

Falan UK 2 Limited

**Directors' Annual Report and Financial
Statements for the year ended 31 December
2016**

FRIDAY



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COMPANIES HOUSE

Company Information

DIRECTORS

M O L Lief

M A Fernandes

B Schumacher (resigned 4 July 2016)

M D C Helmore (appointed 4 July 2016)

REGISTERED NUMBER

08776125

LEGAL ADVISERS

Burness Paull LLP

50 Lothian Road

Festival Square

Edinburgh

EH3 9WJ

United Kingdom

REGISTERED OFFICE

Laurence Pountney Hill

London

EC4R 0HH

United Kingdom

INDEPENDENT AUDITOR

KPMG LLP

15 Canada Square

London

E14 5GL

United Kingdom

ADMINISTRATOR

Sanne Group (UK) Limited

21 Palmer Street

London

SW1H 0AD

United Kingdom

Incorporated and registered in England and Wales. Registered No: 08776125
Registered office: Laurence Pountney Hill, London EC4R 0HH.

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Directors' report for the year ended 31 December 2016

The directors present their report and financial statements of Falan UK 2 Limited (the "Company") for the year ended 31 December 2016 and up to and including the date of approval of these accounts.

Directors

The directors as at the date of approving this report were:

M O L Lief
M A Fernandes
B Schumacher (resigned 4 July 2016)
M D C Helmore (appointed 4 July 2016)

Principal activity

The principal activity of the Company is to act as an investment company.

Business review and results

The Company was incorporated on 14 November 2013 and has an investment in 100% of the equity of Falan Bidco AB ("Falan Bidco"), an entity that owns a Swedish utility company. Details of the results for the year are set out in the statement of comprehensive income on page 8. The loss for the year was SEK 6,168,000 (2015: profit of SEK 333,000) and the net assets at 31 December 2016 were SEK 127,468,000 (2015: SEK 133,636,000). The Company had no other comprehensive income item other than those disclosed on page 8.

The Company has loan notes in issue which are listed on The International Stock Exchange. The holder of these loan notes is Falan SLP LP.

Dividends

No dividends were paid during the year (2015: SEK nil). The directors do not recommend the payment of a final dividend (2015: SEK nil).

Going concern

The directors have a reasonable expectation that the Company has adequate resources to continue their operations for the foreseeable future. In support of this expectation the directors are unaware of any significant factors likely to affect the Company in the foreseeable future. Accordingly, they continue to adopt a going concern basis in preparing the annual report and financial statements.

Qualifying third party indemnities

Qualifying third-party indemnity provisions (as defined by section 234 of the Companies Act 2006) were accordingly in force during the course of the financial year ended 31 December 2016 for the benefit of the directors who were in the office at the time and at the date of this report, are in force for the benefit of the director in relation to certain losses and liabilities which may occur (or have occurred) in connection with their duties, power or office.

Risks and uncertainties

The risks and uncertainties faced by the Company are those inherent within the financial services industry, but are primarily:

- Liquidity risk – The Company's investments are illiquid and long-term. Such investments may be illiquid because, among other reasons, there is no established market for the particular type of asset or company, there is a scarcity of disposal options and/or potential acquirers, or there are legal, tax, regulatory or contractual restrictions associated with the disposal of the investment.

Directors' report (continued)

Risks and uncertainties (continued)

- Operational risk – losses could result from inadequate or failed internal and external processes, systems and human error or from external events over which the management has no control;
- Market risk – exposure to fluctuations in revenue resulting from the impact of volatile equity, bond, property prices and investment performance;
- Credit risk – investments are reliant on counterparties fulfilling their obligations; and
- Regulatory risk – subject to the effects of changes in law, regulation, policy and interpretation and any accounting standards in the markets in which it operates.

The risks and uncertainties faced by the Prudential Group are outlined in the strategic report prepared by Prudential plc, the Company's ultimate parent company. Consolidated financial statements can be obtained from the address as disclosed in note 16.

Statement of directors' responsibilities in respect of the Directors' report and the financial statements

The directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Generally Accepted Accounting Practice (UK Accounting Standards and applicable law), including FRS 102 the Financial Reporting Standard in the UK and Republic of Ireland ("FRS 102").

