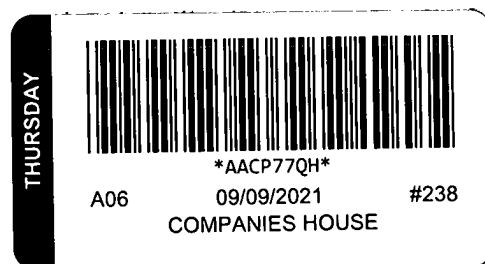


## **Prudential plc**

# **Special Purpose Interim (Unaudited) Financial Statements for the period ended 8 September 2021**



# **Prudential plc Special Purpose Interim (Unaudited) Financial Statements**

## **Directors and Auditors**

### **Directors at 8 September 2021**

Shriti Vadera  
Michael Wells  
Mark FitzPatrick CA  
James Turner FCA FCSI FRM  
The Hon. Philip Remnant CBE FCA  
Jeremy Anderson CBE  
David Law ACA  
Ming Lu  
Anthony Nightingale CMG SBS JP  
Alice Schroeder  
Chua Sock Koong  
Thomas Watjen  
Jeanette Wong  
Fields Wicker-Miurin OBE  
Amy Yip

### **Secretary**

Thomas Clarkson

### **Registered Office**

Prudential public limited company, incorporated and registered in England and Wales  
1 Angel Court  
London  
England  
EC2R 7AG  
Registered number 1397169

### **Auditors**

KPMG LLP  
London

## **Prudential plc Special Purpose Interim (Unaudited) Financial Statements**

### **Purpose of preparation**

These unaudited special purpose interim financial statements have been prepared under section 838 of the Companies Act 2006 ("the Act") for the purpose of confirming that Prudential plc ("the Company") has sufficient distributable reserves to support the distribution of shares in Jackson Financial Inc. as a dividend in-specie to the Company's shareholders.

The accounts are not the annual statutory accounts required under the Act and do not include all the disclosures which would have been required in such accounts. In the opinion of the Board any such disclosures omitted are not material for determining whether the proposed distribution would contravene the relevant requirements of the Act.

**Prudential plc Special Purpose Interim (Unaudited) Financial Statements**  
**Condensed Statement of Total Comprehensive Income**

<b>\$m</b>	<b>Note</b>	<b>Period to 8 Sep 2021</b>	<b>12 Months to 31 Dec 2020</b>
<b>Revenue</b>			
Dividend income		2,667	406
Other income		26	133
<b>Total revenue</b>		<b>2,693</b>	<b>539</b>
<b>Expenses</b>			
Finance costs		(227)	(320)
Operating and other expenses		(179)	(266)
Foreign currency exchange gains (losses) and fair value movements on currency derivatives		4	(19)
<b>Total expenses</b>		<b>(402)</b>	<b>(605)</b>
<b>Profit/(loss) before tax</b>		<b>2,291</b>	<b>(66)</b>
Tax credit/(charge)	5	12	(19)
<b>Total comprehensive income/(loss) for the period</b>		<b>2,303</b>	<b>(85)</b>

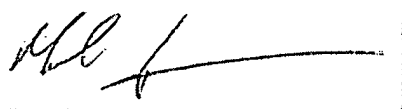
**Prudential plc Special Purpose Interim (Unaudited) Financial Statements**  
**Condensed Statement of Changes in Equity**

<b>\$m</b>	<b>Share capital</b>	<b>Share premium</b>	<b>Profit and loss account</b>	<b>Total shareholders' funds</b>
<b>Balance at 1 Jan 2020</b>	172	2,625	10,376	13,173
<b>Total comprehensive loss for the year</b>	-	-	(85)	(85)
<b>Transactions with owners, recorded directly in equity</b>				
New share capital subscribed	1	12	-	13
Share based payment transactions	-	-	(1)	(1)
Dividends	-	-	(814)	(814)
<b>Total contributions by and distributions to owners</b>	1	12	(815)	(802)
<b>Balance at 31 Dec 2020</b>	173	2,637	9,476	12,286
<b>Balance at 1 Jan 2021</b>	173	2,637	9,476	12,286
<b>Total comprehensive income for the period</b>	-	-	2,303	2,303
<b>Transactions with owners, recorded directly in equity</b>				
New share capital subscribed	-	8	-	8
Share based payment transactions	-	-	-	-
Dividends	-	-	(283)	(283)
<b>Total contributions by and distributions to owners</b>	-	8	(283)	(275)
<b>Balance at 8 Sep 2021</b>	173	2,645	11,496	14,314

**Prudential plc Special Purpose Interim (Unaudited) Financial Statements**  
**Condensed Statement of Financial Position**

