Registered number: 00936683

M&G Investment Management Limited

Annual Report and Financial Statements

For the Year Ended 31 December 2022

Company Information

Directors	C B Chaloner J M B Daniels (resigned 4 April 2023) S A Fitzgerald A C M Morris J Pinto (appointed 4 April 2023) M Tosato R R Turnill
Company secretary	M&G Management Services Limited
Registered number	00936683
Registered office	10 Fenchurch Avenue London EC3M 5AG
Independent auditors	PricewaterhouseCoopers LLP 7 More London Riverside London SE1 2RT

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Business review

M&G Investment Management Limited (the "Company") is a member of the M&G plc group (the "Group"), the UK and international savings and investments business. The Company is a member of the sub-group headed by M&G Group Limited ("M&G" or the "M&G Group") and is an indirect subsidiary of M&G plc.

The principal activity of the Company is to provide investment management services in equities, fixed income and other asset classes for wholesale and institutional clients. The Company is authorised and regulated by the Financial Conduct Authority (FCA).

The profit before tax for the Company for the year was £111,098,000 (2021: £139,669,000). Further details of the results for the year are set out in the Profit and Loss Account and Other Comprehensive Income statement shown on page 15.

Principal risks and uncertainties

The Group has established and implemented a risk management framework (RMF) as part of a broader Group Governance Framework. The RMF applies to all entities in the Group including the Company, and sets risk governance arrangements that are based on a "three lines of defence" model and are consistent with individual accountabilities assigned under the FCA Senior Manager and Certification Regime (SMCR).

Under the three lines of defence model, first line business areas identify and manage risks and are overseen by second line Risk Management and Compliance functions. The second line is structurally independent of the first line, with a dotted reporting line to the M&G plc Board Risk Committee. The second line provides risk and compliance oversight, advice and challenge to the first line. The third line Internal Audit function is structurally independent from, and provides independent assurance over, the first and second lines. The third line has a reporting line to the M&G plc and M&G Board Audit Committees and is empowered by the Committees to audit the design and effectiveness of internal controls, including the risk management system.

The Company and Group are exposed to a number of risks. Due to the nature of the risks, some are managed at Group level and some are managed at Company level. Some are inherent in conducting the Company's principal activities and are not unique; others are unique and result from business strategy and structure. These risks may be categorised as follows:

Strategic risk

Changing client preferences, together with economic and political conditions, could adversely impact the Company's performance against its strategy and the strategy of the wider Group.

The Group's annual strategic planning process is overseen by the Group Board, with significant input from the Risk function, and results in the Group's approved strategy to which the Company contributes. The process of strategy approval considers the potential impact of the wider business environment and economy. Throughout the year the Company monitors its financial performance in support of the Group's strategy.

Operational risk and resilience

A material failure or operational disruption in the processes and controls supporting the Company's activities, including that of third-party suppliers or technology, could result in poor client outcomes, reputational damage, regulatory censure and increased costs. The Company is highly dependent on technology and the loss or sustained unavailability of key hardware or software, inadequate information security arrangements and ineffective use of digital solutions could impact its ability to operate effectively. Additionally, serious failings in the delivery, or persistent under performance of third-party supplier arrangements, could impact the delivery of services to its clients.

Principal risks and uncertainties (continued)

Operational risk and resilience (continued)

The Group's Operational Risk Policy defines the approach to identifying, assessing, managing and reporting operational risks and associated controls across the business including IT, data and outsourcing arrangements. Business continuity and crisis management requirements are applied across the Group. Key business services and the critical shared services on which they rely need an enhanced approach to avoid causing intolerable harm. The Group achieves this through a risk-based approach which considers the harm a service could cause if disrupted. The Group has enhanced oversight and risk management of third parties across the Group including its approach to selection, contracting and onboarding, management and monitoring, and termination and exiting.