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

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 its financial statements comply with the Companies Act 2006. They 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 Company has taken advantage of the exemption provided for under section 414(B) of the Companies Act 2006, and has not produced a strategic report.

Post balance sheet events

There have been no significant events affecting the Company since the year end.

Directors' report (continued)**Disclosure of information to the auditor**

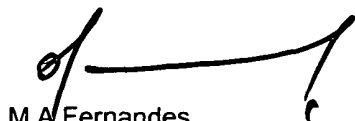
Each of the persons who is a director at the time when this Directors' report is approved has confirmed that:

- so far as each director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- that director has taken all the steps that he ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

Pursuant to section 487(2) of the Companies Act 2006, the auditor will be deemed to be reappointed and therefore KPMG LLP will therefore continue in office.

This report was approved by the board on June 2017 and signed on its behalf.



M A Fernandes
Director

29 June 2017

Independent auditor's report to the shareholder of Falán UK 2 Limited

We have audited the financial statements of Falán UK 2 Limited for the year ended 31 December 2016 set out on pages 8 to 16. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

This report is made solely to the Company's shareholders, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 4, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Directors' Report:

- we have not identified material misstatements in that report; and
- in our opinion, that report has been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

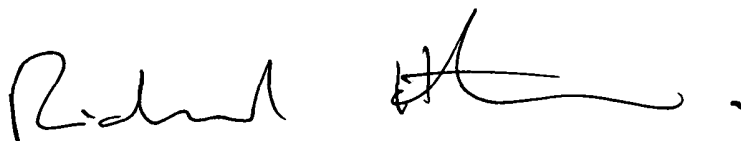
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or

**Independent auditor's report to the shareholder of Falan UK 2 Limited
(continued)**

Matters on which we are required to report by exception (continued)

- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.



Richard Hinton (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

30 June 2017

Statement of comprehensive income

	Note	Year ended 31 December 2016 SEK000	Year ended 31 December 2015 SEK000
Investment income	3	16,950	25,010
Operating expenses	4	(405)	(223)
Operating profit		16,545	24,787
Interest payable	7	(22,710)	(24,090)
(Loss) / profit on ordinary activities before tax		(6,165)	697
Tax on (loss) / profit on ordinary activities	8	(3)	(364)
(Loss) / profit on ordinary activities after tax		(6,168)	333

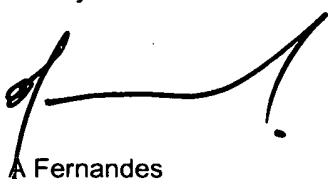
There was no other comprehensive income for 2016 and 2015 other than those included in the statement of comprehensive income, all of which is derived from continuing activities.

The notes on page 11 to 16 form part of the financial statements.

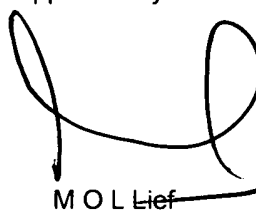
Balance sheet

	Note	2016 SEK000	2015 SEK000
Fixed assets			
Investment in subsidiary	9	<u>132,167</u>	<u>132,167</u>
Current assets			
Other investments	10	75,161	289,101
Debtors	11	<u>201,199</u>	<u>1,129</u>
		276,360	290,230
Current liabilities			
Creditors – amounts falling due within one year	12	(281,059)	(288,761)
Net current assets		<u>127,468</u>	<u>133,636</u>
Total assets less current liabilities		<u>127,468</u>	<u>133,636</u>
Net assets		<u>127,468</u>	<u>133,636</u>
Capital and reserves			
Called up share capital	13	-	-
Share premium		132,167	132,167
(Accumulated deficit) / Retained earnings		<u>(4,699)</u>	<u>1,469</u>
Shareholders' funds		<u>127,468</u>	<u>133,636</u>

The financial statements on pages 8 to 16 have been approved by the Board of directors and signed on its behalf by:-



M A Fernandes
Director



M O L Lief
Director

29 June 2017

Statement of changes in equity as at 31 December 2016

	Share capital	Retained earnings / (Accumulated deficit)	Total
	SEK 000	SEK 000	SEK 000
At 1 January 2016	132,167	1,469	133,636
Total comprehensive loss for the year	-	(6,168)	(6,168)
At 31 December 2016	<u>132,167</u>	<u>(4,699)</u>	<u>127,468</u>

	Share capital	Retained earnings	Total
	SEK 000	SEK 000	SEK 000
Balance at 1 January 2015	120,509	1,136	121,645
Total comprehensive income for the year	-	333	333
Issue of shares	11,658	-	11,658
Balance at 31 December 2015	<u>132,167</u>	<u>1,469</u>	<u>133,636</u>

The notes on page 11 to 16 form part of the financial statements.

