

PRUDENTIAL STAFF CHARITABLE TRUST

Annual Report and Financial Statements for the year ended 31 December 2021

PRUDENTIAL STAFF CHARITABLE TRUST

Registered number: 232467

Registered and principal office

10 Fenchurch Avenue
London
EC3M 5AG

Annual report and financial statements for the year ended 31 December 2021

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PRUDENTIAL STAFF CHARITABLE TRUST

REFERENCE AND ADMINISTRATION INFORMATION

Trustee

The Prudential Assurance Company Limited is the holding trustee for the purposes of holding investments and cash belonging to the charity. The directors of the holding trustee at the date of this report are:

Mr R S Bowie (Chairman)
Mr C P Adamson
Ms C J Bousfield
Mr J W Foley
Ms L Fowler
Dr I Owen
Ms M Tannemaat
Mr D K Watson

Members of the Supervisory Board

The members of the Supervisory Board are the managing trustees of the charity. The members of the Supervisory Board are:

Mr S Moffatt (Chairman)
Mr D Green
Mr S Lewis
Mr S Sharma
Mr M Thompson
Mrs C White (Appointed 28 March 2022)

Secretary

M&G Management Services Limited

Auditor

KPMG LLP
15 Canada Square
London
E14 5GL

Bank

HSBC Bank Plc
Regional Service Centre, Europe
PO Box 61004
2nd Floor
London
SE1 9RX

Investment adviser

Prudential Portfolio Management Group Limited
10 Fenchurch Avenue
London
EC3M 5AG

Solicitor

Bates Wells
10 Queen Street Place
London
EC4R 1BE

PRUDENTIAL STAFF CHARITABLE TRUST

ANNUAL REPORT OF THE TRUSTEES FOR 2021

Objective

The Prudential Staff Charitable Trust ('the Trust') is an unincorporated charity governed by a Trust Deed. The Supervisory Board has been appointed to administer and manage the Trust under the terms of the Trust Deed dated 15 June 2010, as amended. The objective of the Trust, as registered with the Charity Commission, is the relief in cases of need, hardship or distress of persons who are or were either pensioners or past or present full time or part time employees or their dependants of Prudential plc (prior to 21 October 2019 being the date of the demerger from M&G plc) or of M&G plc or of companies whose ultimate parent company is either Prudential plc (prior to 21 October 2019) or M&G plc.

The Supervisory Board resolved in July 2009 that in order for an individual to apply for assistance from the Trust, they must generally be resident in the UK and participate, or be eligible to participate, in the Prudential Staff Pension Scheme (PSPS). At the October 2009 meeting the Supervisory Board extended the eligibility for applications to members of the Scottish Amicable Staff Pension Scheme (SASPS) and the M&G Group Pension Scheme (M&GGPS).

In setting the Trust's objectives the Supervisory Board has given careful consideration to the Charity Commission's general guidance on public benefit.

The strategies employed to achieve the Trust's objectives are:

- to make grants or loans of money to or provide or pay for items, services or facilities for beneficiaries with and upon such terms and conditions as the Trustees may consider appropriate;
- to pay for such items, services or facilities as aforesaid by way of donations or subscriptions to institutions or organisations which provide, or which undertake in return to provide, such items, services or facilities for beneficiaries; and
- to do all such other lawful things as are necessary for the attainment of the objective of the Trust.

Investments

The Supervisory Board has the general power of investment defined in the Trustee Act 2000.

Investment performance

The Trust invests in the Equities Investment Fund for Charities (Charifund) and the Charibond Fixed Interest Common Investment Fund (Charibond), both of which are managed by M&G Securities Limited and the M&G UK Property Fund, which is managed by M&G Real Estate Funds Management SARL. Prudential Portfolio Management Group Limited is the investment adviser. Charifund primarily invests in a diversified portfolio of high yielding UK equities and is designed to provide a high and growing income for charities, while at the same time protecting their capital from the erosive effect of inflation. The aim of Charibond is to provide charities with an actively managed fixed interest fund investing in deposits, UK government bonds and other sterling denominated fixed interest securities, designed to produce a high income while preserving capital values.

2021 more than recouped 2020's setback from equities and real estate with an 18.3% return by the FTSE All-Share Index and a 19.1% return from the MSCIAREF Quarterly Property Fund Index - all balanced funds component. These offset a rise in bond yields, resulting in a negative return from the FTSE UK Conventional Gilts All Stocks Index of -5.2%, but again remains in positive territory over the past two years.

For calendar year 2021, Charifund returned 19.1%, ahead of the market's 18.3% return and more than recouping the previous year's setback (-9.8%). Longer term, the fund is ahead of the FTSE All-Share Index over 10 years, and in line over three, five and seven years. Against the IA peer group, Charifund is second quartile over one, three, five, seven and 10 years. (Source: Morningstar Inc., as at 31 December 2021, income reinvested, price-to-price.)

