PGIM

PGIM Limited

Annual report and financial statements

31 December 2017

Registered number 3809039

Contents

Officers and professional advisers

Directors

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

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
Mitre House
160 Aldersgate Street
London
EC1A 4DD

Strategic report

The Directors present their Strategic report for PGIM Limited (or the "Company") for the year ended 31 December 2017.

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 of eleven 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 2018.

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.

Strategic Investing

In support of its investment management services the Company is also occasionally 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 £219.0m (2016: £127.6m) and are analysed in more detail in note 8 to the financial statements.

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:

	2017	2016
	£	£
Revenue	120,285,295	82,432,398
Profit before tax	7,825,999	5,774,250
Taxation	(1,517,091)	(1,172,208)
Profit for the financial year	6,308,908	4,602,042

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.

	2017	2016
	£bn	£bn
Assets Under Management		
Real Estate	3.0	2.3
Fixed Income	26.3	20.5

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 Company 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 Company utilises various hedging strategies 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 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.

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.

By order of the board

M. G. Fresson
Company Secretary
28 March 2018

Directors' report

The Directors present their Annual report and audited financial statements of the Company for the year ended 31 December 2017.

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. L. Fioramonti
R. Greenwood
M. Lillard
A.J.S. Macland
E. Samson
S. Saperstein
M. R. Crowther (appointed 3 October 2017)

Proposed dividend

No interim dividends were paid in the year (2016: £nil). The Directors do not recommend the payment of a final dividend (2016: £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. The Company launched Dryden 56 Euro CLO 2017 B.V. on 20 December 2017 and 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 (2016: £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 8 and note 10 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

Brexit

Following the UK's vote to withdraw from the European Union on June 23, 2016, the Company convened a working group to assess the impact of Brexit on the firm's business. That working group has been analysing the options available for continuing the firm's various regulated activities within the EU. The Company has the benefit of other regulated affiliated entities located within the EU and the working group is assessing the ability to utilise these locations or the potential need for further EU regulated legal entities.

With no framework agreement in place or clear guidelines against which to fully analyse the implications of Brexit, the working group will continue to consider the Company's position by reference to the following objectives:

1. Create as little disruption as possible to the existing business set-up;
2. Maintain PGIM's ability to market its products into EU jurisdictions;
3. Were an EU office is required to be established, identify the EU jurisdiction with the most efficient regulatory and logistical requirements in order to achieve the above.

Whilst there is still a high degree of uncertainty regarding the final outcome of the political discussions between the UK and the EU the recent announcements regarding a potential transition period running through to 1 January 2021 are both noted and welcomed.

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 in respect of the financial statements

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

Directors' report *(continued)*

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 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.

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.

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 2018

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 2017 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 2017; the Income Statement and the Statement of Comprehensive Income for the year then ended, 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

We have nothing to report in respect of the following matters in relation to which 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.

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.

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 2017 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 in respect of the financial statements 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 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.

S Copeland

Sonia Copeland (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
28 March 2018

Income Statement
for the year ended 31 December 2017

	Note	**2017**	2016
		£	£
Revenue	3	**120,285,295**	82,432,398
Administrative expenses		**(112,307,484)**	(76,653,212)
Operating profit	4	**7,977,811**	5,779,186
Finance income	6	**3,653**	3,542
Finance expense	6	**(10,364)**	(8,478)
Net finance expense		**(6,711)**	(4,936)
Realised losses	8	**(145,101)**	-
Profit before tax		**7,825,999**	5,774,250
Tax expense	7	**(1,517,091)**	(1,172,208)
Profit for the financial year		**6,308,908**	4,602,042

All amounts are from continuing operations. The notes on pages 15 to 35 are an integral part of these financial statements.

Statement of Comprehensive Income
for the year ended 31 December 2017

	Note	**2017** **£**	2016 £
Profit for the financial year		**6,308,908**	4,602,042
Other comprehensive income/(expense): *Items that may be reclassified to profit or loss*			
Available For Sale financial assets – net change in fair value	*8*	**(436,234)**	469,324
Other comprehensive (expense)/income net of income tax		**(436,234)**	469,324
Total comprehensive income for the year		**5,872,674**	5,071,366

The notes on pages 15 to 35 are an integral part of these financial statements.

