Financial statements

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Consolidated income statement

	Note	2021 $m	2020* $m
Continuing operations:			
Gross premiums earned		**24,217**	23,495
Outward reinsurance premiums		**(1,844)**	(1,625)
Earned premiums, net of reinsurance	B1.3	**22,373**	21,870
Investment return	B1.3	**3,486**	13,762
Other income	B1.3	**641**	615
Total revenue, net of reinsurance	B1.3	**26,500**	36,247
Benefits and claims	C3.2	**(17,738)**	(34,463)
Reinsurers' share of benefits and claims	C3.2	**(971)**	6,313
Movement in unallocated surplus of with-profits funds	C3.2	**(202)**	(438)
Benefits and claims and movement in unallocated surplus of with-profits funds, net of reinsurance	C3.2	**(18,911)**	(28,588)
Acquisition costs and other expenditure	B2	**(4,560)**	(4,651)
Finance costs: interest on core structural borrowings of shareholder-financed businesses		**(328)**	(316)
Loss attaching to corporate transactions	D1.1	**(35)**	(30)
Total charges net of reinsurance		**(23,834)**	(33,585)
Share of profit from joint ventures and associates, net of related tax	D6.3	**352**	517
Profit before tax *(being tax attributable to shareholders' and policyholders' returns)* note (i)		**3,018**	3,179
Tax charge attributable to policyholders' returns		**(342)**	(271)
Profit before tax attributable to shareholders' returns	B1.1	**2,676**	2,908
Total tax charge attributable to shareholders' and policyholders' returns	B3.1	**(804)**	(711)
Remove tax charge attributable to policyholders' returns		**342**	271
Tax charge attributable to shareholders' returns	B3.1	**(462)**	(440)
Profit after tax from continuing operations		**2,214**	2,468
Loss after tax from discontinued US operations note (ii)	D1.2	**(5,027)**	(283)
(Loss) profit for the year		**(2,813)**	2,185

		2021 $m	2020* $m
Attributable to:			
Equity holders of the Company:			
From continuing operations		**2,192**	2,458
From discontinued US operations		**(4,234)**	(340)
		(2,042)	2,118
Non-controlling interests:			
From continuing operations		**22**	10
From discontinued US operations		**(793)**	57
		(771)	67
(Loss) profit for the year		**(2,813)**	2,185

Earnings per share (in cents)	Note	2021	2020
Based on profit attributable to equity holders of the Company:	B4		
Basic			
Based on profit from continuing operations		**83.4¢**	94.6¢
Based on loss from discontinued US operations note (ii)		**(161.1)¢**	(13.0)¢
Total		**(77.7)¢**	81.6¢
Diluted			
Based on profit from continuing operations		**83.4¢**	94.6¢
Based on loss from discontinued US operations note (ii)		**(161.1)¢**	(13.0)¢
Total		**(77.7)¢**	81.6¢

* The comparative results have been re-presented from those previously published to reflect the Group's US operations as discontinued in 2021 (see note A1).

Notes

(i) This measure is the formal profit before tax measure under IFRS. It is not the result attributable to shareholders principally because total corporate tax of the Group includes those taxes on the income of consolidated with-profits and unit-linked funds that, through adjustments to benefits, are borne by policyholders. These amounts are required to be included in the tax charge of the Company under IAS 12. Consequently, the IFRS profit before tax measure is not representative of pre-tax profit attributable to shareholders as it is determined after deducting the cost of policyholder benefits and movements in the liability for unallocated surplus of with-profits funds after adjusting for tax borne by policyholders.

(ii) Loss from discontinued operations represents the aggregate of the post-tax results during the year up to demerger and the remeasurement adjustment to the carrying value of the business and recycling of cumulative reserves from other comprehensive income upon demerger (see note D1.2).

Consolidated statement of comprehensive income

	Note	2021 $m	2020* $m
Continuing operations:			
Profit for the year		**2,214**	2,468
Other comprehensive income (loss):			
Exchange movements on foreign operations arising during the year		**(180)**	233
Valuation movements on retained interest in Jackson classified as available-for-sale securities		**250**	–
Total items that may be reclassified subsequently to profit or loss		**70**	233
Total comprehensive income from continuing operations		**2,284**	2,701
Discontinued US operations:			
Loss for the year		**(5,027)**	(283)
Valuation movements on available-for-sale debt securities, net of related change in amortisation of deferred acquisition costs and related tax		**(763)**	292
Cumulative valuation movements on available-for-sale debt securities, net of related tax and change in DAC, and net investment hedges recycled through profit or loss at the point of demerger		**(1,278)**	–
Total comprehensive (loss) income from discontinued US operations	D1.2	**(7,068)**	9
Total comprehensive (loss) income for the year		**(4,784)**	2,710
Attributable to:			
Equity holders of the Company:			
From continuing operations		**2,277**	2,697
From discontinued US operations		**(6,283)**	(40)
		(4,006)	2,657
Non-controlling interests:			
From continuing operations		**7**	4
From discontinued US operations		**(785)**	49
		(778)	53
Total comprehensive (loss) income for the year		**(4,784)**	2,710

* The comparative results have been re-presented from those previously published to reflect the Group's US operations as discontinued in 2021 (see note A1).

Consolidated statement of changes in equity

	Note	Share capital	Share premium	Retained earnings	Translation reserve	Available-for-sale securities reserves	Share-holders' equity	Non-controlling interests	Total equity
		Year ended 31 Dec 2021 $m							
Reserves									
Profit for the year		–	–	2,192	–	–	2,192	22	2,214
Other comprehensive (loss) income from continuing operations:									
Exchange movements on foreign operations		–	–	–	(165)	–	(165)	(15)	(180)
Valuation movements on retained interest in Jackson classified as available-for-sale securities		–	–	–	–	250	250	–	250
Total comprehensive income (loss) from continuing operations		–	–	2,192	(165)	250	2,277	7	2,284
Total comprehensive (loss) income from discontinued US operations	D1.2	–	–	(4,234)	463	(2,512)	(6,283)	(785)	(7,068)
Total comprehensive (loss) income for the year		–	–	(2,042)	298	(2,262)	(4,006)	(778)	(4,784)
Demerger dividend in specie of Jackson	B5	–	–	(1,735)	–	–	(1,735)	–	(1,735)
Other dividends	B5	–	–	(421)	–	–	(421)	(9)	(430)
Reserve movements in respect of share-based payments		–	–	46	–	–	46	–	46
Effect of transactions relating to non-controlling interests†		–	–	(32)	–	–	(32)	(278)	(310)
Share capital and share premium									
New share capital subscribed	C8	9	2,373	–	–	–	2,382	–	2,382
Treasury shares									
Movement in own shares in respect of share-based payment plans		–	–	(24)	–	–	(24)	–	(24)
Net increase (decrease) in equity		9	2,373	(4,208)	298	(2,262)	(3,790)	(1,065)	(4,855)
Balance at 1 Jan		173	2,637	14,424	1,132	2,512	20,878	1,241	22,119
Balance at 31 Dec		182	5,010	10,216	1,430	250	17,088	176	17,264

	Note	Share capital	Share premium	Retained earnings	Translation reserve	Available-for-sale securities reserves	Share-holders' equity	Non-controlling interests	Total equity
		Year ended 31 Dec 2020* $m							
Reserves									
Profit for the year		–	–	2,458	–	–	2,458	10	2,468
Other comprehensive income (loss) from continuing operations:									
Exchange movements on foreign operations		–	–	–	239	–	239	(6)	233
Total comprehensive income from continuing operations		–	–	2,458	239	–	2,697	4	2,701
Total comprehensive (loss) income from discontinued US operations	D1.2	–	–	(340)	–	300	(40)	49	9
Total comprehensive income for the year		–	–	2,118	239	300	2,657	53	2,710
Dividends	B5	–	–	(814)	–	–	(814)	(18)	(832)
Reserve movements in respect of share-based payments		–	–	89	–	–	89	–	89
Effect of transactions relating to non-controlling interests†		–	–	(484)	–	–	(484)	1,014	530
Share capital and share premium									
New share capital subscribed	C8	1	12	–	–	–	13	–	13
Treasury shares									
Movement in own shares in respect of share-based payment plans		–	–	(60)	–	–	(60)	–	(60)
Net increase in equity		1	12	849	239	300	1,401	1,049	2,450
Balance at 1 Jan		172	2,625	13,575	893	2,212	19,477	192	19,669
Balance at 31 Dec		173	2,637	14,424	1,132	2,512	20,878	1,241	22,119

* The comparative results have been re-presented from those previously published to reflect the Group's US operations as discontinued in 2021 (see note A1).
† The $(278) million in 2021 relates to the derecognition of Athene's non-controlling interest upon the demerger of Jackson. The 2020 amount of $1,014 million related to the equity investment by Athene Life Re Ltd. into the discontinued US operations in July 2020.

Consolidated statement of financial position

	Note	31 Dec 2021 $m	31 Dec 2020 $m note (i)
Assets			
Goodwill	C4.1	**907**	961
Deferred acquisition costs and other intangible assets	C4.2	**6,858**	20,345
Property, plant and equipment	C11	**478**	893
Reinsurers' share of insurance contract liabilities	C3.3	**9,753**	46,595
Deferred tax assets	C7.2	**266**	4,858
Current tax recoverable	C7.1	**20**	444
Accrued investment income	C1(vii)	**1,171**	1,427
Other debtors	C1(vii)	**1,779**	3,171
Investment properties		**38**	23
Investments in joint ventures and associates accounted for using the equity method		**2,183**	1,962
Loans	C1	**2,562**	14,588
Equity securities and holdings in collective investment schemes note (ii)	C1	**61,601**	278,635
Debt securities note (ii)	C1	**99,094**	125,829
Derivative assets	C2.2	**481**	2,599
Other investments	C2.2	**–**	1,867
Deposits		**4,741**	3,882
Cash and cash equivalents	C1(vi)	**7,170**	8,018
Total assets	C1	**199,102**	516,097
Equity			
Shareholders' equity		**17,088**	20,878
Non-controlling interests		**176**	1,241
Total equity	C1	**17,264**	22,119
Liabilities			
Insurance contract liabilities	C3.2	**150,755**	436,787
Investment contract liabilities with discretionary participation features	C3.2	**346**	479
Investment contract liabilities without discretionary participation features	C3.2	**814**	3,980
Unallocated surplus of with-profits funds	C3.2	**5,384**	5,217
Core structural borrowings of shareholder-financed businesses	C5.1	**6,127**	6,633
Operational borrowings	C5.2	**861**	2,444
Obligations under funding, securities lending and sale and repurchase agreements		**223**	9,768
Net asset value attributable to unit holders of consolidated investment funds		**5,664**	5,975
Deferred tax liabilities	C7.2	**2,862**	6,075
Current tax liabilities	C7.1	**185**	280
Accruals, deferred income and other creditors	C1(viii)	**7,983**	15,508
Provisions	C9	**372**	350
Derivative liabilities	C2.2	**262**	482
Total liabilities	C1	**181,838**	493,978
Total equity and liabilities	C1	**199,102**	516,097

Notes

(i) The 31 December 2020 comparative statement of financial position included discontinued US operations.

(ii) Included within equity securities and holdings in collective investment schemes and debt securities as at 31 December 2021 are $854 million of lent securities and assets subject to repurchase agreements (31 December 2020: $895 million from continuing operations; $1,112 million from discontinued US operations).

The Parent Company statement of financial position is presented on page 314.

The consolidated financial statements on pages 237 to 313 were approved by the Board of Directors on 8 March 2022. They were signed on its behalf:

Shriti Vadera
Chair

Mike Wells
Group Chief Executive

Mark FitzPatrick
Group Chief Financial Officer
and Chief Operating Officer

Consolidated statement of cash flows

	Note	2021 $m	2020* $m
Continuing operations:			
Cash flows from operating activities			
Profit before tax *(being tax attributable to shareholders' and policyholders' returns)*		**3,018**	3,179
Adjustments to profit before tax for non-cash movements in operating assets and liabilities:			
Investments		**(14,553)**	(20,978)
Other non-investment and non-cash assets		**2,658**	(7,185)
Policyholder liabilities (including unallocated surplus of with-profits funds)		**9,095**	27,670
Other liabilities (including operational borrowings)		**16**	155
Investment income and interest payments included in profit before tax		**(3,738)**	(2,931)
Operating cash items:			
Interest receipts		**2,328**	1,833
Interest payments		**(11)**	(25)
Dividend receipts		**1,480**	1,305
Tax paid		**(453)**	(551)
Other non-cash items		**438**	301
Net cash flows from operating activities note (i)		**278**	2,773
Cash flows from investing activities			
Purchases of property, plant and equipment		**(36)**	(57)
Proceeds from disposal of property, plant and equipment		**–**	6
Acquisition of business and intangibles note (ii)		**(773)**	(1,142)
Disposal of businesses note (iii)		**83**	–
Net cash flows from investing activities		**(726)**	(1,193)
Cash flows from financing activities			
Structural borrowings of shareholder-financed operations: note (iv)	C5.1		
Issuance of debt, net of costs		**995**	983
Redemption of debt		**(1,250)**	–
Interest paid		**(314)**	(294)
Payment of principal portion of lease liabilities		**(118)**	(128)
Equity capital:			
Issues of ordinary share capital	C8	**2,382**	13
External dividends:			
Dividends paid to the Company's shareholders	B5	**(421)**	(814)
Dividends paid to non-controlling interests		**(9)**	(18)
Net cash flows from financing activities		**1,265**	(258)
Net increase in cash and cash equivalents from continuing operations		**817**	1,322
Net decrease in cash and cash equivalents from discontinued US operations	D1.2	**(1,621)**	(339)
Cash and cash equivalents at 1 Jan		**8,018**	6,965
Effect of exchange rate changes on cash and cash equivalents		**(44)**	70
Cash and cash equivalents at 31 Dec		**7,170**	8,018
Comprising:			
Cash and cash equivalents from continuing operations		**7,170**	6,397
Cash and cash equivalents from discontinued US operations		**–**	1,621

* The comparative results have been re-presented from those previously published to reflect the Group's US operations as discontinued in 2021 (see note A1).

Notes

(i) Included in net cash flows from operating activities are dividends from joint ventures and associates of $175 million (2020: $118 million).

(ii) Cash flows from the acquisition of business and intangibles include amounts paid for distribution rights.

(iii) Disposal of businesses includes sale of subsidiaries, joint ventures and associates and investments that do not form part of the Group's operating activities.

(iv) Structural borrowings of shareholder-financed businesses exclude borrowings to support short-term fixed income securities programmes, non-recourse borrowings of investment subsidiaries of shareholder-financed businesses and other borrowings of shareholder-financed businesses. Cash flows in respect of these borrowings are included within cash flows from operating activities. The changes in the carrying value of the structural borrowings of shareholder-financed businesses for the Group are analysed below:

		Cash movements $m		Non-cash movements $m			
	Balance at 1 Jan	Issuance	Redemption	Foreign exchange movement	Demerger of Jackson	Other movements	Balance at 31 Dec
2021	**6,633**	**995**	**(1,250)**	**(13)**	**(250)**	**12**	**6,127**
2020	5,594	983	–	42	–	14	6,633

A Basis of preparation and accounting policies

A1 Basis of preparation and exchange rates

Prudential plc ('the Company') together with its subsidiaries (collectively, 'the Group' or 'Prudential') provides life and health insurance and asset management products in Asia and Africa. The Group is joint-headquartered in London and Hong Kong.

Basis of preparation

These consolidated financial statements have been prepared in accordance with IFRS Standards as issued by the IASB and in accordance with UK-adopted international accounting standards. At 31 December 2021, there were no unadopted standards effective for the year ended 31 December 2021 which impact the consolidated financial statements of the Group, and there were no differences between UK-adopted international accounting standards and IFRS Standards as issued by the IASB in terms of their application to the Group.

The Group accounting policies are the same as those applied for the year ended 31 December 2020 with the exception of the adoption of the new and amended IFRS Standards as described in note A2. In 2021, the Group changed its operating segments for financial reporting under IFRS 8 'Operating Segments', as discussed further in note B1.2 and reclassified the US operations as discontinued as discussed further below.

The parent company statement of financial position prepared in accordance with the UK Generally Accepted Accounting Practice (including Financial Reporting Standard 101 'Reduced Disclosure Framework') is presented on page 314.

Going concern basis of accounting

The Directors have made an assessment of going concern covering a period of at least 12 months from the date that these financial statements are approved. In making this assessment, the Directors have considered both the Group's current performance, solvency and liquidity and the Group's business plan taking into account the Group's principal risks and the mitigations available to it which are described in the Risk review report.

The assessment includes consideration of the results of key market risk stress and scenario testing over the assessment period covering the potential impact of up or down interest rate movements, falling equity values, corporate credit spread widening and an elevated level of credit losses. Sales and other scenarios considered include those reflecting the possible impacts of Covid-19 restrictions on new business, including the uncertainty as to the duration of restrictions in individual markets and the length of time for sales to recover to previous levels and different timings of expected regulatory changes. Further details are included in the viability statement within the Risk review report.

Based on the above, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue their operations for a period of at least 12 months from the date that these financial statements are approved. No material uncertainties that may cast significant doubt on the ability of the Group to continue as a going concern have been identified. The Directors therefore consider it appropriate to continue to adopt the going concern basis of accounting in preparing these financial statements for the year ended 31 December 2021.

Discontinued US operations

On 28 January 2021, the Board announced that it had decided to pursue the separation of its US operations (Jackson) from the Group through a demerger, which was completed on 13 September 2021. In accordance with IFRS 5 'Non-Current Assets Held for Sale and Discontinued Operations', the results of the Group's US operations have been classified as discontinued operations in these consolidated financial statements.

In order to present the results of the continuing operations on a comparable basis, and consistent with IFRS 5 requirements, loss after tax attributable to the discontinued US operations in 2021 up to demerger has been shown in a single line in the income statement together with the loss on remeasurement to fair value and the recycling of cumulative reserves from other comprehensive income upon demerger. The loss on remeasurement to fair value has been recognised in accordance with IFRIC 17, 'Distribution of non-cash assets to owners', which requires Jackson to be remeasured to fair value at the point of demerger. Comparatives have been restated accordingly, with further analysis provided in note D1.2. Notes B1 to B4 have also been prepared on this basis.