Investment risk

The Company agrees investment objectives and risk profiles of its funds and segregated mandates with its clients. A failure to deliver against these objectives (including sustained underperformance of funds), to maintain risk profiles that are consistent with clients' expectations, or to ensure that fund liquidity profiles are appropriate for expected redemptions may all lead to poor client outcomes and result in fund outflows. If these risks materialise for the Company's funds or a range of funds, it may impact the Company's reputation, growth plans and profitability.

The Company's fund managers are accountable for the performance of the funds they manage, and management of the risks to the funds. Independent Investment Risk and Performance teams monitor and oversee fund performance, liquidity and risks, reporting to the Chief Risk and Compliance Officer. Such activities feed into established oversight and escalation forums to identify, measure and oversee investment performance, investment risk and fund liquidity risks.

Credit risk

Credit risk is the exposure to loss arising from counterparty's failure to meet its contractual obligations, either as a result of business failure or intentional withholding of amounts due.

The Group's Credit Risk Policy sets standards for the assessing, measuring and managing credit risk, monitored by a dedicated and independent team. The Company monitors key credit risk exposures on its balance sheet on a regular basis.

Market risk

The Company's revenue, profitability and solvency are sensitive to market fluctuations. Significant changes in the level or volatility of prices in equity, property or bond markets could have material adverse effects on our revenues. Exchange rate movements could impact fee and investment income denominated in foreign currencies.

Market risk appetite is set and monitored to limit the Company's exposure to key market risks. The Group has procedures to respond to significant market events and disruptions, bringing together colleagues across the Group to provide an enhanced monitoring and decision-making capability.

Corporate liquidity risk

The Company must carefully manage the risk that it has insufficient cash resources to meet its obligations to creditors as they fall due. This includes ensuring the business has sufficient resources to cover outgoing cash flows under a range of severe but plausible scenarios.

Risk appetite is set such that the Company maintains adequate liquid resources and its liquidity position is regularly monitored and stressed. The Group has detailed liquidity contingency funding plans in place to manage a liquidity crisis.

Principal risks and uncertainties (continued)

Geopolitical and macro-economic developments

2022 has been a challenging year for the global economy with negative market sentiment driven by persistent inflationary pressure, heightened recessionary fears, central bank tightening, rising geopolitical risk and UK political instability. Recessionary fears in both European and US markets are expected to flow through into 2023 as economic stresses from rate increases and rising inflation mount.

Surging energy prices from the Russia/Ukraine conflict, and supply chain disruptions driven by China's zero Covid policy, have adversely impacted markets. The conflict could pose a longer-term risk to market stability, with heightened tensions between US and China adding to geopolitical concerns. The Group's response to developments related to the Ukraine conflict was coordinated by its Central Response Team, with monitoring groups of representatives across the Group. The Company has limited exposure to Russia and Ukraine, but the Company's investment teams continue to monitor the geopolitical situation closely. The Company has liaised with its regulators and responded to information requests, for example in relation to the Company's sanctions framework and risk of cyber-attacks.

To effectively manage the Company's business and clients' assets, the Company has developed an enhanced monitoring and decision-making capability through this volatile period.

Climate change risk and Streamlined Energy and Carbon Reporting (SECR)

The Company, as part of the Group, recognises the risk climate change poses to its business and is committed to embedding climate-related risks and opportunities in decision making.

The identification, assessment and management of climate-related risks, along with other ESG-related risks, is managed at a group level and is integrated into the Group's ESG Risk Management framework. As climate change is a critical aspect of sustainability and ESG, a principal risk for the Group, it is a key area of oversight for our Risk and Compliance teams. Consideration and prioritisation of climate risk is also built into decision making and governance processes, and is a requirement of key strategic M&G plc Board risk assessment papers. Further information on the principal risks and opportunities related to climate change can be found on pages 70-73 of the M&G plc group financial statements.

As a subsidiary of a UK group that presents a consolidated SECR reporting, the Company is exempt from disclosing an individual SECR. The Group's SECR is available on page 76 of M&G plc's annual report.