Statement of Financial Position
as at 31 December 2017

	Note	2017 £	2016 £
Fixed assets			
Investments	8	**218,987,529**	127,584,641
Current assets			
Trade and other receivables	11	**62,381,393**	18,894,418
Cash and cash equivalents	12	**16,973,157**	6,290,489
Investments	8	**-**	6,804,495
		79,354,550	31,989,402
Current liabilities			
Creditors: amounts falling due within one year	13	**(247,062,600)**	(114,167,238)
Net current liabilities		**(167,708,050)**	(82,177,836)
Total assets less current liabilities		**51,279,479**	45,406,805
Non-current liabilities			
Creditors: amounts falling due after more than one year	13	**(3,000,000)**	(3,000,000)
Net assets		**48,279,479**	42,406,805
Capital and reserves			
Called up share capital	15	**23,700,000**	23,700,000
Capital contribution reserve	16	**400,000**	400,000
Fair value reserve	19	**(1,606,063)**	(1,169,829)
Profit and loss account		**25,785,542**	19,476,634
Total equity		**48,279,479**	42,406,805

The notes on pages 15 to 35 are an integral part of these financial statements.

The financial statements on pages 11 to 35 were approved by the board of directors on 28 March 2018 and were signed on its behalf by:

A.J.S. Macland
Director

Registered number 3809039

Statement of Changes in Equity
for the year ended 31 December 2017

	Called up share capital £	Capital contribution reserve £	Fair value reserve £	Profit and loss account £	Total equity £
Balance at 1 January 2016	**11,400,000**	**400,000**	**(1,639,153)**	**14,874,592**	**25,035,439**
Profit for the financial year	-	-	-	4,602,042	4,602,042
Other Comprehensive Income/(Expense)					
Available For Sale financial assets-net change in fair value	-	-	469,324	-	469,324
Total Comprehensive Income	-	-	469,324	4,602,042	5,071,366
Shares issued	12,300,000	-	-	-	12,300,000
Balance at 31 December 2016	**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
Balance at 31 December 2017	**23,700,000**	**400,000**	**(1,606,063)**	**25,785,542**	**48,279,479**

The notes on pages 15 to 35 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. Accounting policies

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.

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, 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:

(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.

Notes to the financial statements *(continued)*

2. Accounting policies (continued)

(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 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.

(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.

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

- As disclosed in note 8, the Company holds investments in various collateralised loan obligations ('CLOs') for which it also performs collateral management services. The Company expects to receive a return on its investments in the CLOs as well as collateral management fees and performance fees.
- The Company has committed to hold these investments for the entire life of the CLOs. The Company has elected to classify the investments as available for sale investments. As a result the investments will be valued at fair value and the gains or losses on valuation taken through the Statement of Comprehensive Income.
- 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.

Notes to the financial statements *(continued)*

2. Accounting policies (continued)

(d) Revenue

The Company receives services agreement 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. In addition, the Company also receives investment income from the CLOs based on the investment share the Company holds.

All revenue, including interest income, is accounted for on an accruals basis, with the exception of performance fees and those fees which incorporate a performance related element for which entitlement is not certain. Performance fee revenue is received based on the performance of the managed assets and is accounted for when certain performance conditions are met as agreed. Fees which incorporate a performance related element are recognised at the end of the performance period when the fee crystallises.

As disclosed in note 9 the Company is also occasionally required to co-invest in CLOs alongside third-party investors in certain products managed by the Company. The Company co-invest in the European CLOs. Income from those investments is accounted for on an accruals basis where reliable estimates of income are available.

(e) Investments

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 impairment losses, are recognised in Other Comprehensive Income ("OCI") and accumulated in the fair value reserve. 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 and 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.

(f) 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.

(g) Interest receivable and interest payable

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

h) 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.

Notes to the financial statements *(continued)*

2. Accounting policies (continued)

(i) 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.

(j) Creditors

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

(k) 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.

(l) Administrative expenses

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

Notes to the financial statements (continued)

3. Revenue

	2017 £	2016 £
Fees charged to parent company and fellow subsidiaries	**64,732,243**	47,645,224
Investment income	**6,841,240**	4,444,067
Fees received and receivable from third parties	**48,711,812**	30,343,107
Total revenue	**120,285,295**	82,432,398

The revenue is accrued and earned in the United Kingdom.