IFRS 5 does not permit the comparative 31 December 2020 statements of financial position to be re-presented, as the US operations were not classified as discontinued at that point in time. In the related balance sheet notes, prior period balances have been presented to show the amounts from discontinued US operations separately from continuing operations in order to present the results of the continuing operations on a comparable basis. Additionally, in the analysis of movements in Group's assets and liabilities between the beginning and end of the years, the balances of the discontinued US operations are removed from the opening balances to show the underlying movements from continuing operations.

Exchange rates

The exchange rates applied for balances and transactions in currencies other than the presentation currency of the Group, US dollars (USD) were:

	Closing rate at year end		Average rate for the year to date	
USD : local currency	**31 Dec 2021**	**31 Dec 2020**	**31 Dec 2021**	**31 Dec 2020**
Chinese yuan (CNY)	**6.37**	6.54	**6.45**	6.90
Hong Kong dollar (HKD)	**7.80**	7.75	**7.77**	7.76
Indian rupee (INR)	**74.34**	73.07	**73.94**	74.12
Indonesian rupiah (IDR)	**14,252.50**	14,050.00	**14,294.88**	14,541.70
Malaysian ringgit (MYR)	**4.17**	4.02	**4.15**	4.20
Singapore dollar (SGD)	**1.35**	1.32	**1.34**	1.38
Taiwan dollar (TWD)	**27.67**	28.10	**27.93**	29.44
Thai baht (THB)	**33.19**	30.02	**32.01**	31.29
UK pound sterling (GBP)	**0.74**	0.73	**0.73**	0.78
Vietnamese dong (VND)	**22,790.00**	23,082.50	**22,934.86**	23,235.84

Foreign exchange translation

In order to present the consolidated financial statements in USD, the results and financial position of entities not using USD as functional currency (ie the currency of the primary economic environment in which the entity operates) must be translated into USD.

All assets and liabilities of entities not operating in USD are converted at closing exchange rates while all income and expenses are converted at average exchange rates where this is a reasonable approximation of the rates prevailing on transaction dates. The impact of these foreign exchange translations into the Group's USD presentation currency is recorded as a separate component in the statement of comprehensive income. Upon the disposal of the entity, the related cumulative foreign exchange translation differences are recycled from other comprehensive income to the income statement as part of the gain or loss on disposal.

The general principle for converting foreign currency transactions to the functional currency of an entity is to translate at the functional currency spot rate prevailing at the date of the transactions. Foreign currency monetary assets and liabilities are translated at the spot exchange rate for the functional currency at the reporting date. Changes resulting from the foreign exchange translations into the functional currency of the entity are recognised in the income statement.

Certain notes to the financial statements present comparative information at constant exchange rates (CER), in addition to the reporting at actual exchange rates (AER) used throughout the consolidated financial statements. AER are actual historical exchange rates for the specific accounting year, being the average rates over the year for the income statement and the closing rates at the balance sheet date for the statement of financial position. CER results are calculated by translating prior year results using the current year foreign exchange rate, ie current year average rates for the income statement and current year closing rates for the statement of financial position.

A2 New accounting pronouncements in 2021

The IASB has issued the following new accounting pronouncements to be effective from 1 January 2021, unless otherwise stated:

- Amendments to IFRS 4 'Extension of temporary IFRS 9 exemption until 1 January 2023' issued in June 2020;
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 'Interest Rate Benchmark Reform – phase 2' issued in August 2020; and
- Amendments to IFRS 16 'Covid-19 Related Rent Concession beyond 30 June 2021' issued in March 2021 and effective from 1 April 2021.

The adoption of these pronouncements has had no significant impact on the Group financial statements. The Group has taken advantage of the ability to defer IFRS 9 until 2023 when it adopts IFRS 17 'Insurance Contracts'.

A3 Accounting policies

Note A3.1 presents the critical accounting policies, estimates and judgements applied in preparing the Group's consolidated financial statements. Other accounting policies, where significant, are presented in the relevant individual notes. All accounting policies are applied consistently for the years presented and normally are not subject to changes unless new accounting standards, interpretations or amendments are introduced by the IASB.

A3.1 Critical accounting policies, estimates and judgements

The preparation of these financial statements requires Prudential to make accounting estimates and judgements about the amounts of assets, liabilities, revenues and expenses, which are both recognised and unrecognised (eg contingent liabilities) in the financial statements. Prudential evaluates its critical accounting estimates, including those related to long-term business provisioning and the fair value of assets as required. The notes below set out those critical accounting policies, the application of which requires the Group to make critical estimates and judgements. Also set out are further critical accounting policies affecting the presentation of the Group's results and other items that require the application of critical estimates and judgements.

The accounting policies below relate to the Group's continuing operations. A summary of key accounting policies of the Group's discontinued US operations is set out in note D1.2.

(a) Critical accounting policies with associated critical estimates and judgements

Measurement of policyholder liabilities and unallocated surplus of with-profits	
The measurement basis of policyholder liabilities is dependent upon the classification of the contracts under IFRS 4. Impacts $177.3 billion of policyholder liabilities and unallocated surplus of with-profits funds including those held by joint venture and associates. Policyholder liabilities are estimated based on a number of actuarial assumptions (eg mortality, morbidity, policyholder behaviour and expenses). The Group applies judgement in determining the actuarial assumptions to be applied to estimate the future amounts due to or from the policyholder in the measurement of the policyholder liabilities.	IFRS 4 permits the continued usage of previously applied Generally Accepted Accounting Practices (GAAP) for insurance contracts and investment contracts with discretionary participating features. A modified statutory basis of reporting was adopted by the Group on first time adoption of IFRS Standards in 2005. This was set out in the Statement of Recommended Practice issued by the Association of British Insurers (ABI SORP). The ABI SORP was withdrawn for the accounting periods beginning in or after 2015. As used in these consolidated financial statements, the term 'grandfathered' ABI SORP refers to the requirements of the pronouncements prior to its withdrawal. For investment contracts that do not contain discretionary participating features, IAS 39 is applied and, where the contract includes an investment management element, IFRS 15 'Revenue from Contracts with Customers' applies. The policies applied for the continuing businesses are noted below.
Measurement of investment contract liabilities with discretionary participation features and insurance contract liabilities	The policyholder liabilities for businesses of the continuing insurance operations are generally determined in accordance with methods prescribed by local GAAP, adjusted to comply with the 'grandfathered' ABI SORP where necessary. Refinements to the local reserving methodology are generally treated as changes in estimates, dependent on their nature. The UK-style with-profits funds' liabilities in Hong Kong are valued under the realistic basis in accordance with the requirements of 'grandfathered' FRS 27 'Life Assurance' (issued by the UK Accounting Standards Board in 2004 and withdrawn in 2015). The realistic basis requires the value of liabilities to be calculated as the sum of a with-profits benefits reserve, future policy-related liabilities and the realistic current liabilities of the fund. In Taiwan and India, US GAAP principles are applied. Further details on how liabilities are determined for material product types are set out in note C3.4. This includes the approach to assumption setting including a margin for prudence. The sensitivity of the insurance operations to variations in key economic assumptions, as well as the insurance risks of mortality and morbidity, is discussed in note C6.1.

Measurement of policyholder liabilities and unallocated surplus of with-profits continued	
Measurement of unallocated surplus of with-profits funds	Unallocated surplus of with-profits funds represents the excess of assets over policyholder liabilities, determined in accordance with the Group's accounting policies, that have yet to be appropriated between policyholders and shareholders for the Group's with-profits funds in Hong Kong and Malaysia. The unallocated surplus is recorded wholly as a liability with no allocation to equity. The annual excess or shortfall of income over expenditure of the with-profits funds, after declaration and attribution of the cost of bonuses to policyholders and shareholders, is transferred to or from the unallocated surplus each period through a charge or credit to the income statement. In Hong Kong, the unallocated surplus includes the shareholders' share of expected future bonuses, with the expected policyholder share being included in policyholder liabilities. Any excess of assets over liabilities and amounts expected to be paid out by the fund on future bonuses is also included in the unallocated surplus. The balance of the unallocated surplus is determined after full provision for deferred tax on unrealised appreciation or depreciation on investments.
Liability adequacy test	The Group performs adequacy testing on its insurance liabilities to ensure that the carrying amounts (net of related deferred acquisition costs and, where relevant, present value of acquired in-force business) is sufficient to cover current estimates of future cash outflows of the in-force policies over the expected lives. Any deficiency is immediately charged to the income statement. The liability adequacy test is performed at the level of a portfolio of contracts that are subject to broadly similar risks and managed together as a single portfolio which may be at an entity or local business unit level, depending on how the business is managed.

(b) Further critical accounting policies affecting the presentation of the Group's results

Presentation of results before tax attributable to shareholders	
Profit before tax is a significant IFRS income statement item. The Group has chosen to present a measure of profit before tax attributable to shareholders which distinguishes between tax borne by shareholders and tax attributable to policyholders to support understanding of the performance of the Group. Profit before tax attributable to shareholders is $2,676 million and compares to profit before tax of $3,018 million.	The total tax charge for the Group reflects tax that, in addition to that relating to shareholders' profit, is also attributable to policyholders through the interest in with-profits or unit-linked funds. Further detail is provided in note B3. Reported IFRS profit before the tax measure is therefore not representative of pre-tax profit attributable to shareholders. Accordingly, in order to provide a measure of pre-tax profit attributable to shareholders, the Group has chosen to adopt an income statement presentation of the tax charge and pre-tax results that distinguishes between policyholders' and shareholders' returns.

Segmental analysis of results and earnings attributable to shareholders	
The Group uses adjusted operating profit as the segmental measure of its results. Total segmental adjusted operating profit is $4,023 million and is shown in note B1.1.	The basis of calculation of adjusted operating profit is provided in note B1.2. For shareholder-backed business, with the exception of securities which are treated as available-for-sale, and assets classified as loans and receivables at amortised cost, all financial investments and investment properties are designated as assets at fair value through profit or loss. Short-term fluctuations in fair value affect the result for the year and the Group provides additional analysis of results before and after the effects of short-term fluctuations in investment returns, together with other items that are of a short-term, volatile or one-off nature. Short-term fluctuations in investment returns on assets held by with-profits funds in Hong Kong, Malaysia and Singapore do not affect directly reported shareholder results. This is because (i) the unallocated surplus of with-profits funds is accounted for as a liability and (ii) excess or deficit of income and expenditure of the funds over the required surplus for distribution are transferred to or from policyholder liabilities (including the unallocated surplus).

A3 Accounting policies continued

A3.1 Critical accounting policies, estimates and judgements continued

(c) Other items requiring application of critical estimates or judgements

Carrying value of distribution rights intangible assets

The Group applies judgement to assess whether factors such as the financial performance of the distribution arrangements, changes in relevant legislation and regulatory requirements indicate an impairment of intangible assets representing distribution rights.

To determine the impaired value, the Group estimates the discounted future expected cash flows arising from cash generating unit containing the distribution rights.

Affects $3.8 billion of assets as shown in note C4.2.

Distribution rights relate to bancassurance partnership arrangements for the distribution of products for the term of the contractual agreement with the bank partner, for which an asset is recognised based on fees paid and fees payable not subject to performance conditions. Distribution rights impairment testing is conducted when there is an indication of impairment.

To assess indicators of an impairment, the Group monitors a number of internal and external factors, including indications that the financial performance of the arrangement is likely to be worse than expected and changes in relevant legislation and regulatory requirements that could impact the Group's ability to continue to sell new business through the bancassurance channel, and then applies judgement to assess whether these factors indicate that an impairment has occurred.

If an impairment has occurred, a charge is recognised in the income statement for the difference between the carrying value and recoverable amount of the asset. The recoverable amount is the greater of fair value less costs to sell and value in use. Value in use is calculated as the present value of future expected cash flows from the asset or the cash generating unit to which it is allocated.

Deferred acquisition costs (DAC) for insurance contracts

The Group estimates projected future profits/margins to assess whether adjustments to the carrying value or amortisation profile of DAC asset are necessary.

Impacts $2.8 billion of DAC as shown in note C4.2.

Costs of acquiring new insurance business are accounted for in a way that is consistent with the principles of the 'grandfathered' ABI SORP.

The Group determines qualifying costs that should be capitalised (ie those costs of acquiring new insurance contracts that meet the criteria under the Group's accounting policy for DAC) shown by an explicit carrying value in the balance sheet. However, in some insurance operations, the deferral is implicit through the reserving basis. DAC is amortised against the profit margins within future revenues on the related insurance policies. For some business units this is approximated by amortising DAC on a straight-line basis over the expected duration of the policies. During the year, following review of the expected duration of policies, Hong Kong extended the life over which acquisition costs in the balance sheet are amortised. This reduced amortisation by circa $40 million in the year.

The recoverability of the DAC is measured and the DAC asset is deemed impaired if the projected margins (which are estimated based on a number of assumptions similar to those underlying policyholder liabilities) are less than the carrying value. To the extent that the future margins differ from those anticipated, an adjustment to the carrying value will be necessary either through a charge to the income statement (if the projected margins are lower than carrying value) or through a change in the amortisation profile.

For those business units applying US GAAP to insurance assets and liabilities, as permitted by the 'grandfathered' ABI SORP, acquisition costs are deferred and amortised as per the US GAAP requirements under ASC 944 Financial Services – Insurance.

Financial investments – Valuation	
Financial investments held at fair value represent $161.8 billion of the Group's total assets. Financial investments held at amortised cost represent $6.7 billion of the Group's total assets. The Group estimates the fair value of financial investments that are not actively traded using quotations from independent third parties or internally developed pricing models.	The Group holds the majority of its financial investments at fair value (primarily through profit or loss). Financial investments held at amortised cost primarily comprise loans and deposits. **Determination of fair value** The fair values of the financial instruments for which fair valuation is required under IFRS Standards are determined by the use of current market bid prices for exchange-quoted investments or by using quotations from independent third parties such as brokers and pricing services or by using appropriate valuation techniques. The estimated fair value of derivative financial instruments reflects the estimated amount the Group would receive or pay in an arm's-length transaction. This amount is determined using quoted prices if exchange listed, quotations from independent third parties or valued internally using standard market practices. Current market bid prices are used to value investments having quoted prices. Actively traded investments without quoted prices are valued using prices provided by third parties such as brokers or pricing services. Financial investments measured at fair value are classified into a three-level hierarchy as described in note C2.1. If the market for a financial investment of the Group is not active, the Group establishes fair value by using quotations from independent third parties, such as brokers or pricing services, or by using internally developed pricing models. Priority is given to publicly available prices from independent sources when available, but overall the source of pricing and/or the valuation technique is chosen with the objective of arriving at a fair value measurement which reflects the price at which an orderly transaction would take place between market participants on the measurement date. Changes in assumptions relating to these variables could positively or negatively impact the reported fair value of these financial investments. Details of the financial investments classified as 'level 3' to which valuation techniques are applied and the sensitivity of profit before tax to a change in the valuation of these items, are presented in note C2.2(ii).
Financial investments – Determining impairment of the 'available-for-sale' retained interest in Jackson	
The Group applies judgement to assess whether factors such as the severity and duration of any decline in fair value of the 'available-for-sale' retained interest in Jackson, indicate an impairment in value of the financial investments. Affects $0.7 billion of assets.	The Group retained a 19.7 per cent economic interest in the equity securities of Jackson immediately following its demerger in September 2021. In December 2021, Jackson repurchased 2,242,516 shares of its Class A common stock from Prudential which reduced Prudential's remaining economic interest in Jackson to 18.4 per cent as of 31 December 2021. The Group intends to monetise, subject to market conditions, a further portion of this investment to support investment in Asia within 12 months of the demerger, such that the Group will own less than 10 per cent at the end of such period (see note D1.2 for further details). The retained interest in Jackson's equity securities has been classified as 'available-for-sale' under IAS 39 with unrealised gains and losses recognised in other comprehensive income. Upon disposal or impairment, the accumulated unrealised gains and losses are transferred from other comprehensive income to the income statement as realised gains or losses. An available-for-sale equity security is considered to be impaired if there is objective evidence that the cost may not be recovered. The consideration of evidence of impairment for the equity securities of Jackson requires management's judgement to consider if a decline in the fair value is significant or prolonged. There has been no impairment of these securities during 2021.

A3 Accounting policies continued

A3.2 New accounting pronouncements not yet effective

The following standards, interpretations and amendments have been issued by the IASB but are not yet effective in 2021, including those which have not yet been adopted by the UK Endorsement Board. The Group prepares financial statements in accordance with IFRS Standards as issued by the IASB and UK-adopted international accounting standards. This is not intended to be a complete list as only those standards, interpretations and amendments that could have a material impact on the Group's financial statements are discussed.

IFRS 9 'Financial instruments: Classification and measurement'

IFRS 9 became mandatorily effective for the annual periods beginning on or after 1 January 2018, with early application permitted and transitional rules apply.

The Group met the eligibility criteria for temporary exemption under the Amendments to IFRS 4 from applying IFRS 9 and has accordingly deferred the adoption of IFRS 9 until the date when IFRS 17 'Insurance Contracts' is expected to be adopted upon its current mandatory effective date. The Group made a reassessment during the year following the demerger of the US operations in September 2021 and confirmed that it continued to qualify for the temporary exemption. The Group is eligible as its activities are predominantly to issue insurance contracts based on the criteria as set out in the amendments to IFRS 4. The required disclosure of the fair value of the Group's financial assets, showing the amounts for instruments that meet the 'Solely for Payment of Principal and Interest' (SPPI) criteria but do not meet the definition of held for trading and are not managed and evaluated on a fair value basis separately from all other financial assets, is provided below.

When adopted IFRS 9 replaces the existing IAS 39 'Financial Instruments – Recognition and Measurement' and will affect the following three areas:

The classification and the measurement of financial assets and liabilities

IFRS 9 redefines the classification of financial assets. Based on the way in which the assets are managed in order to generate cash flows and their contractual cash flow characteristics (whether the cash flows represent 'solely payments of principal and interest'), financial assets are classified into one of the following categories: amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). An option is also available at initial recognition to irrevocably designate a financial asset as at FVTPL if doing so eliminates or significantly reduces accounting mismatches.

Under IAS 39, 95 per cent of the Group's financial investments are valued at FVTPL and the Group's current expectation is that the vast majority of its investments will continue to be classified as such under IFRS 9.

The existing IAS 39 amortised cost measurement for financial liabilities is largely maintained under IFRS 9. For financial liabilities designated at FVTPL IFRS 9 requires changes in fair value due to changes in the entity's own credit risk to be recognised in other comprehensive income.

