 16)	46,229	37,207
Social security costs	32,526	7,868
Staff costs	990,067	630,135
Fees payable to Company's auditor in respect of:		
- audit of the Company's financial statements	117,095	90,132
- audit related assurance services	3,500	3,500
Management recharge from parent companies	93,281,731	88,788,083
Foreign exchange loss/(gain)	(253,549)	(383,642)

The monthly average number of persons employed by the Company is analysed below:

	2018 Number	2017 Number
By activity:		
Investment advisers	4	2

6. Directors' remuneration

	2018 £	2017 £
Aggregate emoluments	6,042,443	5,630,934
Aggregate amounts (excluding shares) receivable under long term incentive schemes	1,249,293	918,534
Contributions to pension schemes	93,842	26,007
	7,385,578	6,575,475
Remuneration of the highest paid Director		
- aggregate emoluments	1,867,536	2,311,899
- contributions to pension scheme	10,000	-
	1,877,536	2,311,899

The value of awards receivable by the highest paid Director under long-term incentive schemes is £270,886 (2017: £394,841). Seven Directors received Restricted Stock Units and/or Options during the year (2017: six). Five Directors are members of the defined contributions scheme operated for the benefit of all eligible employees of the PGIM Financial Limited group (2017: six). The highest paid Director did not have any accrued UK defined benefit plan entitlements at the end of the year (2017: £nil). The highest paid Director did not exercise any options during the year (2017: £nil).

Notes to the financial statements *(continued)*

6. Directors' remuneration (continued)

The emoluments of all the Directors of the Company are paid by the Company's parent, PGIM Financial Limited with the exception of R. Greenwood, E. Samson and S. Saperstein, who are paid by PGIM Inc., the parent company of PGIM Financial Limited. No recharge is made to the Company for these emoluments as the Directors do not receive any remuneration for their services as Directors of the Company and consequently their remuneration has been excluded from the analysis above.

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.

7. Finance income and expense

	2018	2017
	£	£
Finance income		
Interest income from third parties	**63,843**	3,653
	63,843	3,653
Finance expense		
Bank charges	**(3,306)**	(10,364)
Interest expense from third parties	**(12,645)**	-
Loan interest payable to Group affiliates	**(1,210,616)**	-
	(1,226,567)	(10,364)

8. Income tax expense

	2018	2017
	£	£
Recognised in the Income Statement		
Total current tax		
Current year	**3,979,363**	1,506,504
Overseas taxes on the profit of the year	**36,940**	29,543
Double tax relief on overseas profit	**(23,395)**	(18,956)
Tax on profit on ordinary activities	**3,992,908**	1,517,091

No income tax is recognised in Other Comprehensive Income.

The tax expense for the year is higher (2017: higher) as the standard rate of corporation tax in the United Kingdom for the year ended 31 December 2018 of 19% (2017: 19.25%). The difference is explained in the table below.

Notes to the financial statements *(continued)*

8. Income tax expense (continued)

	2018	2017
	£	£
Profit before tax	**20,944,018**	7,825,999
Profit multiplied by standard rate of corporation tax in UK 19% (2017: 19.25%)	**3,979,363**	1,506,504
Effect of:		
Overseas taxes on the profit of the year	**36,940**	29,543
Double tax relief on overseas profit	**(23,395)**	(18,956)
Total tax charge	**3,992,908**	1,517,091

The standard rate of corporation tax is 19%. The Company's profits for this accounting period are taxed at an effective rate of 19% (2017: 19.25%). From April 2017 there was a reduction in the rate of corporation tax from 20% to 19%. From April 2020 there will be a reduction in the rate of corporation tax from 19% to 17%. The Directors consider that the tax charge in future years will be affected by movements to the corporation tax rate.

The Company made a payment on account of £1,932,566 (2017: £1,145,785) during 2018 relating to the expected tax liability. The total tax charge was £3,992,908 (2017: £1,517,091). This resulted in a payable tax balance of £3,032,429 (2017: £973,442).

