

Registered No. SC210546

# **PRUDENTIAL HOLDINGS LIMITED**

## **Annual Report and Accounts**

**For the year ended 31 December 2019**



## **PRUDENTIAL HOLDINGS LIMITED**

Incorporated and registered in Scotland. Registered no: SC210546.

Registered office: 4th Floor, Saltire Court, 20 Castle Terrace, Edinburgh, Scotland, EH1 2EN, United Kingdom

### **Annual report and accounts for the year ended 31 December 2019**

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## **PRUDENTIAL HOLDINGS LIMITED**

### **DIRECTORS**

Benjamin James Bulmer (Chairman)	(appointed as director on 13 January 2020 and appointed as Chairman on 14 January 2020)
Stephen Paul Bickell	(appointed on 13 January 2020)
Paul Howard Simons	(appointed on 13 January 2020)
Esther Hoi Yan Cheung	(appointed on 13 January 2020)
Kieran Joseph Devlin	(resigned on 13 January 2020)
Katherine Louise Jones	(resigned on 13 January 2020)
David Charles Martin	(resigned on 28 November 2019)

### **SECRETARY**

Prudential Group Secretarial Services Limited

### **AUDITOR**

KPMG LLP

## **PRUDENTIAL HOLDINGS LIMITED**

### **STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019**

#### **Principal activity and strategic objectives**

The principal activity of the Company is to act as the immediate parent company of Prudential Corporation Holdings Limited ("PCHL"), the holding company of most of the Prudential Group's Asian business operations. In 2019 the Company provided management and support services to those operations.

From January 2020, the Company has ceased to provide management and support services but will continue to manage third-party suppliers for PCHL. PCHL will take on providing management and support services to the Prudential Group's Asian business operations going forward.

#### **Company performance and measurement**

Key performance Indicators	2019 \$000	2018 \$000
Profit on ordinary activities before tax	777,445	639,451
Net assets	4,832,530	4,672,243

The profit in 2019 mainly consisted of dividends of \$1,082,825,000 (2018: \$920,319,000) offset by \$330,184,000 (2018: \$291,725,000) of administrative expenses (net of recharges to Group companies).

#### **Principal risks and uncertainties**

Apart from the financial risk management objectives, policies and exposure set out below, the Company has no risks or uncertainties because of its activities within the Prudential Group.

The Covid-19 outbreak has disrupted activity in many countries in which the Company's subsidiaries operate and led to economic volatility across the globe. Lower levels of new business by some of the Company's subsidiaries were seen in Q1 2020. While the Prudential business has remained operationally resilient to date, the nature of the Covid-19 outbreak means that it is not possible to estimate the effect that the outbreak may have on the Company's financial position in the future, but the Group and the Company believe it is well positioned over the long-term to weather the disruption caused by the pandemic.

#### **Financial risk management objectives, policies and exposure**

The Company's financial risks primarily relate to Prudential Group's activities in Asia. These risks are managed and monitored at a Group level through the Prudential plc's Group risk framework as disclosed in the consolidated financial statements of Prudential plc. Due to the current financial strength of the Prudential Group, the directors consider that there is a minimal level of risk associated with the Company.

#### **Section 172 and Stakeholder engagement statement**

Section 172 of the UK Companies Act requires each Director to act in a way that he or she considers, in good faith, would be most likely to 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 (among other matters) to the needs of employees, suppliers, customers and other wider stakeholder interests. In particular, during the year the directors' had regards to stakeholders interests when determining the amount of dividends to be paid to the Company's intermediary holding company Prudential Corporation Asia Limited and when entering into intra-group loan financing arrangements.

**PRUDENTIAL HOLDINGS LIMITED**

**STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019**

The Board received a briefing reminding directors of their statutory duties under Section 172 and reiterating who the Company's key stakeholders are. Due to the nature of the Company's principal activity as a holding company within the Prudential Group, the stakeholders and strategic business activities of the Company are aligned with the Prudential Group and engagement occurs at the Group level. Details of how the Group engaged with stakeholders and the outcome of that engagement is detailed in the Prudential plc 2019 Annual Report and Accounts.

Signed on behalf of the Board of directors.

A handwritten signature in black ink, appearing to read 'B. Bulmer', written over a horizontal line.

Benjamin James Bulmer  
Director

12 AUG 2020

## **PRUDENTIAL HOLDINGS LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019**

#### **Accounts and dividend**

The state of affairs of the Company at 31 December 2019 is shown in the statement of financial position on page 11. The statement of comprehensive income appears on page 9. On September 2019, the Company paid dividends of \$836,616,000 (2018: \$671,662,000) to its immediate parent company.

In 2019, the Company paid fees of \$837,704,000, \$176,386,000 and \$30,408,000 to United Overseas Bank, Standard Chartered Bank and Southeast Asia Joint Stock Commercial Bank, respectively.

#### **Post balance sheet events**

Subsequent to the balance sheet date:

- The Company received loans of \$798,257,000 from Prudential plc.
- In January 2020 the Company ceased being a UK tax resident and became a Hong Kong tax resident. The Company's profits will no longer be subject to UK corporation tax from this date.
- In March 2020, Prudential Life Assurance (Thailand) Public Company Limited ("Prudential Thailand"), a subsidiary of Prudential plc, announced it had entered into a strategic bancassurance partnership with TMB Bank Public Company Limited ("TMB") with an initial term of 15 years to provide Prudential's leading suite of health and wealth solutions to TMB's large and growing customer base. The new agreement significantly expands and extends Prudential's successful partnership with Thanachart Bank to TMB Bank.

As part of this transaction, the Company agreed to pay TMB and FWD Life Insurance Public Limited Company fees of USD 523,800,000. The first instalment of USD 130,100,000 has been paid in April and May 2020, the remaining balance of USD 393,700,000 will be paid in January 2021. In line with Prudential plc's policy, these amounts will be capitalized as a distribution rights intangible asset.

- The Covid-19 outbreak has disrupted activity in many countries in which the Company's subsidiaries operate and led to economic volatility across the globe. Lower levels of new business by some of the Company's subsidiaries were seen in Q1 2020. While the Prudential business has remained operationally resilient to date, the nature of the Covid-19 outbreak means that it is not possible to estimate the effect that the outbreak may have on the Company's financial position in the future, but the Group and the Company believe it is well positioned over the long-term to weather the disruption caused by the pandemic.

#### **Directors' and officers' protection**

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. Prudential plc also provides protection for directors and senior managers of companies within the Group against personal financial exposure they may incur in their capacity as such. These include qualifying third-party indemnity provisions (as defined by the relevant Companies Act) for the benefit of directors of Prudential plc, including, where applicable, in their capacity as directors of the Company and other companies within the Group. These indemnities were in force during 2019 and remain in force.