\$m	Note	8 Sep 2021	31 Dec 2020
<b>Non-current assets</b>			
Investments in subsidiary undertakings	6	12,556	12,682
		<b>12,556</b>	<b>12,682</b>
<b>Current assets</b>			
Amounts owed by subsidiary undertakings		6,639	6,722
Other debtors		9	5
Cash at bank and in hand		13	5
Assets held for distribution	7	2,667	-
		<b>9,328</b>	<b>6,732</b>
<b>Liabilities: amounts falling due within one year</b>			
Commercial paper	8	(267)	(501)
Amounts owed to subsidiary undertakings		(799)	(149)
Tax payable		(4)	(16)
Accruals and deferred income		(104)	(79)
		<b>(1,174)</b>	<b>(745)</b>
<b>Net current assets</b>		<b>8,154</b>	<b>5,987</b>
<b>Total assets less current liabilities</b>		<b>20,710</b>	<b>18,669</b>
<b>Liabilities: amounts falling due after more than one year</b>			
Subordinated liabilities	8	(4,338)	(4,332)
Debenture loans	8	(1,708)	(1,701)
Other borrowings	8	(350)	(350)
		<b>(6,396)</b>	<b>(6,383)</b>
<b>Total net assets</b>		<b>14,314</b>	<b>12,286</b>
<b>Capital and reserves</b>			
Share capital	9	173	173
Share premium	9	2,645	2,637
Profit and loss account	10	11,496	9,476
<b>Shareholders' funds</b>		<b>14,314</b>	<b>12,286</b>

The financial statements of the Company on pages 4 to 10 were approved by the Board of Directors on 8 September 2021 and signed on its behalf.



**Mark FitzPatrick**  
Group Chief Financial Officer and Chief Operating Officer

# Notes on unaudited special purpose interim financial statements

## 1 Nature of operations

Prudential plc ('the Company') together with its subsidiaries (collectively, 'the Group' or 'Prudential') is an international financial services group. The Group currently has operations in Asia, Africa, the US and the UK. The Group helps individuals to get the most out of life by making healthcare accessible and affordable, helping people accumulate wealth through growing their assets and empowering its customers to save for their goals. On 28 January 2021, the Company announced its intention to demerge its subsidiary Jackson Financial Inc., which holds the Group's US operations, resulting in two separately listed companies. Following approval of the demerger by shareholder vote on 27 August 2021, the demerger will take effect on 13 September 2021.

## 2 Basis of preparation

These unaudited special purpose interim financial statements have been prepared under section 838 of the Companies Act 2006 for the purpose of determining distributable reserves prior to making a proposed distribution.

These unaudited special purpose interim financial statements do not include all the information and disclosure required in general purpose interim and annual financial statements, and should be read in conjunction with the Company's annual financial statements for the year ended 31 December 2020. Comparative figures are provided for the year ended 31 December 2020. The auditors have reported on the 2020 statutory accounts which have been delivered to the Registrar of Companies. The auditors' report was: (i) unqualified; (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report; and (iii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

These unaudited special purpose interim financial statements of the Company, which comprise of the income statement, the statement of financial position, statement of changes in equity and related notes, have been prepared in accordance with UK Generally Accepted Accounting Practice.

In preparing these unaudited special purpose interim financial statements, the Company applies the recognition and measurement requirements in International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB') and the international accounting standards in conformity with the requirements of the Companies Act 2006, but makes amendments where necessary in order to comply with the Companies Act 2006.

Note disclosures are presented where necessary to provide information on significant events and transactions that have resulted in changes in financial position and performance of the Company since the end of the last annual reporting period, for the purpose of determining the Company's profits available for distribution.

The Company does not include a cash flow statement in its annual financial statements, and therefore no cash flow statement is presented in these unaudited special purpose interim financial statements. The preparation of consolidated accounts is not required for the purpose of determining the Company's profits available for distribution.

These unaudited special purpose interim financial statements have been prepared on a going concern basis in accordance with the Companies Act 2006.

The accounting policies set out in note 4 below have been applied consistently to all periods presented in these financial statements. The same accounting policies have been applied to these unaudited special purpose interim financial statements as compared with the most recent annual financial statements.

## 3 Significant corporate activity

On 28 January 2021, the Company announced its intention to demerge Jackson Financial Inc., the holding company for its US business, resulting in two separately listed companies.

On 27 August 2021, the demerger proposals were approved by a majority vote of the Company's shareholders.

On 8 September 2021, Prudential Corporation Asia Limited declared and settled a dividend paid to the Company of \$2,667 million in the form of shares in Jackson Financial Inc. Following these steps, the Directors intend to

distribute shares representing 70.1 per cent of the voting interest (69.2 per cent economic interest) in Jackson Financial Inc. to the Company's shareholders in the form of a dividend in-specie, to be paid to shareholders of the Company on 13 September 2021.