The calculation of the impairment charge relevant for financial assets held at amortised cost or FVOCI

A new impairment model based on an expected credit loss approach replaces the existing IAS 39 incurred loss impairment model, resulting in earlier recognition of credit losses compared to IAS 39. This aspect is the most complex area of IFRS 9 to implement and will involve significant judgements and estimation processes. The Group is currently assessing the scope of assets to which these requirements will apply but as noted above it is currently expected that the majority of assets will be held at FVTPL to which these requirements will not apply.

The hedge accounting requirements which are more closely aligned with the risk management activities of the Company

No significant change to the Group's hedge accounting is currently anticipated, but this remains under review.

The Group is assessing the impact of IFRS 9 and implementing this standard in conjunction with IFRS 17 as permitted. Further details on IFRS 17 are provided below.

The parent company and a number of intermediate holding companies in the UK and non-insurance subsidiaries in Asia adopted IFRS 9 in 2018 in their individual or separate financial statements where these statements are prepared in accordance with IFRS, including the UK Financial Reporting Standard 101 'Reduced Disclosure Framework'. The public availability of the financial statements for these entities varies according to the local laws and regulations of each jurisdiction. The results for these entities continue to be accounted for on an IAS 39 basis in these consolidated financial statements.

The fair value of the Group's directly held financial assets at 31 December 2021 and 2020 are shown below. Financial assets with contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) as defined by IFRS 9 are shown separately. This excludes financial assets that meet the definition of held for trading or are managed and evaluated on a fair value basis.

Financial assets, net of derivative liabilities	Financial assets that pass the SPPI test		All other financial assets, net of derivative liabilities	
	Fair value at 31 Dec 2021 $m	Movement in the fair value during 2021 $m	Fair value at 31 Dec 2021 $m	Movement in the fair value during 2021 $m
Accrued investment income	**1,171**	**–**	**–**	**–**
Other debtors	**1,779**	**–**	**–**	**–**
Loans note (i)	**2,126**	**41**	**647**	**(1)**
Equity securities and holdings in collective investment schemes	**–**	**–**	**61,601**	**4,061**
Debt securities	**226**	**–**	**98,868**	**(3,164)**
Derivative assets, net of derivative liabilities	**–**	**–**	**219**	**(943)**
Deposits	**4,741**	**–**	**–**	**–**
Cash and cash equivalents	**7,170**	**–**	**–**	**–**
Total financial assets, net of derivative liabilities	**17,213**	**41**	**161,335**	**(47)**

Financial assets, net of derivative liabilities	Financial assets that pass the SPPI test		All other financial assets, net of derivative liabilities	
	Fair value at 31 Dec 2020 $m	Movement in the fair value during 2020 $m	Fair value at 31 Dec 2020 $m	Movement in the fair value during 2020 $m
Accrued investment income	1,049	–	–	–
Other debtors	2,901	–	–	–
Loans note (i)	1,998	21	450	3
Equity securities and holdings in collective investment schemes	–	–	59,295	3,186
Debt securities	–	–	89,796	6,709
Derivative assets, net of derivative liabilities	–	–	(60)	925
Deposits	3,875	–	–	–
Cash and cash equivalents	6,397	–	–	–
Total continuing operations	16,220	21	149,481	10,823
Discontinued US operations note (ii)	44,649	3,327	229,879	25,793
Total financial assets, net of derivative liabilities	60,869	3,348	379,360	36,616

Notes

(i) The loans that pass the SPPI test in the table above are primarily carried at amortised cost under IAS 39. Further information on these loans is as provided in note C2.2.

(ii) The financial assets that pass the SPPI test held by the discontinued US operations at 31 December 2020 primarily represented debt securities classified as available-for-sale under IAS 39.

The underlying financial assets of the Group's joint ventures and associates accounted for using the equity method are analysed below into those which meet the SPPI condition of IFRS 9, excluding any financial assets that meet the definition of held for trading or are managed and evaluated on a fair value basis, and all other financial assets.

Fair value information of the financial assets held by CITIC-Prudential Life Insurance Company (CPL), the Group's individually material joint venture, is shown in the table below. The amounts disclosed represent 100 per cent of the entity's financial assets and not the Group's share of those amounts and have been prepared on the same basis as the Group's IFRS financial statements.

CPL (100% of the financial assets of the entity)	Financial assets that pass the SPPI test*		All other financial assets			
	Fair value at 31 Dec		Fair value at 31 Dec		Movement in the fair value during	
Financial assets	2021 $m	2020 $m	2021 $m	2020 $m	2021 $m	2020 $m
Accrued investment income	**170**	170	**–**	–	**–**	–
Other debtors	**620**	392	**–**	–	**–**	–
Loans	**656**	502	**–**	–	**–**	–
Equity securities and holdings in collective investment schemes	**–**	–	**12,882**	9,396	**254**	1,142
Debt securities	**–**	–	**11,976**	8,502	**184**	(12)
Deposits	**1,210**	1,176	**–**	–	**–**	–
Cash and cash equivalents	**422**	316	**–**	–	**–**	–
Total financial assets	**3,078**	2,556	**24,858**	17,898	**438**	1,130

* The carrying value approximates fair value for the financial assets in this category with no movement in the fair value during the year.

A3 Accounting policies continued

A3.2 New accounting pronouncements not yet effective continued

Fair value information for the Group's share of financial assets of other joint ventures and associates in aggregate is set out in the table below:

Other JVs and associates (Prudential's share of the financial assets of the entities)	Financial assets that pass the SPPI test*		All other financial assets			
	Fair value at 31 Dec		Fair value at 31 Dec		Movement in the fair value during	
Financial assets	**2021** $m	**2020** $m	**2021** $m	**2020** $m	**2021** $m	**2020** $m
Accrued investment income	**85**	71	**–**	–	**–**	–
Other debtors	**187**	114	**–**	–	**–**	–
Loans	**26**	18	**–**	–	**–**	–
Equity securities and holdings in collective investment schemes	**–**	–	**3,859**	3,251	**680**	461
Debt securities	**–**	–	**3,674**	3,490	**(121)**	108
Deposits	**203**	189	**–**	–	**–**	–
Cash and cash equivalents	**510**	424	**–**	–	**–**	–
Total financial assets	**1,011**	816	**7,533**	6,741	**559**	569

* The carrying value approximates fair value for the financial assets in this category with no movement in the fair value during the year.

IFRS 17 'Insurance Contracts'

In May 2017, the IASB issued IFRS 17 'Insurance Contracts' to replace the existing IFRS 4 'Insurance Contracts'. In June 2020, the IASB issued amendments to IFRS 17, including delaying the effective date to reporting periods on or after 1 January 2023. In addition, in December 2021, the IASB issued an amendment to IFRS 17 to permit a classification overlay for financial assets presented in comparative periods on initial application of IFRS 17. The standard is subject to endorsement in the UK via the UK Endorsement Board which is expected in April 2022. The Group intends to adopt IFRS 17 on its mandatory effective date, alongside the adoption of IFRS 9.

IFRS 4 permitted insurers to continue to use the statutory basis of accounting for insurance assets and liabilities that existed in their jurisdictions prior to January 2005. IFRS 17 replaces this with a new measurement model for all insurance contracts.

IFRS 17 requires liabilities for insurance contracts to be recognised as the present value of future cash flows, incorporating an explicit risk adjustment, which is updated at each reporting date to reflect current conditions, and a contractual service margin (CSM) that is initially set equal and opposite to any day-one gain arising on initial recognition. Losses are recognised directly into the income statement. For measurement purposes, contracts are grouped together into contracts of similar risk, profitability profile and issue year, with further divisions for contracts that are managed separately.

Profit for insurance contracts under IFRS 17 is represented by the recognition of the services provided to policyholders in the period (release of the CSM), release from non-economic risk (release of risk adjustment) and investment profit. CSM is released in line with Coverage Units that are a measure of the quantity of benefits provided under a contract and the period over which coverage is provided.

The CSM is released as profit over the coverage period of the insurance contract, reflecting the delivery of services to the policyholder. For certain contracts with participating features (where a substantial share of the fair value of the related investments and other underlying items is paid to policyholders), the CSM reflects the variable fee to shareholders (the 'Variable Fee Approach'). For these contracts, the CSM is adjusted to reflect the changes in economic experience and assumptions. For all other contracts the CSM is only adjusted for non-economic assumptions (the 'General Measurement Model'). The Group expects to use both the Variable Fee Approach and the General Measurement model, depending on the specific characteristics of the insurance products.

IFRS 17 introduces a new measure of insurance revenue, based on the delivery of services to policyholders and excluding any premiums related to the investment elements of policies, which will be significantly different from existing premium revenue measures, currently reported in the income statement.

In order to transition to IFRS 17, the amount of deferred profit, being the CSM at transition date, needs to be determined. IFRS 17 requires this CSM to be calculated as if the standard had applied retrospectively. However, if this is not practical an entity is required to choose either a modified retrospective approach or to determine the CSM by reference to the fair value of the liabilities at the transition date (1 January 2022). The approach for determining the CSM will have a significant impact on both shareholders' equity and on the amount of profits on in-force business in future reporting periods. The Group expects all three approaches to be applied on transition, depending on the information that is available to be used for the different groups of contracts of the Group.

IFRS 17 implementation programme

IFRS 17 is expected to have a significant impact as the requirements of the new standard are complex and requires a fundamental change to accounting for insurance contracts as well as the application of significant judgement and new estimation techniques. A reliable estimate of the effect of changes required to the Group's accounting policies as a result of implementing these standards, which is expected to alter the timing of IFRS profit recognition, is not yet available as implementation is under way. The implementation of this standard involves significant enhancements to IT, actuarial and finance systems of the Group.

The Group has a Group-wide implementation programme to implement IFRS 17 and IFRS 9. The programme is responsible for setting Group-wide accounting policies and developing application methodologies, establishing appropriate processes and controls, sourcing appropriate data and implementing actuarial and finance system changes.

A Group-wide Steering Committee, chaired by the Group Chief Financial Officer and Chief Operating Officer with participation from the Group Risk function and the Group's and business units' senior finance managers, provides oversight and strategic direction to the implementation programme. A number of sub-committees are also in place to provide governance over the technical interpretation and accounting policies selected, design and delivery of the programme. During 2021, the Group has made significant progress with the build and testing of new actuarial and finance systems. It is not practicable to provide reliable estimates of the quantitative impact on the Group's results and financial position for the 2021 Annual Report.

Other new accounting pronouncements

In addition to the above, the following new accounting pronouncements have also been issued and are not yet effective but the Group is not expecting them to have a significant impact on the Group's financial statements:

- Amendments to IAS 37 'Onerous contracts – Cost of fulfilling a contract' issued in May 2020 and effective from 1 January 2022;
- Annual Improvements to IFRS 2018–2020 issued in May 2020 and effective from 1 January 2022;
- Amendments to IAS 16 'Property, Plant and Equipment: Proceeds before intended use' issued in May 2020 and effective from 1 January 2022;
- Reference to the Conceptual Framework – Amendments to IFRS 3 'Business combination' issued in May 2020 and effective from 1 January 2022;
- Amendments to IAS 1 'Classification of liabilities as current or non-current' issued in January 2020 and effective from 1 January 2023. An exposure draft was issued in November 2021 proposing for this effective date to be delayed to no earlier than 1 January 2024;
- Amendments to IAS 1 and IFRS Practice Statement 2 'Disclosure of accounting policies' issued in February 2021 and effective from 1 January 2023;
- Amendments to IAS 8 'Definition of Accounting Estimates' issued in February 2021 and effective from 1 January 2023; and
- Amendments to IAS 12 'Deferred tax related to assets and liabilities arising from a single transaction' issued in May 2021 and effective from 1 January 2023.

B Earnings performance

B1 Analysis of performance by segment

B1.1 Segment results

	Note	2021 $m	2020* $m		2021 vs 2020 %	
			AER	CER	AER	CER
	Note	note (i)	note (i)	note (i)	note (i)	note (i)
Continuing operations:						
CPL		**343**	251	269	37%	28%
Hong Kong		**975**	891	889	9%	10%
Indonesia		**446**	519	529	(14)%	(16)%
Malaysia		**350**	309	313	13%	12%
Singapore		**663**	574	589	16%	13%
Growth markets and other note (ii)		**932**	835	841	12%	11%
Eastspring		**314**	283	286	11%	10%
Total segment profit		**4,023**	3,662	3,716	10%	8%
Other income and expenditure:						
Investment return and other income		**21**	(15)	(15)	n/a	n/a
Interest payable on core structural borrowings note (iii)		**(328)**	(316)	(316)	(4)%	(4)%
Corporate expenditure note (iv)		**(298)**	(412)	(428)	28%	30%
Total other income and expenditure	B1.4	**(605)**	(743)	(759)	19%	20%
Restructuring and IFRS 17 implementation costs note (v)	B1.4	**(185)**	(162)	(167)	(14)%	(11)%
Adjusted operating profit	B1.2	**3,233**	2,757	2,790	17%	16%
Short-term fluctuations in investment returns on shareholder-backed business note (vi)		**(458)**	(579)	(554)	21%	17%
Amortisation of acquisition accounting adjustments		**(5)**	(5)	(5)	0%	0%
(Loss) gain attaching to corporate transactions	D1.1	**(94)**	735	733	n/a	n/a
Profit before tax attributable to shareholders		**2,676**	2,908	2,964	(8)%	(10)%
Tax charge attributable to shareholders' returns	B3	**(462)**	(440)	(450)	(5)%	(3)%
Profit for the year from continuing operations		**2,214**	2,468	2,514	(10)%	(12)%
Loss from discontinued US operations	D1.2	**(5,027)**	(283)	(283)	n/a	n/a
(Loss) profit for the year		**(2,813)**	2,185	2,231	n/a	n/a
Attributable to:						
Equity holders of the Company						
From continuing operations		**2,192**	2,458	2,504	(11)%	(12)%
From discontinued US operations		**(4,234)**	(340)	(340)	n/a	n/a
		(2,042)	2,118	2,164	n/a	n/a
Non-controlling interests						
From continuing operations		**22**	10	10	n/a	n/a
From discontinued US operations		**(793)**	57	57	n/a	n/a
		(771)	67	67	n/a	n/a
(Loss) profit for the year		**(2,813)**	2,185	2,231	n/a	n/a

Basic earnings per share (in cents)	Note	2021	2020 AER note (i)	2020 CER note (i)	2021 vs 2020 % AER note (i)	2021 vs 2020 % CER note (i)
Based on adjusted operating profit, net of tax and non-controlling interest from continuing operations	B4	**101.5¢**	86.6¢	87.6¢	17%	16%
Based on profit from continuing operations, net of non-controlling interest	B4	**83.4¢**	94.6¢	96.4¢	(12)%	(13)%
Based on loss for the year from discontinued US operations, net of non-controlling interest	B4	**(161.1)¢**	(13.0)¢	(13.1)¢	n/a	n/a

* The comparative results have been re-presented from those previously published to reflect the Group's US operations as discontinued in 2021 (see note A1).

Notes

(i) Segment results are attributed to the shareholders of the Group before deducting the amount attributable to the non-controlling interests. This presentation is applied consistently throughout the document. For definitions of AER and CER refer to note A1.

(ii) For growth markets and other, adjusted operating profit includes other items of $217 million (2020: $119 million) which primarily comprise of taxes for life joint ventures and associates and other non-recurring items, which in 2021 largely included the impact of refinements to the run-off of the allowance of prudence within technical provisions.

(iii) Included in the interest on core structural borrowings charged to the income statement of $(328) million was $(126) million related to the four tranches of debt that were redeemed in December 2021 and January 2022 using the proceeds from the share offer during the year.

(iv) Corporate expenditure as shown above is for head office functions in London and Hong Kong.

(v) Restructuring and IFRS 17 implementation costs include those incurred in continuing insurance and asset management operations of $(101) million (2020: $(97) million).

(vi) In general, the short-term fluctuations reflect the value movements on shareholders' assets and policyholder liabilities (net of reinsurance) arising from market movements in the year. In 2021, rising interest rates across most operations led to unrealised bond losses which more than offset the impact of higher discount rates on policyholder liabilities under the local reserving basis applied and equity gains on shareholder-backed business in the year. This has led to the overall negative short-term investment fluctuations for total insurance and asset management operations.

B1.2 Determining operating segments and performance measure of operating segments

Operating segments

The Group's operating segments for financial reporting purposes are defined and presented in accordance with IFRS 8 'Operating Segments' on the basis of the management reporting structure and its financial management information.

Under the Group's management and reporting structure, its chief operating decision maker is the Group Executive Committee (GEC), chaired by the Group Chief Executive. In the management structure, responsibility is delegated to the Chief Executive, Asia and Africa, for the day-to-day management of the insurance and asset management operations (within the framework set out in the Group Governance Manual). This in turn is delegated to the Chief Executives of Hong Kong, Indonesia, Malaysia, Singapore, Growth markets (comprising Africa and the remaining Asia subsidiary operations) and Eastspring, the Group's Asia asset manager. CPL is managed jointly with CITIC, a Chinese state-owned conglomerate.

In the first quarter of 2021, the Group reviewed its operating segments for financial reporting under IFRS 8 following changes to the business and financial management information provided to the GEC. As a result, performance measures for insurance operations are now analysed by geographical areas for the larger business units of CPL, Hong Kong, Indonesia, Malaysia and Singapore, with Eastspring, the asset management business, also analysed separately. All other Asia and Africa insurance operations are included in the 'Growth markets and other' segment alongside other amounts that are not included in the segment profit of an individual business unit, including tax on life joint ventures and associates and other items that are not representative of the underlying segment trading for the period. The 2020 comparatives have been re-presented to show the new segments for comparison. On 13 September 2021, the Group completed the demerger of the US operations (Jackson Financial Inc.) from the Prudential plc Group. Accordingly, the US operations do not represent an operating segment at the year end. The results of US operations have been reclassified as discontinued in these consolidated financial statements in accordance with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations', and have therefore been excluded in the analysis of performance measure of operating segments.

Operations which do not form part of any business unit are reported as 'Unallocated to a segment' and comprise head office functions in London and Hong Kong.

Performance measure

The performance measure of operating segments utilised by the Group is IFRS operating profit based on longer-term investment returns (adjusted operating profit), as described below. This measurement basis distinguishes adjusted operating profit from other constituents of total profit or loss for the period as follows:

- Short-term fluctuations in investment returns on shareholder-backed business;
- Amortisation of acquisition accounting adjustments arising on the purchase of business; and
- Gain or loss on corporate transactions, as discussed in note D1.1.