Regulatory public disclosures and conflict management

As required under MIFIDPRU 8, disclosure of the M&G Group's risk management objectives and policies, governance arrangements, capital adequacy of MIFIDPRU Investment Firms, and compliance with the provisions of the FCA's Remuneration Code is published on the internet at:

https://www.mandg.com/who-we-are/mandg-investments/mandg-investments-business-policies

The M&G 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.

Section 172(1) Statement

Section 172 of the Companies Act 2006 requires a Director of a company to act in the way they consider, in good faith, would most likely promote the success of the company for the benefit of its members as a whole. In doing this, section 172 requires a director to have regard, amongst other matters, to the:

- likely consequences of any decisions in the long-term;
- interests of the Company's employees;
- need to foster the Company's business relationships with suppliers, clients and others;
- impact of the company's operations on the community and environment;
- desirability of the Company maintaining a reputation for high standards of business conduct, and
- need to act fairly as between members of the Company.

In discharging the Board's section 172 duties regard has been given to the factors applicable to the Company. The Board also recognise the matters it considers can often have unique characteristics. This can require the Board to consider additional factors, which are relevant to the specific matter under consideration. There is an acknowledgement from the Board that the relative importance of each factor they consider will vary depending on the decision being taken across all the Board's decisions, and that they are mindful of the Company's purpose, regulatory obligations, strategic priorities and alignment with M&G plc Group's overarching culture, vision and values.

As is normal for large companies, authority for day-to-day management of the Company is delegated to the Chief Executive who in turn engages management with the execution of the business strategy and related policies. The Directors review at each regular Board meeting: financial and operational performance; individual business unit updates; and risk and compliance reporting. The Board also review other areas over the course of the financial year including the Company's business strategy; financial reporting; key risks; stakeholder-related matters; and governance and legal matters. This is done through the consideration and discussion of reports which are sent in advance of each Board meeting and through presentations to the Board.

The Company's key stakeholders are its ultimate beneficial owner, M&G plc, and the stakeholder groups set out M&G plc's Annual report. The views and impact of the Company's activities on those stakeholders are an important consideration for the Directors when making relevant decisions. While there are cases where the Board itself judges that it should engage directly with certain stakeholder groups or on certain issues, for example, interaction with regulators, the size and spread of both the Company's stakeholders and the M&G plc Group means that generally other stakeholder engagement takes place at Group level. The Company believes that, as well as being a more efficient and effective approach, this also helps it achieve a greater positive impact on environmental, social and other issues than by working alone as an individual company. For details on some of the engagement that takes place with the Company's stakeholders please refer to the M&G plc 2022 Annual Report.

During the period, the Board received information to help them understand the interests and views of the Company's key stakeholders and other relevant factors when making decisions. This information was distributed in a range of different formats including in reports and presentations on the Company's financial and operational performance, non-financial key performance indicators, risk, environmental, social and governance matters and the outcomes of specific pieces of engagement. As a result of this the Board has had an overview of engagement with stakeholders and other relevant factors which allows the Board to understand the nature of the stakeholders' concerns and to comply with section 172 duty to promote success of the Company.

Principal Decisions

The Board set out below the principal decision they have made with regard to the matters set out in section 172(1)(a)-(f) when discharging their section 172 duties. Regard has been given to the factors applicable to the Company, and the effect of that on decisions taken. The Board define principal decisions as both those that are material to the Company, but also those that are significant to any of the Company's key stakeholders. In making the following principal decisions the Board considered the relevant impact on stakeholders as well as the need to maintain a reputation for high standards of business conduct:

Principal decision - Dividend to Parent

The Board approved the payment of dividends totalling £49,000,000 to its shareholder, M&G FA Limited. In making this decision the Board received detailed financial planning materials and considered a range of factors. These factors included any impact on the Company in the short-to-medium-term as well as the long-term viability of the Company; its expected cash flow and financing requirements (including the regulatory capital position); and, the ongoing need for strategic investment in the business.