## **PRUDENTIAL HOLDINGS LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019**

#### **Disclosure of information to the auditor**

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 is 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 is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

#### **Auditor**

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

#### **Political contribution**

Neither the Company nor any of its subsidiaries made any political donations or incurred any political expenditure during the year.

Signed on behalf of the Board of directors.



Benjamin James Bulmer  
Director

12 AUG 2020

## **PRUDENTIAL HOLDINGS LIMITED**

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*. 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 judgements 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;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations or have no realistic alternative but to do so.

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 the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PRUDENTIAL HOLDINGS LIMITED**

### **Opinion**

We have audited the financial statements of Prudential Holdings Limited ("the company") for the year ended 31 December 2019 which comprise the Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Financial Position and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

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

### **Going concern**

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

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

### **Strategic report and directors' report**

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

### **Matters on which we are required to report by exception**

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

### **Directors' responsibilities**

As explained more fully in their statement set out on page 6, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

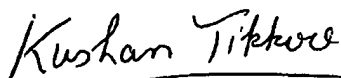
### **Auditor's responsibilities**

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

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

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

This report is made solely to the 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.



**Kushan Tikkoo (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
*Chartered Accountants*  
15 Canada Square  
London  
E14 5GL  
12 August 2020

**PRUDENTIAL HOLDINGS LIMITED****STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019**

	Notes	2019 \$000	2018* \$000
Turnover	2	221,413	206,626
Administrative expenses:			
Staff costs	3	(136,003)	(144,457)
Depreciation	8,9	(14,824)	(1,999)
Amortisation	7	(175,357)	(171,042)
Other operating charges		(225,413)	(180,853)
Gain on foreign currency exchange translation		21,842	10,511
Income from shares in subsidiary undertakings	6	1,082,825	920,319
Interest receivable and similar income		6,492	3,253
Interest payable and similar charges		(3,530)	(2,907)
<b>Profit before taxation</b>	4	<b>777,445</b>	<b>639,451</b>
Tax credit on profit on ordinary activities	5	29,657	37,097
<b>Profit for the year</b>		<b>807,102</b>	<b>676,548</b>
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss:</i>			
Foreign exchange translation differences due to change in presentation currency		3,832	(5,371)
<b>Other comprehensive income for the year</b>		<b>3,832</b>	<b>(5,371)</b>
<b>Total comprehensive income for the year</b>		<b>810,934</b>	<b>671,177</b>

All of the above items relate to continuing operations.

- \* The 2018 comparative results have been re-presented from those previously published to reflect the change in the Company's presentational currency from pounds sterling to US dollars (as described in note 1(F)).

The notes on pages 12 to 27 form part of these financial statements.

**PRUDENTIAL HOLDINGS LIMITED**

**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019**

	Share capital \$000	Share premium \$000	Retained Profit \$000	Total \$000
<b>Balance at 1 January 2018</b>	4,684,461	233,974	42,245	4,960,680
Profit for the year	-	-	676,548	676,548
Foreign exchange translation differences due to change in presentation currency	-	-	(5,371)	(5,371)
<b>Total comprehensive income for the year</b>	-	-	671,177	671,177
<b>Transactions with owners, recorded directly in equity</b>				
Dividend paid	-	-	(671,662)	(671,662)
Foreign exchange translation differences due to change in presentation currency	(274,253)	(13,699)	-	(287,952)
Total contributions by and distributions to owners	(274,253)	(13,699)	(671,662)	(959,614)
<b>Balance at 31 December 2018*</b>	<u>4,410,208</u>	<u>220,275</u>	<u>41,760</u>	<u>4,672,243</u>
<b>Balance at 1 January 2019</b>	4,410,208	220,275	41,760	4,672,243
Profit for the year	-	-	807,102	807,102
Foreign exchange translation differences due to change in presentation currency	-	-	3,832	3,832
<b>Total comprehensive income for the year</b>	-	-	810,934	810,934
<b>Transactions with owners, recorded directly in equity</b>				
Dividend paid	-	-	(836,616)	(836,616)
Foreign exchange translation differences due to change in presentation currency	177,122	8,847	-	185,969
Total contributions by and distributions to owners	177,122	8,847	(836,616)	(650,647)
<b>Balance at 31 December 2019</b>	<u>4,587,330</u>	<u>229,122</u>	<u>16,078</u>	<u>4,832,530</u>

- \* The 2018 comparative results have been re-presented from those previously published to reflect the change in the Company's presentational currency from pounds sterling to US dollars (as described in note 1(F)).

The notes on pages 12 to 27 form part of these financial statements.

**PRUDENTIAL HOLDINGS LIMITED****STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2019**

	Notes	31 December 2019 \$000	31 December 2018* \$000
<b>FIXED ASSETS</b>			
Investments:			
Shares in subsidiary undertakings	6	4,036,611	3,880,753
Intangible assets	7	2,456,554	1,531,248
Tangible assets	8	45,815	2,245
		<u>6,538,980</u>	<u>5,414,246</u>
<b>CURRENT ASSETS</b>			
Investment in employee benefit trust	1(l)	137,724	125,105
Debtors	10	252,267	322,130
Cash and cash equivalent	11	528,390	184,490
		<u>918,381</u>	<u>631,725</u>
<b>Creditors: amounts falling due within one year</b>	12	(2,596,126)	(1,373,728)
<b>NET CURRENT LIABILITIES</b>		<u>(1,677,745)</u>	<u>(742,003)</u>
Total assets less current liabilities		4,861,235	4,672,243
<b>Creditors: amounts falling due more than one year</b>	13	(28,705)	-
<b>NET ASSETS</b>		<u>4,832,530</u>	<u>4,672,243</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	14	4,587,330	4,410,208
Share premium		229,122	220,275
Retained profit		16,078	41,760
Total shareholders' funds		<u>4,832,530</u>	<u>4,672,243</u>

\* The 2018 comparative results have been re-presented from those previously published to reflect the change in the Company's presentational currency from pounds sterling to US dollars (as described in note 1(F)).

The financial statements on pages 9 to 27 were approved by the Board of directors on **12 AUG 2020** and signed on its behalf by:



Esther Hoi Yan Cheung  
Director

The notes on pages 12 to 27 form part of these financial statements.

## **PRUDENTIAL HOLDINGS LIMITED**

### **NOTES ON THE ACCOUNTS**

#### **1. Accounting policies**

##### **A. Basis of presentation**

Prudential Holdings Limited (the "Company") is a private company incorporated and domiciled in the United Kingdom ("UK").

The Company is exempt by virtue of Section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements. These financial statements therefore present information about the Company as an individual undertaking and not about its group.

These financial statements are prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"), Part 15 of the Companies Act 2006 and Schedule 3 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and endorsed by the EU ("EU-endorsed IFRS"), but makes amendments where necessary in order to comply with Companies Act 2006.