Determination of adjusted operating profit for investment and liability movements

(i) With-profits business

For with-profits business in Hong Kong, Singapore and Malaysia, the adjusted operating profit reflects the shareholders' share in the bonuses declared to policyholders. Value movements in the underlying assets of the with-profits funds only affect the shareholder results through indirect effects of investment performance on declared policyholder bonuses and therefore, do not affect directly the determination of adjusted operating profit.

(ii) Assets and liabilities held within unit-linked funds

The policyholder unit liabilities are directly reflective of the underlying asset value movements. Accordingly, the adjusted operating profit reflects the current year value movements in both the unit liabilities and the backing assets, which offset one another.

B1 Analysis of performance by segment continued

B1.2 Determining operating segments and performance measure of operating segments continued

(iii) Other shareholder-backed long-term insurance business

In the case of other shareholder-financed business, the measurement of adjusted operating profit reflects that, for the long-term insurance business, assets and liabilities are held for the longer term. For this business the Group believes trends in underlying performance are better understood if the effects of short-term fluctuations in market conditions, such as changes in interest rates or equity markets, are excluded. In determining the profit on this basis, the following key elements are applied to the results of the Group's shareholder-financed businesses.

(a) Policyholder liabilities that are sensitive to market conditions

Under IFRS, the degree to which the carrying values of liabilities to policyholders are sensitive to current market conditions varies between business units depending upon the nature of the 'grandfathered' measurement basis. Taiwan and India apply US GAAP, whose policyholder liabilities are not sensitive to market movements as they are locked in at policy inception.

Movements in liabilities for some types of business do require bifurcation between the elements that relate to longer-term market condition and short-term effects to ensure that at the net level (ie after allocated investment return and charge for policyholder benefits) the adjusted operating profit reflects longer-term market returns.

For certain non-participating business, for example in Hong Kong, the economic features are more akin to asset management products with policyholder liabilities reflecting asset shares over the contract term. Consequently, for these products, the charge for policyholder benefits in the adjusted operating profit reflects the asset share feature rather than volatile movements that would otherwise be reflected if the local regulatory basis (as applied for the IFRS balance sheet) was used.

For other types of non-participating business, expected longer-term investment returns and interest rates are used to determine the movement in policyholder liabilities for determining adjusted operating profit. This ensures assets and liabilities are reflected on a consistent basis.

(b) Assets backing other shareholder-backed long-term insurance business

Except in the case of assets backing liabilities which are directly matched (such as unit-linked business) adjusted operating profit for assets backing shareholder-financed business is determined on the basis of expected longer-term investment returns. Longer-term investment returns comprise actual income receivable for the year (interest/dividend income) and longer-term capital returns, determined for debt and equity-type securities on the basis described below. The difference between the actual investment returns in the reporting period and the longer-term investment returns is recognised within short-term fluctuations in investment returns.

Debt securities and loans

As a general principle, for debt securities and loans, the longer-term investment returns comprise the interest receivable for the year and the amortisation of interest-related realised gains and losses to the date when sold securities would have otherwise matured (or a suitable proxy for this period). All unrealised gains and losses are treated as a component of short-term investment fluctuations. Consideration is given to the need to recognise an expected longer-term level of defaults for the securities within the longer-term investment returns, based on past performance and having regard to the credit quality of the portfolio, with any difference with actual credit-related realised losses arising in the year being included in short-term fluctuations. If, under this analysis, realised gains and losses are principally considered to be interest related with no significant credit-related losses based on past performance, then all realised gains and losses to date for these operations are treated as interest related and amortised to adjusted operating profit over the period to the date those securities would otherwise have matured and no separate charge to longer-term investment returns for credit defaults is made.

For Group debt securities at 31 December 2021, the level of interest-related realised gains and losses on previously sold bonds that had yet to be amortised to adjusted operating profit from short-term investment fluctuations was a net gain of $515 million (2020: net gain of $525 million).

Equity-type securities

For equity-type securities, the longer-term rates of return are estimates of the long-term trend investment returns for income and capital having regard to past performance, current trends and future expectations. Different rates apply to different categories of equity-type securities.

For continuing insurance operations, investments in equity-type securities held for non-linked shareholder-backed business amounted to $6,073 million as at 31 December 2021 (31 December 2020: $4,963 million). The longer-term rates of return applied in 2021 ranged from 5.5 per cent to 16.9 per cent (2020: 5.1 per cent to 16.9 per cent) with the rates applied varying by business unit. These rates are broadly stable from year to year but may be different between regions, reflecting, for example, differing expectations of inflation in each local business unit. The assumptions are for the returns expected to apply in equilibrium conditions. The assumed rates of return do not reflect any cyclical variability in economic performance and are not set by reference to prevailing asset valuations. The longer-term investment returns for the insurance joint ventures and associates accounted for using the equity method are determined on a similar basis as the other insurance operations described above.

Derivative value movements

Generally, derivative value movements are excluded from adjusted operating profit. The exception is where the derivative value movements broadly offset changes in the accounting value of other assets and liabilities included in adjusted operating profit.

(iv) Other non-insurance businesses

For these businesses, the determination of adjusted operating profit reflects the underlying economic substance of the arrangements. Generally, realised gains and losses are included in adjusted operating profit with temporary unrealised gains and losses being included in short-term fluctuations. In some instances, realised gains and losses on derivatives and other financial instruments are amortised to adjusted operating profit over a time period that reflects the underlying economic substance of the arrangements.

B1.3 Revenue from continuing operations

Premiums and annuity considerations for conventional and other protection type insurance policies are recognised as revenue when due. Premiums and annuity considerations for linked policies and other investment type policies are recognised as revenue when received or, in the case of unitised or unit-linked policies, when units are issued. These amounts exclude premium taxes and similar duties where Prudential collects and settles taxes borne by the policyholder.

Policy fees charged on linked policies for mortality, morbidity, asset management and policy administration are recognised when related services are provided.

(a) Analysis of total revenue by segment

	2021 $m									
	Insurance operations note (i)									
	Hong Kong	Indonesia	Malaysia	Singapore	Growth markets and other	Eastspring	Inter-segment elimination	Total segment	Unallocated to a segment	Group total
Gross premiums earned	10,032	1,724	1,900	6,246	4,315	–	–	24,217	–	24,217
Outward reinsurance premiums	(1,557)	(43)	(47)	(137)	(60)	–	–	(1,844)	–	(1,844)
Earned premiums, net of reinsurance	8,475	1,681	1,853	6,109	4,255	–	–	22,373	–	22,373
Other income note (ii)	52	12	–	22	117	437	–	640	1	641
Total external revenue note (iii)	8,527	1,693	1,853	6,131	4,372	437	–	23,013	1	23,014
Intra-group revenue	–	–	–	–	1	217	(218)	–	–	–
Interest income note B1.3b	934	87	220	707	618	3	–	2,569	1	2,570
Dividend and other investment income	679	74	160	506	86	–	–	1,505	19	1,524
Investment appreciation (depreciation)	57	34	(300)	(29)	(361)	8	–	(591)	(17)	(608)
Total revenue, net of reinsurance	10,197	1,888	1,933	7,315	4,716	665	(218)	26,496	4	26,500

	2020 $m									
	Insurance operations note (i)									
	Hong Kong	Indonesia	Malaysia	Singapore	Growth markets and other	Eastspring	Inter-segment elimination	Total segment	Unallocated to a segment	Group total
Gross premiums earned	11,091	1,738	1,783	5,035	3,848	–	–	23,495	–	23,495
Outward reinsurance premiums note (iv)	(1,918)	(62)	(27)	432	(50)	–	–	(1,625)	–	(1,625)
Earned premiums, net of reinsurance	9,173	1,676	1,756	5,467	3,798	–	–	21,870	–	21,870
Other income note (ii)	59	8	–	38	91	417	–	613	2	615
Total external revenue note (iii)	9,232	1,684	1,756	5,505	3,889	417	–	22,483	2	22,485
Intra-group revenue	–	–	–	–	1	164	(165)	–	–	–
Interest income note B1.3b	646	104	210	447	570	5	–	1,982	15	1,997
Dividend and other investment income	646	86	99	364	65	5	–	1,265	32	1,297
Investment appreciation (depreciation)	7,493	(201)	369	2,045	765	21	–	10,492	(24)	10,468
Total revenue, net of reinsurance	18,017	1,673	2,434	8,361	5,290	612	(165)	36,222	25	36,247

Notes

(i) CPL, Prudential's life business in China, is a 50/50 joint venture with CITIC and is accounted for using the equity method under IFRS. The Group's share of its results is presented in a single line within the Group's profit before tax on a net of related tax basis, and therefore not shown in the analysis of revenue line items above. Revenue from external customers of CPL (Prudential's share) in 2021 is $3,052 million (2020: $1,866 million). Further financial information on CPL is provided in note D6.3.

(ii) Other income comprises income from external customers and consists primarily of revenue from the Group's asset management business of $437 million (2020: $417 million). The remaining other income consists primarily of policy fee revenue from external customers and asset management rebate revenue from external fund managers. Also included in other income is fee income on financial instruments that are not held at fair value through profit or loss of $1 million (2020: $1 million).

(iii) Due to the nature of the business of the Group, there is no reliance on any major customers. Of the Group's markets, only Hong Kong and Singapore have external revenue that exceeds 10 per cent of the Group total for all years presented.

(iv) The 2020 outward reinsurance premiums in Singapore included a credit of $542 million for the recapture of previously reinsured business following a change in regulatory requirements.

B1 Analysis of performance by segment continued

B1.3 Revenue from continuing operations continued

(b) Additional analysis of investment return

Investment return included in the income statement principally comprises interest income, dividends, investment appreciation and depreciation (realised and unrealised gains and losses) on investments designated as fair value through profit or loss, and realised gains and losses (including impairment losses) on items held at amortised cost and/or designated as available-for-sale. Movements in unrealised appreciation or depreciation of securities designated as available-for-sale are recorded in other comprehensive income. Interest income is recognised as it accrues. Dividends on equity securities are recognised on the ex-dividend date and rental income is recognised on an accrual basis.

	2021 $m	**2020** $m
Realised and unrealised gains (losses) on securities at fair value through profit or loss note (i)	**624**	9,741
Realised and unrealised (losses) gains on derivatives at fair value through profit or loss note (i)	**(943)**	916
Realised (losses) gains on loans note (i)	**(2)**	–
Interest income note (ii)	**2,570**	1,997
Dividends	**1,496**	1,257
Other investment returns (including foreign exchange gains and losses)	**(259)**	(149)
Investment return from continuing operations	**3,486**	13,762

Notes

(i) Realised gains and losses on the Group's investments from continuing operations for 2021 recognised in the income statement amounted to a net gain of $6.0 billion (2020: a net gain of $4.9 billion).

(ii) Interest income from continuing operations includes $280 million (2020: $257 million) in respect of financial assets not at fair value through profit and loss.

The overall financial strength of Prudential and the results, both current and future, of the insurance business are in part dependent upon the quality and performance of the various investment portfolios. Prudential's insurance investments support a range of businesses operating in many geographic areas. Each of the operations formulates a strategy based on the nature of its underlying liabilities, its level of capital and its local regulatory requirements. Prudential's insurance business's investments, excluding assets to cover linked liabilities and those attributable to external unit holders of consolidated investment funds, are largely held by Prudential's Singapore and Hong Kong operations.

All investments of the Group's continuing operations are carried at fair value in the statement of financial position with fair value movements, which are volatile from period to period, recorded in the income statement, except for loans and receivables, which are generally carried at amortised cost (unless designated at fair value through profit or loss) and the Group's retained interest in Jackson and certain centrally held debt securities, which are designated as available-for-sale and therefore the changes in unrealised fair value are booked in other comprehensive income. Subject to the effect of the exceptions, the period-on-period changes in investment returns primarily reflect the generality of overall market movements for equities and debt securities. In addition, foreign exchange rates affect the US dollar value of the translated income. Consistent with the treatment applied for other items of income and expenditure, investment return for operations not using US dollars as functional currency is translated at average exchange rates. The year-on-year movements in investment return of the Group mainly reflect the cumulative impact from the changes in interest rates on bond asset values and in the performance of the equity markets.

Allocation of investment return between policyholders and shareholders

Investment return is attributable to policyholders and shareholders. A key feature of the accounting policies under IFRS is that the investment return included in the income statement relates to all investment assets of the Group, irrespective of whether the return is attributable to shareholders, policyholders or the unallocated surplus of with-profits funds, the latter two of which have no direct impact on shareholders' profit. The table below provides a breakdown of the investment return attributable to each type of business.

Continuing operations:	**2021** $m	**2020** $m
Policyholder returns		
Assets backing unit-linked liabilities	**516**	1,549
With-profits business	**2,700**	8,384
	3,216	9,933
Shareholder returns	**270**	3,829
Total investment return from continuing operations	**3,486**	13,762

Policyholder returns

Investment returns allocated to policyholders are those from investments in which shareholders have no direct economic interest, namely unit-linked business for which the investment returns are wholly attributable to policyholders and with-profits business in which the shareholders' economic interest (and the basis of recognising IFRS basis profits) is restricted to a share of the actuarially determined surplus for distribution. Except for this surplus, the investment returns of the with-profits funds are attributable to policyholders (through the asset-share liabilities) or the unallocated surplus, which is accounted for as a liability under IFRS 4 as shown in note C3.

Shareholder returns

For shareholder-backed non-with-profits business, the investment returns are not directly attributable to policyholders and, therefore, impact shareholders' profit directly.

B1.4 Profit after tax from continuing operations by segment

	2021 $m	2020 $m
CPL	**278**	394
Hong Kong	**1,068**	994
Indonesia	**362**	409
Malaysia	**265**	256
Singapore	**394**	521
Growth markets and other	**434**	548
Eastspring	**284**	253
Total segment	**3,085**	3,375
Unallocated to a segment (central operations) note	**(871)**	(907)
Group total profit after tax from continuing operations	**2,214**	2,468

Note

Comprising of other income and expenditure of $(605) million (2020: $(743) million) attributable to the head office functions in London and Hong Kong and $(185) million (2020: $(162) million) of restructuring and IFRS 17 implementation costs as shown in note B1.1, $(25) million (2020: $28 million) of short-term fluctuations on investment returns, $(35) million (2020: $(30) million) from corporate transactions as shown in note D1.1 and related tax of $(21) million (2020: nil).

B2 Acquisition costs and other expenditure

	2021 $m	2020 $m
Acquisition costs incurred for insurance policies note (iii)	**(2,089)**	(2,080)
Acquisition costs deferred	**848**	617
Amortisation of acquisition costs note (iii)	**(343)**	(308)
Administration costs and other expenditure (net of other reinsurance commission) notes (i)(ii)(iii)(iv)	**(3,128)**	(2,433)
Movements in amounts attributable to external unit holders of consolidated investment funds	**152**	(447)
Total acquisition costs and other expenditure from continuing operations	**(4,560)**	(4,651)

Notes

(i) Included in total administration costs and other expenditure from continuing operations is depreciation of property, plant and equipment of $(169) million (2020: $(186) million), of which $(123) million (2020: $(134) million) relates to the right-of-use assets recognised under IFRS 16. The 2020 amount also included a credit of $770 million for the commission arising from the reinsurance transaction entered into by the Hong Kong business during the year.

(ii) Administration costs and other expenditure from continuing operations includes fee expenses relating to financial liabilities held at amortised cost and are part of the determination of the effective interest rate.

(iii) Total depreciation and amortisation expense from continuing operations are included in 'Acquisition costs incurred for insurance policies', 'Administration costs and other expenditure' and 'Amortisation of acquisition costs' and relates primarily to amortisation of DAC of insurance contracts and distribution rights intangibles. The segmental analysis of depreciation and amortisation is shown below.

	2021 $m	2020 $m
Hong Kong	**(123)**	(158)
Indonesia	**(51)**	(34)
Malaysia	**(56)**	(37)
Singapore	**(162)**	(144)
Growth markets and other	**(390)**	(301)
Eastspring	**(17)**	(16)
Total segment	**(799)**	(690)
Unallocated to a segment (central operations)	**(31)**	(35)
Total depreciation and amortisation from continuing operations	**(830)**	(725)

(iv) Interest expense is included in 'Administration costs and other expenditure' other than interest on core structural borrowings that is presented separately on the income statement as finance costs. Interest expense of the central operations amounted to $(331) million (2020: $(334) million) comprising $(328) million (2020: $(316) million) of interest on core structural borrowings and $(3) million of interest on lease liabilities (2020: $(4) million) and nil (2020: $(14) million) of interest on other operational borrowings. The interest expense of the other segments of $(10) million (2020: $(13) million) comprises wholly of interest on lease liabilities and is distributed evenly across these segments. Excluding interest on lease liabilities, the interest expense of the continuing operations of $(328) million (2020: $(330) million) relates to interest on financial liabilities that are not at fair value through profit and loss.

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B2 Acquisition costs and other expenditure continued

B2.1 Staff and employment costs

The average number of staff employed by the Group, for both continuing and discontinued operations, during the years shown was:

	2021	2020
Asia and Africa operations note (i)	**13,237**	12,949
Head office function note (ii)	**600**	657
Total continuing operations	**13,837**	13,606
Discontinued US operations note (iii)	**3,306**	3,650
Total Group	**17,143**	17,256

Notes

(i) The Asia and Africa operations staff numbers above exclude 440 (2020: 502) commission-based sales staff who have an employment contract with the Company.
(ii) The 'Head office function' staff numbers include staff based in London and Hong Kong.
(iii) Average staff numbers of the discontinued US operations were for the period up to the demerger in September 2021.

The costs of employment, for both continuing and discontinued operations, were:

	2021 $m			2020 $m		
	Continuing	Discontinued*	Group total	Continuing	Discontinued	Group total
Wages and salaries	**973**	**511**	**1,484**	917	619	1,536
Social security costs	**42**	**22**	**64**	41	26	67
Defined contribution schemes	**42**	**29**	**71**	42	34	76
Total Group*	**1,057**	**562**	**1,619**	1,000	679	1,679

* Total costs of employment in the table above include staff costs of the discontinued US operations for the period up to the demerger in September 2021.

B2.2 Share-based payment

The Group offers discretionary share awards to certain key employees and all-employee share plans in the UK and a number of Asia locations. The compensation expense charged to the income statement is primarily based upon the fair value of the awards granted, the vesting period and the vesting conditions. The Company has established trusts to facilitate the delivery of Prudential plc shares under some of these plans. The cost to the Company of acquiring these newly issued shares held in trusts is shown as a deduction from shareholders' equity.