The Board has approved a 2021 first interim ordinary dividend of 5.37 cents per share, which is proposed to be paid on 28 September 2021.

#### **4 Significant accounting policies**

##### **Investments in subsidiary undertakings**

Investments in subsidiary undertakings are shown at cost, less impairment. Investments are assessed for impairment by comparing the net assets of the subsidiary undertakings with the carrying value of the investment.

##### **Amounts owed by subsidiary undertakings**

Amounts owed by subsidiary undertakings are shown at cost, less provisions. Provisions are determined using the expected credit loss approach under IFRS 9.

##### **Financial Instruments**

Under IFRS 9, except for derivative instruments (where applicable) that are mandatorily classified as fair value through profit or loss, all of the financial assets and liabilities of the Company are held at amortised cost. The Company assesses impairment on its loans and receivables using the expected credit loss approach. The expected credit loss on the Company's loans and receivables, the majority of which represent loans to its subsidiaries, have been assessed by taking into account the probability of default on those loans. In all cases, the subsidiaries are expected to have sufficient resources to repay the loan either now or over time based on projected earnings. For loans callable on demand, the expected credit loss has been limited to the impact of discounting the value of the loan between the balance sheet date and the anticipated recovery date. For loans with a fixed maturity date the expected credit loss has been determined with reference to the historic experience of loans with equivalent credit characteristics.

##### **Borrowings**

Borrowings are initially recognised at fair value, net of transaction costs, and subsequently accounted for on an amortised cost basis using the effective interest method. Under the effective interest method, the difference between the redemption value of the borrowing and the initial proceeds, net of transaction costs, is amortised through the profit and loss account to the date of maturity or, for subordinated debt, over the expected life of the instrument. Where modifications to borrowings do not result in a substantial difference to the terms of the instrument, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining expected life of the modified instrument. Where modifications to borrowings do result in a substantial difference to the terms of the instrument, the instrument is treated as if it had been extinguished and replaced by a new instrument which is initially recognised at fair value and subsequently accounted for on an amortised cost basis using the effective interest method. Any costs or fees arising from such a modification are recognised as an expense when incurred.

##### **Dividends**

Interim dividends are recorded in the period in which they are paid.

##### **Share premium**

The difference between the proceeds received on issue of shares and the nominal value of the shares issued is credited to the share premium account.

##### **Foreign currency translation**

Transactions not denominated in the Company's functional currency, US dollars, are initially recorded at the functional rate of currency prevailing on the date of the transaction. Monetary assets and liabilities not denominated in the Company's functional currency are translated to the Company's functional currency at year end spot rates. The impact of these currency translations is recorded within the profit and loss account for the year.

##### **Tax**

Current tax expense is charged or credited to operations based upon amounts estimated to be payable or recoverable as a result of taxable amounts for the current year. To the extent that losses of an individual UK company are not offset, they can be carried back for one year or carried forward indefinitely to be offset, subject to restrictions based on future taxable profits, against profits arising from the same company or other companies in the same UK tax group.

Deferred tax assets and liabilities are recognised in accordance with the provisions of IAS 12 'Income Taxes'. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that future taxable



profits will be available against which these losses can be utilised. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

It is unlikely that the UK tax group will have future taxable income which would enable a current tax credit or deferred tax asset to be recognised.

#### Share-based payments

The Group offers share award and option plans for certain key employees and a Save As You Earn ('SAYE') plan for all UK and certain overseas employees. The share-based payment plans operated by the Group are mainly equity-settled.

Under IFRS 2 'Share-based payment', where the Company, as the parent company, has the obligation to settle the options or awards of its equity instruments to employees of its subsidiary undertakings, and such share-based payments are accounted for as equity-settled in the Group financial statements, the Company records an increase in the investment in subsidiary undertakings for the value of the share options and awards granted with a corresponding credit entry recognised directly in equity. The value of the share options and awards granted is based upon the fair value of the options and awards at the grant date, the vesting period and the vesting conditions. Cash receipts from business units in respect of newly issued share schemes are treated as returns of capital within investments in subsidiaries.