The Company's ultimate parent undertaking, Prudential plc, includes the Company in its consolidated financial statements. Those consolidated financial statements are prepared in accordance with IFRS and are available to the public. Copies of the accounts can be obtained from the Company Secretary, 1 Angel Court, London EC2R 7AG, United Kingdom.

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

- A cash flow statement and related notes
- Disclosures in respect of transactions between wholly owned subsidiaries within the Prudential Group
- Disclosure in respect of capital management
- The effects of new but not yet effective IFRSs
- Disclosures in respect of the compensation of key management personnel
- Certain disclosures required by IFRS 2 "Share-based Payment" in respect of Group-settled share-based payments
- Certain disclosures required by IFRS 13 "Fair Value Measurement" and the disclosures required by IFRS 7 "Financial Instruments: Disclosures"
- Disclosure of a third balance sheet on the change in currency required by FRS 101.8(g)

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

The Company is an intermediate holding company with investments in subsidiaries of \$4,036,611,000 and net assets of \$4,832,530,000. Due to the way that the company is financed, it has net current liabilities of \$1,677,745,000 as at 31 December 2019. The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons:

The going concern of the Company is dependent on Prudential plc not seeking repayment of the amounts currently due to the group, which at 31 December 2019 amounted to \$1,148,472,000, and providing additional financial support during the foreseeable future. Prudential plc has indicated its intention to continue to make available such funds as are needed by the Company, and that it does not intend to seek repayment of the amounts due at the balance sheet date, and for the foreseeable future.

## **PRUDENTIAL HOLDINGS LIMITED**

### **NOTES ON THE ACCOUNTS (continued)**

#### **1. Accounting policies (continued)**

##### **A. Basis of presentation (continued)**

In preparing these financial statements on a going concern basis the directors have considered the cash flow forecasts prepared by the group for a period of at least 12 months from the date of approval of these financial statements together with severe but plausible downside scenarios. These forecasts take into account the uncertainty created by Covid-19.

The evolving Covid-19 pandemic has caused significant disruption to the economy and financial markets globally, and the full extent of the potential impacts of Covid-19 are not yet known. Whilst there are many unknowns and the future impact of the pandemic is difficult to predict, the Company is taking proactive action in line with the wider Group and successfully implemented its Business Continuity Plan with all staff working from home with minimal disruption to its day-to-day operations.

As with any Company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

##### **B. Dividends**

Dividends are recognised in the period in which they are received or paid.

##### **C. Interest receivable and payable**

Interest receivable and payable are recognised on an accrual basis.

##### **D. Taxation**

Current tax expense is charged or credited based upon amounts estimated to be payable or recoverable as a result of taxable amounts for the current year and adjustments made in relation to prior years. Current tax recoverable (payable) recognised in the balance sheet is measured at the amount expected to be either recovered from (paid to) relevant tax authorities or Group undertakings in relation to the surrender (claim) of tax losses.

Deferred taxes are provided under the liability method for all relevant temporary differences. Deferred tax is measured at the tax rates that are expected to apply to the period when the asset is realised or the liability settled, based on tax rates (and laws) that have been enacted or are substantively enacted at the end of the reporting period.

##### **E. Shares in Group undertakings**

Shares in Group undertakings are shown at cost, less impairment. The impairment charge is measured as the difference between the cost and the fair value of the operations, which generally is considered to be embedded value for insurance entities and net asset value for non-insurance entities. Reversals of prior year impairment charges are made when the fair value of the operation has increased following changes in the economic conditions since the impairment charge was made.

## **PRUDENTIAL HOLDINGS LIMITED**

### **NOTES ON THE ACCOUNTS (continued)**

#### **1. Accounting policies (continued)**

##### **F. Foreign currency**

Foreign currency revenue transactions are translated at the rate ruling at the date of the transaction. Foreign currency monetary assets and liabilities are translated at rates applicable at the balance sheet date. Exchange differences arising are taken to the profit and loss account.

From 31 December 2019, to align with other Prudential Group companies, the Company will manage its cash resources and future remittances primarily in US dollars. At 31 December 2019, terms of the majority of loans payable to and receivable from subsidiary undertakings previously denominated in pounds sterling were amended to reflect US dollars. From 31 December 2019, dividend income and dividends declared by the Company will be denominated in US dollars. Accordingly, as at 31 December 2019, the primary currency of the Company's financing and investment activities is US dollars and the functional currency of the Company changed from pounds sterling to US dollars prospectively from that date. The Company's assets, liabilities and equity were redenominated into US dollars using the spot exchange rate at 31 December 2019.

As a result of the change in functional currency, the Company has chosen to change its presentational currency to US dollars which is accounted for retrospectively. Prior periods have been restated into US dollars using closing rates at the relevant balance sheet date for assets, liabilities, share capital, share premium and other capital reserves. Items of total comprehensive income have been converted at the rate prevailing on the date of transaction, or at the average rate for the relevant year where this provides an equivalent measurement.

##### **G. Intangible assets**

Intangible assets relate to fees paid in relation to the bancassurance partnership arrangements for the bank distribution of Prudential's insurance products for a fixed period of time. The distribution rights amounts are amortised on a basis to reflect the pattern on which the future economic benefits are expected to be consumed by reference to new business production volumes. Impairment testing is conducted annually and when there is an indication of impairment.

##### **H. Fixed asset and depreciation**

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets.

Under IAS 17, the Company had leases which were classified as finance leases as the Company had assumed substantially all the risks and rewards of ownership of the leased asset. Where land and buildings were held under leases the accounting treatment of the land was considered separately from that of the buildings. Prior to 1 January 2019, these leased assets acquired by way of finance lease were stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and less accumulated impairment losses. The accounting treatment for these leases subsequent to transition to IFRS 16, and for leases entered into after 1 January 2019 are described below in accounting policy (Note 1(K)).

## **PRUDENTIAL HOLDINGS LIMITED**

### **NOTES ON THE ACCOUNTS (continued)**

#### **1. Accounting policies (continued)**

##### **H. Fixed asset and depreciation (continued)**

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Land is not depreciated. The estimated useful lives are as follows:

- Computer equipment 33.33% per annum
- Other fixed assets 20% to 33.33% per annum.

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

##### **I. Share-based payments**

Share options and awards of Prudential plc's equity instruments, for which the Company has the obligation to settle, are valued using the share price at the balance sheet date and are accounted as cash settled, whereby the Company records a compensation expense in the profit and loss account with a liability recognised in the balance sheet for the fair value of the accrued amount at the balance sheet date. The Company has established trusts to facilitate the delivery of shares under certain employee incentive plans. Payments made by the Company to the trusts in relation to these cash-settled share-based payment transactions are recorded at cost within "Investment in employee benefit trust" and released against the related share-based payment liability when the shares purchased by the trust are received by employees.