There was a positive contribution from stock selection within large and small-caps, with the former position aided by an underweight exposure to consumer staples companies which came under pressure from rising bond yields. Further value was added via sector allocation from overweighting REITs, utilities and media companies, and underweighting travel & leisure, consumer staples plus finance & credit services firms.

ANNUAL REPORT OF THE TRUSTEES FOR 2021 (continued)

However, some performance was surrendered through the fund's mid-cap and non-FTSE holdings, especially the overseas holdings and preference shares – the latter tend to lag in a rising market.

Charifund distributed 74.00p in 2021, which represented a 10.4% increase on 2020, and exceeded RPI inflation, which in December was 2.6%. The fund yielded 4.8% at the year end, representing a meaningful 55% premium to the average yield on the FTSE All-Share Index of 3.1%.

The environment for dividends has picked up as many companies benefit from increased economic activity globally. At this stage further, or renewed, dividend suspensions appear unlikely, but clearly some residual risk remains as the pandemic is ongoing and the economic boom is leading to some disruption in global supply chains. Against this background, we are focused on rebuilding the fund's income growth record through the combination of underlying dividend growth from companies held, the management of holdings and, if appropriate, the utilisation of the income reserve. 2021's distribution increase was well above the average and reflected a strong recovery from a low base last year. Going forward the ambition continues to be to deliver distribution growth each year, ahead of inflation wherever possible.

The domestic stockmarket's double-digit return in 2021 was a remarkable performance given the roller-coaster ride UK equities experienced. On the one hand, the market was encouraged at times by supportive financial measures, at home and abroad, the success of the vaccine programme and a recovery in corporate earnings plus dividends. Conversely, the market was unsettled by the emergence of a number of variants of COVID-19, as well as a spike in CPI inflation to 5.1% (RPI: 7.1%), a 10-year high, in the UK heralding the first increase in UK interest rates in three years to 0.25% from 0.1% in December in what is likely to be the first hike of a sequence. However, as the year progressed, the economy's recovery from lockdown began to run out of steam, under pressure from inflation, labour shortages and disruptions to the global supply chain.

Adding to the negative sentiment, constraints on gas supply emerged across Europe in September, hitting the UK particularly hard and sending energy prices soaring globally. Oil prices also climbed and saw Brent crude gain 53% and breach US\$85 per barrel for the first time in three years. Furthermore, curbs on steel production in China resulted in a nigh-on 50% collapse in the iron ore price to below US\$100 per tonne amidst concerns about the impact on the global economy.

A strong pound has the potential to have a negative impact on UK dividends as most of the big payers in the domestic market declare their earnings in US dollars. Sterling stood at around US\$1.37 at the start of the year, had risen to US\$1.42 by June supported by the recovery in the domestic economy, before subsequently weakening to finish the period at US\$1.35.

The FTSE 100 returned 18.4% as larger companies finished marginally ahead of the FTSE All-Share Index over the year, although notably 35% of the index performance was concentrated in five of the mega-cap stocks including Shell, BP, Diageo, AstraZeneca and Glencore. But it was smaller companies that produced the standout outperformance, with a FTSE Smaller Companies ex IT Index return of 31.3%, as they staged a recovery from oversold levels in 2020. The FTSE 250 Index of medium-sized companies lagged the broader market with a still respectable 16.9% return.

Charibond returned -1.5% over 2021 versus a -2.7% return by its blended benchmark (50% ICE BoAML 1-15 Gilt Index; 50% ICE BoAML 1-15 Non-Gilt Index). This reflected the fund's defensive stance with the maintenance of a short duration and holding around 30% in high quality corporate bonds.

The fund distributed 2.50p in 2021, representing a 17% reduction on the 3.00p distribution in 2020. The fund's distribution yield at the year end was 2.1%. While we recognise that a reduction in income is never welcome, this will re-base future distributions at a level that will allow an appropriate balance to be maintained between capital risk and the provision of a sustainable income which will remain competitive when compared to UK cash deposits and the UK Gilts Index.

In the fixed income market, the macro background combined with the improvement in risk appetite and the prospect of a rise in interest rates as inflation took hold, meant UK sterling bond yields were generally on a rising path in 2021. Nevertheless, yields remained at historically low levels as the benchmark 10-year gilt yield climbed from 0.24% at the start of January to 0.97% by the end of December. The FTSE Conventional Gilts All Stocks Index returned -5.2%, the first negative annual return since 2013. Short-dated gilts (-1.6%) outperformed the long end of the market (-7.3%) as the latter was affected by the pick-up in inflation. Accordingly, investors in index-linked gilts fared better with a 4.2% return from the FTSE Index-Linked All-

ANNUAL REPORT OF THE TRUSTEES FOR 2021 (continued)

Stocks Index. Corporate bonds as measured by the Merrill Lynch £ Non-Gilts Index returned -3.0% over the year, assisted by the Bank of England's quantitative easing programme.