Revenue classified by geographical office, is analysed as follows:

	2017 £	2016 £
London	**119,269,537**	81,666,922
Munich	**1,015,758**	765,476
Total	**120,285,295**	82,432,398

4. Operating profit

	2017 £	2016 £
Operating profit is stated after charging:		
Employment costs		
Wages and salaries	**585,060**	543,876
Share based payments (Note 14)	**37,207**	9,722
Social security costs	**7,868**	19,797
Staff costs	**630,135**	573,395
Fees payable to Company's auditor in respect of:		
- audit of the Company's financial statements	**90,132**	71,377
- audit related assurance services	**3,500**	3,500
Management recharge from parent companies	**88,788,083**	61,151,575
Foreign exchange (gain)/loss	**(383,642)**	(2,331,057)

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

	2017 Number	2016 Number
By activity:		
Investment advisers	**2**	1

Notes to the financial statements *(continued)*

5. Directors' remuneration

	2017	2016
	£	£
Aggregate emoluments	5,630,934	4,398,900
Aggregate amounts (excluding shares) receivable under long term incentive schemes	918,534	922,334
Contributions to pension schemes	26,007	84,248
	6,575,475	5,405,482
Remuneration of the highest paid director		
- aggregate emoluments	2,311,899	1,280,316
- contributions to pension scheme	-	21,165
	2,311,899	1,301,481

The value of awards receivable by the highest paid director under long-term incentive schemes is £394,841 (2016: £183,831). Six directors received Restricted Stock Units and/or Options during the year (2016: five). Six directors are members of the defined contributions scheme operated for the benefit of all eligible employees of the PGIM Financial Limited group (2016: six). The highest paid director did not have any accrued UK defined benefit plan entitlements at the end of the year (2016: £nil). The highest paid director did not exercise any options during the year (2016: £nil).

The emoluments of all the directors of the Company are paid by the Company's parent, PGIM Financial Limited with the exception of M. L. Fioramonti, R. Greenwood, M. Lillard, 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.

Notes to the financial statements *(continued)*

6. Finance income and expense

	2017	2016
	£	£
Finance income		
Interest income from third parties	3,653	3,542
Finance expense		
Bank charges	(10,364)	(8,478)

7. Tax on profit on ordinary activities

	2017	2016
	£	£
Recognised in the Income Statement		
Total current tax		
Current year	1,506,504	1,154,850
Overseas taxes on the profit of the year	29,543	34,716
Double tax relief on overseas profit	(18,956)	(17,358)
Tax on profit on ordinary activities	1,517,091	1,172,208

No income tax is recognised in Other Comprehensive Income.

The tax expense for the year was higher (2016: higher) than the standard rate of corporation tax in the United Kingdom for the year ended 31 December 2017 of 19.25 % (2016: 20%). The difference is explained in the table below.

Notes to the financial statements *(continued)*

7. Tax on profit on ordinary activities (continued)

	2017	2016
	£	£
Profit on ordinary activities before tax	**7,825,999**	5,774,250
Profit on ordinary activities multiplied by standard rate of corporation tax in UK 19.25% (2016: 20%)	**1,506,504**	1,154,850
Effect of:		
Overseas taxes on the profit of the year	**29,543**	34,716
Double tax relief on overseas profit	**(18,956)**	(17,358)
Total tax charge	**1,517,091**	1,172,208

The standard rate of corporation tax is 19%. The Company's profits for this accounting period are taxed at an effective rate of 19.25% (2016: 20%). 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 £1,145,785 (2016: £781,703) during 2017 relating to expected tax liability. The total tax charge was £1,517,091 (2016: £1,172,208). This resulted in a payable tax balance of £973,442 (2016: £628,065).

Notes to the financial statements *(continued)*

8. Investments

Analysis of movements:	Warehouse £	Collateralised Loan Obligations £
At 1 January 2016	**3,685,142**	**78,477,455**
Additions	27,636,089	53,282,528
Disposal	(26,266,619)	(16,378,272)
Movement in fair value due to foreign exchange rate	1,661,425	11,733,606
Warehouse net interest gain transferred to P&L	88,458	-
Movement in fair value transferred to equity	-	469,324
At 31 December 2016	**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 rate	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**

Investments in Collateralised Loan Obligations

The Company's investments in collateralised loan obligations ('CLOs') are held as 'Available for sale'.

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 movement in fair value transferred to equity is not permanent and is not considered permanent loss by the directors.

The newly launched CLOs additions of £81.4 (€92.9m) is made up of the purchase of new notes in Dryden 48, Dryden 51, Dryden 52 and Dryden 56, included in additions is an amount of £20.8m (€23.8m) related to the purchase of new notes in Dryden 27 following a reset of that CLO in May 2017. Also in additions is an amount of £20.5m (€23.3m) related to the purchase of new notes in Dryden 39 following a reset of that CLO in October 2017.