The ultimate parent Company, Prudential plc, operates several share award schemes, under which costs are accrued in the Company, including:

- Prudential Long Term Incentive Plan (three years vesting period): The scheme is a discretionary share plan. Awards are made in the form of Prudential plc ordinary shares or American Depositary Receipts ("ADRs") which have specific performance conditions attached. Dividend equivalent shares are awarded at vesting.
- Prudential Corporation Asia Long Term Incentive Plan (three years vesting period): Awards are made in the form of Prudential plc ordinary shares or ADRs. Awards are either made with specific performance conditions attached or as restricted share awards, and no dividend shares are awarded.
- Prudential Corporation Asia Deferred Bonus Plan (two years vesting period): Awards are made in the form of Prudential plc ordinary shares or ADRs. No specific performance conditions are attached and awards vest in full subject to the individual being employed by Prudential at the end of the vesting period. Dividend equivalent shares are awarded at vesting.
- Eligible employees outside the UK are invited to participate in arrangements similar to the Share Incentive Plan which allows the purchase of Prudential plc shares. Staff in certain countries in Asia are invited to join PRUShareplus (two years vesting period).

##### **J. Amounts owed by / to Group undertakings**

Amounts owed by / to Group undertakings are initially stated at fair value and subsequently measured at amortised cost using the effective interest rate method. In 2018, the Company adopted IFRS 9, 'Financial Instruments' which replaced IAS 39, 'Financial Instruments – Recognition and Measurement' and the Company changed its approach to assessing impairment on its loans and receivables from the IAS 39 incurred loss approach to the IFRS 9 expected credit loss approach. This has not resulted in any expected credit losses in 2019 (2018: \$nil).

## **PRUDENTIAL HOLDINGS LIMITED**

### **NOTES ON THE ACCOUNTS (continued)**

#### **1. Accounting policies (continued)**

##### **K. Change in accounting policy**

The Company has adopted IFRS 16 'Leases' in these financial statements from 1 January 2019 as disclosed in Notes 8 and 9 to the financial statements.

The new standard brings most leases on-balance-sheet for lessees under a single model, eliminating the distinction between operating and finance leases. IFRS 16 applies primarily to operating leases of major properties occupied by the Company's businesses where Prudential is a lessee. Under IFRS 16, these leases are brought onto the Company's statement of financial position with a 'right-of-use' asset being established and a corresponding liability representing the obligation to make lease payments. The rental accrual charge in the income statement under IAS 17 is replaced with a depreciation charge for the 'right-of-use' asset and an interest expense on the lease liability leading to a more front-loaded operating lease cost profile compared to IAS 17.

The Company has applied the practical expedient to grandfather the definition of a lease on transition. This means that IFRS 16 has been applied to all contracts that were identified as leases in accordance with IAS 17 and IFRIC 4 'Determining whether an Arrangement contains a Lease' entered into before 1 January 2019. Therefore, the definition of a lease under IFRS 16 is applied only to contracts entered into or changed on or after 1 January 2019.

The Company has used the following practical expedients, in addition to the aforementioned, when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Applying a single discount rate to a portfolio of leases with similar characteristics. Accordingly, for such portfolios, the incremental borrowing rates used to discount the future lease payments will be determined based on market specific risk-free rates adjusted with a margin/spread to reflect the Group's credit standing, lease term and the outstanding lease payments; and
- Using hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

Under IFRS 16, these leases are brought onto the Company's statement of financial position with a 'right-of-use' asset being established and a corresponding liability representing the obligation to make lease payments. The rental accrual charge in the income statement under IAS 17 is replaced with a depreciation charge for the 'right-of-use' asset and an interest expense on the lease liability leading to a more front-loaded operating lease cost profile compared to IAS 17.

As permitted by IFRS 16, the Company has chosen to adopt the modified retrospective approach upon transition to the new standard. Under the approach adopted, there is no adjustment to the Company's retained earnings at 1 January 2019 and the Company's 2018 comparative information is not restated. The 'right-of-use' asset and lease liability at 1 January 2019 are set at an amount equal to the discounted remaining lease payments adjusted by any prepaid or accrued lease payment balance immediately before the date of initial application of the standard. When measuring lease liabilities for leases that were classified as operating leases, the Company discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted-average rate applied is 3.1%.

## **PRUDENTIAL HOLDINGS LIMITED**

### **NOTES ON THE ACCOUNTS (continued)**

#### **2. Turnover**

Turnover represents the value of services charged to Prudential Group companies. A fixed mark up percentage is levied on certain provision of services.

	2019 \$000	2018 \$000
Primary geographical markets:		
Asia	206,098	206,225
Europe	15,071	401
North America	244	-
	<u>221,413</u>	<u>206,626</u>

#### **3. Staff information**

The staff costs shown below represent amounts incurred in respect of staff (employed by a related party, Prudential Services Limited) who work on behalf of the Company.

	2019 \$000	2018 \$000
Wages and salaries	108,144	126,526
Share based payments (See note 1(I))	19,404	10,387
Contributions to defined contribution plans	8,455	7,544
	<u>136,003</u>	<u>144,457</u>

	Number	Number
Average number of staff working on behalf of the Company during the year	<u>495</u>	<u>511</u>

#### **4. Profit before taxation**

The profit on ordinary activities before tax is stated after charging:

	2019 \$000	2018 \$000
Depreciation (note 8)	14,824	1,999
Amortisation of intangible assets (note 7)	175,357	171,042
Loss on sale of fixed assets	(54)	(29)
Operating lease rentals (note 9)	-	11,803

**PRUDENTIAL HOLDINGS LIMITED****NOTES ON THE ACCOUNTS (continued)****5. Tax credit on profit on ordinary activities****(a) Analysis of tax credit for the year**

	2019 \$000	2018 \$000
Current tax		
UK corporation tax credit on result for the year	35,151	41,028
Adjustments in respect of previous years	(3,288)	(3,622)
Total current tax credit	31,863	37,406
Deferred tax		
Origination and reversal of timing differences	(4,289)	(270)
Adjustments in respect of previous years	2,083	(39)
Total deferred tax charge	(2,206)	(309)
Tax credit on profit on ordinary activities	29,657	37,097

**(b) Factors affecting the tax credit for the year**

The tax credit assessed in the year is calculated by applying the standard rate of corporation tax in the UK as shown below. The standard rate of tax has been determined by using the UK rate of corporation tax enacted for the period for which the result of the Company will be taxed.