The M&G UK Property Fund (UKPF) generated a total net return of 22.0% in 2021, with an income yield of 3.7%. At an asset level, the portfolio delivered a return of 25.1% for the 12 months to the end of December, considerably ahead of the return measured by the MSCIAREF Quarterly Property Fund Index - all balanced funds component of 21.1%. Notably, the fund delivered an extremely strong return of 10.4% in the final quarter of the year. Capital contributed 9.6% as industrial valuations surged, with 0.8% attributable to income.

Within the commercial property market, industrials continued to be the stand-out performer in 2021, with total take-up expected to exceed the 2020 record. Early signs of stabilisation in the retail sector also emerged, led by a recovery in retail warehouses, where capital growth turned positive and rental declines stabilised. High streets and shopping centres are yet to follow suit, but there has already been a notable moderation in rental declines. Demand for office space steadily gained traction during the year, underpinned by the reopening of the economy and improving occupier sentiment. Whilst a structural shift continues to weigh on cyclical recovery, undersupply at the prime end of the market has allowed vacancy rates to stabilise. However, the outlook for secondary space remains more challenging.

Considerable focus remained on rent collections throughout the period, as a government-led initiative effectively preventing landlords pursuing rent arrears through normal avenues remained in place. The relative financial strength of the portfolio's tenants and quality of its assets meant UKPF continued to be comparatively well positioned to navigate its way through this challenge. Rent collections of circa 90% were achieved in the first half of the year, rising to almost 95% in the second half. This enabled the fund to broadly maintain its target distribution yield.

Progress raising liquidity to meet deferred redemptions continued to be made, particularly after restrictions were eased in the second quarter. Following receipt of further significant redemptions at the beginning of September, the board of the fund management company concluded that the best interests of investors would be served by liquidating portfolio assets and closing the fund. Notification of the decision was provided to all investors on 6 September 2021 and trading ceased with immediate effect. As a gesture of goodwill, the annual management charge was reduced by 20% with effect from 1 October 2021. Following receipt of regulatory approval, the formal liquidation process commenced on 1 November 2021.

The fund management team remain focused on their responsibility to treat all unit holders equitably and an orderly sale of UKPF's assets is now being undertaken, with net sales proceeds distributed to unitholders. The intention is to make distributions on a quarterly basis, as liquidity permits. Cost saving measures are also being implemented where possible, including the removal of the benchmark and reducing the frequency of underlying property asset valuations from monthly to quarterly, with effect from 1 January 2022.

Whilst the fund's prospectus envisages a two to three-year time period to preserve value in the interests of investors, expectations based on the fund management team's current assessment of market conditions is that the timeframe may be closer to 12-18 months, although this cannot be guaranteed. The initial phase of the disposal strategy will focus on capitalising on positive market sentiment. In this regard, the disposal of two offices has been completed, the first of which facilitated a pro-rata distribution of the fund's net assets in December. If all sales currently in progress successfully complete this quarter, it would represent approximately 70% of the total portfolio.

Supervisory Board

The present members of the Supervisory Board are shown on page 3. Board members, from time to time, shall be appointed by any member of the Group Executive Committee of M&G plc who shall also appoint the Chairman of the Supervisory Board. The Supervisory Board meets on a quarterly basis. Appropriate training sessions are made available to all Supervisory Board members.

Reserves policy

Income which becomes available to a charity to be spent at the Trustees' discretion in furthering any of the charity's objectives, but is not yet spent, committed or designated is described as free reserves. It is the policy to transfer income earned on the capital account immediately to the unrestricted fund (Note 1(b) Funds structure).

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ANNUAL REPORT OF THE TRUSTEES FOR 2021 (continued)

The Supervisory Board on behalf of the holding Trustee is committed to maintaining the capital of the Trust as described in Note 1(b) Funds structure.

The actual free reserves (unrestricted fund) in excess of the capital as at 31 December 2021 were £7,168,202 (2020: £6,690,560) and the value of the permanent endowment funds were £12,544,691 (2020: £11,382,928). It is the policy of the Supervisory Board that the reserves maintained in excess of the capital at the balance sheet date should be sufficient to meet the Trust's objectives. The Supervisory Board aims to maintain free reserves in the unrestricted fund at a stable level to ensure that there are sufficient funds available to respond to future applications from beneficiaries. The Supervisory Board is satisfied that the current level of free reserves are sufficient. The Supervisory Board acts in accordance with the Trust Deed by not setting a target level of reserves. The Supervisory Board monitors the level of free reserves on a quarterly basis. It is the view of the Supervisory Board that the Trust has sufficient reserves available to meet future needs, opportunities, contingencies and risks of the Trust without having to realise any investments from the capital account.

Risk management

The Supervisory Board periodically reviews the major risks to which the Trust is exposed. The Supervisory Board ensures that the Trust's investment policy and performance is appropriate and that the funds are distributed in line with agreed policies. The Board ensures that there are sufficient funds to meet the current and future requests from beneficiaries using independent experts where appropriate. One of the key risks identified is that the investment performance is poor leading to a reduction in the funds available to meet the Trust's objectives. The Trust has implemented various controls to mitigate this, such as:

- Regular review of the investments and investment strategy.
- Use of skilled personnel across the business to monitor the investment performance.
- Maintaining a balanced portfolio.