9 Investments

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
Disposal	(6,847,456)	(37,008,901)
Movement in fair value due to foreign exchange gains/(losses)	42,961	6,245,013
Warehouse net interest gain transferred to P&L	-	-
Realised loss	-	(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 £1,571,448 to appropriately reflect their Amortised Cost balance at 1 January 2018.

Notes to the financial statements *(continued)*

9(a) Financial assets at fair value through profit or loss

The Company 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).

Non-current Assets

Analysis of movements:	Collateralised Loan Obligations £
At 1 January 2018	17,829,419
Additions	7,801,485
Movement in fair value due to foreign exchange gains/(losses)	257,960
Gains/(losses) on Financial assets at fair value through profit or loss	1,254,624
At 31 December 2018	27,143,488

Current Assets

Analysis of movements:	Warehouse £
At 31 December 2017	-
Additions	8,618,339
Disposal	(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 Company contributed £2.5m (€2.8m) towards its warehouse investment in Dryden 69 Euro CLO, which is expected to close by mid-2019.

9(b) Financial assets at amortised cost

The Company classifies its financial assets 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 1 January 2018	201,158,110
IFRS 9 adoption changes (Note 2)	(1,571,448)
At 1 January 2018	**199,586,662**
Additions	118,612,284
Disposals	(49,949,750)
Repayment of financial assets	(299,195)
Movement in fair value due to foreign exchange rate	2,739,661
Realised gains on sale of investment	394,972
Amortisation charges	56,021
At 31 December 2018	271,140,655

Notes to the financial statements *(continued)*

9(b) Financial assets at amortised cost (continued)

For financial assets, a 12-month ECL model was used to calculate the estimated expected credit loss for the 12 months subsequent to the balance sheet date based on a probability weighted range of expected outcomes. The expected credit loss was immaterial, which would have otherwise been recognised in the Income Statement. Due to the waterfall structure in the CLOs, the sub tranches are more exposed to credit losses than 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).

9. Investments (continued)

Investments in Collateralised Loan Obligations

The Company's investments in collateralised loan obligations ('CLOs') are held as Financial assets at fair value through profit and loss or Financial assets at amortised cost.

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 CLO investments in various fixed income products, principally traded bank loans and bonds. The Company'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, the Company, 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:

	Maturity	Carrying value / Maximum exposure to loss
Non-current assets:		
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 GBP CLO 2018 B.V.	2032	16,284,677
Dryden 66 Euro CLO 2018 B.V.	2032	18,306,929
Total investments		**298,284,143**

Notes to the financial statements *(continued)*

9. Investments (continued)

At 31 December, the following Company balances relate to the Company'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 investment	**298,284,143**	218,987,529
Maximum exposure to loss		
The investment comprises loan notes independently rated as follows; (Standard and Poor's / Moody's)		
AAA / Aaa	**174,609,610**	127,688,681
AA+ / Aa1	**2,423,481**	6,902,611
AA / Aa2	**32,964,875**	20,156,295
AA- /Aa3		-
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
B- / B3	**-**	-
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 Company from affiliates to purchase the investments, are predominantly in Euros. Where Euro purchases have been only partially funded by Euro borrowing the Company is exposed to currency movements against the Company's functional currency, Sterling. Where exposures are considered material the Company has utilised hedging strategies, principally forward currency contracts to mitigate the exposure.

10. Interests in unconsolidated entities

The Company invests in unconsolidated structured entities. Please refer to note 9 above for further details. The Company's exposure to these interests is detailed below.

Investment Type	Financial Investment (£m)	Total assets under management (£m)	Management fee income (£m)
2018			
CLO	**298.3**	**5,723**	**29.6**
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.

Notes to the financial statements *(continued)*

10. Interests in unconsolidated entities (continued)

The Company 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 Company are included in note 19.

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

Other interests in structured entities

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

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

2018	Assets under management £million	Investment management fees earned £million
Collective investment schemes	1,937	5.7
Institutional investors	11,417	33.5
2017		
Collective investment schemes	1,914	7.3
Institutional investors	10,682	31.1

11. 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 Company 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 Company 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 Company, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments.