Financial key performance indicators

Funds under management

Funds under management have decreased by 5% to £282bn at 31 December 2022 (2021: £296bn). This reduction is primarily driven by adverse investment market movements.

Revenue

Revenue, which largely consists of management fee income and performance fees, has increased by 11% to £673,097,000 in 2022 from £607,777,000 in 2021. This is mainly driven by an increase in performance fees reflecting the strong performance in the year.

Profit before taxation

Profit before taxation has decreased by 20% to £111,098,000 in 2022 from £139,669,000 in 2021. The lower figure is mainly driven by an increase in allocated administrative expenses partially offset by the increased revenue outlined above.

Net assets

Net assets have increased by 20% to £244,016,000 as at 31 December 2022 from £203,168,000 as at 31 December 2021, reflecting the retained profit after tax for the year less the dividend paid.

This report was approved by the Board and signed by order of the Board.

Ian Bothamley
For and Behalf Of M&G Management Services Limited
Company Secretary
Date: 26 April 2023

Directors' Report
For the year ended 31 December 2022

The Directors present their report and the audited financial statements for the year ended 31 December 2022.

Directors' responsibilities statement

The Directors are responsible for preparing the Annual 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 the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Under company law, Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the Directors are required to:

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent;
- 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 safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Results and dividends

The profit for the year, before taxation, amounted to £111,098,000 (2021: £139,669,000).

Dividends paid in the year amounted to £49,000,000 (2021: £62,000,000).

A further dividend is under consideration by the Directors which, if approved, will be reflected in the subsequent annual financial statements.

Directors

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

C B Chaloner
J M B Daniels (resigned 4 April 2023)
S A Fitzgerald
A C M Morris
J Pinto (appointed 4 April 2023)
M Tosato
R R Turnill

Political contributions

The Company made no political contributions during the year (2021: £nil).

Employee involvement

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.

Qualifying third party indemnity provisions

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 2022 for the benefit of the then Directors and, at the date of this report, are in force for the benefit of the Directors in relation to certain losses and liabilities which may occur (or have occurred) in connection with their duties, power or office.

Going concern

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for a period of at least twelve months from the date of approval of the financial statements.

To satisfy themselves of the appropriateness of the use of the going concern assumptions in relation to the financial statements, the Directors considered the solvency projections of the Company under a base case scenario along with sensitivities to certain stressed scenarios including a fall in asset values across equity, fixed income and property investments, coupled with rising costs through high inflation.

Additionally the Directors reviewed the liquidity projections of the Company, including the impact of applying specific liquidity stresses. This review also considered the ability of the Company to access external funding sources and the management actions that could be used to manage liquidity.

The results of the assessment demonstrated the ability of the Company to meet all obligations and future business requirements for the period of twelve months from the date of signing these financial statements. In addition, the assessment demonstrated that the Company was able to remain above its regulatory solvency requirements in a stressed scenario. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements.

Engagement with stakeholders

Engagement with M&G's key stakeholder groups helps foster and maintain relationships and forms an important part the wider Company's operation.

Not all stakeholder engagement is reported directly to the Board or takes place directly with the Board. However, the output of engagement across the Company informs business level decisions and proposals, with an overview of developments and relevant feedback being reported to the Board and/or its Committees. The purpose of this is to ensure that the Board can understand and consider the views of relevant stakeholders when making decisions.

Clients

The client is at the heart of everything the Company does. Throughout 2022, the Board has focused specific attention on improved reporting surrounding client feedback and key performance indicators.

Regulators

It's vitally important that the Company continues to maintain strong regulatory relationships, communicating openly, working collaboratively and providing all global regulators with timely notification of issues. This approach includes significant engagement from the Board and members of the Senior Executive team with our regulators on a range of key risks. The Board receives a report on regulatory matters from the Chief Compliance Officer at every Board meeting and all relevant regulatory correspondence is made available to the Board in a timely manner.