There is also a risk that the Trust receives a significant increase in applications leading to a significant reduction in the funds available. This risk is mitigated by the eligibility criteria that are reviewed periodically by the Supervisory Board.

General grants

Grants made in 2021 and 2020 were as follows:

	2021 £	2020 £
Single grants	5,793	5,076
Grants to supplement income of pensioners	13,624	14,738
	<u>19,417</u>	<u>19,814</u>

Christmas grants

The Trust makes Christmas grants, currently a payment of £250 (2020: £250), to pensioners who have completed 5 years' service and whose total household income excluding State Benefits is less than £6,889 per annum (2020: £6,814 per annum). The income limit has in the past been increased each year by the same rate as PSPS discretionary increases granted to pensions in payment. In 2011 the Board resolved that this gift can be offered to pensioners in SASPS who retired/ left the Scheme after 30 June 2002 and to M&GGPS pensioners who retired/ left the Scheme after 16 October 2005. In 2012 the Board agreed that children of PSPS Defined Contribution Section members who die in service could receive the discretionary Christmas Gift while they are under 18 or 23 if in full time education.

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ANNUAL REPORT OF THE TRUSTEES FOR 2021 (continued)

Payments made in 2021 and 2020 were as follows:

	2021	2020
	£	£
Value of Christmas gifts	552,500	581,000
Number of grants made	2,210	2,324

Bereavement grants

With effect from 6 November 2015 the bereavement grant has been set at a maximum of £5,000. The grant is offered to each widow/widower following the death of the PSPS member where the spouse's pension is less than £6,889 per annum (2020: £6,814 per annum). The grant is conditional upon the widow/widower's confirmation that total household income excluding State Benefits is less than £6,889 per annum. The offer is extended to common law partners where no spouse's pension is payable.

In 2011 the Board resolved that this gift can be offered to SASPS and M&GGPS members, but with the same service requirements as for the Christmas Gift.

Payments made in 2021 and 2020 were as follows:

	2021	2020
	£	£
Value of Bereavement grants	140,000	120,000
Number of grants made	28	24

Loans to beneficiaries

At the end of 2021 there were 14 (2020: 15) loans outstanding, totalling £517,368 (2020: £540,011) including interest capitalised during the year of £462 (2020: £462). Loans advanced to beneficiaries during the year amounted to £Nil (2020: £201,037) and repayments received amounted to £23,105 (2020: £21,405). There were no loans written off in 2021 (2020: Nil). The loans are secured, generally against fixed property, and are repayable at any time at par. Interest is charged at beneficial rates which ranged from 0% to 2.5% during 2021 (2020: 0% to 2.5%).

Governance costs

The only expenses normally borne by the Trust are audit fees of £37,251 (2020: £36,700), legal fees and bank charges of £630 (2020: £214) incurred in the ordinary course of business.

Fundraising

The Trust has not undertaken any fundraising activity during 2021 or 2020. Included under income in the Statement of Financial Activities, is £37,251 of donations. This relates to audit fees for the Charity which have been paid by another group company.

Plans for future periods

The Trust intends to continue to provide on-going support both to its current and prospective beneficiaries.

Going concern

The Trustees have prepared the financial statements on the going concern basis as they do not intend to liquidate the Trust or to cease its operations and they have concluded that the Trust's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could cast significant doubt over its ability to continue as a going concern for at least 12 months from the date of approval of the financial statements ("the going concern period"). The key areas considered in the assessment of going concern are the net assets of the Trust and liquidity. Due to the uncertainty regarding future market performance and future operating costs, prudence has been applied to the Trust's cash flow forecasts to ensure that the Trust can withstand a sharp economic downturn for a sustained period. In addition

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ANNUAL REPORT OF THE TRUSTEES FOR 2021 (continued)

to this, all grants are fully at the discretion of the Trust and if the Trust were to become illiquid in the future, there is no liability that the Trust is obligated to other than the administrative expenses which are fully borne by the holding trustee. As such, the Trustees have a reasonable expectation that the Trust has adequate resources to continue its operations for a period of at least 12 months from the date that the financial statements are approved.

Auditor

KPMG LLP, who were appointed by the Trustee on 22 December 1999, remained in office during 2021. On 28 October 2020, the Trustees approved the appointment of PricewaterhouseCoopers LLP ('PwC') as its external auditor for the year ending 31 December 2022. Consequently, KPMG LLP will resign as the statutory auditor of Prudential Staff Charitable Trust at the conclusion of the 2021 audit and the charity has resolved to appoint PwC to fill the vacancy. The resolution to appoint PwC as auditor was approved by the shareholders of the Trustee at the Annual General Meeting held on 25th May.