	2019 \$000	2018 \$000
Profit on ordinary activities before tax	777,445	639,451
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018: 19%)	(147,714)	(121,496)
Effects of:		
UK dividends received	205,737	174,860
Permanent differences	(14,135)	(12,638)
Impact of changes in local statutory tax rates	(10)	32
Adjustments in respect of previous years	(1,205)	(3,661)
Unrecognised credit on tax losses	(8,638)	-
Derecognition of deferred tax assets	(4,378)	-
Tax credit on profit on ordinary activities	29,657	37,097

**(c) Deferred tax asset**

	2019 \$000	2018 \$000
Deferred tax asset at beginning of year	2,201	2,651
Deferred tax charged to profit and loss account	(2,206)	(308)
Foreign exchange translation differences due to change in presentation currency	5	(141)
Deferred tax asset at end of year (note 10)	-	2,202

## **PRUDENTIAL HOLDINGS LIMITED**

### **NOTES ON THE ACCOUNTS (continued)**

#### **5. Tax credit on profit on ordinary activities (continued)**

##### **(c) Deferred tax asset (continued)**

The deferred tax balance at the end of 2018 related to fixed assets and other timing differences. Deferred tax assets of \$14,044,000 (gross \$73,912,000) have not been recognised in respect of the following items because it is not probable that future taxable profit will be available against which the Company can use the benefits therefrom.

	Gross 2019 \$000	Tax 2019 \$000	Gross 2018 \$000	Tax 2018 \$000
Deductible temporary difference	26,732	5,079	-	-
Tax losses	47,180	8,965	-	-
	<u>73,912</u>	<u>14,044</u>	<u>-</u>	<u>-</u>

##### **(d) Factors that may affect future tax charges**

On 13 January 2020 the Company ceased being a UK tax resident and became a Hong Kong tax resident. The Company's profits will no longer be subject to UK corporation tax from this date.

In the 11 March 2020 Budget, it was announced that the UK tax rate will remain at the current 19% and not reduce to 17% from 1 April 2020. This does not have a material effect on the financial statements for the year ended 31 December 2019.

Aside from this, the only factors that are expected to affect the future tax charges of the Company are those detailed in (b) above.

#### **6. Shares in subsidiary undertakings**

	2019 \$000	2018 \$000
At 1 January	3,880,753	4,122,082
Foreign exchange translation differences due to change in presentation currency	155,858	(241,329)
At 31 December	<u>4,036,611</u>	<u>3,880,753</u>

Investments in subsidiaries held at 31 December 2019 have been assessed for impairment and no impairment was identified.

During 2019, the Company received dividends of \$1,074,936,000 (2018: \$914,874,000) from its subsidiary, Prudential Corporation Holdings Limited, \$5,902,000 (2018: \$5,444,000) from Eastspring Investments (Luxembourg) S.A and \$1,985,000 (2018: nil) from Eastspring Investment Incorporated.

In accordance with Section 409 of the Companies Act 2006, a list of the Company's subsidiaries, joint ventures, associates and significant holdings (being holdings of more than 20 per cent) along with the country of incorporation, the classes of shares held and the effective percentage of equity owned at 31 December 2019 is disclosed below.

## **PRUDENTIAL HOLDINGS LIMITED**

### **NOTES ON THE ACCOUNTS (continued)**

#### **6. Shares in subsidiary undertakings (continued)**

<b>Name of entity</b>	<b>Classes of shares held</b>	<b>Proportion held</b>	<b>Registered office address and country of Incorporation</b>
AVIC JIanyin Co. Ltd. (acquired on 9 Nov.2018)	Ownership interest	34.97%	Tianjin Free Trade Test Zone (Airport Economic Zone) 9-403-03, East District, Airport Business Park, No. 80, Huanbei Road, China
BOCI-Prudential Asset Management Limited	Ordinary shares	36%	27/F, Bank of China Tower, 1 Garden Road, Hong Kong
BOCI-Prudential Trustee Limited	Ordinary shares	36%	12th Floor and 25th Floor, Citicorp Centre, 18 Whitfield Road, Causeway Bay, Hong Kong
CITIC-Prudential Life Insurance Company Limited	Ownership interest	50%	0501, 0502, 0507-0510, 0515, 0516, 1601-1616, East Tower, World Financial Centre, No.1 East Third Ring Middle Road, Chaoyang District, Beijing, China 100020
CITIC-CP Asset Management Co., Ltd.	Ownership interest	26.95%	Room 101-2, No.128 North Zhongyuan Road, Pudong District, Shanghai, China
CITIC-Prudential Fund Management Company Limited	Ownership interest	49%	Level 9, HSBC Building, Shanghai IFC, 8 Century Avenue, Pudong, Shanghai, China
Eastspring Al-Wara' Investments Berhad	Ordinary shares	100%	Level 25, Menara Hong Leong, No. 6 Jalan Damansara, Bukit Damansara, 50490 Kuala Lumpur, Wilayah Persekutuan, Malaysia
Eastspring Asset Management Korea Co. Ltd.	Ordinary shares	100%	15th Floor, Shinhan Investment Tower, 70 Yoidae-ro, Youngdungpo-gu, Seoul 07325, Korea
Eastspring Investments (Hong Kong) Limited	Ordinary shares	100%	13th Floor, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong
Eastspring Investments (Luxembourg) S.A.	Ordinary shares	100%	28, Boulevard Royal, Luxembourg, L-2449
Eastspring Investments (Singapore) Limited	Ordinary shares	100%	10 Marina Boulevard, #32-01, Marina Bay Financial Centre, Tower 2, Singapore 018983, Singapore
Eastspring Investments Berhad	Ordinary shares	100%	Level 25, Menara Hong Leong, No. 6 Jalan Damansara, Bukit Damansara, 50490 Kuala Lumpur, Wilayah Persekutuan, Malaysia
Eastspring Investments Fund Management Limited Liability Company	Ownership interest	100%	23/F, Saigon Trade Center, 37 Ton Duc Thang Street, District 1, Ho Chi Minh City, Vietnam
Eastspring Investments Incorporated	Ordinary shares	100%	874 Walker Road, Suite C, City of Dover, State of Delaware 19904, USA
Eastspring Investment Management (Shanghai) Company Limited	Ownership interest	100%	Unit 308-308, 3/F Azia Center, 1233 Lujiazui Ring Road, China (Shanghai) Pilot Free Trade Zone, China
Eastspring Investments Services Pte. Ltd.	Ordinary shares	100%	10 Marina Boulevard, #32-01, Marina Bay Financial Centre, Tower 2, Singapore 018983, Singapore
Eastspring Overseas Investment Fund Management (Shanghai) Company Limited	Ownership interest	100%	Unit 308-308, 3/F., 1233 Lujiazui Ring Road China (Shanghai) Pilot Free Trade Zone, China
Eastspring Securities Investment Trust Co., Ltd.	Ordinary shares	99.54%	4F, No.1 Songzhi Road, Taipei 110, Taiwan
Gongqing City Xinhang Co. Ltd.	Ownership interest	49.95%	Jiangxi province, Jiujiang City Gongqing City Fund Town, China
ICICI Prudential Asset Management Company Limited	Ordinary shares	49%	12th Floor, Narain Manzil, 23 Barakhamba Road, New Delhi 110001, India
ICICI Prudential Life Insurance Company Limited	Ordinary shares	22.11%	ICICI PruLife Towers, 1089 Appasaheb Marathe Marg, Prabhadevi, Mumbai 400025, India
ICICI Prudential Pension Funds Management Company Limited	Ordinary shares	22.11%	ICICI PruLife Towers, 1089 Appasaheb Marathe Marg, Prabhadevi, Mumbai 400025, India
ICICI Prudential Trust Limited	Ordinary shares	49%	12th Floor, Narain Manzil, 23 Barakhamba Road, New Delhi 110001, India