## 5 Tax Charge

Total tax credit/(charge) comprises:

\$m	Period to 8 Sep 2021	12 Months to 31 Dec 2020
Current tax	12	(19)
Deferred tax	-	-
<b>Total tax credit/(charge) on ordinary activities</b>	<b>12</b>	<b>(19)</b>

Reconciliation of effective tax rate:

\$m	Period to 8 Sep 2021	12 Months to 31 Dec 2020
Profit before tax	2,291	(66)
Expected tax (charge) credit at standard rate of tax (19%)	(435)	13
Adjustments for effects of:		
Non-taxable dividends	507	77
Unrecognised tax losses	(61)	(84)
Prior year adjustment and other items	1	(25)
<b>Actual tax credit/(charge)</b>	<b>12</b>	<b>(19)</b>

## 6 Investments in subsidiary undertakings

\$m	2021	2020
<b>At 1 Jan</b>	<b>12,682</b>	<b>10,444</b>
Exchange of non-current debt instruments for equity shares	-	2,000
Equity shares issued in exchange for assuming bank loan liability	-	350
Amounts in respect of share based payments	(126)	(112)
<b>At period end</b>	<b>12,556</b>	<b>12,682</b>

The Company intends to distribute its equity shareholding in its subsidiary Jackson Financial Inc. as a dividend in-specie on 13 Sep 2021. Following an assessment, in accordance with IFRS 5, 'Non-current assets held for sale and discontinued operations', the Company's investment in Jackson Financial Inc. has been classified as held for distribution in these accounts (see note 7).

On 8 September 2021, the direct subsidiaries of the Company were:

Name of entity	Classes of shares held	Proportion held	Registered office address and country of incorporation
Prudential Corporation Asia Limited	Ordinary Shares	100.00%	13th Floor, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong
Prudential Group Holdings Limited	Ordinary Shares	100.00%	1 Angel Court, London EC2R 7AG, UK
Jackson Financial Inc. – Held for distribution see note 7	Ordinary Shares	90.10%	1105 North Market Street, Suite 1300, Wilmington, DE 19801, USA

## 7 Assets held for distribution

\$m	8 Sep 2021	31 Dec 2020
Investment in subsidiary – Jackson Financial Inc.	2,667	-

On 28 January 2021, the Company announced its intention to demerge Jackson Financial Inc., the holding company for its US business, resulting in two separately listed companies. Shares representing 70.1 per cent of the voting interest (69.2 per cent economic interest) in Jackson Financial Inc. are intended to be distributed as a dividend in-specie to the Company's Shareholders on 13 September 2021. At the point of distribution, the Company is planning to retain a 19.9 per cent non-controlling voting interest (19.7 per cent economic interest) in Jackson Financial Inc, which will be reported within the Company's statement of financial position as a financial investment at fair value.

As classified as held for distribution the Company's investment in Jackson Financial Inc. is measured at estimated fair value. As Jackson Financial Inc. is an unlisted entity, the fair value of the Company's interest is inherently uncertain. On completion of the proposed demerger Jackson Financial Inc. will become a separately listed entity and its market value will become directly observable, which may differ from the current estimate.

## 8 Borrowings

\$m	Core structural borrowings		Other borrowings		Total	
	8 Sep 2021	31 Dec 2020	8 Sep 2021	31 Dec 2020	8 Sep 2021	31 Dec 2020
Core structural borrowings						
Subordinated liabilities	4,338	4,332	-	-	4,338	4,332
Debenture loans	1,708	1,701	-	-	1,708	1,701
Bank loan	350	350	-	-	350	350
	6,396	6,383	-	-	6,396	6,383
Commercial paper	-	-	267	501	267	501
Total borrowings	6,396	6,383	267	501	6,663	6,884
Borrowings are repayable as follows:						
Within 1 year	-	-	267	501	267	501
Between 1 and 5 years	782	780	-	-	782	780
After 5 years	5,614	5,603	-	-	5,614	5,603
	6,396	6,383	267	501	6,663	6,884

## 9 Share capital and share premium

	8 Sep 2021		31 Dec 2020	
	Share capital	Share premium	Share capital	Share premium
	\$m	\$m	\$m	\$m
Issued shares of 5p each fully paid				
Balance at 1 Jan	173	2,637	172	2,625
Shares issued under share-based schemes	-	8	1	12
Balance at period end	173	2,645	173	2,637

## 10 Retained profit of the Company

Retained profit at 8 September 2021 amounted to \$11,496 million (31 December 2020: \$9,476 million). The retained profit includes distributable reserves of \$3,191 million and \$2,667 million of reserves arising from the receipt of shares in Jackson Financial Inc. from a subsidiary, which are treated as realised for the purposes of the distribution of shares in Jackson Financial Inc. to the Company's shareholders. Retained profits also includes other, non-distributable, reserves of \$5,638 million. The non-distributable reserves of the Company relate to gains on intra-group transactions, in which qualifying consideration was not received, and share-based payment reserves.

Under UK company law, Prudential may pay dividends only if sufficient distributable reserves of the Company are available for the purpose and if the amount of its net assets is greater than the aggregate of its called up share capital and non-distributable reserves (such as the share premium account) and the payment of the dividend does not reduce the amount of its net assets to less than that aggregate.

The retained profit of the Company is substantially generated from dividend income received from subsidiaries.