The Company 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.

Notes to the financial statements *(continued)*

11. Fair value of financial instruments (continued)

Level 3: Valuation techniques based on 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 instrument.

	Level 1 £	Level 2 £	Level 3 £	Total £
2018				
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				
Financial assets at Available For Sale				
Unconsolidated structured entities	-	-	218,987,529	218,987,529
Total	**-**	**-**	**218,987,529**	**218,987,529**

The Company has concluded that its investments in CLOs are appropriately considered as Level 3 financial instruments based on the illiquidity of trading and the lack of reliable market valuations for those investments.

Level 3 Roll Forward Table

	Unconsolidated structured entities - CLOs £
Opening balance at 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 gains/(losses)	257,960
Financial assets at fair value to profit or loss	1,254,624
Closing balance at 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.

Notes to the financial statements *(continued)*

11. Fair value of financial instruments (continued)

Valuation inputs and relationships to fair value

2017

Description	Fair value at 31 December 2017 £	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.

12. Trade and other receivables

	2018 £	2017 £
Current		
Amounts due from Group affiliates	**34,153,122**	45,490,458
Receivables from related parties	**8,221,189**	4,801,544
Trade receivables	**803,829**	3,186,662
Accrued income	**9,089,934**	7,949,965
Other receivables	**72,154**	876,214
Prepayments	**106,074**	76,550
	52,446,302	62,381,393

Amounts included within amounts due from Group affiliates are interest free, unsecured and repayable on demand.

The Company has not suffered any losses because of trade debtor or counterparty defaults during the year (2017: £nil). The Company applies the IFRS 9 simplified approach to measuring expected credit losses 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.

13. Cash and cash equivalents

	2018 £	2017 £
Cash and cash equivalents	**29,728,322**	16,973,157

The Company'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.

Notes to the financial statements *(continued)*

14. Trade and other payables

	2018	2017
	£	£
Current		
Amounts owed to Group affiliates	**97,571,851**	244,435,851
Trade payables	**66,661**	-
Loan interest payable to Group affiliates	**328,907**	-
Other payables	**870,942**	1,104,730
Tax payable	**3,032,429**	973,442
Non-trade payables and accrued expenses	**737,714**	548,577
	102,608,504	247,062,600
Non-current		
Amount owed to Group affiliates	**3,000,000**	3,000,000

Amounts included in amounts owed to Group affiliates are interest free, unsecured and repayable on demand.

Amounts falling due after more than one year relate to a loan taken out from the Company's parent, PGIM Financial Limited. The amount of £3,000,000 (2017: £3,000,000) due to PGIM Financial Limited, the parent of the Company, represents a perpetual non-interest bearing loan and forms part of the Tier 2 regulatory capital of the Company.

15. 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, the following loans were taken out: £104.0m (€115.9m) in May, £32.3 (€36.0m) in July and £50.3 (€56.0m) in December 2018.

2018

Lender	Loan Amount (€)	Loan Amount (£)	Maturity	Interest rate
Non-Current				
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	32,313,078	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%
	207,945,526	**186,648,888**		

The Company did not have any borrowings in 2017.

Notes to the financial statements *(continued)*

16. Employee benefits

Share based payments

Restricted stock units

A restricted stock unit is an unfunded, unsecured right to receive a share of Prudential Financial Inc.'s Common Stock at the end of a specified period of time, which is also subject to forfeiture and transfer restrictions. The restrictions on restricted stock units will lapse on the third anniversary of the date of grant. The number of units is determined over the performance period, and may be adjusted based on the satisfaction of certain performance goals.
The following table summarises restricted stock award activity for the year ended 31 December 2018:

Non-vested Shares	Number of Shares	Weighted Average Grant-Date Fair Value £
At 1 January, 2017	**693**	43.87
Granted	**617**	88.60
Vested	-	-
At 31 December, 2017	**1,310**	64.94
Granted	**769**	76.95
Vested	-	-
At 31 December, 2018	**2,079**	69.38