## PRUDENTIAL HOLDINGS LIMITED

### NOTES ON THE ACCOUNTS (continued)

#### 6. Shares in subsidiary undertakings (continued)

Name of entity	Classes of shares held	Proportion held	Registered office address and country of incorporation
North Sathorn Holdings Company Limited	Ordinary shares	100%	3 Rajanakarn Building, 20th Floor, South Sathorn Road, Yannawa Subdistrict, Sathorn District, Bangkok, Thailand
PCA IP Services Limited	Ordinary shares	100%	13/F, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong
PCA Life Assurance Co. Ltd.	Ordinary shares	99.78%	8/F, No.1 Songzhi Road, Taipei 11047, Taiwan
PCA Reinsurance Co. Ltd	Ordinary shares	100%	Unit Level 13(A), Main Office Tower, Financial Park Labuan, Jalan Merdeka, 8700 Federal Territory of Labuan, Malaysia
Pru Life Insurance Corporation of U.K.	Ordinary shares	100%	9/F, Uptown Place Tower 1, 1 East 11th Drive, Uptown Bonifacio, 1634 Taguig City, Metro Manila, Philippines
Pru Life UK Asset Management and Trust Corporation	Ordinary shares	100%	2/F Uptown Parade 2, 36th Street, Uptown Bonifacio, 1634 Taguig City, Philippines
Prudence Foundation	Limited by guarantee	100%	13/F, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong
Prudential (Cambodia) Life Assurance Plc	Ordinary shares	100%	Phnom Penh Tower 20F, #445, Monivong Blvd, Boeung Prolit, 7 Makara, Phnom Penh, Cambodia
Prudential Assurance Company Singapore (Pte) Limited	Ordinary shares	100%	30 Cecil Street, #30-01 Prudential Tower, Singapore 049712
Prudential Assurance Malaysia Berhad	Ordinary shares	51%	Level 3, Menara Prudential, No. 10 Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia
Prudential BSN Takaful Berhad	Ordinary shares	49%	Level 8A, Menara Prudential, No. 10 Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia
Prudential Life Assurance (Lao) Company Limited	Ordinary shares	100%	5th Floor, Lao international Business and Tourist Center Project (Vientiane Center), Khouvieng Road, Nongchan Village, Sisattanak District, Vientiane Capital, Lao PDR.
Prudential Life Assurance (Thailand) Public Company Limited	Ordinary shares	99.93%	9/9 @Sathorn Building, 20th– 27th Fl., South Sathorn Rd., Yannawa, Sathorn, Bangkok 10120, Thailand
Prudential Services Asia Sdn. Bhd.	Ordinary shares Class D Preference shares	100.00% 100.00%	Suite 1005, 10th Floor, Wisma Hamzah-Kwong Hing, No. 1 Leboh Ampang, 50100 Kuala Lumpur, Malaysia
Prudential Services Singapore Pte. Ltd.	Ordinary shares	100%	1 Wallich Street, #19-01 Guoco Tower, Singapore 078881
Prudential Singapore Holdings Pte. Limited	Ordinary shares	100%	30 Cecil Street, #30-01 Prudential Tower, Singapore 049712
Prudential Vietnam Assurance Private Limited	Ownership interest	100%	25/F, Saigon Trade Centre, 37 Ton Duc Thang Street, District 1, Ho Chi Minh City, Vietnam
PT. Eastspring Investments Indonesia	Class A ordinary shares	99.95%	23rd Floor, Prudential Tower, Jl. Jend. Sudirman Kav.79, Jakarta 12910, Indonesia
PT. Prudential Life Assurance	Class A ordinary shares	94.62%	16th Floor, Prudential Tower, Jl. Jend. Sudirman Kav 79, Jakarta 12910, Indonesia
Sri Han Suria Sdn. Bhd.	Ordinary shares	51%	Suite 1005, 10/F Wisma Hamzah-Kwong Hing, No. 1 Leboh Ampang, 50100 Kuala Lumpur, Malaysia
Staple Limited	Ordinary shares	100%	3 Rajanakarn Building, 20th Floor, South Sathorn Road, Yannawa Subdistrict, Sathorn District, Bangkok, Thailand
Eastspring Investments Asia Pacific Equity Fund	Ordinary shares	100%	26, Boulevard Royal, Luxembourg, L-2449
Eastspring Investments Asian Bond Fund	Ordinary shares	53.6%	26, Boulevard Royal, Luxembourg, L-2449
Eastspring Investments Asian Dynamic Fund	Ordinary shares	92.59%	26, Boulevard Royal, Luxembourg, L-2449