Notes to the financial statements

1. Accounting policies

Falán UK 2 Limited ("the Company") is a company incorporated and domiciled in the UK. These financial statements are prepared for the year ended 31 December 2016.

Basis of preparation

The Company's financial statements have been prepared in accordance with UK Generally Accepted Accounting Principles including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") and the Companies Act 2006.

These financial statements present information about the Company as an individual undertaking and not about its group. The Company's ultimate parent, Prudential plc, includes the Company in its consolidated financial statements. These consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and are publicly available. Accordingly, the Company may adopt FRS 102 and take advantage of reduced disclosure exemptions.

The Company has taken advantage of the exemptions under FRS 102 section 7 Statement of Cash Flows not to prepare a cash flow statement for the year ended 31 December 2016.

Certain amounts in these financial statements have been reclassified to conform to the 2016 presentation.

The principal accounting policies adopted have been set out below:

a) Investment in subsidiary

The Company's investment in its subsidiary is held at cost less impairment losses. At the end of each reporting period, the Directors review the carrying amounts of fixed asset investment to determine whether there is any indication that the asset has suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). An impairment loss is recognised immediately in the statement of comprehensive income.

In assessing recoverable amount, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

b) Investment income

Investment income is earned on debt held. Interest income from debt securities is accounted for on an accruals basis.

c) Tax

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

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

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Notes to the financial statements (continued)

1. Accounting policies (continued)

d) Going concern

The directors have a reasonable expectation that the Company has adequate resources to continue their operations for the foreseeable future. In support of this expectation the directors are unaware of any significant factors likely to affect the Company in the foreseeable future. Accordingly, they continue to adopt a going concern basis in preparing the annual report and financial statements.

e) Functional and presentation currency

The Company's functional currency is considered to be the Swedish Krona ("SEK"). The Directors have chosen the SEK as the Company's presentation currency. The SEK is considered as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions that affect the Company, given that the Falan Bidco group's functional currency is the SEK. All amounts within these financial statements are rounded to the nearest thousand.

f) Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

g) Expenses

Interest payable

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

2. Use of judgements and estimates

In preparing these financial statements, the Directors have made 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 estimates are recognised prospectively.

3. Investment income

	Year ended 31 December 2016 SEK000	Year ended 31 December 2015 SEK000
Interest received on debt securities	<u>16,950</u>	<u>25,010</u>

Notes to the financial statements (continued)

4. Operating expenses

	Year ended 31 December 2016 SEK000	Year ended 31 December 2015 SEK000
Auditor's remuneration – audit fee	40	47
Other professional fees	365	176
	<u>405</u>	<u>223</u>

5. Directors' emoluments

No emoluments were paid to the directors during the year in connection with the management of the affairs of the Company.

None of the directors exercised Prudential plc share options during the year (2015: one).

6. Employees

The Company has no employees other than directors, who did not receive any remuneration in respect of their services to the Company (2015: nil).

7. Interest payable

	Year ended 31 December 2016 SEK000	Year ended 31 December 2015 SEK000
Interest paid to group undertakings	<u>22,710</u>	<u>24,090</u>

8. Tax

a) Analysis of charge in the year:

	Year ended 31 December 2016 SEK000	Year ended 31 December 2015 SEK000
UK corporation tax on profits for the year	-	141
Adjustment in respect of prior periods	3	223
Total current tax	<u>3</u>	<u>364</u>

Notes to the financial statements (continued)

8. Tax (continued)

b) Factors affecting tax charge for the year:

The tax assessed in the year is lower than (2015: higher than) the standard rate of corporate tax in the UK and the differences are explained below.