The accounts on pages 10-21 were approved by the Supervisory Board on 4th July 2022 and were signed on its behalf by,



S Moffatt

Chairman of the Supervisory Board

Date: 11th August 2022

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STATEMENT OF THE TRUSTEES' RESPONSIBILITIES IN RESPECT OF THE TRUSTEES' ANNUAL REPORT AND THE FINANCIAL STATEMENTS

The holding trustee is The Prudential Assurance Company Limited. The Supervisory Board has been appointed to administer and manage the Trust for the holding trustee under the terms of the Trust Deed dated 15 June 2010, as amended, and within the framework of Trust Law.

Under the Trust Deed and rules of the charity and charity law, the Trustees are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and regulations. The Trustees have elected to prepare the financial statements in accordance with UK Accounting Standards, including FRS 102 *the Financial Reporting Standard applicable in the UK and Republic of Ireland*.

The financial statements are required by law to give a true and fair view of the state of affairs of the charity and of the excess of expenditure over income for that period.

In preparing these financial statements, generally accepted accounting practice entails that the trustees:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements;
- state whether the financial statements comply with the trust deed and rules, subject to any material departures disclosed and explained in the financial statements;
- assess the Charity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Charity or to cease operations, or have no realistic alternative but to do so.

The Trustees are required to act in accordance with the Trust Deed [and the rules] of the Charity, within the framework of trust law. They are responsible for keeping adequate accounting records that are sufficient to show and explain the Trustees' transactions and disclose with reasonable accuracy at any time the financial position of the Charity and enable them to ensure that the financial statements comply with the section 132(1) of the Charities Act 2011, those statements of accounts comply with the requirements of regulations under that provision. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the charity and to prevent and detect fraud and other irregularities.

Signed on behalf of the Supervisory Board



S Moffatt

Chairman of the Supervisory Board

Date: 11th August 2022

Independent auditor's report to the members of Prudential Staff Charitable Trust

Opinion

We have audited the financial statements of Prudential Staff Charitable Trust ("the charity") for the year ended 31 December 2021 which comprise the statement of financial activities, balance sheet, statement of cash flows and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- a. give a true and fair view of the state of the charity's affairs as at 31 December 2021 and of its incoming resources and application of resources for the year then ended;
- b. have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- c. have been prepared in accordance with the requirements of the Charities Act 2011.

Basis for opinion

We have been appointed as auditor under section 144 of the Charities Act 2011 (or its predecessors) and report in accordance with regulations made under section 154 of that Act.

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

Going concern

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

In our evaluation of the trustees' conclusions, we considered the inherent risks to the charity's business model and analysed how those risks might affect the charity's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- a. we consider that the trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- b. we have not identified, and concur with the trustees' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the charity's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the charity will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- a. reading Board of Trustees meeting minutes;
- b. using analytical procedures to identify any usual or unexpected relationships;

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that

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management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because the income from the charity is made up of dividends from investments which is not subject to estimation uncertainty.

We did not identify any additional fraud risks.

We also performed procedures including:

- a. identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by unauthorised personnel, those posted by infrequent users, unusual descriptions and those posted with unusual account combinations.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors and other management (as required by auditing standards), and from inspection of the Charity's regulatory and legal correspondence and have discussed the trustees and other management the policies and procedures regarding compliance with laws and regulations.

As the Charity is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably. Firstly, the Charity is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related charities legislation) and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Charity is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Charity's license to operate. We identified regulatory capital as those most likely to have such an effect recognising the financial and regulated nature of the Charity's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Other information

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

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. We are required to report to you if:

- a. based solely on that work, we have identified material misstatements in the other information; or

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- b. in our opinion, the information given in the Trustees' Annual Report is inconsistent in any material respect with the financial statements.

We have nothing to report in these respects.

Matters on which we are required to report by exception

Under the Charities Act 2011 we are required to report to you if, in our opinion:

- a. the charity has not kept sufficient accounting records; or
- b. the financial statements are not in agreement with the accounting records; or
- c. we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Trustees' responsibilities

As explained more fully in their statement set out on page 10, the trustees are responsible for: the preparation of financial statements which give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the charity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the charity or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

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

This report is made solely to the charity's trustees as a body, in accordance with section 144 of the Charities Act 2011 (or its predecessors) and regulations made under section 154 of that Act. Our audit work has been undertaken so that we might state to the charity's trustees 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 charity and its trustees, as a body, for our audit work, for this report, or for the opinions we have formed.



William Greenfield
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
Canary Wharf
London
E14 5GL

11th August 2022

PRUDENTIAL STAFF CHARITABLE TRUST

STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED 31 DECEMBER 2021

	Unrestricted	Permanent	Total	Unrestricted	Permanent	Total	Note
	Fund	Endowment	Funds	Fund	Endowment	Funds	
	2021	2021	2021	2020	2020	2020	
	£	£	£	£	£	£	
Income from:							
Donations	37,251	—	37,251	36,700	—	36,700	
Investments	833,087	—	833,087	700,122	—	700,122	3
Total	870,338	—	870,338	736,822	—	736,822	
Expenditure on:							
Charitable activities	749,797	—	749,797	757,728	—	757,728	5
Total	749,797	—	749,797	757,728	—	757,728	
Gains / (losses) on investments	357,101	1,161,763	1,518,864	(450,516)	(1,914,117)	(2,364,633)	4
Net income / (Expense)	477,642	1,161,763	1,639,405	(471,422)	(1,914,117)	(2,385,539)	
Net movement in funds	477,642	1,161,763	1,639,405	(471,422)	(1,914,117)	(2,385,539)	
Reconciliation of funds:							
Total funds brought forward	6,690,560	11,382,928	18,073,488	7,161,982	13,297,045	20,459,027	
Total funds carried forward	7,168,202	12,544,691	19,712,893	6,690,560	11,382,928	18,073,488	

The Statement of Financial Activities relates to continuing operations.

