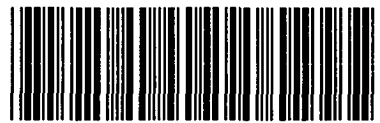


Registered No: 90776

M&G Securities Limited

2013 Annual Report

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Incorporated and registered in England and Wales. Registered no: 90776
Registered office: Laurence Pountney Hill, London EC4R 0HH.

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Strategic report

Business review

The principal activity of the Company is as Manager of M&G Unit Trusts and Authorised Corporate Director of M&G Open Ended Investment Companies. The Company is regulated by the Financial Conduct Authority.

Revenues rose in the year mainly due to strong net sales and market performance resulting in higher funds under management. The operating profit for the Company for the year was £179,116,000 (2012: £154,473,000) which is an increase of 16.0%. The Company retained a profit of £9,056,000 (2012: £17,090,000) which is a decrease of 47%. Further details of the results for the year are set out in the profit and loss account on page 8.

Key Performance Indicators

The Company's net assets as at 31 December 2013 were £66,333,000 (2012: £57,277,000)

The Company's return on assets for the year, calculated as net profit divided by total assets, was 24% (2012: 30%).

The Company's profits to dividend ratio, calculated as profit on ordinary activities after tax divided by dividends paid was 1.1 (2012: 1.2)

The Company's current assets to current liabilities ratio, calculated as current assets divided by current liabilities was 1.1 (2012: 1.2).

Principal risks and uncertainties

The risks and uncertainties faced by the Company are those inherent within the investment management industry, primarily:

- Operational risk – exposure to losses resulting from inadequate or failed internal and external processes, systems and human error or from external events.

The Board recognises that operational risk management is a vital element of its business. Clients entrust us with the stewardship of substantial funds, perhaps someone's lifetime savings or the entire assets of a pension scheme. Profitability for our shareholders is significantly affected by errors since we deal in complex, fast moving markets in sums that are very large compared to our fees. Each M&G Business Unit operates appropriate systems and controls together with operational risk oversight procedures that comply with standards approved from time to time by the Board.

- Market risk – exposure to fluctuations in revenue resulting from the impact of volatile equity, bond, property prices and investment performance.

The Board seeks to mitigate the market risk by strict control of fixed overheads, diversification of assets under management and breadth of distribution.

- Currency risk – movements in exchange rates impacting revenue and expenses.

To reduce some of the currency risk faced by the Company, the directors make use of forward contracts at Group level where they feel it is appropriate to do so.

Strategic report (continued)

These risks are outlined further, along with the other risks and uncertainties faced by the Prudential Group, in the strategic report prepared by Prudential plc, the Company's ultimate parent company. Consolidated financial statements can be obtained from the address on page 14.

In accordance with the EU Capital Requirements Directive, the Pillar 3 disclosures for the M&G Group, along with the Group's compliance with the provisions of the FSA's Remuneration Code SYSC 19A, are published on the internet at: - www.mandg.co.uk/capital-adequacy

The Group operates administrative and organisational arrangements to identify and manage conflicts of interest that might adversely affect its clients including:

- effective procedures to restrict the exchange of information where such exchange might harm clients;
- effective segregation of duties with appropriate supervision; and
- charging and remuneration policies that are reasonably designed to align the long term interests of the Company, employees and clients.



Approved by the Board.

J P McClelland
Company Secretary
Laurence Pountney Hill
London EC4R 0HH

16 April 2014

Directors' report

Directors

W J Nott (Chairman)
G N Cotton
P R Jelfs
M Lewis
G W MacDowall
L J Mumford
C I Jackson (Resigned)
J R Talbot (Resigned)

Mr C I Jackson resigned as Director of the Company on 30 April 2013. Mr J R Talbot resigned as both Director of the Company and Company Secretary on 30 June 2013. Mr P R Jelfs was appointed Director of the Company on the 2 August 2013.

All the directors listed above held office during the whole period from 1 January 2013 to the date of this report.

Dividends

Interim dividends totalling £129,000,000 (2012: £100,000,000) were paid during the year. The directors do not recommend the payment of a further dividend.

Qualifying third party indemnities

Prudential plc has arranged appropriate insurance cover in respect of legal action against directors and senior managers of companies within the Prudential Group. In addition, the Articles of Association of the Company provide for the directors, officers and employees of the Company to be indemnified in respect of liabilities incurred as a result of their office.

Employment policies

All staff were employed during the year by the immediate parent company. Employment policies are described in the annual report and financial statements of that company.

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

The directors are responsible for preparing the strategic report, 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 Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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.

Directors' report (continued)

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 directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor are aware of that information.

Auditor

KPMG Audit Plc has advised that it has instigated an orderly wind down of its business, with future audit work being transferred to its parent entity, KPMG LLP. Pursuant to a shareholders' resolution, the Company is not obliged to reappoint its auditor annually and KPMG LLP will assume office.

Approved by the Board.