(a) Description of the plans

The Group operates a number of share award plans that provides Prudential plc shares, or ADRs, to participants upon vesting. The plans in operation include the Prudential Long Term Incentive Plan, the Prudential Annual Incentive Plan, savings-related share option schemes, share purchase plans and deferred bonus plans. Where Executive Directors participate in these plans, details about those schemes are provided in the Directors' remuneration report. The following information is provided about plans in which the Executive Directors do not participate:

Share scheme	Description
Prudential Corporation Asia Long-Term Incentive Plan (PCA LTIP)	The PCA LTIP provides eligible employees with conditional awards. Awards are discretionary and vest after three years subject to the employee being in employment. Vesting of awards may also be subject to performance conditions. All awards are generally made in Prudential shares. In countries where share awards are not feasible for reasons including securities and/or tax considerations, awards will be replaced by the cash value of the shares that would otherwise have vested.
Prudential Agency Long-Term Incentive Plan (LTIP)	Certain agents are eligible to be granted awards in Prudential shares under the Prudential Agency LTIP. These awards are structured in a similar way to the PCA LTIP described above.
Restricted Share Plan (RSP)	The Company operates the RSP for certain employees. Awards under this plan are discretionary, and the vesting of awards may be subject to performance conditions. All awards are made in Prudential shares.
Deferred bonus plans	The Company operates a number of deferred bonus plans including the Group Deferred Bonus Plan (GDBP) and the Prudential Corporation Asia Deferred Bonus Plan (PCA DBP). There are no performance conditions attached to deferred share awards made under these arrangements.
Savings-related share option schemes [note]	Employees and eligible agents in a number of geographies are eligible for plans similar to the HMRC-approved Save As You Earn (SAYE) share option scheme in the UK. During the year ended 31 December 2021, eligible agents based in certain business units can participate in the International Savings-Related Share Option Scheme for Non-Employees.
Share purchase plans	Eligible employees outside the UK are invited to participate in arrangements similar to the Company's HMRC-approved UK SIP, which allows the purchase of Prudential plc shares. Staff based in Asia are eligible to participate in the Prudential Corporation Asia All Employee Share Purchase Plan.

Note
The total numbers of securities available for issue under the scheme is disclosed in note I(vii) in additional unaudited financial information.

(b) Outstanding options and awards

The following table shows the movement in outstanding options and awards under the Group's share-based compensation plans:

	Options outstanding under SAYE schemes				Awards outstanding under incentive plans	
	2021		2020		2021	2020
	Number of options millions	Weighted average exercise price £	Number of options millions	Weighted average exercise price £	Number of awards millions	
Balance at beginning of year:	**2.3**	**11.86**	3.8	12.38	**40.6**	33.0
Granted	**0.4**	**11.90**	0.4	9.64	**5.2**	20.2
Modification	**0.1**	**11.77**	–	–	**0.7**	–
Exercised	**(0.7)**	**12.58**	(0.9)	11.44	**(8.6)**	(10.3)
Forfeited	**–**	**11.11**	–	14.27	**(3.1)**	(1.5)
Cancelled	**(0.1)**	**11.51**	(0.1)	12.55	**(0.1)**	(0.1)
Lapsed/Expired	**–**	**12.88**	(0.9)	13.28	**(0.6)**	(0.7)
Jackson awards derecognised on demerger	**–**	**–**	–	–	**(9.5)**	–
Balance at end of year	**2.0**	**11.61**	2.3	11.86	**24.6**	40.6
Options immediately exercisable at end of year	**0.2**	**12.26**	0.5	12.64		

On demerger of Jackson from the Prudential Group, outstanding share awards for Prudential plc participants were adjusted to receive the demerger dividend in the form of additional Prudential plc shares, to be released on the same timetable and to the same extent as their original share awards. In the case of the International Savings-Related Share Option Scheme for Non Employees the adjustments to outstanding options were confirmed as being fair and reasonable by an independent financial adviser in accordance with the rules of that plan and the Hong Kong Stock Exchange Listing Rules.

Employees of Jackson were granted replacement awards over Jackson shares, in exchange for existing Group awards outstanding under incentive plans. As designated replacement awards were granted, no cancellation was recognised in respect of the original awards. As the replacement awards are an obligation of Jackson these awards were derecognised by the Group on demerger.

The weighted average share price of Prudential plc for 2021 was £14.31 (2020: £11.64).

B2 Acquisition costs and other expenditure continued

B2.2 Share-based payment continued

The following table provides a summary of the range of exercise prices for Prudential plc options outstanding at 31 December:

	Outstanding						Exercisable			
	Number outstanding millions		Weighted average remaining contractual life years		Weighted average exercise prices £		Number exercisable millions		Weighted average exercise prices £	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Between £9 and £10	**0.4**	0.4	**3.2**	4.2	**9.64**	9.64	**–**	–	**–**	–
Between £11 and £12	**1.2**	1.2	**2.7**	2.2	**11.38**	11.11	**0.1**	0.3	**11.04**	11.11
Between £13 and £14	**0.2**	0.3	**1.6**	2.2	**13.94**	13.94	**0.1**	–	**13.94**	–
Between £14 and £15	**0.2**	0.4	**1.4**	1.3	**14.55**	14.55	**–**	0.2	**–**	14.55
Weighted average	**2.0**	2.3	**2.6**	2.4	**11.61**	11.86	**0.2**	0.5	**12.26**	12.64

The years shown above for weighted average remaining contractual life include the time period from end of vesting period to expiration of contract.

(c) Fair value of options and awards

The fair value amounts estimated on the date of grant relating to all options and awards were determined by using the following assumptions:

	2021			2020		
	Prudential LTIP (TSR)	SAYE options	Other awards	Prudential LTIP (TSR)	SAYE options	Other awards
Dividend yield (%)	**–**	**0.81**	**–**	–	3.45	–
Expected volatility (%)	**26.69**	**22.31**	**–**	41.08	27.55	–
Risk-free interest rate (%)	**0.36**	**1.18**	**–**	0.39	0.27	–
Expected option life (years)	**–**	**4.50**	**–**	–	3.92	–
Weighted average exercise price (£)	**–**	**14.76**	**–**	–	10.74	–
Weighted average share price at grant date (£)	**15.11**	**11.90**	**–**	10.49	9.64	–
Weighted average fair value at grant date (£)	**7.70**	**4.13**	**14.79**	4.93	1.95	10.54

The compensation costs for all awards and options are recognised in net income over the plans' respective vesting periods. The Group uses the Black-Scholes model to value all options, and financial equivalence to value all awards other than those which have TSR performance conditions attached (some Prudential LTIP and RSP awards) for which the Group uses a Monte Carlo model in order to allow for the impact of these conditions. These models are used to calculate fair values for share options and awards at the grant date based on the quoted market price of the stock at the measurement date, the amount, if any, that the employees are required to pay, the dividend yield, expected volatility, risk-free interest rates and exercise prices.

For all options and awards, the expected volatility is based on the market implied volatilities as quoted on Bloomberg. The Prudential specific at-the-money implied volatilities are adjusted to allow for the different terms and discounted exercise price on SAYE options by using information on the volatility surface of the FTSE 100.

Risk-free interest rates are taken from swap spot rates with projection terms matching the corresponding vesting periods. For awards with a TSR condition, volatilities and correlations between Prudential and a basket of 12 competitor companies is required. For grants in 2021, the average volatility for the basket of competitors was 23.62 per cent (2020: 41.40 per cent). Correlations for the basket are calculated for each pairing from the log of daily TSR returns for the three years prior to the valuation date. Market implied volatilities are used for both Prudential and the basket of competitors. Changes to the subjective input assumptions could materially affect the fair value estimate.

Other awards, without market performance conditions or exercise price, are valued based on grant date share price.

(d) Share-based payment expense charged to the income statement

The total expense for continuing operations recognised in 2021 in the consolidated financial statements relating to share-based compensation is $100 million (2020: $103 million), of which $94 million (2020: $97 million) is accounted for as equity-settled.

The Group had $32 million of liabilities at 31 December 2021 (31 December 2020: $32 million) relating to share-based payment awards accounted for as cash-settled.

B2.3 Key management remuneration

Key management constitutes the Directors of Prudential plc, as they have authority and responsibility for planning, directing and controlling the activities of the Group, and other non-director members of the Group Executive Committee.

Total key management remuneration is analysed in the following table:

	2021 $m	**2020** $m
Salaries and short-term benefits	**29.3**	20.0
Post-employment benefits	**1.4**	1.2
Share-based payments	**14.0**	14.6
Payments on separation	**23.5**	–
	68.2	35.8

The share-based payments charge comprises $7.5 million (2020: $10.7 million), which is determined in accordance with IFRS 2 'Share-based Payment' (see note B2.2) and $6.5 million (2020: $3.9 million) of deferred share awards.

B2.4 Fees payable to the auditor

	2021 $m	**2020** $m
Audit of the Company's annual accounts	**2.4**	2.3
Audit of subsidiaries pursuant to legislation	**5.9**	9.2
Audit fees payable to the auditor	**8.3**	11.5
Audit-related assurance services note (i)	**4.5**	3.5
Other assurance services	**1.1**	0.7
Services relating to corporate finance transactions	**1.6**	0.3
Non-audit fees payable to the auditor	**7.2**	4.5
Total fees payable to the auditor	**15.5**	16.0
Analysed into:		
Fees payable to the auditor attributable to continuing operations		
One-off non-audit services associated with demerger and public offering note (ii)	**1.9**	0.4
Other audit and non-audit services	**11.3**	9.5
	13.2	9.9
Fees payable to the auditor attributable to discontinued US operations	**2.3**	6.1
	15.5	16.0

Notes

(i) Of the audit-related assurance service fees of $4.5 million in 2021 (2020: $3.5 million), $0.6 million (2020: $0.7 million) relates to services that are required by law and regulation.

(ii) Of the $1.9 million one-off non-audit services fees associated with the demerger of the US operations and the public offering in Hong Kong in 2021. $0.1 million was for audit-related assurance and $0.1 million for other assurance services required by law and regulation.

B3 Tax charge from continuing operations

Prudential is subject to tax in numerous jurisdictions and the calculation of the total tax charge inherently involves a degree of estimation and judgement. 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. 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 in the financial statements if the Group considers that it is probable that the taxation authority will accept those positions. Otherwise, provisions are established based on the likely amount of the liability, or recovery, by providing for the single best estimate of the most likely outcome or the weighted average expected value where there are multiple outcomes.

The total tax charge includes tax expense attributable to both policyholders and shareholders. The tax expense attributable to policyholders comprises the tax on the income of the consolidated with-profits and unit-linked funds. In certain jurisdictions, life insurance companies are taxed on both their shareholders' profits and on their policyholders' insurance and investment returns on certain insurance and investment products. Although both types of tax are included in the total tax charge in the Group's consolidated income statement, they are presented separately in the consolidated income statement to provide the most relevant information about tax that the Group pays on its profits.

Deferred taxes are provided under the liability method for all relevant temporary differences. IAS 12 'Income Taxes' does not require all temporary differences to be provided for, in particular, the Group does not provide for deferred tax on undistributed earnings of subsidiaries where the Group is able to control the timing of the distribution and the temporary difference created is not expected to reverse in the foreseeable future. Deferred tax assets are only recognised when it is 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 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.

B3 Tax charge from continuing operations continued

B3.1 Total tax charge by nature

The total tax charge from continuing operations in the income statement is as follows:

Tax charge	2021 $m	2020 $m
Attributable to shareholders:		
Hong Kong	**(40)**	(15)
Indonesia	**(74)**	(125)
Malaysia	**(71)**	(58)
Singapore	**(67)**	(87)
Growth markets and other	**(159)**	(125)
Eastspring	**(30)**	(30)
Total segment	**(441)**	(440)
Unallocated to a segment (central operations)	**(21)**	–
Tax charge attributable to shareholders	**(462)**	(440)
Attributable to policyholders:		
Hong Kong	**(79)**	(60)
Indonesia	**4**	(3)
Malaysia	**(2)**	(34)
Singapore	**(261)**	(170)
Growth markets and other	**(4)**	(4)
Tax charge attributable to policyholders	**(342)**	(271)
Total tax charge from continuing operations	**(804)**	(711)

Profit before tax includes Prudential's share of profit after tax from the joint ventures and associates that are equity-accounted for. Therefore, the actual tax charge in the income statement does not include tax arising from the results of joint ventures and associates including CPL.

The reconciliation of the expected to actual tax charge attributable to shareholders is provided in B3.2 below. The tax charge attributable to policyholders of $(342) million (2020: $(271) million) above is equal to the profit before tax attributable to policyholders. This is the result of accounting for policyholder income after the deduction of expenses and movement on unallocated surpluses on an after-tax basis.

The total tax (charge) credit from continuing operations comprises:

	2021 $m	2020 $m
Current tax expense:		
Corporation tax	**(405)**	(376)
Adjustments in respect of prior years	**6**	(7)
Total current tax charge	**(399)**	(383)
Deferred tax arising from:		
Origination and reversal of temporary differences	**(388)**	(306)
Impact of changes in local statutory tax rates	**–**	(1)
Credit in respect of a previously unrecognised tax loss, tax credit or temporary difference from a prior period	**(17)**	(21)
Total deferred tax charge	**(405)**	(328)
Total tax charge from continuing operations	**(804)**	(711)

B3.2 Reconciliation of shareholder effective tax rate

In the reconciliation below, the expected tax rate reflects the corporation tax rates that are expected to apply to the taxable profit or loss of the continuing operations. It reflects the corporation tax rates of each jurisdiction weighted by reference to the amount of profit or loss contributing to the aggregate result from continuing operations.

	2021		2020	
	Tax attributable to shareholders $m	Percentage impact on ETR %	Tax attributable to shareholders $m	Percentage impact on ETR %
Continuing operations:				
Adjusted operating profit	**3,233**		2,757	
Non-operating (loss) profit note (i)	**(557)**		151	
Profit before tax	**2,676**		2,908	
Tax charge at the expected rate	**(539)**	**20%**	(602)	21%
Effects of recurring tax reconciliation items:				
Income not taxable or taxable at concessionary rates note (ii)	**63**	**(2)%**	102	(4)%
Deductions not allowable for tax purposes	**(92)**	**3%**	(32)	1%
Items related to taxation of life insurance businesses note (iii)	**177**	**(7)%**	152	(5)%
Deferred tax adjustments including unrecognised tax losses note (iv)	**(111)**	**4%**	(172)	6%
Effect of results of joint ventures and associates note (v)	**80**	**(3)%**	129	(4)%
Irrecoverable withholding taxes note (vi)	**(60)**	**2%**	(35)	1%
Other	**(8)**	**1%**	17	(1)%
Total credit	**49**	**(2)%**	161	(6)%
Effects of non-recurring tax reconciliation items:				
Adjustments to tax charge in relation to prior years	**(11)**	**0%**	(25)	1%
Movements in provisions for open tax matters note (vii)	**47**	**(2)%**	33	(1)%
Impact of changes in local statutory tax rates	**6**	**0%**	(1)	0%
Adjustments in relation to business disposals and corporate transactions	**(14)**	**1%**	(6)	0%
Total credit	**28**	**(1)%**	1	0%
Total actual tax charge	**(462)**	**17%**	(440)	15%
Analysed into:				
Tax charge on adjusted operating profit	**(548)**		(497)	
Tax credit on non-operating result note (i)	**86**		57	
Actual tax rate on:				
Adjusted operating profit:				
Including non-recurring tax reconciling items note (viii)	**17%**		18%	
Excluding non-recurring tax reconciling items	**18%**		18%	
Total profit note (viii)	**17%**		15%	

B3 Tax charge from continuing operations continued

B3.2 Reconciliation of shareholder effective tax rate continued

Notes

(i) 'Non-operating (loss) profit' is used to refer to items excluded from adjusted operating profit and includes short-term investment fluctuations in investment returns on shareholder-backed business, corporate transactions and amortisation of acquisition accounting adjustments.
(ii) Income not taxable or taxable at concessionary rates primarily relates to non-taxable investment income in Singapore and Malaysia.
(iii) Items related to taxation of life insurance businesses primarily relates to Hong Kong where the taxable profit is computed as 5 per cent of net insurance premiums.
(iv) The unrecognised tax losses reconciling amount reflects losses arising where it is unlikely that relief for the losses will be available in future periods.
(v) Profit before tax includes Prudential's share of profit after tax from the joint ventures and associates. Therefore, the actual tax charge does not include tax arising from profit or loss of joint ventures and associates and is reflected as a reconciling item.
(vi) The Group incurs withholding tax on remittances received from certain jurisdictions and on certain investment income. Where these withholding taxes cannot be offset against corporate income tax or otherwise recovered, they represent a cost to the Group. Irrecoverable withholding tax on remittances is included in Other operations and is not allocated to any segment. Irrecoverable withholding tax on investment income is included in the relevant segment where the investment income is reflected.
(vii) The statement of financial position contains the following provisions in relation to open tax matters:

	2021 $m
Balance at 1 Jan	**113**
Removal of discontinued US operations	**(3)**
Movements in the current year included in tax charge attributable to shareholders	**(47)**
Provisions utilised in the year	**(4)**
Other movements (including interest arising on open tax matters and amounts included in the Group's share of profits from joint ventures and associates, net of related tax)	**(17)**
Balance at 31 Dec	**42**

(viii) The actual tax rates of the relevant business operations are shown below:

	2021 %							
	Hong Kong	Indonesia	Malaysia	Singapore	Growth markets and other	Eastspring	Other operations	Total attributable to shareholders
Tax rate on adjusted operating profit	**5%**	**17%**	**21%**	**15%**	**22%**	**10%**	**(3)%**	**17%**
Tax rate on profit before tax	**4%**	**17%**	**21%**	**15%**	**27%**	**10%**	**(2)%**	**17%**

	2020 %							
	Hong Kong	Indonesia	Malaysia	Singapore	Growth markets and other	Eastspring	Other operations	Total attributable to shareholders
Tax rate on adjusted operating profit	3%	24%	18%	14%	22%	11%	0%	18%
Tax rate on profit before tax	1%	23%	18%	14%	19%	11%	0%	15%

B4 Earnings per share

	Note	2021 Before tax $m	Tax $m	Non-controlling interests $m	Net of tax and non-controlling interests $m	Basic earnings per share cents	Diluted earnings per share cents
Based on adjusted operating profit		**3,233**	**(548)**	**(17)**	**2,668**	**101.5¢**	**101.5¢**
Short-term fluctuations in investment returns on shareholder-backed business		**(458)**	**81**	**(5)**	**(382)**	**(14.5)¢**	**(14.5)¢**
Amortisation of acquisition accounting adjustments		**(5)**	**–**	**–**	**(5)**	**(0.2)¢**	**(0.2)¢**
Loss attaching to corporate transactions	D1.1	**(94)**	**5**	**–**	**(89)**	**(3.4)¢**	**(3.4)¢**
Based on profit from continuing operations		**2,676**	**(462)**	**(22)**	**2,192**	**83.4¢**	**83.4¢**
Based on loss from discontinued US operations	D1.2				**(4,234)**	**(161.1)¢**	**(161.1)¢**
Based on loss for the year					**(2,042)**	**(77.7)¢**	**(77.7)¢**

	Note	2020 Before tax $m	Tax $m	Non-controlling interests $m	Net of tax and non-controlling interests $m	Basic earnings per share cents	Diluted earnings per share cents
Based on adjusted operating profit		2,757	(497)	(10)	2,250	86.6¢	86.6¢
Short-term fluctuations in investment returns on shareholder-backed business		(579)	49	–	(530)	(20.4)¢	(20.4)¢
Amortisation of acquisition accounting adjustments		(5)	–	–	(5)	(0.2)¢	(0.2)¢
Gain attaching to corporate transactions	D1.1	735	8	–	743	28.6¢	28.6¢
Based on profit from continuing operations		2,908	(440)	(10)	2,458	94.6¢	94.6¢
Based on loss from discontinued US operations	D1.2				(340)	(13.0)¢	(13.0)¢
Based on profit for the year					2,118	81.6¢	81.6¢

Basic earnings per share are calculated based on earnings attributable to ordinary shareholders, after related tax and non-controlling interests, divided by the weighted average number of ordinary shares outstanding during the year, excluding those held in employee share trusts, which are treated as cancelled. For diluted earnings per share, the weighted average number of shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The Group's only class of potentially dilutive ordinary shares are those share options granted to employees where the exercise price is less than the average market price of the Company's ordinary shares during the year. No adjustment is made if the impact is anti-dilutive overall.