The Trust has no recognised gains or losses other than the net movement in funds for the year.

The accounting policies on page 17 along with the accompanying notes on pages 17 to 21 form an integral part of these financial statements.

PRUDENTIAL STAFF CHARITABLE TRUST

BALANCE SHEET AS AT 31 DECEMBER 2021

	Unrestricted Fund 2021 £	Permanent Endowment Fund 2021 £	Total Funds 2021 £	Unrestricted Fund 2020 £	Permanent Endowment Fund 2020 £	Total Funds 2020 £	Note
Fixed assets:							
Investments	6,041,850	12,544,691	18,586,541	5,684,749	11,382,928	17,067,677	4
Current assets:							
Sundry debtors	15,925	—	15,925	15,925	—	15,925	6
Loans to beneficiaries	517,368	—	517,368	540,011	—	540,011	7
Cash at bank	593,059	—	593,059	449,875	—	449,875	
Total current assets	<u>1,126,352</u>	<u>—</u>	<u>1,126,352</u>	<u>1,005,811</u>	<u>—</u>	<u>1,005,811</u>	
Liabilities:							
Creditors amounts falling due within one year	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	
Net current assets	<u>1,126,352</u>	<u>—</u>	<u>1,126,352</u>	<u>1,005,811</u>	<u>—</u>	<u>1,005,811</u>	
Total net assets	<u><u>7,168,202</u></u>	<u><u>12,544,691</u></u>	<u><u>19,712,893</u></u>	<u><u>6,690,560</u></u>	<u><u>11,382,928</u></u>	<u><u>18,073,488</u></u>	
The funds of the Charitable Trust	<u><u>7,168,202</u></u>	<u><u>12,544,691</u></u>	<u><u>19,712,893</u></u>	<u><u>6,690,560</u></u>	<u><u>11,382,928</u></u>	<u><u>18,073,488</u></u>	

The accounting policies on page 17 along with the accompanying notes on pages 17 to 21 form an integral part of these financial statements.

These financial statements were approved by the Supervisory Board on 4th July 2022.

Signed on behalf of the Supervisory Board



S Moffatt

Chairman of the Supervisory Board

Dated: 11th August 2022

PRUDENTIAL STAFF CHARITABLE TRUST

STATEMENT OF CASH FLOWS AS AT 31 DECEMBER 2021

	2021	2020	
	£	£	Note
Net cash used in operating activities	(689,441)	(900,659)	8
Cash flows from investing activities:			
Dividends	832,157	699,765	
Interest	468	469	
Net cash provided by investing activities	<u>832,625</u>	<u>700,234</u>	
Change in cash and cash equivalents in the year	<u>143,184</u>	<u>(200,425)</u>	
Cash and equivalents brought forward	449,875	650,300	
Cash and equivalents carried forward	<u><u>593,059</u></u>	<u><u>449,875</u></u>	

The accounting policies on page 17 along with the accompanying notes on pages 17 to 21 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting policies

a. Basis of preparation

The financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting and Reporting by Charities preparing their financial statements in accordance with the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102) issued in October 2019 and the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102) and the Charities Act 2011 and UK Generally Accepted Practice as it applies from 1 January 2019.

The financial statements have been prepared to give a 'true and fair' view and have departed from the Charities (Accounts and Reports) Regulations 2008 only to the extent required to provide a 'true and fair' view. This departure has involved following Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102) issued in October 2019 rather than the Accounting and Reporting by Charities: Statement of Recommended Practice effective from 1 April 2005 which has since been withdrawn.

The Trust is confident that it will be able to continue to meet planned expenditure based on the current level of free reserves for the foreseeable future and thus has continued to adopt the going concern basis of accounting in preparing the financial statements. The key areas considered in the assessment of going concern are the net assets of the Trust and liquidity. Due to the uncertainty regarding future market performance and future operating costs, prudence has been applied to the Trust's cash flow forecasts to ensure that the Trust can withstand a sharp economic downturn for a sustained period. In addition to this, all grants are fully at the discretion of the Trust and if the Trust were to become illiquid in the future, there is no liability that the Trust is obligated to other than the administrative expenses which are fully borne by the holding trustee. As such, the Trustees have a reasonable expectation that the Trust has adequate resources to continue its operations for a period of at least 12 months from the date that the financial statements are approved.