J P McClelland
Company Secretary
Laurence Pountney Hill
London EC4R 0HH

16 April 2014

Independent auditor's report to the members of M&G Securities Limited

We have audited the financial statements of M&G Securities Limited for the year ended 31 December 2013. The financial reporting framework that has been applied in their preparation is applicable law and the UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Company's members, 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 members 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 members, as a body, 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 directors' responsibilities statement set out on pages 5 and 6, 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 the 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 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the strategic report and director's report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Independent auditor's report to the members of M&G Securities Limited
(continued)**

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
- 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.



Neil Palmer (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
15 Canada Square
London E14 5GL

16 April 2014

Profit and loss account for the year

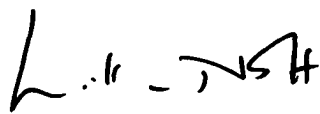
	Note	2013 £'000	2012 £'000
Revenue	2	863,569	696,297
Operating expenses	3	<u>(684,453)</u>	<u>(541,824)</u>
Operating profit from continuing operations	4	179,116	154,473
Interest receivable and similar income	6	<u>763</u>	<u>612</u>
Profit on ordinary activities before tax		179,879	155,085
Tax on profit on ordinary activities	7	(41,823)	(37,994)
Profit on ordinary activities after tax		<u>138,056</u>	<u>117,091</u>

The Company had no recognised gains or losses other than the profit for the year as disclosed above, all of which is derived from continuing activities.

Balance sheet

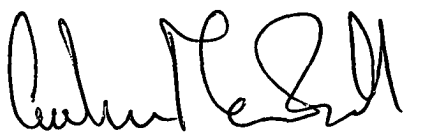
	Note	2013 £'000	2012 £'000
Current assets			
Stock		30,961	21,342
Debtors	9	483,206	311,760
Cash at bank	10	59,838	63,035
Total current assets		574,005	396,137
Creditors - amounts falling due within one year	11	(507,672)	(338,860)
Net assets		66,333	57,277
Capital and reserves			
Called up share capital	12	100	100
Profit and loss account		66,233	57,177
Total equity shareholders' funds		66,333	57,277

The financial statements on pages 8 to 15 have been approved by the Board of directors and signed on its behalf by:-



W J Nott
Director

16 April 2014



G W MacDowall
Director

Registered No: 90776

Reconciliation of movements in shareholders' funds

	Note	2013 £'000	2012 £'000
Profit after tax attributable to shareholders		138,056	117,090
Dividends	8	<u>(129,000)</u>	<u>(100,000)</u>
Net increase in equity shareholders' funds		9,056	17,090
Opening equity shareholders' funds		57,277	40,187
Closing equity shareholders' funds		<u><u>66,333</u></u>	<u><u>57,277</u></u>

Notes to the financial statements

1. Accounting policies

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

The Company has relied on the exemption given in FRS 1 (revised 1996) not to disclose a cash flow statement as the consolidated financial statements of its ultimate parent are publicly available.

The principal accounting policies that the directors have adopted are set out below:

a) Revenue recognition

Revenue from the purchase and sale of units/shares is accounted for as it is earned. Management fees represent charges made to the trustees/depositaries of the funds/OEICs and are accounted for on an accruals basis.

All other revenue is included in the profit and loss account on an accruals basis.

b) Expense recognition

Operating expenses include a recharge from the immediate parent company of costs borne on behalf of the Company as well as rebates of management fees and commissions earned.

Operating expenses also include fees payable to M&G Investment Management Limited for the management of the unit trusts/OEICs.

All expenses are included in the profit and loss account on an accruals basis.

c) Interest receivable and similar income

Distributions on unit trusts/OEICs are included on a receipts basis.

Bank interest and interest receivable from group undertakings are included in the profit and loss account on an accruals basis.

d) Foreign currency transactions

Foreign currency transactions are translated at rates of exchange ruling at the date of the respective transactions. Foreign currency assets and liabilities are translated at rates of exchange ruling at the balance sheet date. Exchange differences are taken to the profit and loss account.

e) Stock

Stocks of units/shares are valued at the lower of cost and net realisable value.

Notes to the financial statements (continued)**2. Revenue**

Revenue for the year consisted of the following:-

	2013	2012
	£'000	£'000
Gross sales of units/shares	35,522,173	21,447,653
Less: cost of sales of units/shares	35,519,033	(21,443,167)
Revenue from the purchase and sale of units/shares	3,140	4,486
Management fees	855,856	689,798
Other revenue	4,573	2,013
	<u>863,569</u>	<u>696,297</u>

3. Operating expenses

Included in operating expenses are rebates of £375,500,618 (2012: £241,067,137) of management fees and initial charges to other Prudential Group companies in respect of investments in M&G unit trusts/OEICs. These companies bear the expenses relating to such investments.

4. Operating profit

Amounts receivable by the Company's auditor in respect of the audit of the Company's financial statements are £49,199 (2012: £48,592) and are payable by the immediate parent company. Amounts receivable by the Company's auditor in respect of services to the Company and its associates, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the Company's ultimate parent, Prudential plc.

All staff were employed during the year by the immediate parent company. Analyses of staff costs, pension commitments and share-based payments are shown in the annual report and financial statements of that company.