The weighted average number of shares for calculating basic and diluted earnings per share, which excludes those held in employee share trusts, is set out as below:

Number of shares (in millions)	2021	2020
Weighted average number of shares for calculation of basic earnings per share	**2,628**	2,597
Shares under option at end of year	**2**	2
Shares that would have been issued at fair value on assumed option price at end of year	**(2)**	(2)
Weighted average number of shares for calculation of diluted earnings per share	**2,628**	2,597

B5 Dividends

Demerger dividends from discontinued operations
On 13 September 2021, following approval by the Group's shareholders, Prudential plc demerged Jackson, its US operations, via a dividend in specie. At the point of the demerger, the Group retained a non-controlling holding of 19.7 per cent economic interest (19.9 per cent voting interest) in the total common stock of Jackson. As required by IFRIC 17 'Distributions of Non-Cash Assets to Owners', the dividend has been recorded at $1,735 million, being the fair value of those shares distributed to shareholders at the date of the demerger of Jackson.

Other dividends

	2021		2020	
	Cents per share	$m	Cents per share	$m
Dividends relating to reporting year:				
First interim ordinary dividend	**5.37¢**	**140**	5.37¢	140
Second interim ordinary dividend	**11.86¢**	**326**	10.73¢	280
Total	**17.23¢**	**466**	16.10¢	420
Dividends paid in reporting year:				
Current year first interim ordinary dividend	**5.37¢**	**138**	5.37¢	140
Second interim ordinary dividend for prior year	**10.73¢**	**283**	25.97¢	674
Total	**16.10¢**	**421**	31.34¢	814

First and second interim dividends are recorded in the period in which they are paid.

Dividend per share
The 2021 first interim dividend of 5.37 cents per ordinary share was paid to eligible shareholders on 28 September 2021.

On 13 May 2022, Prudential will pay a second interim dividend of 11.86 cents per ordinary share for the year ended 31 December 2021. The second interim dividend will be paid to shareholders included on the UK register at 6.00pm BST and to shareholders on the HK register at 4.30pm Hong Kong time on 25 March 2022 (Record Date), and also to the Holders of US American Depositary Receipts (ADRs) as at 25 March 2022. The second interim dividend will be paid on or about 20 May 2022 to shareholders with shares standing to the credit of their securities accounts with The Central Depository (Pte) Limited (CDP) at 5.00pm Singapore time on the Record Date.

Shareholders holding shares on the UK or Hong Kong share registers will continue to receive their dividend payments in either GBP or HKD respectively, unless they elect otherwise. Shareholders holding shares on the UK or Hong Kong registers may elect to receive dividend payments in USD. Elections must be made through the relevant UK or Hong Kong share registrar on or before 21 April 2022. The corresponding amount per share in GBP and HKD is expected to be announced on or about 28 April 2022. The USD to GBP and HKD conversion rates will be determined by the actual rates achieved by Prudential buying those currencies prior to the subsequent announcement.

Holders of ADRs will continue to receive their dividend payments in USD. Shareholders holding an interest in Prudential shares through CDP in Singapore will continue to receive their dividend payments in SGD at an exchange rate determined by CDP.

Shareholders on the UK register are eligible to participate in a Dividend Reinvestment Plan.

C Financial position

C1 Group assets and liabilities by business type

The analysis below is structured to show the investments and other assets and liabilities of the Group by reference to the differing degrees of policyholder and shareholder economic interest of the different types of business.

Debt securities are analysed below according to the issuing government for sovereign debt and to credit ratings for the rest of the securities. The Group uses the middle of the Standard & Poor's, Moody's and Fitch ratings, where available. Where ratings are not available from these rating agencies, local external rating agencies' ratings and lastly internal ratings have been used. Securities with none of the ratings listed above are classified as unrated and included under the 'below BBB- and unrated' category. The total securities from continuing operations (excluding sovereign debt) that were unrated at 31 December 2021 were $1,130 million (31 December 2020: $780 million). Additionally, government debt is shown separately from the rating breakdowns in order to provide a more focused view of the credit portfolio.

In the table below, AAA is the highest possible rating. Investment grade financial assets are classified within the range of AAA to BBB- ratings. Financial assets which fall outside this range are classified as below BBB-.

C1 Group assets and liabilities by business type continued

	31 Dec 2021 $m								
	Asia and Africa						Unallo-cated to a segment	Elimination of intra-group debtors and creditors	Group total
	Insurance								
	With-profits note (i)	Unit-linked note (i)	Other note (i)	Eastspring	Elimina-tions	Total			
Debt securities notes (ii)(iv)									
Sovereign debt									
Indonesia	414	598	609	11	–	1,632	–	–	1,632
Singapore	3,684	550	1,068	126	–	5,428	–	–	5,428
Thailand	–	–	1,577	3	–	1,580	–	–	1,580
United Kingdom	–	7	–	–	–	7	226	–	233
United States	28,552	47	3,525	–	–	32,124	–	–	32,124
Vietnam	–	20	3,022	–	–	3,042	–	–	3,042
Other (predominantly Asia)	2,030	720	4,001	21	–	6,772	–	–	6,772
Subtotal	34,680	1,942	13,802	161	–	50,585	226	–	50,811
Other government bonds									
AAA	1,472	86	246	–	–	1,804	–	–	1,804
AA+ to AA-	45	2	12	–	–	59	–	–	59
A+ to A-	667	119	304	–	–	1,090	–	–	1,090
BBB+ to BBB-	121	16	116	–	–	253	–	–	253
Below BBB- and unrated	204	15	450	–	–	669	–	–	669
Subtotal	2,509	238	1,128	–	–	3,875	–	–	3,875
Corporate bonds									
AAA	1,222	236	411	–	–	1,869	–	–	1,869
AA+ to AA-	2,203	359	1,858	–	–	4,420	–	–	4,420
A+ to A-	9,046	675	5,294	–	–	15,015	–	–	15,015
BBB+ to BBB-	9,523	1,711	5,105	–	–	16,339	–	–	16,339
Below BBB- and unrated	4,009	678	1,827	–	–	6,514	–	–	6,514
Subtotal	26,003	3,659	14,495	–	–	44,157	–	–	44,157
Asset-backed securities									
AAA	88	6	74	–	–	168	–	–	168
AA+ to AA-	6	1	4	–	–	11	–	–	11
A+ to A-	26	–	17	–	–	43	–	–	43
BBB+ to BBB-	15	–	9	–	–	24	–	–	24
Below BBB- and unrated	2	2	1	–	–	5	–	–	5
Subtotal	137	9	105	–	–	251	–	–	251
Total debt securities	63,329	5,848	29,530	161	–	98,868	226	–	99,094
Loans									
Mortgage loans	–	–	150	–	–	150	–	–	150
Policy loans	1,365	–	368	–	–	1,733	–	–	1,733
Other loans	668	–	11	–	–	679	–	–	679
Total loans	2,033	–	529	–	–	2,562	–	–	2,562
Equity securities and holdings in collective investment schemes									
Direct equities	10,290	12,812	2,286	84	–	25,472	683	–	26,155
Collective investment schemes	23,950	7,704	3,787	3	–	35,444	2	–	35,446
Total equity securities and holdings in collective investment schemes	34,240	20,516	6,073	87	–	60,916	685	–	61,601
Other financial investments note (iii)	1,561	149	2,318	106	–	4,134	1,088	–	5,222
Total financial investments note (v)	101,163	26,513	38,450	354	–	166,480	1,999	–	168,479
Investment properties	–	–	38	–	–	38	–	–	38
Investments in joint ventures and associates accounted for using the equity method	–	–	1,878	305	–	2,183	–	–	2,183
Cash and cash equivalents note (vi)	905	911	1,444	181	–	3,441	3,729	–	7,170
Reinsurers' share of insurance contract liabilities note C3.3	225	–	9,528	–	–	9,753	–	–	9,753
Other assets note (vii)	1,184	166	9,191	759	(51)	11,249	3,608	(3,378)	11,479
Total assets	103,477	27,590	60,529	1,599	(51)	193,144	9,336	(3,378)	199,102
Shareholders' equity	–	–	14,289	1,120	–	15,409	1,679	–	17,088
Non-controlling interests	–	–	45	131	–	176	–	–	176
Total equity	–	–	14,334	1,251	–	15,585	1,679	–	17,264
Contract liabilities and unallocated surplus of with-profits funds	94,002	25,651	37,646	–	–	157,299	–	–	157,299
Core structural borrowings	–	–	–	–	–	–	6,127	–	6,127
Operational borrowings	142	–	106	18	–	266	595	–	861
Other liabilities note (viii)	9,333	1,939	8,443	330	(51)	19,994	935	(3,378)	17,551
Total liabilities	103,477	27,590	46,195	348	(51)	177,559	7,657	(3,378)	181,838
Total equity and liabilities	103,477	27,590	60,529	1,599	(51)	193,144	9,336	(3,378)	199,102

	31 Dec 2020 $m									
	Asia and Africa									
	Insurance									
	With-profits note (i)	Unit-linked note (i)	Other note (i)	Eastspring	Eliminations	Total	US discont'd	Unallocated to a segment	Elimination of intra-group debtors and creditors	Group total
Debt securities notes (ii)(iv)										
Sovereign debt										
Indonesia	385	658	564	12	–	1,619	–	–	–	1,619
Singapore	3,939	551	979	117	–	5,586	–	–	–	5,586
Thailand	–	–	1,999	11	–	2,010	–	–	–	2,010
United Kingdom	–	7	–	–	–	7	–	–	–	7
United States	24,396	21	2,551	–	–	26,968	5,126	–	–	32,094
Vietnam	–	11	2,881	–	–	2,892	–	–	–	2,892
Other (predominantly Asia)	1,322	700	3,681	19	–	5,722	30	–	–	5,752
Subtotal	30,042	1,948	12,655	159	–	44,804	5,156	–	–	49,960
Other government bonds										
AAA	1,420	96	405	–	–	1,921	377	–	–	2,298
AA+ to AA-	129	2	28	–	–	159	522	–	–	681
A+ to A-	811	131	339	–	–	1,281	188	–	–	1,469
BBB+ to BBB-	452	16	196	–	–	664	3	–	–	667
Below BBB- and unrated	631	9	451	–	–	1,091	–	–	–	1,091
Subtotal	3,443	254	1,419	–	–	5,116	1,090	–	–	6,206
Corporate bonds										
AAA	1,228	221	540	–	–	1,989	265	–	–	2,254
AA+ to AA-	1,943	476	1,871	–	–	4,290	869	–	–	5,159
A+ to A-	7,289	695	5,194	1	–	13,179	10,759	–	–	23,938
BBB+ to BBB-	9,005	1,299	4,785	–	–	15,089	12,686	–	–	27,775
Below BBB- and unrated	2,814	849	1,483	2	–	5,148	1,975	–	–	7,123
Subtotal	22,279	3,540	13,873	3	–	39,695	26,554	–	–	66,249
Asset-backed securities										
AAA	74	9	24	–	–	107	2,110	–	–	2,217
AA+ to AA-	2	1	–	–	–	3	171	–	–	174
A+ to A-	15	–	16	–	–	31	741	–	–	772
BBB+ to BBB-	12	–	9	–	–	21	163	–	–	184
Below BBB- and unrated	9	2	8	–	–	19	48	–	–	67
Subtotal	112	12	57	–	–	181	3,233	–	–	3,414
Total debt securities	55,876	5,754	28,004	162	–	89,796	36,033	–	–	125,829
Loans										
Mortgage loans	–	–	158	–	–	158	7,833	–	–	7,991
Policy loans	1,231	–	351	–	–	1,582	4,507	–	–	6,089
Other loans	492	–	16	–	–	508	–	–	–	508
Total loans	1,723	–	525	–	–	2,248	12,340	–	–	14,588
Equity securities and holdings in collective investment schemes										
Direct equities	15,668	13,064	3,325	71	–	32,128	253	–	–	32,381
Collective investment schemes	18,125	7,392	1,638	10	–	27,165	25	2	–	27,192
US separate account assets	–	–	–	–	–	–	219,062	–	–	219,062
Total equity securities and holdings in collective investment schemes	33,793	20,456	4,963	81	–	59,293	219,340	2	–	278,635
Other financial investments note (iii)	1,566	405	2,173	97	–	4,241	4,094	13	–	8,348
Total financial investments note (v)	92,958	26,615	35,665	340	–	155,578	271,807	15	–	427,400
Investment properties	–	–	16	–	–	16	7	–	–	23
Investments in joint ventures and associates accounted for using the equity method	–	–	1,689	273	–	1,962	–	–	–	1,962
Cash and cash equivalents note (vi)	1,049	587	1,354	156	–	3,146	1,621	3,251	–	8,018
Reinsurers' share of insurance contract liabilities note C3.3	257	–	11,106	–	–	11,363	35,232	–	–	46,595
Other assets note (vii)	1,538	252	9,418	839	(62)	11,985	19,813	3,624	(3,323)	32,099
Total assets	95,802	27,454	59,248	1,608	(62)	184,050	328,480	6,890	(3,323)	516,097
Shareholders' equity	–	–	12,861	1,102	–	13,963	8,511	(1,596)	–	20,878
Non-controlling interests	–	–	34	144	–	178	1,063	–	–	1,241
Total equity	–	–	12,895	1,246	–	14,141	9,574	(1,596)	–	22,119
Contract liabilities and unallocated surplus of with-profits funds	86,410	25,433	38,107	–	–	149,950	296,513	–	–	446,463
Core structural borrowings	–	–	–	–	–	–	250	6,383	–	6,633
Operational borrowings	194	–	105	23	–	322	1,498	624	–	2,444
Other liabilities note (viii)	9,198	2,021	8,141	339	(62)	19,637	20,645	1,479	(3,323)	38,438
Total liabilities	95,802	27,454	46,353	362	(62)	169,909	318,906	8,486	(3,323)	493,978
Total equity and liabilities	95,802	27,454	59,248	1,608	(62)	184,050	328,480	6,890	(3,323)	516,097

C1 Group assets and liabilities by business type continued

Notes

(i) 'With-profits' comprises the with-profits assets and liabilities of the Hong Kong, Malaysia and Singapore operations. 'Other' includes assets and liabilities of other participating business and other non-linked shareholder-backed business. 'Unit-linked' comprises the assets and liabilities held in the unit-linked funds.

(ii) Of the Group's debt securities, the following amounts were held by the consolidated investment funds from continuing operations.

	31 Dec 2021 $m	31 Dec 2020 $m
	Total	Total
Debt securities held by consolidated investment funds from continuing operations	**15,076**	15,928

(iii) Other financial investments comprise derivative assets and deposits. For the discontinued US operations, other financial investments in 2020 also included private equity investments in limited partnerships.

(iv) The credit ratings, information or data contained in this report which are attributed and specifically provided by Standard & Poor's, Moody's and Fitch Solutions and their respective affiliates and suppliers ('Content Providers') is referred to here as the 'Content'. Reproduction of any Content in any form is prohibited except with the prior written permission of the relevant party. The Content Providers do not guarantee the accuracy, adequacy, completeness, timeliness or availability of any Content and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such Content. The Content Providers expressly disclaim liability for any damages, costs, expenses, legal fees, or losses (including lost income or lost profit and opportunity costs) in connection with any use of the Content. A reference to a particular investment or security, a rating or any observation concerning an investment that is part of the Content is not a recommendation to buy, sell or hold any such investment or security, nor does it address the suitability of an investment or security and should not be relied on as investment advice.

(v) Of the total financial investments from continuing operations of $168,479 million as at 31 December 2021 (31 December 2020: $155,593 million), $71,524 million (31 December 2020: $66,138 million) are expected to be recovered within one year, including equity securities and holdings in collective investment schemes.