Directors' confirmations

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

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

Independent auditors

KPMG LLP resigned as the Group's and Company's auditor at the conclusion of the 2021 audit and PricewaterhouseCoopers LLP (PwC) were appointed as the Company's auditors with effect from the financial year ending 31 December 2022. Pursuant to a shareholder's resolution, the Company is not obliged to reappoint its auditor annually and PwC will assume office.

This report was approved by the Board and signed by order of the Board.

Ian Bothamley
For and Behalf Of M&G Management Services Limited
Company Secretary
Date: 26 April 2023

Independent auditors' report to the members of M&G Investment Management Limited

Report on the audit of the financial statements

Opinion

In our opinion, M&G Investment Management Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance Sheet as at 31 December 2022; Profit and Loss Account and Other Comprehensive Income and the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

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

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

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

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the UK regulatory principles such as those governed by the Financial Conduct Authority, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to manipulation of the management and performance fee calculations and the posting of inappropriate journal entries. Audit procedures performed by the engagement team included:

- Understanding of management's internal controls designed to prevent and detect irregularities;
- Reviewing relevant meeting minutes including those of the Board and Audit Committee;
- Reviewing correspondence with the Financial Conduct Authority in relation to compliance with laws and regulations;
- Enquiries of management, including legal, compliance and internal audit, including consideration of known or suspected instances of non-compliance with laws and regulations including fraud;

- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations, entries posted containing unusual account descriptions, unbalanced journal entries and entries posted with unusual amounts, where any such journal entries were identified;
- Recalculating a sample of performance related fees and testing the inputs used; and
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Thomas Robb

Thomas Robb (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
26 April 2023

Statement of Profit and Loss and Other Comprehensive Income
For the year ended 31 December 2022

	Note	2022 £000	2021 £000
Revenue	2	**673,097**	607,777
Administrative expenses	3	**(564,134)**	(467,473)
Operating profit		**108,963**	140,304
Interest receivable and similar income	6	**2,135**	2
Interest payable and similar expenses	7	—	(637)
Profit before taxation		**111,098**	139,669
Tax on profit	8	**(21,250)**	(26,537)
Profit for the financial year		**89,848**	113,132
Total comprehensive income for the year		**89,848**	113,132

The notes on pages 19 to 28 form part of these financial statements.

Balance Sheet
As at 31 December 2022

	Note		2022 £000		2021 £000
Current assets					
Debtors: amounts falling due within one year	10	**244,871**		203,834	
Cash at bank and in hand	11	**79,751**		70,069	
		324,622		273,903	
Creditors: amounts falling due within one year	12	**(80,606)**		(70,735)	
Net current assets			**244,016**		203,168
Net assets			**244,016**		203,168
Capital and reserves					
Called up share capital	13		**9,350**		9,350
Foreign exchange reserve			**(50)**		(50)
Profit and loss account			**234,716**		193,868
Total equity			**244,016**		203,168

The financial statements were approved and authorised for issue by the Board and were signed on its behalf by:

S A Fitzgerald

S A Fitzgerald
Director

Date: 26th April 2023

The notes on pages 19 to 28 form part of these financial statements.

Statement of Changes in Equity
For the year ended 31 December 2022

	Note	Called up share capital	Foreign Exchange reserve	Profit and loss account	Total equity
		£000	£000	£000	£000
At 1 January 2022		9,350	(50)	193,868	203,168
Profit for the year		–	–	89,848	89,848
Total comprehensive income		—	—	89,848	89,848
Dividends	9	–	–	(49,000)	(49,000)
At 31 December 2022		9,350	(50)	234,716	244,016

The notes on pages 19 to 28 form part of these financial statements.

Statement of Changes in Equity
For the year ended 31 December 2021

	Note	Called up share capital £000	Foreign Exchange reserve £000	Profit and loss account £000	Total equity £000
At 1 January 2021		9,350	(50)	142,736	152,036
Profit for the year		–	–	113,132	113,132
Total comprehensive income		—	—	113,132	113,132
Dividends	9	–	–	(62,000)	(62,000)
At 31 December 2021		9,350	(50)	193,868	203,168

The notes on pages 19 to 28 form part of these financial statements.