5. Directors' emoluments

The total directors' emoluments for the year charged to the Company are as follows:

Directors' emoluments	2,103	1,167
Amounts receivable under long term incentive schemes	1,289	720
	<u>3,392</u>	<u>1,887</u>

The directors' emoluments are based upon the apportionment of their time to the Company.

For the highest paid director the aggregate of emoluments was £1,611,760 (2012: £747,573) and amounts receivable under long term incentive schemes was £1,161,657 (2012: £531,849). He is a member of a defined benefit scheme, under which his accrued pension which would be available from normal retirement date assuming retirement at the year-end was £119,107 (2012: £114,826). He did not exercise any Prudential plc share options during the year, but received awards under the long term incentive scheme.

Notes to the financial statements (continued)

Two Directors (2012: two) who were also directors of the immediate parent company, received no emoluments in connection with the management of the affairs of the Company. Their remuneration, as directors of the Group, is disclosed in the financial statements of M&G Limited.

Directors in receipt of retirement benefits/share options exercised/
LTIP awards within the Group:

	2013	2012
The number of directors with retirement benefits accruing under the defined benefit schemes	<u>5</u>	<u>6</u>
The number of directors who exercised Prudential plc share options	<u>1</u>	<u>2</u>
The number of directors in respect of whose services awards were received or receivable under long term schemes	<u>4</u>	<u>6</u>

6. Interest receivable and similar income

	2013 £'000	2012 £'000
Bank interest receivable	416	236
Interest receivable from group undertakings	55	235
Unlisted investments	<u>292</u>	<u>140</u>
	<u>763</u>	<u>611</u>

7. Tax**a) Analysis of charge in the period: Current tax**

UK corporation tax on profits for the period	<u>41,823</u>	<u>37,994</u>
Total current tax	<u>41,823</u>	<u>37,994</u>

b) Factors affecting tax charge for the period:

The tax assessed in the period is higher than the standard rate of corporation tax in the UK (2012: lower) and the differences are explained below. The standard rate of tax has been determined by using the UK rate of corporation tax enacted for the period for which the profits of the Company will be taxed.

Profit on ordinary activities before tax	<u>179,879</u>	<u>155,085</u>
Profit on ordinary activities at standard rate of corporation tax in the UK of 23.25% (2012: 24.5%)	41,822	37,996
Effects of:-		
Difference between realised gains in accounts and non-taxable gains	-	(2)
Adjustment to tax charge in respect of previous periods	<u>1</u>	
Current tax charge for the period	<u>41,823</u>	<u>37,994</u>

Notes to the financial statements (continued)**8. Dividends**

	2013	2012
	£'000	£'000
On 100,000 ordinary shares of £1 each		
Interim dividends, net	<u>129,000</u>	<u>100,000</u>

9. Debtors

Debtors for unit/share sales	332,587	215,372
Amounts owed by trustees/depositaries for cancellations	82,976	39,700
Amounts owed by group undertakings	14,035	12,712
Amounts owed by trustees/depositaries for management fees	52,516	42,529
Other debtors	1,092	1,447
	<u>483,206</u>	<u>311,760</u>

10. Cash at bank

Under the terms of the Company's arrangements with the Prudential Group's main UK banker, the bank has a right of set-off between credit balances at the bank and all overdrawn balances of those group undertakings with similar arrangements. At the 31 December 2013, total cash at bank included an amount of £9,193,587 (2012: £2,363,498) which was held with the Prudential Group's main UK banker.

11. Creditors - amounts falling due within one year

Creditors for unit/share redemptions	216,241	102,697
Amounts owed to trustees/depositaries for creations	209,204	144,937
Amounts owed to group undertakings	37,532	44,269
Corporation tax	23,067	21,220
Other tax	28	31
Other creditors	2,236	1,646
Accruals and deferred income	19,364	24,060
	<u>507,672</u>	<u>338,860</u>

12. Called up share capital**Authorised, allotted, issued and fully paid**

100,000 ordinary shares of £1 each	<u>100</u>	<u>100</u>
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13. Immediate and ultimate parent company

The Company's immediate parent company is M&G Limited.

The Company's ultimate parent company 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.

Notes to the financial statements (continued)**14. Related party transactions**

In accordance with FRS 8 the Company is required to disclose details of its related party transactions with the unit trusts/OEICs that it manages. The Company earned £855,707,000 (2012: £689,673,000) from investment management fees received from related parties that are subject to consolidation where these entities are not 100% owned by Prudential Group, of which an amount of £52,516,000 was owing to the Company as at 31 December 2013 (2012: £42,529,000).

In relation to Prudential Portfolio Managers (South Africa) Pty Limited, the Company incurred annual management charge (AMC) rebates of £2,960,378 (2012: £3,481,229). At the balance sheet date the amount of £240,409 (2012: £240,015) was owing to Prudential Portfolio Managers (South Africa) Pty Limited with regard to AMC Rebates.

The Company has taken advantage of the exemption under FRS 8 from disclosing transactions with all other subsidiary undertakings of the Prudential Group. There are no other related party transactions.