	Year ended 31 December 2016 SEK000	Year ended 31 December 2015 SEK000
(Loss) / profit on ordinary activities before tax	(6,165)	697
(Loss) / profit on ordinary activities at standard rate of corporation tax in the UK of 20.00% (2015: 20.25%)	(1,233)	141
- Interest imputed on intercompany loan	1,192	-
- Movement in unprovided deferred tax asset	41	-
- Adjustment from previous periods	3	223
Current tax charge for the year	3	364

c) Factors that may affect future tax charges:

A reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) was substantively enacted on 26 October 2015. A further reduction to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge/(credit) accordingly.

9. Investment in subsidiary

	2016 SEK000	2015 SEK000
Cost		
At beginning of year	132,167	132,167
Net book value		
31 December 2016	132,167	132,167
31 December 2015	132,167	132,167

The Company owns 100% of the entire issued ordinary share capital of Falan Bidco AB ("Falan Bidco"), a company incorporated in Sweden with address at Advokatfirman Vinge, Smalandsgatan 20, Box 1703, SE-111 87 Stockholm. Falan Bidco's principal activity is to act as an investment company. The net assets of Falan Bidco as at 31 December 2016 are SEK60,546,000 (2015: SEK52,085,000) and its profit after tax for the year is SEK8,460,000 (2015: loss of SEK12,760,000). No impairments were recognised in the year (2015: EUR nil).

10. Other investments

	2016 SEK000	2015 SEK000
Loan notes	75,161	289,101

Notes to the financial statements (continued)

10. Other investments (continued)

The Company invests in Loan notes issued by Falan Bidco. The Loan notes are due to mature in 2028 but may be redeemed by the issuer at any time.

11. Debtors

	2016 SEK000	2015 SEK000
Amounts owed by Group undertakings	200,000	115
Accrued investment income	1,199	1,014
	<u>201,199</u>	<u>1,129</u>

12. Creditors - amounts falling due within one year

	2016 SEK000	2015 SEK000
Accrued interest payable	7,376	-
Accrued expenses	197	208
Amounts owed to group undertakings	273,486	288,503
Corporation tax	-	50
	<u>281,059</u>	<u>288,761</u>

The Loan Notes in issue are listed on The International Stock Exchange and are due to mature in 2028, however the Company has the option to redeem the notes on demand at its discretion prior to this date. The Loan Notes are unsecured and payable to Falan SLP LP. Interest is due at a rate of 7.75% per annum and payable semi-annually in arrears on 1 March and 1 September each year.

13. Called up share capital

	2016 SEK	2015 SEK
Allotted, issued and fully paid		
3 ordinary shares of SEK10 each	<u>30</u>	<u>30</u>

Notes to the financial statements (continued)**14. Financial instruments****Financial assets**

The Company holds loan notes in its investment undertaking. The loan notes are held at amortised cost, where the fair value of the loan notes is deemed a reasonable approximation of amortised cost. The loan notes held are made up of SEK 51,903,775 (2015: SEK 199,479,971) unsecured, repayable on demand loan notes issued with an interest rate of 8% and SEK 23,257,075 (2015: SEK 89,621,436) unsecured, repayable on demand loan notes issued with an interest rate of 8%.

Financial liabilities

The Company has issued loan notes which are held at amortised cost, where the fair value of the loan notes is deemed a reasonable approximation of amortised cost. The loan notes issued are made up of SEK 188,700,592 (2015: SEK 198,633,761) unsecured loan notes redeemable on demand with an interest rate of 7.75% and SEK 84,769,789 (2015: SEK 89,241,255) unsecured loan notes redeemable on demand with an interest rate of 7.75%.

15. Related party transactions

In accordance with paragraph 33.1A of FRS 102 the Company has not disclosed transactions with wholly owned group companies.

16. Controlling party

The Company's immediate parent Company is Falan UK 1 Limited, a company registered in England and Wales.

The ultimate parent company of Falan UK 1 Limited is Prudential plc, a company registered in England and Wales. Consolidated financial statements are prepared by Prudential plc and copies of these are available from the registered office at Laurence Pountney Hill, London, EC4R 0HH.

17. Post balance sheet events

As at the date these financial statements were approved, there were no significant post balance sheet events.