1. Accounting Policies

1.1 Basis of preparation of financial statements

M&G Investment Management Limited (the "Company") is a private limited company by shares, incorporated and domiciled in England and Wales, United Kingdom.

The financial statements have been prepared under the historical cost convention except that the following assets and liabilities are stated at their fair value: derivative financial instruments, financial instruments classified as fair value through the profit or loss, and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of UK-adopted international accounting standards ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The preparation of financial statements in compliance with FRS 101 can require the use of certain critical accounting estimates, however, the Directors do not consider there to be any critical accounting estimates or judgements in the preparation of the Company's financial statements.

1.2 Financial reporting standard 101 - reduced disclosure exemptions

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of paragraph 79(a)(iv) of IAS 1
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- the requirements in IAS 24 to disclose compensation of Key Management Personnel; and
- the requirements of IAS 24 to disclose transactions with a management entity that provides key management personnel services to the Company.

The Company is a subsidiary undertaking of M&G plc which is the ultimate parent company incorporated in England and Wales. Consolidated financial statements are prepared by M&G plc and copies of these are available to the public and may be obtained from the registered office at 10 Fenchurch Avenue, London, EC3M 5AG.

As the consolidated financial statements of M&G plc include the equivalent disclosures the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91- 99 of IFRS 13 Fair Value Measurement

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

1. Accounting Policies (continued)

1.3 Going concern

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for a period of at least twelve months from the date of approval of the financial statements.

To satisfy themselves of the appropriateness of the use of the going concern assumptions in relation to the financial statements, the Directors considered the solvency projections of the Company under a base case scenario along with sensitivities to certain stressed scenarios including a fall in asset values across equity, fixed income and property investments, coupled with rising costs through high inflation.

Additionally the Directors reviewed the liquidity projections of the Company, including the impact of applying specific liquidity stresses. This review also considered the ability of the Company to access external funding sources and the management actions that could be used to manage liquidity.

The results of the assessment demonstrated the ability of the Company to meet all obligations and future business requirements for the period of twelve months from the date of signing these financial statements. In addition, the assessment demonstrated that the Company was able to remain above its regulatory solvency requirements in a stressed scenario. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements.

1.4 Foreign currency

Functional and presentational currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated back to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

Exchange differences arising from this translation of foreign operations are reported as an item of other comprehensive income and accumulated in the foreign exchange reserve or non-controlling interest, as the case may be.

1.5 Revenue

Management fee revenue is based on investment assets under management and is only recognised when the Company satisfies its performance obligation to provide the asset management services. It is recognised in the year in which the services are rendered and is recognised net of rebates and billed in accordance with fee agreements.

Since the asset management service the Company provides is a continuous service, it satisfies its performance obligation over time. Therefore, the Company meets the criteria for its revenue to be recognised over time as the client benefits from the asset management services received from the Company.

1. Accounting Policies (continued)

1.5 Revenue (continued)

Performance fee revenue is based on the achievement of prescribed performance hurdles. It is only recognised when the performance obligations are satisfied or upon the crystallisation event occurring and when it is highly probable that a significant reversal will not occur.

1.6 Expenses

Administrative expenses include a recharge from the immediate parent company of costs borne on behalf of the Company.

Commissions are paid to third parties for ongoing services under distribution agreements and are charged to the profit and loss account over the year in which the service is expected to be provided. Commission payments are compliant with local regulation.

1.7 Interest receivable and similar income

Interest receivable is recognised in profit or loss as it accrues.

Foreign currency gains are reported on a net basis, if applicable.

1.8 Interest payable and similar expenses

Interest payable is recognised in profit or loss as it accrues.

Foreign currency losses are reported on a net basis, if applicable.