The Disposals of £20.7m (€23.5m) reflects the notes repaid in Dryden 27 and £16.3m (€18.6m) reflects the notes repaid in Dryden 39 following the reset in May and October.

Notes to the financial statements *(continued)*

8. Investments (continued)

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	20,782,211
Dryden 29 Euro CLO 2013 B.V.	2026	18,400,069
Dryden 32 Euro CLO 2014 B.V.	2026	17,926,307
Dryden 35 Euro CLO 2014 B.V.	2027	19,476,165
Dryden 39 Euro CLO 2015 B.V.	2031	22,684,766
Dryden 44 Euro CLO 2015 B.V.	2030	17,703,768
Dryden 46 Euro CLO 2016 B.V.	2030	20,476,727
Dryden 48 Euro CLO 2016 B.V.	2031	18,165,008
Dryden 51 Euro CLO 2017 B.V.	2031	18,021,536
Dryden 52 Euro CLO 2017 B.V.	2031	18,103,391
Dryden 56 Euro CLO 2017 B.V.	2032	27,247,581
Total investments		**218,987,529**

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

	2017	2016
	£	£
Carrying value of investment in CLOs	**218,987,529**	127,584,641
Carrying value of investment in warehouse	**-**	6,804,495
Total investment	**218,987,529**	134,389,136
Maximum exposure to loss		
The investment comprises loan notes independently rated as follows; (Standard and Poor's / Moody's)		
AAA / Aaa	**127,688,681**	75,903,245
AA+ / Aa1	**6,902,611**	1,288,946
AA / Aa2	**20,156,295**	12,979,369
AA- /Aa3	**-**	927,870
A+ / A1	**4,344,856**	-
A / A2	**11,000,076**	7,372,087
BBB+ / Baa1	**2,052,996**	1,185,574
BBB / Baa2	**8,538,560**	5,669,035
BBB- / Baa3	**1,167,332**	-
BB+ / Ba1	**976,769**	-
BB / Ba2	**11,005,490**	6,242,335
B+/ B1	**727,087**	-
B / B2	**6,597,356**	-
B- / B3	**-**	3,518,985
Not rated	**17,829,420**	19,301,693
Maximum exposure to loss	**218,987,529**	134,389,136

The investments in CLOs, and funding obtained by the Company from affiliates to purchase the investments, are denominated 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.

Notes to the financial statements *(continued)*

9. Interests in unconsolidated entities

The Company invests in unconsolidated structured entities. Please refer to note 8 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)
2017			
CLO	**219.0**	**4,389**	**15.2**
2016			
CLO	134.4	2,606	8.8

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 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 17.

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.

2017	Assets under management £million	Investment management fees earned £million
Collective investment schemes	1,914	7.3
Institutional investors	10,682	31.1
2016		
Collective investment schemes	1,292	7.3
Institutional investors	8,217	22.6

Notes to the financial statements *(continued)*

10. 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.

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
	£	£	£	£
2017				
Available For Sale				
Unconsolidated structured entities	-	-	218,987,529	218,987,529
Total	-	-	**218,987,529**	**218,987,529**
2016				
Available For Sale				
Unconsolidated structured entities	-	-	134,389,136	134,389,136
Total	-	-	**134,389,136**	**134,389,136**

Notes to the financial statements *(continued)*

10. Fair value of financial instruments (continued)

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 - Warehouse £	Unconsolidated structured entities - CLOs £
Opening balance at 1 Jan 2017	6,804,495	127,584,641
Acquisitions	-	122,748,111
Disposals	(6,847,456)	(37,008,901)
Gains recognised in profit and loss	42,961	6,245,013
Realised losses	-	(145,101)
Losses recognised in Other Comprehensive Income	-	(436,234)
Closing balance at 31 Dec 2017	-	218,987,529

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.
Unconsolidated structured entities	-	Purchase price (GBP)	-	An increase in the input would lead to an increase in the fair value.

2016

Description	Fair value at 31 December 2016 £	Unobservable input	Range of input (probability weighted average)	Relationship of unobservable input to fair value
Unconsolidated structured entities	127,584,641	Tranche value	75.40-100.95 (97.32)	An increase in the input would lead to an increase in the fair value.
Unconsolidated structured entities	6,804,495	Purchase price (GBP)	6,804,495	An increase in the input would lead to an increase in the fair value.