## **PRUDENTIAL HOLDINGS LIMITED**

### **NOTES ON THE ACCOUNTS (continued)**

#### **6. Shares in subsidiary undertakings (continued)**

<b>Name of entity</b>	<b>Classes of shares held</b>	<b>Proportion held</b>	<b>Registered office address and country of incorporation</b>
Eastspring Investments Asian Equity Fund	Ordinary shares	85.19%	26, Boulevard Royal, Luxembourg, L-2449
Eastspring Investments Asian Equity Income Fund	Ordinary shares	78.33%	26, Boulevard Royal, Luxembourg, L-2449
Eastspring Investments Asian High Yield Bond Fund	Ordinary shares	39.86%	26, Boulevard Royal, Luxembourg, L-2449
Eastspring Investments Asian Infrastructure Equity Fund	Ordinary shares	50.78%	26, Boulevard Royal, Luxembourg, L-2449
Eastspring Investments Asian Property Securities Fund	Ordinary shares	97.72%	26, Boulevard Royal, Luxembourg, L-2449
Eastspring Investments Dragon Peacock Fund	Ordinary shares	53.18%	26, Boulevard Royal, Luxembourg, L-2449
Eastspring Investments European Inv Grade Bond Fund	Ordinary shares	99.28%	26, Boulevard Royal, Luxembourg, L-2449
Eastspring Investments Global Emerging Markets Bond Fund	Ordinary shares	97.03%	26, Boulevard Royal, Luxembourg, L-2449
Eastspring Investments Global Equity Navigator Fund	Ordinary shares	100%	26, Boulevard Royal, Luxembourg, L-2449
Eastspring Investments Global Market Navigator Fund	Ordinary shares	99.68%	26, Boulevard Royal, Luxembourg, L-2449
Eastspring Investments India Equity Fund	Ordinary shares	68.69%	26, Boulevard Royal, Luxembourg, L-2449
Eastspring Investments Japan Fundamental Value Fund	Ordinary shares	99%	26, Boulevard Royal, Luxembourg, L-2449
Eastspring Investments North America Value Fund	Ordinary shares	100%	26, Boulevard Royal, Luxembourg, L-2449
Eastspring Investments SICAV-FIS - Alternative Investments Fund	Ordinary shares	100%	26, Boulevard Royal, Luxembourg, L-2449
Eastspring Investments SICAV-FIS - Asia Pacific Loan Fund	Ordinary shares	100%	26, Boulevard Royal, Luxembourg, L-2449
Eastspring Investments SICAV-FIS Universal USD Bond Fund	Ordinary shares	100%	26, Boulevard Royal, Luxembourg, L-2449
Eastspring Investments US Bond Fund	Ordinary shares	27.84%	26, Boulevard Royal, Luxembourg, L-2449
Eastspring Investments US Corporate Bond Fund	Ordinary shares	70.82%	26, Boulevard Royal, Luxembourg, L-2449
Eastspring Investments US High Inv Grade Bond Fund	Ordinary shares	91.67%	26, Boulevard Royal, Luxembourg, L-2449
Eastspring Investments UT Singapore ASEAN Equity Fund	Ordinary shares	100%	10 Marina Boulevard #32-01, Marina Bay Financial Centre Singapore 018983
Eastspring Investments UT Singapore Select Bond Fund	Ordinary shares	77.8%	10 Marina Boulevard #32-01, Marina Bay Financial Centre Singapore 018983
M&G Real Estate Asia Pte. Ltd	Ordinary shares	33%	10 Marina Boulevard, #31-03 Marina Bay Financial Centre Tower 2, Singapore 018983
Prudential Mauritius Holdings Limited	Ordinary shares	100%	3rd Floor, 355 NEX, Rue du Savoir, Cybercity Ebene 72201, Mauritius
Reksa Dana Eastspring IDR Fixed Income Fund (NDEIFF)	Ordinary shares	100%	Prudential Tower 23rd Floor, Jl. Jendral Sudirman Kav.79, Jakarta Selatan, 12910, Indonesia
Rhodium Investment Fund	Ordinary shares	100%	10, Marina Boulevard #32-01, Marina Bay Financial Centre, Singapore 018983

## PRUDENTIAL HOLDINGS LIMITED

### NOTES ON THE ACCOUNTS (continued)

#### 6. Shares in subsidiary undertakings (continued)

Name of entity	Classes of shares held	Proportion held	Registered office address and country of Incorporation
Scotts Spazio Pte. Ltd.	Ordinary shares	45%	30 Cecil Street, #23-02 Prudential Tower, Singapore 049712
Eastspring Investments India Consumer Equity Open Limited	Ordinary Shares	100%	3rd Floor, 355 NEX, Rue du Savoir, Cybercity Ebene 72201, Mauritius
Eastspring Investments India Equity Fund	Ordinary Shares	68.69%	26, Boulevard Royal, Luxembourg, L-2449
Eastspring Investments India Equity Open Limited	Ordinary Shares	100%	3rd Floor, 355 NEX, Rue du Savoir, Cybercity Ebene 72201, Mauritius
Eastspring Investments Limited	Ordinary Shares	100%	Marunouchi Park Building, 6-1 Marunouchi 2-chome, Chiyoda-Ku, Tokyo, Japan
Eastspring Investments - Pan European Fund	Ordinary Shares	61.01%	10 Marina Boulevard, #32-01, Marina Bay Financial Centre, Singapore. 018983
Thanachart Fund Management Co., Ltd.	Ordinary shares	50.10%	231 MBK LIFE Building, 5th-7th Floor, Lumpini, Patumwan Bangkok 10330
Prudential Corporation Holdings Limited	Ordinary shares	100%	1 Angel Court, London, EC2R 7AG, England, United Kingdom
Eastspring Investments India Infrastructure Equity Open Limited	Ordinary shares	100%	3rd Floor, 355 NEX, Rue du Savoir, Cybercity Ebene 72201, Mauritius
Eastspring Infrastructure Debt Fund L.P.	Partnership Interest	90%	PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands
Eastspring Real Assets Partners	Ordinary shares	100%	PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands
M&G Real Estate Asia Holding Company Pte. Ltd.	Ordinary shares	33%	10 Marina Boulevard, #31-03, Marina Bay Financial Centre Tower 2, Singapore 018983
M&G Real Estate Japan Co., Ltd.	Ordinary shares	33%	Shiroyama Trust Tower, 4-3-1 Toranomon, Minato-ku, Tokyo 105-6009, Japan
M&G Real Estate Korea Co., Ltd.	Ordinary shares	33%	17th Floor, Kyobo Building 1, Jongno, Jongno-Gu, Seoul, Korea

#### 7. Intangible assets

	2019 \$000	2018 \$000
At 1 January	1,531,248	1,560,811
Additions	1,044,498	232,757
Amortisation in year	(175,357)	(171,042)
Foreign exchange translation differences due to change in presentation currency	56,165	(91,278)
At 31 December	2,456,554	1,531,248

Intangible assets relate to fees paid in relation to the bancassurance partnership arrangements for the bank distribution of Prudential's insurance products for a fixed period of time. The distribution rights amounts are amortised on a basis to reflect the pattern on which the future economic benefits are expected to be consumed by reference to new business production volumes. Impairment testing is conducted annually and when there is an indication of impairment. Intangible assets held at 31 December 2019 have been assessed for impairment and no impairment was identified.

In 2019, the Company paid fees of \$837,704,000, \$176,386,000 and \$30,408,000 to United Overseas Bank, Standard Chartered Bank and Southeast Asia Joint Stock Commercial Bank respectively.