1.9 Taxation

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

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

The calculation of the total tax charge inherently involves a degree of estimation and judgement. The positions taken in tax returns, where applicable tax regulation is subject to interpretation, are recognised in full in the determination of the tax charge included the financial statements if the Company considers it is probable that the taxation authority will accept those positions. Otherwise, the Company considers an uncertain tax position to exist and a provision is recognised to reflect that a taxation authority, upon review of the positions, could alter the tax returns. From recognition the provision is measured based on management's judgement and estimate of the likely amount of the liability or recovery. This is achieved by providing for the single best estimate of the most likely outcome or the weighted average expected value where there are multiple possible outcomes, taking into account external advice where appropriate. Each uncertain tax treatment is considered separately or together as a group, depending on management's judgement as to which approach better predicts the resolution of the uncertainty. It is assumed that tax authorities will examine the uncertain tax treatments and they have full knowledge of all related information. The judgements and estimates made to recognise and measure the effect of uncertain tax positions are reassessed whenever circumstances change or when there is new information that affects those judgements.

1.10 Dividends

Equity dividends are recognised when they become legally payable.

1. **Accounting Policies (continued)**

1.11 Financial instruments

(i) Recognition and initial measurement

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit and loss, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

(a) Classification

On initial recognition, a financial asset is classified as measured at amortised cost.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit and loss.

Cash at bank and in hand

Cash at bank and in hand comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management.

Financial liabilities and equity

Financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and
- where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

1. Accounting Policies (continued)

1.11 Financial instruments (continued)

Financial liabilities and equity (continued)

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the group's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

(b) Subsequent measurement and gains and losses

- Financial assets at fair value through profit and loss - these assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
- Financial assets at amortised cost - these assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
- Financial liabilities are classified as measured at amortised cost and are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit and loss. Any gain or loss on derecognition is also recognised in profit and loss.

Impairment

The Company recognises loss allowances for expected credit losses on financial assets measured at amortised cost. Loss allowances are measured at an amount equal to lifetime expected credit losses, except for other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition, which are measured as 12-month expected credit loss. Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime expected credit loss.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument. 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months) The maximum period considered when estimating expected credit losses is the maximum contractual period over which the group is exposed to credit risk.

Measurement of expected credit losses

Expected credit losses are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the group expects to receive). Expected credit losses are discounted at the effective interest rate of the financial asset.

1. Accounting Policies (continued)

1.11 Financial instruments (continued)

Credit-impaired financial assets

At each reporting date, the group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Write-offs

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.

1.12 Adopted IFRS not yet applied

The following new accounting pronouncements that are relevant to the Company have also been issued and are not yet effective. All of the below have been adopted by the UK Endorsement Board as at 31 December 2022, except for Amendments to IAS 1 presentation of Financial Statements Classification of Liabilities as Current or Non-Current.

- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice;
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates;
- Amendments to IAS 12 Income Taxes - Deferred Tax related to Asset and Liabilities arising from a Single Transaction.

The Company is not expecting these pronouncements to have a significant impact on the Company's financial statements.

2. Revenue

An analysis of revenue by class of business is as follows:

	2022	2021
	£000	£000
Management fees *	**588,777**	589,753
Performance fees *	**72,348**	7,853
Stock lending fees	**7,912**	5,759
Other	**4,060**	4,412
	673,097	607,777

All revenue arose within the United Kingdom.

* Revenue includes management fee income from intergroup companies of £468,769,419 (2021: £501,850,148) and performance fees from intergroup companies of £69,839,900 (2021: £2,099,972).

3. Administrative expenses

All staff were employed during the year by the immediate parent company, which is also the service entity for the Company. Analysis of staff costs, pension commitments and share-based payments are shown in the annual report and financial statements of that company.

Administrative expenses mainly consist of costs allocated from the service entity.

4. Auditor's remuneration

	2022	2021
	£000	£000
Audit of these financial statements	153	115

Amounts receivable by the Company's auditors and their associates 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, M&G plc.