(vi) Cash and cash equivalents consist of cash at bank and in hand, deposits held at call with banks, treasury bills and other short-term highly liquid investments with less than 90 days maturity from the date of acquisition and are analysed as follows:

	31 Dec 2021 $m	31 Dec 2020 $m
Continuing operations:*		
Cash	**1,902**	2,087
Cash equivalents	**5,268**	4,310
	7,170	6,397
Discontinued US operations		1,621
Total cash and cash equivalents	**7,170**	8,018
Analysed as:		
Continuing operations:		
Held by the Group's holding and non-regulated entities and available for general use	**3,729**	3,250
Other funds not available for general use by the Group, including funds held for the benefit of policyholders	**3,441**	3,147
	7,170	6,397
Discontinued US operations		1,621
Total cash and cash equivalents	**7,170**	8,018

* The Group's cash and cash equivalents from continuing operations are held in the following currencies as at 31 December 2021: USD 46 per cent, GBP 20 per cent, HKD 3 per cent, SGD 3 per cent, MYR 9 per cent and other currencies 19 per cent (31 December 2020: USD 48 per cent, GBP 19 per cent, HKD 4 per cent, SGD 4 per cent, MYR 10 per cent and other currencies 15 per cent).

(vii) Of total 'Other assets' from continuing operations, there are:
– Property, plant and equipment (PPE) of $478 million at 31 December 2021 (31 December 2020: $584 million). Movements in the PPE including right-of-use assets are provided in note C11; and
– Accrued investment income and other debtors, which are analysed as follows:

	31 Dec 2021 $m	31 Dec 2020 $m
Continuing operations:		
Interest receivable	**872**	639
Other accrued income	**299**	410
Total accrued investment income	**1,171**	1,049
Amounts receivable due from:		
Policyholders	**686**	757
Intermediaries	**4**	2
Reinsurers	**226**	920
Other sundry debtors	**863**	1,237
Total other debtors	**1,779**	2,916
Discontinued US operations		633
Total accrued investment income and other debtors	**2,950**	4,598
Analysed as:		
Continuing operations:		
Expected to be settled within one year	**2,761**	3,730
Expected to be settled beyond one year	**189**	235
	2,950	3,965
Discontinued US operations		633
	2,950	4,598

(viii) Within 'Other liabilities' from continuing operations are accruals, deferred income and other liabilities of $7,983 million (31 December 2020: $8,445 million), which are analysed as follows (detailed maturity analysis is provided in note C2.3):

	31 Dec 2021 $m	31 Dec 2020 $m
Continuing operations:		
Accruals and deferred income	**565**	616
Creditors arising from direct insurance and reinsurance operations	**1,120**	1,284
Interest payable	**77**	74
Funds withheld under reinsurance agreements	**1,545**	1,019
Other creditors	**4,676**	5,452
	7,983	8,445
Discontinued US operations		7,063
Total accruals, deferred income and other creditors	**7,983**	15,508

C2 Fair value measurement

The Group holds financial investments in accordance with IAS 39, whereby subject to specific criteria, financial instruments are required to be accounted for under one of the following categories:

- *Financial assets and liabilities at fair value through profit or loss – this comprises assets and liabilities designated by management as fair value through profit or loss on inception and derivatives. This includes instruments that are managed and the performance evaluated on a fair value basis, including liabilities related to net assets attributable to unit holders of consolidated investment funds and policyholder liabilities for investment contracts without discretionary participation features. All investments within this category are measured at fair value with all changes thereon being recognised in investment return in the income statement.*
- *Financial investments on an available-for-sale basis – this comprises assets that are designated by management as available-for-sale and/or do not fall into any of the other categories. These assets are initially recognised at fair value plus attributable transaction costs and are subsequently measured at fair value. Interest and/or dividend income is recognised in the income statement. Unrealised gains and losses are recognised in other comprehensive income. Upon disposal or impairment, accumulated unrealised gains and losses are transferred from other comprehensive income to the income statement as realised gains or losses. Up until the demerger of Jackson in 2021, the majority of the debt securities held by Jackson were designated as 'available-for-sale' in the Group's financial statement. Subsequent to the demerger, the Group has designated its retained interest in Jackson (as described in note D1.2) as 'available-for-sale' equity securities.*
- *Loans and receivables – except for those designated as fair value through profit or loss or available-for-sale, these instruments comprise non-quoted investments that have fixed or determinable payments. These instruments include loans collateralised by mortgages, deposits, loans to policyholders and other unsecured loans and receivables. These investments are initially recognised at fair value plus transaction costs. Subsequently, these instruments are carried at amortised cost using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset. When assets held at amortised cost are subject to impairment testing, estimated future cash flows are compared to the carrying value of the asset. The estimated future cash flows are discounted using the financial asset's original or variable effective interest rate and exclude credit losses that have not yet been incurred. If, in subsequent periods, an impaired loan or receivable recovers in value (in part or in full) and this recovery can be objectively related to an event occurring after the impairment, then any amount determined to have been recovered is reversed through the income statement.*

The Group uses the trade date method to account for regular purchases and sales of financial assets.

C2.1 Determination of fair value

The fair values of the financial instruments for which fair valuation is required under IFRS Standards are determined by the use of current market bid prices for exchange-quoted investments, or by using quotations from independent third parties, such as brokers and pricing services or by using appropriate valuation techniques.

The estimated fair value of derivative financial instruments reflects the estimated amount the Group would receive or pay in an arm's-length transaction. This amount is determined using quoted prices if exchange listed, quotations from independent third parties or valued internally using standard market practices.

Other than the loans which have been designated at fair value through profit or loss, the carrying value of loans and receivables is presented net of provisions for impairment. The fair value of loans is estimated from discounted cash flows expected to be received. The discount rate used is updated for the market rate of interest where applicable.

The fair value of the subordinated and senior debt issued by the parent company is determined using quoted prices from independent third parties.

The fair value of financial liabilities (other than subordinated debt, senior debt and derivative financial instruments) is determined using discounted cash flows of the amounts expected to be paid.

Valuation approach for level 2 fair valued assets and liabilities

A significant proportion of the Group's level 2 assets are corporate bonds, structured securities and other non-national government debt securities. These assets, in line with market practice, are generally valued using a designated independent pricing service or quote from third-party brokers. These valuations are subject to a number of monitoring controls, such as comparison to multiple pricing sources where available, monthly price variances, stale price reviews and variance analysis on prices achieved on subsequent trades.

When prices are not available from pricing services, quotes are sourced directly from brokers. Prudential seeks to obtain a number of quotes from different brokers so as to obtain the most comprehensive information available on their executability. The selected quote is the one which best represents an executable quote for the security at the measurement date.

Generally, no adjustment is made to the prices obtained from independent third parties. Adjustments are made in only limited circumstances, where it is determined that the third-party valuations obtained do not reflect fair value (eg either because the value is stale and/or the values are extremely diverse in range). Securities valued in such manner are classified as level 3 where these significant inputs are not based on observable market data.

Valuation approach for level 3 fair valued assets and liabilities

Investments valued using valuation techniques include financial investments which by their nature do not have an externally quoted price based on regular trades, and financial investments for which markets are no longer active as a result of market conditions, eg market illiquidity.

The Group's valuation policies, procedures and analyses for instruments categorised as level 3 are overseen by Business Unit committees as part of the Group's wider financial reporting governance processes. The procedures undertaken include approval of valuation methodologies, verification processes, and resolution of significant or complex valuation issues. In addition, the Group has minimum standards for independent price verification to ensure valuation accuracy is regularly independently verified. Adherence to this policy is monitored across the business units.

C2.2 Fair value measurement hierarchy of Group assets and liabilities

(a) Assets and liabilities carried at fair value on the statement of financial position

The table below shows the assets and liabilities carried at fair value analysed by level of the IFRS 13 'Fair Value Measurement' defined fair value hierarchy. This hierarchy is based on the inputs to the fair value measurement and reflects the lowest level input that is significant to that measurement.

All assets and liabilities held at fair value are classified as fair value through profit or loss, except for $909 million of financial assets classified as available-for-sale at 31 December 2021 (31 December 2020: nil for continuing operations), of which $683 million related to the Group's retained interest in Jackson's equity securities. All assets and liabilities held at fair value are measured on a recurring basis. As of 31 December 2021, the Group did not have any financial instruments that are measured at fair value on a non-recurring basis.

Financial instruments at fair value

	31 Dec 2021 $m			
	Level 1	Level 2	Level 3	
Continuing operations	Quoted prices (unadjusted) in active markets	Valuation based on significant observable market inputs note (i)	Valuation based on significant unobservable market inputs note (ii)	Total
Loans	–	616	5	621
Equity securities and holdings in collective investment schemes	54,107	6,917	577	61,601
Debt securities	76,049	22,987	58	99,094
Other investments (including derivative assets)	359	122	–	481
Derivative liabilities	(146)	(116)	–	(262)
Total financial investments, net of derivative liabilities	130,369	30,526	640	161,535
Investment contract liabilities without discretionary participation features	–	(814)	–	(814)
Net asset value attributable to unit holders of consolidated investment funds	(5,618)	(46)	–	(5,664)
Total financial instruments at fair value for continuing operations	124,751	29,666	640	155,057
Percentage of total (%)	81%	19%	0%	100%
Analysed by business type:				
Financial investments, net of derivative liabilities at fair value				
With-profits	82,489	15,438	506	98,433
Unit-linked	24,024	2,343	5	26,372
Non-linked shareholder-backed business	23,856	12,745	129	36,730
Total financial investments net of derivative liabilities, at fair value	130,369	30,526	640	161,535
Percentage of total continuing operations (%)	81%	19%	0%	100%
Total financial investments, net of derivative liabilities at fair value	130,369	30,526	640	161,535
Other financial liabilities at fair value	(5,618)	(860)	–	(6,478)
Group total financial instruments at fair value	124,751	29,666	640	155,057

C2 Fair value measurement continued

C2.2 Fair value measurement hierarchy of Group assets and liabilities continued

	31 Dec 2020 $m			
	Level 1	Level 2	Level 3	
	Quoted prices (unadjusted) in active markets	Valuation based on significant observable market inputs note (i)	Valuation based on significant unobservable market inputs note (ii)	Total
Loans	–	416	3,461	3,877
Equity securities and holdings in collective investment schemes	272,863	5,224	548	278,635
Debt securities	75,998	49,769	62	125,829
Other investments (including derivative assets)	123	2,477	1,866	4,466
Derivative liabilities	(298)	(184)	–	(482)
Total financial investments, net of derivative liabilities	348,686	57,702	5,937	412,325
Investment contract liabilities without discretionary participation features	–	(792)	–	(792)
Net asset value attributable to unit holders of consolidated investment funds	(5,464)	(17)	(494)	(5,975)
Other financial liabilities held at fair value	–	–	(3,589)	(3,589)
Total financial instruments at fair value	343,222	56,893	1,854	401,969
Percentage of total (%)	86%	14%	0%	100%
Analysed by business type:				
Financial investments, net of derivative liabilities at fair value, from continuing operations:				
With-profits	78,203	11,481	395	90,079
Unit-linked	25,144	1,075	–	26,219
Non-linked shareholder-backed business	20,999	12,068	89	33,156
Total financial investments, net of derivative liabilities at fair value	124,346	24,624	484	149,454
Other financial liabilities at fair value	(5,464)	(809)	–	(6,273)
Total financial instruments, net of derivative liabilities, at fair value from continuing operations	118,882	23,815	484	143,181
Percentage of total continuing operations (%)	83%	17%	0%	100%
Total financial instruments, net of derivative liabilities, at fair value from discontinued US operations	224,340	33,078	1,370	258,788
Group total financial instruments at fair value	343,222	56,893	1,854	401,969

Notes

(i) For continuing operations, of the total level 2 debt securities of $22,987 million at 31 December 2021 (31 December 2020: $18,868 million), $24 million (31 December 2020: $140 million) are valued internally.

(ii) At 31 December 2021, the Group held $640 million (31 December 2020: $484 million) of net financial instruments at fair value within level 3 from continuing operations. This represents less than 0.5 per cent of the total fair valued financial assets, net of financial liabilities, for both years.

Of this amount, equity securities from continuing operations of $1 million (31 December 2020: $2 million) are internally valued, representing less than 0.1 per cent of the total fair valued financial assets net of financial liabilities for both years. Internal valuations are inherently more subjective than external valuations. The $640 million from continuing operations (31 December 2020: $484 million) referred to above includes the following items:

– Equity securities and holdings in collective investment schemes of $577 million (31 December 2020: $445 million) consisting primarily of property and infrastructure funds held by the participating funds, which are externally valued using the net asset value of the invested entities; and

– Other sundry individual financial instruments of a net asset of $63 million (31 December 2020: net asset of $39 million).

Of the net assets from continuing operations of $640 million (31 December 2020: $484 million) referred to above:

– A net asset of $506 million (31 December 2020: $395 million) is held by the participating funds and therefore shareholders' profit and equity are not impacted by movements in the valuation of these financial instruments; and

– A net asset of $129 million (31 December 2020: $89 million) is held to support non-linked shareholder-backed business, of which $112 million (31 December 2020: $89 million) are externally valued and are therefore inherently less subjective than internal valuations. If the value of all these level 3 financial instruments decreased by 20 per cent, the change in valuation would be $(26) million (31 December 2020: $(18) million), which would reduce shareholders' equity by this amount before tax. All of this amount would pass through the income statement substantially as part of short-term fluctuations in investment returns outside of adjusted operating profit.

(b) Transfers into and out of levels

The Group's policy is to recognise transfers into and out of levels as of the end of each reporting period except for material transfers which are recognised as of the date of the event or change in circumstances that caused the transfer. Transfers are deemed to have occurred when there is a material change in the observed valuation inputs or a change in the level of trading activities of the securities.

During 2021, the transfers between levels within the Group's portfolio, were primarily transfers from level 1 to level 2 of $3,789 million (31 December 2020: $3,927 million) and transfers from level 2 to level 1 of $1,742 million (31 December 2020: $1,631 million). These transfers which relate to equity securities and debt securities arose to reflect the change in the observed valuation inputs and in certain cases, the change in the level of trading activities of the securities. There were transfers out of level 3 of $12 million (31 December 2020: nil) and into level 3 of $30 million (31 December 2020: $32 million) in the year.

Reconciliation of movements in level 3 assets and liabilities measured at fair value

The following table reconciles the value of level 3 fair valued assets and liabilities at 1 January 2021 to that presented at 31 December 2021.

Total investment return recorded in the income statement represents interest and dividend income, realised gains and losses, unrealised gains and losses on the assets classified at fair value through profit and loss and foreign exchange movements on an individual entity's overseas investments. Total gains (losses) recorded in other comprehensive income largely comprises the translation of investments into the Group's presentational currency of US dollars.

	2021 $m				
Reconciliation of movements in level 3 assets and liabilities measured at fair value	**Loans**	**Equity securities and holdings in collective investment schemes**	**Debt securities**	**US (discont'd)**	**Group total**
Balance at 1 Jan	**6**	**445**	**33**	**1,370**	**1,854**
Removal of discontinued US operations	**–**	**–**	**–**	**(1,370)**	**(1,370)**
Total (losses) gains in income statement[note]	**(1)**	**(6)**	**(3)**	**–**	**2**
Total losses recorded in other comprehensive income	**–**	**(5)**	**(2)**	**–**	**(7)**
Purchases and other additions	**–**	**143**	**–**	**–**	**143**
Transfers (out of) into level 3	**–**	**(12)**	**30**	**–**	**18**
Balance at 31 Dec	**5**	**577**	**58**	**–**	**640**

	2020 $m					
Reconciliation of movements in level 3 assets and liabilities measured at fair value	**Loans**	**Equity securities and holdings in collective investment schemes**	**Debt securities**	**Net asset value attributable to unit holders of consolidated investment funds**	**US (discont'd)**	**Group total**
Balance at 1 Jan	–	264	6	(2)	1,140	1,408
Total gains (losses) in income statement[note]	–	49	(5)	2	(72)	(26)
Total gains (losses) recorded in other comprehensive income	–	9	–	–	(2)	7
Purchases	–	255	–	–	363	618
Sales	–	(132)	–	–	(123)	(255)
Issues	6	–	–	–	(204)	(198)
Settlements	–	–	–	–	247	247
Transfers into level 3	–	–	32	–	21	53
Balance at 31 Dec	6	445	33	–	1,370	1,854

Note

Of the total net gain in the income statement of $2 million from continuing operations in 2021 (2020: $46 million), $2 million (2020: $12 million) relates to net unrealised gains and losses of financial instruments still held at the end of the year, which can be analysed as follows:

	2021 $m	**2020** $m
Loans	**(1)**	–
Equity securities and holdings in collective investment schemes	**6**	11
Debt securities	**(3)**	1
Total continuing operations	**2**	12

C2 Fair value measurement continued

C2.2 Fair value measurement hierarchy of Group assets and liabilities continued

(c) Assets and liabilities at amortised cost and their fair value

The table below shows the financial assets and liabilities carried at amortised cost on the statement of financial position and their fair value. Cash deposits, accrued income, other debtors, accruals, deferred income and other liabilities are excluded from the analysis below, as these are carried at amortised cost which approximates fair value.

	31 Dec 2021 $m				31 Dec 2020 $m			
	Level 2 Valuation based on significant observable market inputs	Level 3 Valuation based on significant unobservable market inputs	Fair value	Carrying value	Level 2 Valuation based on significant observable market inputs	Level 3 Valuation based on significant unobservable market inputs	Fair value	Carrying value
Assets								
Loans	**2,152**	**–**	**2,152**	**1,941**	2,026	–	2,026	1,826
Liabilities					–	–	–	–
Core structural borrowings of shareholder-financed businesses	**(6,565)**	**–**	**(6,565)**	**(6,127)**	(7,178)	–	(7,178)	(6,383)
Operational borrowings (excluding lease liabilities)	**(514)**	**–**	**(514)**	**(514)**	(501)	–	(501)	(501)
Obligations under funding, securities lending and sale and repurchase agreements	**(223)**	**–**	**(223)**	**(223)**	(231)	–	(231)	(271)
Total continuing operations	**(5,150)**	**–**	**(5,150)**	**(4,923)**	(5,884)	–	(5,884)	(5,329)
Discontinued US operations					(2,899)	(2,617)	(5,516)	(5,497)
Total Group					(8,783)	(2,617)	(11,400)	(10,826)

The fair value of the assets and liabilities in the table above, with the exception of the subordinated and senior debt issued by the parent company, has been estimated from the discounted cash flows expected to be received or paid. Where appropriate, the observable market interest rate has been used and the assets and liabilities are classified within level 2. Otherwise, they are included as level 3 assets or liabilities. The fair value of the subordinated and senior debt issued by the parent company is determined using quoted prices from independent third parties.