The Company recorded an expense of £46,229 (2017: £37,207) in share-based payments, related to restricted stock units, during the year ended 31 December 2018. The amount relating to the acquisition of shares from the ultimate Parent company to satisfy this obligation upon vesting is recognised in Retained Earnings in the Statement of Changes in Equity

17. Called up share capital

	2018 £	2017 £
Allotted, issued and fully paid: ordinary shares of £1 each		
At 1 January	**23,700,000**	23,700,000
Issued in the year	**27,000,000**	-
At 31 December	**50,700,000**	23,700,000

18. Capital contribution reserve

	2017 £	2017 £
At 31 December	**400,000**	400,000

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

Notes to the financial statements *(continued)*

19. Financial risk management

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

Risk management framework

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

The Company's risk management policies are established to identify and analyse the risks faced by the Company, 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 Company's activities. The Company, 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 Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The ultimate parent's Internal Audit team undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

(a) Credit risk

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

The Company regularly monitors and reviews its credit risk. The Company's most significant credit risk arises on its investment in CLOs. The Company 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 10). Furthermore, the Company is the collateral manager of the CLOs in which it invests and is therefore able to adequately monitor those investments for impairments. 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.

A significant portion of the Company's counterparties are affiliated entities or investment vehicles for which the Company performs managerial services and has oversight of the records of those vehicles. As a result the Company is well placed to identify potential credit risk issues and respond accordingly. For counterparties where the Company does not have such a relationship, the Company, 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.

Notes to the financial statements *(continued)*

19. Financial risk management (continued)

(a) Credit risk

The Company has not suffered any losses as a result of trade receivables or counterparty defaults during the year (2017: £nil) and based on the Expected Credit Loss model the loss is immaterial.

2018

	0-30 days	30-90 days	90 days+	Total
	£	£	£	£
Trade receivables	-	794,968	8,861	803,829

2017

	0-30 days	30-90 days	90 days+	Total
	£	£	£	£
Trade receivables	-	2,998,756	187,906	3,186,662

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

(b) Liquidity risk

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

The Company manages its liquidity on a daily basis to ensure that it has sufficient cash or highly liquid assets available to meet its liabilities. It is the Company'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.

The table below reflects the age profile of payables:

At 31 December 2018	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount liabilities
	£	£	£	£	£	£
Amounts owed to Group affiliates	97,833,850	-	-	3,000,000	100,833,850	100,833,850
Trade payables	66,661				66,661	66,661
Other payables	4,379,086	-	-	-	4,379,086	4,379,086
Borrowing incl interests	328,907	2,386,529	39,472,665	167,270,663	209,458,763	186,977,795
Total	102,608,504	2,386,529	39,472,665	170,270,663	314,738,360	292,257,392

Notes to the financial statements *(continued)*

19. Financial risk management (continued)

Liquidity risk

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
	£	£	£	£	£	£
Amounts owed to Group affiliates	244,435,851	-	-	3,000,000	247,435,851	247,435,851
Other payables	2,078,172	-	-	-	2,078,172	2,078,172
Non-trade payables and accrued expenses	548,577	-	-	-	548,577	548,577
Total	247,062,600	-	-	3,000,000	250,062,600	250,062,600

(c) Market risk

Market risk - Foreign currency risk

Foreign currency risk is the risk that the Company will sustain losses through adverse movements in foreign currency exchange rates.

The Company is exposed to foreign currency risk through its exposure to non-GBP income, expenses, assets and liabilities of its overseas subsidiaries as well as net assets and liabilities denominated in a currency other than GBP. The primary currency that is used is GBP, with some transactions conducted in Euro and US Dollars. As the main currency used is GBP the Company does not see this as a significant risk, as any movements are not expected to have a material effect on the net assets.