5. Directors' remuneration

	2022	2021
	£000	£000
		Restated
Directors' emoluments	670	1,586
Amounts receivable under long term incentive schemes	–	1,851
Company contributions to defined contribution pension schemes	–	1
	670	3,438

Directors' emoluments for the year ended 31 December 2021 have been restated, to exclude the value of incentive plan awards settled via shares. This restatement changes the total Directors' emoluments from to £4,001,000 to £3,439,000. There is no impact on the primary statements.

The aggregate of remuneration and amounts receivable under long term incentive schemes of the highest paid director was £486,509 (2021: £1,309,549). They are a member of the defined benefit scheme, under which their accrued pension at the year-end was £31,733. During the year, the highest paid director did not exercise share options.

Retirement benefits are accruing to the following numbers of directors under:	2022	2021
Defined contribution schemes	1	4
Defined benefit schemes	1	1
	2	5

	2022	2021
The number of directors who exercised share options was	–	–
The number of directors in respect of whose qualifying services shares were received or receivable under long term incentive schemes was	2	5

6. Interest receivable and similar income

	2022	2020
	£000	£000
Net foreign exchange gain	2,128	–
Bank interest receivable	7	2
	2,135	2

7. Interest payable and similar expenses

	2022	2021
	£000	£000
Net foreign exchange loss	—	627
Bank interest payable	—	10
	—	637

8. Taxation

	2022	2021
	£000	£000
Corporation tax		
Current tax on profits for the year	21,109	26,537
Corporation tax - Prior-year adjustment (overseas)	141	—
Total current tax	21,250	26,537

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2021: the same as) the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%).

	2022	2021
	£000	£000
Profit before taxation	111,098	139,669
Profit before tax multiplied by standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)	21,109	26,537
Effects of:		
Adjustments to tax charge in respect of previous periods	141	–
Total tax charge for the year	21,250	26,537

Factors that may affect future tax charges

An increase in the standard rate of Corporation Tax in the UK from 19% to 25% with effect from 1 April 2023 was substantively enacted on 24th May 2021. This will increase any future tax charge for the company accordingly.

9. Dividends

	2022 £000	2021 £000
On 9,350,000 ordinary shares of £1 each	**49,000**	62,000

10. Debtors: amounts falling due within one year

	2022 £000	2021 £000
Trade debtors	**9,349**	16,862
Amounts owed by group undertakings	**189,440**	130,714
Other debtors	**2,885**	3,007
Prepayments and accrued income	**43,194**	48,761
Corporation tax receivable	–	4,486
Deferred taxation	**3**	4
	244,871	203,834

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

11. Cash at bank and in hand

	2022 £000	2021 £000
Bank and cash balances	**79,751**	70,069

12. Creditors: amounts falling due within one year

	2022 £000	2021 £000
Amounts owed to group undertakings	**74,957**	68,906
Corporation tax	**2,131**	—
Accruals and deferred income	**459**	164
Taxation and social security	**3,059**	1,665
	80,606	70,735

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

13. Called up share capital

	2022 £000	2021 £000
Allotted, called up and fully paid		
9,350,000 (2021: 9,350,000) ordinary shares of £1.00 each	**9,350**	9,350

14. Related party transactions

The Company has taken advantage of the exemption under paragraph 8(k) of FRS101 not to disclose transactions with fellow wholly owned group companies and the exemption under paragraph 8(j) of FRS101 not to disclose key management personnel compensation and amounts incurred for the provision of key management personnel services by a separate management entity.

15. Immediate and ultimate parent company

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

The Company is a subsidiary undertaking of M&G plc which is the ultimate parent company incorporated in England and Wales. The ultimate parent undertaking and the smallest and largest group to consolidate these financial statements is M&G plc. Copies of the M&G plc consolidated financial statements can be obtained from the Company Secretary at 10 Fenchurch Avenue, London, EC3M 5AG.