Notes to the financial statements *(continued)*

11. Trade and other receivables

	2017	2016
	£	£
Current		
Amounts due from Group affiliates	**45,490,458**	9,158,445
Receivables from related parties	**4,801,544**	2,584,818
Trade receivables	**3,186,662**	253,036
Accrued income	**7,949,965**	6,825,693
Other receivables	**876,214**	5,846
Prepayments	**76,550**	66,580
	62,381,393	18,894,418

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 (2016: £nil) and thus management does not believe that any provision is required for bad and doubtful debts (2016: £nil)

12. Cash and cash equivalents

	2017	2016
	£	£
Cash and cash equivalents	**16,973,157**	6,290,489

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.

13. Creditors: amounts falling due within one year

	2017	2016
	£	£
Amounts falling due within one year		
Amounts owed to Group affiliates	**244,435,851**	110,947,077
Amounts owed to related parties	**-**	-
Other payables	**1,104,730**	2,332,073
Tax payable	**973,442**	628,065
Non-trade payables and accrued expenses	**548,577**	260,023
	247,062,600	114,167,238
Amounts falling due after more than one year		
Amounts 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 (2016: £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.

Notes to the financial statements *(continued)*

14. 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 2017:

Non-vested Shares	**Number of Shares**	Weighted Average Grant-Date Fair Value £
At 1 January, 2016	-	-
Granted	693	43.87
Vested	-	-
At 31 December, 2016	693	43.87
Granted	617	88.60
Vested	-	-
At 31 December, 2017	1,310	64.94

The Company recorded an expense of £37,207 (2016: £9,722) in share-based payments, related to restricted stock units, during the year ended 31 December 2017.

15. Called up share capital

	2017 £	2016 £
Allotted, issued and fully paid: ordinary shares of £1 each		
At 1 January	**23,700,000**	11,400,000
Issued in the year	-	12,300,000
At 31 December	**23,700,000**	23,700,000

16. Capital contribution reserve

	2017 £	2016 £
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)*

17. 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 8). 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 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)*

17. Financial risk management (continued)

(a) Credit risk

The Company has not suffered any losses as a result of trade debtor or counterparty defaults during the year (2016: £nil) and as a result management does not believe that any provision is required for bad and doubtful debts (2016: £nil).

2017

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

2016

	0-30 days	30-90 days	90 days+	Total
	£	£	£	£
Trade receivables	-	244,930	8,106	253,036

(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 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

Notes to the financial statements *(continued)*

17. Financial risk management (continued)

Liquidity risk

At 31 December 2016	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	110,947,077	-	-	3,000,000	113,947,077	113,947,077
Other payables	2,960,138	-	-	-	2,960,138	2,960,138
Non-trade payables and accrued expenses	260,023	-	-	-	260,023	260,023
Total	114,167,238	-	-	3,000,000	117,167,238	117,167,238

(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.

Notes to the financial statements *(continued)*

17. Financial market risk management (continued)

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.

The sensitivities to market risk as at 31 December 2017 are estimated below

	Effect on profit for the year	Effect on other comprehensive income	Effect on net asset
	£ 000s	£ 000s	£ 000s
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
2016			
Foreign Currency risk - +/- 5 % change in €:£ rate	672	-	672
Interest Rate risk - +/- 50 basis point change in 6 month Euro Libor rate	301	-	301
Pricing risk - +/- 5 % change in market value	-	6,719	6,719

(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 2017 this totalled £48,279,479 (2016: £42,406,805). 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)*

17. 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.

18. 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:**	
	2017	2016	**2017**	2016
	£	£	**£**	£
Affiliated companies	**25,148,765**	22,003,221	**-**	-
	25,148,765	22,003,221	**-**	-

	Receivables outstanding:		**Payables outstanding:**	
	2017	2016	**2017**	2016
	£	£	**£**	£
Affiliated companies	**4,801,544**	2,584,818	**-**	-
	4,801,544	2,584,818	**-**	-

Notes to the financial statements *(continued)*

19. Fair value reserve

	2017	2016
	£	£
At 1 January	**(1,169,829)**	(1,639,153)
Movement in the year due to changes in the fair value of the investments	**(436,234)**	469,324
At 31 December	**(1,606,063)**	(1,169,829)

20. Commitments

As explained in the Strategic report the Company will continue to develop and grow all four business divisions (PGIM Real Estate, PGIM Fixed Income, Institutional Relationship Management and Undertakings for Collective Investment in Transferable Securities). In particular, in January 2018, Dryden 29 Euro CLO 2016 B.V. reset for €20.7m (£18.1m).