Market risk – Interest rate risk

Interest rate risk is the risk that the Company will sustain losses from adverse movements in interest rates, either through a mismatch of interest-bearing assets and liabilities, or through the effect such movements have on the value of interest-bearing instruments.

The Company is primarily exposed to interest rates on investments held in collateralised loan obligations. This exposure is monitored by management on a continuous basis but is not expected to have a material effect on Company results.

Market risk – Pricing risk

Pricing risk is the risk that the Company will sustain losses from adverse movements in market prices of Company assets.

The Company is primarily exposed to movements on the market values of investments in collateralised loan obligations. These investments are structured as loan notes which the Company expects to hold to maturity and so the Company's focus is primarily on the credit risk associated with recovery of principal amounts on expiry of the loan notes.

Notes to the financial statements *(continued)*

19. Financial market risk management (continued)

The sensitivities to market risk as at 31 December 2018 are estimated below

	Effect on profit for the year	Effect on other comprehensive income	Effect on net asset
	£ 000s	£ 000s	£ 000s
2018			
Foreign Currency risk - +/- 5 % change in €:£ rate	1,491	-	1,491
Interest Rate risk - + 50 basis point change in 3 month Euro Libor rate	338	-	338
Interest Rate risk - - 50 basis point change in 3 month Euro Libor rate	-	-	-
Interest Rate risk - + 50 basis point change in 6 month Euro Libor rate	56	-	56
Interest Rate risk - - 50 basis point change in 6 month Euro Libor rate	168	-	168
Pricing risk - +/- 5 % change in market value	-	14,914	14,914
2017			
Foreign Currency risk - +/- 5 % change in €:£ rate	1,095	-	1,095
Interest Rate risk - +/- 50 basis point change in 6 month Euro Libor rate	767	-	767
Pricing risk - +/- 5 % change in market value	-	10,949	10,949

(d) Capital management

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

- ensure surplus capital in excess of its capital requirements is deployed appropriately, to protect the overall returns of the Company and with due consideration to the Company's liquidity; and
- ensure continued compliance with its capital requirements as outlined by the FCA.

The Company was successful in meeting its objectives during this and the previous financial year.

The Company's capital is represented by the Company's total equity as disclosed in the statement of changes in equity. As at 31 December 2018 this totalled £90,744,908 (2017: £48,279,479). The Company's objective when managing capital is to safeguard its ability to continue as a going concern in order to maintain a strong capital base to support the development of the business and provide returns for shareholders.

Notes to the financial statements *(continued)*

19. Financial risk management (continued)

FCA 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 included on the Group's website:

www.pgim.com/links/terms-conditions

These disclosures are unaudited.

20. Related parties

The Company's ultimate parent company is Prudential Financial Inc., a company incorporated in the United States of America. Related parties of the Company comprise the ultimate parent and other subsidiaries of the ultimate parent, principally PGIM Inc. (PGIM Inc.), for which the Company performs and receives Investment Advisory and Investment Management services. The Company is a wholly owned direct subsidiary of PGIM Financial Limited.

In addition the Company 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.

	Revenue charged to:		**Administrative expenses incurred from:**	
	2018	2017	**2018**	2017
	£	£	**£**	£
Affiliated companies	**34,729,953**	25,148,765	-	-
	34,729,953	25,148,765	-	-

	Receivables outstanding:		**Payables outstanding:**	
	2018	2017	**2018**	2017
	£	£	**£**	£
Affiliated companies	**8,221,189**	4,801,544	-	-
	8,221,189	4,801,544	-	-

Notes to the financial statements *(continued)*

21. Fair value reserve

	2018	2017
	£	£
At 1 January	**(1,606,063)**	(1,169,829)
Movement in the year due to changes in the fair value of investments Available For Sale	**-**	(436,234)
Reclassify investments from Available For Sale to Amortised Cost	**(2,221,300)**	-
Reclassify investments from Available For Sale to fair value through profit or loss	**3,827,363**	-
At 31 December	**-**	(1,606,063)

22. Commitments

The Company has committed 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.