b. Funds structure

The Trust has a single permanent endowment fund - the capital account. The capital account contains the original investments and any investments bought out of the sale of the original investments. Any realised / unrealised gains / (losses) on the investments in the capital account are kept within the capital account. The Trust has an unrestricted fund – the income account. The income from the capital account is available to use for the charitable purposes of the Trust and is wholly unrestricted and is transferred to the unrestricted fund. The unrestricted fund comprises those funds which the Supervisory Board is free to use for any purpose in furtherance of the Trust's objectives.

c. Income recognition

Investment income is included on an accruals basis. Dividends on ordinary shares are included by reference to ex-dividend dates. UK dividends are grossed up by the recoverable tax credits.

d. Expenditure recognition

Grants are accounted for when committed. The Trust has no employees and any administration support costs are borne by the holding Trustee. It is not possible to quantify the amount of this donation.

e. Investments

Investments are stated at fair value. Realised gains and losses are calculated as the difference between net proceeds on disposal and original costs. Movements in unrealised gains comprise the change in the value of investments held at the balance sheet date and the reversal of unrealised investment gains and losses recognised in earlier accounting periods in respect of investment disposals.

f. Financial instruments - recognition and measurement

The Trust classifies and measures all its financial assets and liabilities at either amortised cost or fair value through profit or loss ('FVTPL'). Net gains and losses, including any interest or dividend income, are recognised in profit or loss. This includes assets that are held-for-trading or are part of a portfolio that is managed on a fair value basis.

NOTES TO THE FINANCIAL STATEMENTS (continued)

g. Loans to beneficiaries

Loans issued by the Trust to its beneficiaries are accounted for as concessionary loans. Concessionary loans are those loans made or received by a charity to further its purposes and any interest charged is below the prevailing market rates.

2 Related party transactions and trustees' expenses and remuneration

The holding trustee received no remuneration or expenses for the year (2020: £Nil) and bore all of the Trust's administrative expenses, including the costs of the Supervisory Board. The only expenses normally borne by the Trust are audit fees of £37,251 (2020: £36,700), legal fees and bank charges of £630 (2020: £214) incurred in the ordinary course of business. Expenditure is accounted for on an accruals basis. The Trust has no employees (2020: Nil) and no payments were made to Trustees. The audit fees are paid for by another group company and are shown as a donation in the Statement of Financial Activities.

Prudential Portfolio Management Group Limited provide investment management services, no fees are charged for advice (2020: Nil). An investment management fee is implicitly charged via the unit price.

3. Investment income	2021 £	2020 £
Unit trusts - dividends	832,157	699,191
Loan interest:		
Interest receivable in the year	468	469
Interest capitalised	462	462
	<u>833,087</u>	<u>700,122</u>

Of total income, £534,160 (2020: £495,747) was earned on the capital account and immediately applied to the income account. The income account represents the accumulation of income from previous years which was not spent on benefits (Note 1(b) Funds structure).

4. Investments	2021 £	2020 £
Opening carrying value	17,067,677	19,432,310
Movements during the year:		
Unrealised gains / (losses)	1,518,864	(2,364,633)
Closing carrying value	<u>18,586,541</u>	<u>17,067,677</u>

Analysis of market value at end of the year

Permanent endowment fund *

Charibond Inc.	2,073,931	2,147,701
Charifund Inc.	10,470,760	9,235,227
	<u>12,544,691</u>	<u>11,382,928</u>

Unrestricted fund *

Charibond Inc.	2,212,187	2,290,875
Charifund Inc.	2,128,066	1,876,956
Property Fund	1,701,597	1,516,918
	<u>6,041,850</u>	<u>5,684,749</u>
	<u>18,586,541</u>	<u>17,067,677</u>

Total investments at market value

* The Trust Deed of the current scheme requires that memorandum Financial Statements are kept in the form of a capital account and an income account (Note 1(b) Funds structure).

The investments of the Trust are held in the above noted funds. These funds in turn invest in underlying assets. The Charifund Inc. fund primarily invests in a diversified portfolio of UK equities. The Charibond Inc.

PRUDENTIAL STAFF CHARITABLE TRUST

NOTES TO THE FINANCIAL STATEMENTS (continued)

fund primarily invests in deposits, UK government bonds and other sterling denominated fixed interest securities. The Property Fund invests in property.

The Trust's reserves are £7,168,202 (2020: £6,690,560) which is the balance of the unrestricted fund as shown on page 7. It is the view of the Supervisory Board that the Trust has sufficient reserves available to meet the future needs, opportunities, contingencies and risks of the Trust.

5. Analysis of charitable expenditure	2021 £	2020 £
General grants	19,417	19,814
Christmas grants	552,500	581,000
Bereavement grants	140,000	120,000
Governance costs	37,880	36,914
	<u>749,797</u>	<u>757,728</u>

All grants are provided to individuals, as such, there is no requirement to disclose recipients of the grants.