# **PRUDENTIAL HOLDINGS LIMITED**

## **NOTES ON THE ACCOUNTS (continued)**

### **8. Tangible assets**

	Land and buildings \$000	Fixtures & Fittings \$000	Computer equipment \$000	Other \$000	Total \$000
<b>Cost:</b>					
Balance at 1 January 2018	-	-	22,673	9,629	32,302
Additions	-	-	314	535	849
Disposals	-	-	-	(927)	(927)
Foreign exchange translation differences due to change in presentation currency	-	-	(1,342)	(545)	(1,887)
At 31 December 2018	-	-	21,645	8,692	30,337
Balance at 1 January 2019	-	-	21,645	8,692	30,337
Recognition of right-of-use assets on initial application of IFRS 16 (note 9)	43,385	7,692	-	-	51,077
Adjusted balance at 1 January 2019	43,385	7,692	21,645	8,692	81,414
Additions	-	-	3,524	2,145	5,669
Disposals	-	-	(1,057)	(4,886)	(5,943)
Foreign exchange translation differences due to change in presentation currency	1,741	308	886	127	3,062
At 31 December 2019	45,126	8,000	24,998	6,078	84,202
<b>Depreciation:</b>					
Balance at 1 January 2018	-	-	(20,207)	(8,498)	(28,705)
Charge for the year	-	-	(1,363)	(636)	(1,999)
Eliminated on disposals	-	-	-	849	849
Foreign exchange translation differences due to change in presentation currency	-	-	1,246	517	1,763
At 31 December 2018	-	-	(20,324)	(7,768)	(28,092)
Balance at 1 January 2019	-	-	(20,324)	(7,768)	(28,092)
Adjusted balance at 1 January 2019	-	-	(20,324)	(7,768)	(28,092)
Charge for the year (note 9)	(10,035)	(2,255)	(1,801)	(733)	(14,824)
Eliminated on disposals	-	-	1,097	4,907	6,004
Foreign exchange translation differences due to change in presentation currency	(379)	(86)	(840)	(170)	(1,475)
At 31 December 2019	(10,414)	(2,341)	(21,868)	(3,764)	(38,387)
<b>Net book value:</b>					
At 31 December 2019	34,712	5,659	3,130	2,314	45,815
At 31 December 2018	-	-	1,321	924	2,245

## **PRUDENTIAL HOLDINGS LIMITED**

### **NOTES ON THE ACCOUNTS (continued)**

#### **9. Leases**

##### Right-of-use assets

Right-of-use assets related to lease properties that do not meet the definition of investment properties are presented as property, plant and equipment (see note 8):

	Land and buildings \$000	Fixtures & fittings \$000	Total \$000
Balance at 1 January 2019	43,385	7,692	51,077
Depreciation charge for the year	(10,035)	(2,255)	(12,290)
Foreign exchange translation differences due to change in presentation currency	1,362	222	1,584
Balance at 31 December 2019	34,712	5,659	40,371

##### Amounts recognised in profit or loss

The following amounts have been recognised in profit or loss for which the Company is a lessee:

##### 2019 - Leases under IFRS 16

	\$000
Interest expense on lease liabilities	1,241

##### 2018 – Operating Leases under IAS 17

	\$000
Lease expense (note 4)	11,803

#### **10. Debtors**

	2019 \$000	2018 \$000
Amounts owed by Group undertakings:		
Amount due from immediate parent company	38,086	106,989
Amount due from subsidiaries	95,139	105,880
Amount due from fellow subsidiaries	48,802	25,052
Prepayments and accrued income	62,285	43,111
Tax recoverable	-	23,788
Deferred tax asset (note 5(c))	-	2,201
Other debtors	7,955	15,109
	252,267	322,130

#### **11. Cash and cash equivalent**

Cash and cash equivalent consist of cash at bank and in hand, and short-term highly liquid investments with less than 90 days maturity from the date of acquisition.

## **PRUDENTIAL HOLDINGS LIMITED**

### **NOTES ON THE ACCOUNTS (continued)**

#### **12. Creditors: amounts falling due within one year**

	2019 \$000	2018 \$000
Amounts owed to ultimate parent company	1,148,472	776,732
Amounts owed to other Group undertakings:		
Amount due to immediate parent company	50,000	-
Amount due to subsidiaries	385,359	160,713
Share-based payment liability (see note 1(l))	116,232	95,576
Tax payable	3,715	9,907
Accruals and deferred income *	881,816	330,800
Lease liabilities	10,532	-
	<u>2,596,126</u>	<u>1,373,728</u>

\* Included in accruals and deferred income is a provision for annual incentive payment to Standard Chartered Bank of \$181,272,000 and fixed consideration payment to United Overseas Bank of \$531,001,000 in respect of bancassurance partnership.

#### **13. Creditors: amounts falling due more than one year**

	2019 \$000	2018 \$000
Lease liabilities	<u>28,705</u>	<u>-</u>

#### **14. Share capital**

	2019 \$000	2018 \$000
Issued and fully paid: 3,462,789,335 ordinary shares of £1 each		
Balance at 1 January	4,410,208	4,684,461
Foreign exchange translation differences due to change in presentation currency	177,122	(274,253)
Balance at 31 December	<u>4,587,330</u>	<u>4,410,208</u>

#### **15. Auditor's remuneration**

Auditor's remuneration of \$18,000 (2018: \$19,000) related to the audit of these financial statements was borne by the ultimate parent company, Prudential plc. Amounts receivable by the Company's auditor in respect of services rendered to the Prudential Group, 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 Group basis in the consolidated financial statements of Prudential plc.

#### **16. Directors' emoluments**

The aggregate emoluments, including pension contributions, of the directors of the Company for the year in respect of services rendered to the Company were \$nil (2018: \$nil).

## **PRUDENTIAL HOLDINGS LIMITED**

### **NOTES ON THE ACCOUNTS (continued)**

#### **17. Immediate and ultimate parent company**

The Company's immediate parent company is Prudential Corporation Asia Limited and its ultimate parent company is Prudential plc. and the largest group in which the results of the Company are consolidated is that headed by Prudential plc. No other group financial statements include the results of the Company. The consolidated financial statements of the Group are available from the Company Secretary at 1 Angel Court, London EC2R 7AG.

#### **18. Post balance sheet events**

Subsequent to the balance sheet date:

- The Company received loans of \$798,257,000 from Prudential plc.
- In January 2020 the Company ceased being a UK tax resident and became a Hong Kong tax resident. The Company's profits will no longer be subject to UK corporation tax from this date.
- In March 2020, Prudential Life Assurance (Thailand) Public Company Limited ("Prudential Thailand"), a subsidiary of Prudential plc, announced it had entered into a strategic bancassurance partnership with TMB Bank Public Company Limited ("TMB") with an initial term of 15 years to provide Prudential's leading suite of health and wealth solutions to TMB's large and growing customer base. The new agreement significantly expands and extends Prudential's successful partnership with Thanachart Bank to TMB Bank.

As part of this transaction, the Company agreed to pay TMB and FWD Life Insurance Public Limited Company fees of USD 523,800,000. The first instalment of USD 130,100,000 has been paid in April and May 2020, the remaining balance of USD 393,700,000 will be paid in January 2021. In line with Prudential plc's policy, these amounts will be capitalized as a distribution rights intangible asset.

- The Covid-19 outbreak has disrupted activity in many countries in which the Company's subsidiaries operate and led to economic volatility across the globe. Lower levels of new business by some of the Company's subsidiaries were seen in Q1 2020. While the Prudential business has remained operationally resilient to date, the nature of the Covid-19 outbreak means that it is not possible to estimate the effect that the outbreak may have on the Company's financial position in the future, but the Group and the Company believe it is well positioned over the long-term to weather the disruption caused by the pandemic.