6. Debtors: amounts falling due within one year	2021 £	2020 £
Dividends due	<u>15,925</u>	<u>15,925</u>

7. Loans to beneficiaries	2021 No. of loans	2020 No. of loans	2021 £	2020 £
Loans at beginning of year	15	16	540,011	359,917
Repayments	(1)	(2)	(23,105)	(21,405)
New loans	0	1	—	201,037
Interest capitalised			462	462
Loans at end of year	<u>14</u>	<u>15</u>	<u>517,368</u>	<u>540,011</u>

Analysis of Loans to beneficiaries	2021 £	2020 £
Loans: amounts falling due within one year	6,000	6,000
Loans: amounts falling due after one year	511,368	534,011
Loans at end of year	<u>517,368</u>	<u>540,011</u>

8 Reconciliation of net movement in funds to net cash flow from operating activities	2021 £	2020 £
Net movement in funds	1,639,405	(2,385,539)
Deduct dividend income shown in investing activities	(832,157)	(699,765)
Deduct interest income shown in investing activities	(468)	(469)
Deduct gains / add back (losses) on investments	(1,518,864)	2,364,633
Sundry Debtors	—	575
Loans to beneficiaries	22,643	(180,094)
Net cash used in operating activities	<u>(689,441)</u>	<u>(900,659)</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

9 Reconciliation of net movement in funds to net funds in the Statement of Financial Activities

2021

Fund name	Balances brought forward £	Income £	Expenditure £	Transfers £	Gains and losses £	Balances carried forward £
Permanent Endowment Fund	11,382,928	534,160	—	(534,160)	1,161,763	12,544,691
Unrestricted Fund	6,690,560	336,178	(749,797)	534,160	357,101	7,168,202
Total funds	18,073,488	870,338	(749,797)	—	1,518,864	19,712,893

2020

Fund name	Balances brought forward £	Income £	Expenditure £	Transfers £	Gains and losses £	Balances carried forward £
Permanent Endowment Fund	13,297,045	495,747	—	(495,747)	(1,914,117)	11,382,928
Unrestricted Fund	7,161,982	241,075	(757,728)	495,747	(450,516)	6,690,560
Total funds	20,459,027	736,822	(757,728)	—	(2,364,633)	18,073,488

10 Financial Assets and Financial Liabilities

A. Financial assets and financial liabilities – classification and measurement

Under FRS 102, the financial assets and financial liabilities of the Trust are valued at either FVTPL or amortised cost.

2021

	Fair value through profit or loss £	Amortised Cost £	Total carrying value £	Fair value where applicable £
Financial Assets				
Charibond Inc	4,286,119	—	4,286,119	4,286,119
Charifund Inc	12,598,825	—	12,598,825	12,598,825
Property fund	1,701,597	—	1,701,597	1,701,597
Other debtors	—	15,925	15,925	15,925
Loans to beneficiaries	—	517,368	517,368	517,368
Cash at bank and in hand	—	593,059	593,059	593,059
Total	18,586,541	1,126,352	19,712,893	19,712,893

2020

	Fair value through profit or loss £	Amortised Cost £	Total carrying value £	Fair value where applicable £
Financial Assets				
Charibond Inc	4,438,576	—	4,438,576	4,438,576
Charifund Inc	11,112,183	—	11,112,183	11,112,183
Property fund	1,516,918	—	1,516,918	1,516,918
Other debtors	—	15,925	15,925	15,925
Loans to beneficiaries	—	540,011	540,011	540,011
Cash at bank and in hand	—	449,875	449,875	449,875
Total	17,067,677	1,005,811	18,073,488	18,073,488

NOTES TO THE FINANCIAL STATEMENTS (continued)

B. Financial assets and financial liabilities - determination of fair value

The fair values of the financial assets and liabilities as included in the table above have been determined on the following bases.

The fair values of the financial instruments are determined by the use of current market bid prices for quoted investments, or by using quotations from independent third-parties, such as brokers and pricing services or by using appropriate valuation techniques. Investments valued using valuation techniques include financial investments which by their nature do not have an externally quoted price based on regular trades and financial investments for which markets are no longer active as a result of market conditions e.g. market illiquidity. The valuation techniques used include comparison to recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option adjusted spread models and, if applicable, enterprise valuation. These techniques may include a number of assumptions relating to variables such as credit risk and interest rates. Changes in assumptions relating to these variables could positively or negatively impact the reported fair value of these instruments. When determining the inputs into the valuation techniques used priority is given to publicly available prices from independent sources, when available but overall, the source of pricing is chosen with the objective of arriving at a fair value measurement which reflects the price at which an orderly transaction would take place between market participants on the measurement date.

The fair value estimates are made at a specific point in time, based upon available market information and judgements about the financial instruments, including estimates of the timing and amount of expected future cash flows and the credit standing of counterparties. Such estimates do not reflect any premium or discount that could result from offering for sale at one time the Company's entire holdings of a particular financial instrument, nor do they consider the tax impact of the realisation of unrealised gains or losses from selling the financial instrument being fair valued. In some cases the fair value estimates cannot be substantiated by comparison to independent markets, nor can the disclosed value be realised in immediate settlement of the financial instrument.