C2.3 Additional information on financial instruments

(a) Financial risk

Liquidity analysis

Contractual maturities of financial liabilities on an undiscounted cash flow basis

The following table sets out the contractual maturities for applicable classes of financial liabilities, excluding derivative liabilities and investment contracts that are separately presented. The financial liabilities are included in the column relating to the contractual maturities of the undiscounted cash flows (including contractual interest payments) based on the earliest period in which the Group can be required to pay assuming conditions are consistent with those of year end.

	31 Dec 2021 $m								
		Contractual maturity profile for financial liabilities							
Financial liabilities	Total carrying value	1 year or less	After 1 year to 5 years	After 5 years to 10 years	After 10 years to 15 years	After 15 years to 20 years	Over 20 years	No stated maturity	Total undiscounted cash flows
Core structural borrowings of shareholder-financed businesses*, note C5.1	**6,127**	**1,872**	**1,253**	**1,817**	**1,642**	**–**	**–**	**750**	**7,334**
Lease liabilities under IFRS 16	**347**	**110**	**216**	**45**	**11**	**–**	**–**	**–**	**382**
Other operational borrowings	**514**	**514**	**–**	**–**	**–**	**–**	**–**	**–**	**514**
Obligations under funding, securities lending and sale and repurchase agreements	**223**	**223**	**–**	**–**	**–**	**–**	**–**	**–**	**223**
Accruals, deferred income and other liabilities	**7,983**	**5,972**	**–**	**–**	**–**	**–**	**–**	**2,011**	**7,983**
Net asset value attributable to unit holders of consolidated unit trusts and similar funds	**5,664**	**5,664**	**–**	**–**	**–**	**–**	**–**	**–**	**5,664**
Total	**20,858**	**14,355**	**1,469**	**1,862**	**1,653**	**–**	**–**	**2,761**	**22,100**

* On 20 January 2022, US$1,725 million of notes in core structural borrowings of shareholder-financed businesses were redeemed. As of 31 December 2021, these amounts have been included as having a contractual maturity of 1 year or less in the table above.

Financial liabilities	Total carrying value	31 Dec 2020 $m — Contractual maturity profile for financial liabilities: 1 year or less	After 1 year to 5 years	After 5 years to 10 years	After 10 years to 15 years	After 15 years to 20 years	Over 20 years	No stated maturity	Total undis-counted cash flows
Core structural borrowings of shareholder-financed businesses note C5.1	6,383	119	1,179	1,726	631	–	–	3,725	7,380
Lease liabilities under IFRS 16	445	132	285	68	20	–	–	–	505
Operational borrowings	501	501	–	–	–	–	–	–	501
Obligations under funding, securities lending and sale and repurchase agreements	271	271	–	–	–	–	–	–	271
Accruals, deferred income and other liabilities	8,445	6,845	183	–	–	–	–	1,504	8,532
Net asset value attributable to unit holders of consolidated unit trusts and similar funds	5,481	5,481	–	–	–	–	–	–	5,481
Total continuing operations	21,526	13,349	1,647	1,794	651	–	–	5,229	22,670
Discontinued US operations	18,802	7,676	4,790	2,563	1,056	–	1	3,583	19,669
Total Group	40,328	21,025	6,437	4,357	1,707	–	1	8,812	42,339

Maturity analysis of derivatives

The following table shows the carrying value of the gross and net derivative positions from continuing operations.

	Carrying value of net derivatives $m: Derivative assets	Derivative liabilities	Net derivative position
31 Dec 2021	**481**	**(262)**	**219**
31 Dec 2020	379	(439)	(60)

All net derivatives have been included at fair value due within one year or less, representing the basis on which they are managed (ie to manage principally asset or liability value exposures). The Group has no cash flow hedges and, in general, contractual maturities are not considered essential for an understanding of the timing of the cash flows for these instruments.

Maturity analysis of investment contracts

The table below shows the maturity profile for investment contracts based on undiscounted cash flow projections of expected benefit payments from continuing operations.

	Total carrying value	Maturity profile for investment contracts $m: 1 year or less	After 1 year to 5 years	After 5 years to 10 years	After 10 years to 15 years	After 15 years to 20 years	Over 20 years	Total undis-counted cash flows
31 Dec 2021	**459**	**14**	**442**	**63**	**16**	**6**	**2**	**543**
31 Dec 2020	470	14	490	2	1	–	–	507

The undiscounted cash flows in the maturity profile shown above excludes contracts which have no stated maturity but which are repayable on demand.

Most investment contracts have options to surrender early, often subject to surrender or other penalties. Therefore, most contracts can be said to have a contractual maturity of less than one year, but the additional charges and term of the contracts mean these are unlikely to be exercised in practice and the more useful information is to present information on expected payment.

The vast majority of the Group's financial assets are held to back the Group's policyholder liabilities. Although asset/liability matching is an important component of managing policyholder liabilities (both those classified as insurance and those classified as investments), this profile is mainly relevant for managing market risk rather than liquidity risk. Within each business unit, this asset/liability matching is performed on a portfolio-by-portfolio basis.

In terms of liquidity risk, a large proportion of the policyholder liabilities contain discretionary surrender values or surrender charges, meaning that many of the Group's liabilities are expected to be held for the long term. Much of the Group's investment portfolios are in marketable securities, which can therefore be converted quickly to liquid assets.

For the reasons provided above, an analysis of the Group's assets by contractual maturity is not considered meaningful to evaluate the nature and extent of the Group's liquidity risk.

C2 Fair value measurement continued

C2.3 Additional information on financial instruments continued

Credit risk

The Group's maximum exposure to credit risk of financial instruments before any allowance for collateral or allocation of losses to policyholders is represented by the carrying value of financial instruments on the balance sheet that have exposures to credit risk comprising cash and cash equivalents, deposits, debt securities, loans and derivative assets, accrued investment income and other debtors. The collateral in place in relation to derivatives is described in note (c) below. The Group's exposure to credit risk is further discussed in the Risk review report.

Of the total loans and receivables from continuing operations held at 31 December 2021, $7 million (31 December 2020: $8 million) are past their due date but are not impaired, of which $2 million are less than one year past their due date (31 December 2020: $1 million). The Group expects full recovery of these loans and receivables.

There are no financial assets that would have been past due or impaired had the terms not been renegotiated in both years.

In addition, the Group did not take possession of any other collateral held as security in both years.

Further details of collateral in place in relation to derivatives, securities lending, repurchase agreements and other transactions are provided in note (c) below.

Foreign exchange risk

As at 31 December 2021, the Group held 26 per cent (31 December 2020: 24 per cent) of its financial assets and 63 per cent (31 December 2020: 57 per cent) of its financial liabilities from continuing operations in currencies mainly USD, other than the functional currency of the relevant business units or the currency to which the functional currency is pegged (eg financial assets and liabilities of USD denominated business in Hong Kong). The exchange risks inherent in these exposures are mitigated through the use of derivatives, mainly forward currency contracts and currency swaps as described in note (b) below.

The amount of exchange loss recognised in the income statement from continuing operations in 2021, except for those arising on financial instruments measured at fair value through profit or loss, is $132 million (2020: $33 million).

(b) Derivatives and hedging

Derivative financial instruments are used to reduce or manage investment, interest rate and currency exposures, to facilitate efficient portfolio management and for investment purposes.

The Group does not regularly seek to apply fair value or cash flow hedging treatment under IAS 39. The Group has no net investment, fair value or cash flow hedges under IAS 39 at 31 December 2021 and 2020. All derivatives that are not designated as hedging instruments are carried at fair value, with movements in fair value being recorded in the income statement.

Embedded derivatives are embedded within other non-derivative host financial instruments and insurance contracts to create hybrid instruments. Embedded derivatives meeting the definition of an insurance contract are accounted for under IFRS 4. Where economic characteristics and risks of the embedded derivatives are not closely related to the economic characteristics and risks of the host instrument, and where the hybrid instrument is not measured at fair value with the changes in fair value recognised in the income statement, the embedded derivative is required to be bifurcated and carried at fair value as a derivative measured in accordance with IAS 39.

In addition, the Group applies the option under IFRS 4 to not separate and fair value surrender options embedded in host contracts and with-profits investment contracts whose strike price is either a fixed amount or a fixed amount plus interest.

Derivatives held and their purpose

The Group enters into a variety of exchange traded and over-the-counter derivative financial instruments, including futures, options, forward contracts, swaps and swaptions.

All over-the-counter derivative transactions are conducted under standardised ISDA (International Swaps and Derivatives Association Inc) master agreements and collateral agreements are in place between the individual entities and relevant counterparties under each of these market master agreements.

Derivatives are used for efficient portfolio management to obtain cost effective and management of exposure to various markets in accordance with the Group's investment strategies and to manage exposure to interest rate, currency, credit and other business risks. The Group also uses interest rate derivatives to reduce exposure to interest rate volatility.

(c) Derecognition, collateral and offsetting

Derecognition of financial assets and liabilities

The Group's policy is to derecognise financial assets when it is deemed that substantially all the risks and rewards of ownership have been transferred.

The Group derecognises financial liabilities only when the obligation specified in the contract is discharged, cancelled or has expired.

Reverse repurchase agreements

The Group is party to various reverse repurchase agreements under which securities are purchased from third parties with an obligation to resell the securities. The securities are not recognised as investments in the statement of financial position but the right to receive the cash paid is recognised as deposits.

The Group has entered into reverse repurchase transactions under which it purchased securities and had taken on the obligation to resell the securities. At 31 December 2021, the fair value of the collateral held in respect of these transactions, which is represented by the purchased securities, was $2,149 million (31 December 2020: $602 million from continuing operations; $1 million from discontinued operations).

Securities lending and repurchase agreements

The Group is also party to various securities lending agreements (including repurchase agreements) under which securities are loaned to third parties on a short-term basis. The loaned securities are not derecognised; rather, they continue to be recognised within the appropriate investment classification. To the extent cash collateral is received it is recognised on the statement of financial position with the obligation to repay the cash paid recognised as a liability. Other collateral is not recognised.

At 31 December 2021, the Group had $854 million (31 December 2020: $895 million from continuing operations; $1,112 million from discontinued operations) of lent securities and assets subject to repurchase agreements. The cash and securities collateral held or pledged under such agreements were $913 million (31 December 2020: $934 million from continuing operations; $1,113 million from discontinued operations).

Collateral and pledges under derivative transactions

At 31 December 2021, the Group had pledged $99 million (31 December 2020: $85 million from continuing operations; $2,337 million from discontinued operations) for liabilities and held collateral of $50 million (31 December 2020: $181 million from continuing operations; $2,125 million from discontinued operations) in respect of over-the-counter derivative transactions. These transactions are conducted under terms that are usual and customary to collateralised transactions including, where relevant, standard securities lending and repurchase agreements.

The Group has entered into collateral arrangements in relation to over-the-counter derivative transactions, which permit sale or re-pledging of underlying collateral. The Group has not sold any collateral held or re-pledged any collateral.

All over-the-counter derivative transactions are conducted under standardised International Swaps and Derivatives Association (ISDA) master agreements. The collateral management for these transactions is conducted under the usual and customary terms and conditions set out in the Credit Support Annex to the ISDA master agreement.

Other collateral

At 31 December 2021, the Group had no pledged collateral (31 December 2020: $2,614 million from discontinued operations) in respect of other transactions. The 2020 amount principally arose from Jackson's membership of the Federal Home Loan Bank of Indianapolis (FHLBI) that required Jackson to purchase and hold a minimum amount of FHLBI capital stock, plus additional stock based on outstanding advances in the form of either short-term or long-term notes or funding agreements issued to FHLBI.

Offsetting assets and liabilities

The Group's derivative instruments, repurchase agreements and securities lending agreements are subject to master netting arrangements and collateral arrangements. A master netting arrangement with a counterparty creates a right of offset for amounts due to and due from that same counterparty that is enforceable in the event of a default or bankruptcy. The Group recognises amounts subject to master netting arrangements on a gross basis within the consolidated balance sheets.

C2 Fair value measurement continued

C2.3 Additional information on financial instruments continued

The following tables present the gross and net information about the Group's financial instruments subject to master netting arrangements:

	31 Dec 2021 $m				
		Related amounts not offset in the balance sheet			
	Gross amount included in the balance sheet note (i)	Financial instruments note (ii)	Cash collateral	Securities collateral note (iii)	Net amount note (iv)
Financial assets:					
Derivative assets	**170**	**(94)**	**(31)**	**(1)**	**44**
Reverse repurchase agreements	**2,135**	**–**	**–**	**(2,134)**	**1**
Total financial assets	**2,305**	**(94)**	**(31)**	**(2,135)**	**45**
Financial liabilities:					
Derivative liabilities	**(165)**	**94**	**63**	**–**	**(8)**
Securities lending and repurchase agreements	**(222)**	**–**	**153**	**69**	**–**
Total financial liabilities	**(387)**	**94**	**216**	**69**	**(8)**

	31 Dec 2020 $m				
		Related amounts not offset in the balance sheet			
	Gross amount included in the balance sheet note (i)	Financial instruments note (ii)	Cash collateral	Securities collateral note (iii)	Net amount note (iv)
Financial assets:					
Derivative assets	304	(87)	(151)	–	66
Reverse repurchase agreements	587	–	–	(587)	–
Continuing operations	891	(87)	(151)	(587)	66
Discontinued US operations	2,220	(35)	(1,098)	(891)	196
Total financial assets	3,111	(122)	(1,249)	(1,478)	262
Financial liabilities:					
Derivative liabilities	(160)	87	69	–	(4)
Securities lending and repurchase agreements	(271)	–	231	40	–
Continuing operations	(431)	87	300	40	(4)
Discontinued US operations	(1,156)	35	13	1,100	(8)
Total financial liabilities	(1,587)	122	313	1,140	(12)

Notes

(i) The Group has not offset any of the amounts included in the balance sheet.
(ii) Represents the amount that could be offset under master netting or similar arrangements where the Group does not satisfy the full criteria to offset in the balance sheet.
(iii) Excludes initial margin amounts for exchange-traded derivatives.
(iv) In the tables above, the amounts of assets or liabilities included in the balance sheet would be offset first by financial instruments that have the right of offset under master netting or similar arrangements with any remaining amount reduced by the amount of cash and securities collateral. The actual amount of collateral may be greater than amounts presented in the tables.

C3 Policyholder liabilities and unallocated surplus

C3.1 Policyholder liabilities and unallocated surplus by business type from continuing operations

(a) Movement in policyholder liabilities and unallocated surplus of with-profits funds

The items below represent the amount attributable to changes in policyholder liabilities and unallocated surplus of with-profits funds as a result of each of the components listed for the continuing operations of the Group. The policyholder liabilities shown include investment contracts without discretionary participation features (as defined in IFRS 4) and their full movement in the year. The items are shown gross of external reinsurance.

		Shareholder-backed business		
	With-profits business $m	Unit-linked liabilities $m	Other business $m	Total continuing operations $m
At 1 Jan 2020	70,308	28,850	33,598	132,756
Comprising:				
– Policyholder liabilities on the balance sheet (excludes $269,549 million from discontinued US operations)	65,558	23,571	27,000	116,129
– Unallocated surplus of with-profits funds on the balance sheet notes (viii)	4,750	–	–	4,750
– Group's share of policyholder liabilities relating to joint ventures and associates note (i)	–	5,279	6,598	11,877
Premiums: note (ii)				
New business	1,338	1,851	2,063	5,252
In-force	8,393	2,358	4,757	15,508
	9,731	4,209	6,820	20,760
Surrenders notes (ii)(iii)	(797)	(2,982)	(951)	(4,730)
Maturities/deaths/other claim events	(1,595)	(196)	(774)	(2,565)
Net flows	7,339	1,031	5,095	13,465
Shareholders' transfers post-tax	(116)	–	–	(116)
Investment-related items and other movements notes (iv)(vii)	8,127	2,107	7,108	17,342
Foreign exchange translation differences note (v)	752	518	838	2,108
At 31 Dec 2020/1 Jan 2021	**86,410**	**32,506**	**46,639**	**165,555**
Comprising:				
– Policyholder liabilities on the balance sheet (excludes $296,513 million from discontinued US operations)	**81,193**	**25,433**	**38,107**	**144,733**
– Unallocated surplus of with-profits funds on the balance sheet notes (viii)	**5,217**	**–**	**–**	**5,217**
– Group's share of policyholder liabilities relating to joint ventures and associates note (i)	**–**	**7,073**	**8,532**	**15,605**
Premiums: note (ii)				
New business	**1,990**	**3,038**	**2,172**	**7,200**
In-force	**7,096**	**2,406**	**5,286**	**14,788**
	9,086	**5,444**	**7,458**	**21,988**
Surrenders notes (ii)(iii)	**(844)**	**(3,326)**	**(734)**	**(4,904)**
Maturities/deaths/other claim events	**(2,116)**	**(215)**	**(1,123)**	**(3,454)**
Net flows	**6,126**	**1,903**	**5,601**	**13,630**
Shareholders' transfers post tax	**(134)**	**–**	**–**	**(134)**
Investment-related items and other movements note (iv)	**2,499**	**897**	**(3,505)**	**(109)**
Foreign exchange translation differences note (v)	**(899)**	**(550)**	**(239)**	**(1,688)**
At 31 Dec 2021	**94,002**	**34,756**	**48,496**	**177,254**
Comprising:				
– Policyholder liabilities on the balance sheet	**88,618**	**25,651**	**37,646**	**151,915**
– Unallocated surplus of with-profits funds on the balance sheet notes (viii)	**5,384**	**–**	**–**	**5,384**
– Group's share of policyholder liabilities relating to joint ventures and associates note (i)	**–**	**9,105**	**10,850**	**19,955**
Average policyholder liability balances note (vi)				
2021	**84,905**	**33,631**	**47,568**	**166,104**
2020	73,375	30,678	40,119	144,172

Notes

(i) The Group's investments in joint ventures and associates are accounted for on an equity method and the Group's share of the policyholder liabilities as shown above relate to the life business of CPL, India and the Takaful business in Malaysia.

(ii) The analysis includes the impact of premiums, claims and investment movements on policyholders' liabilities. The impact does not represent premiums, claims and investment movements as reported in the income statement. For example, premiums shown above exclude any deductions for fees/charges; claims (surrenders, maturities, deaths and other claim events) shown above represent the policyholder liabilities provision released rather than the claims amount paid to the policyholder. The analysis also includes net flows of the Group's insurance joint ventures and associate.

(iii) The rate of surrenders for shareholder-backed business (expressed as a percentage of opening policyholder liabilities) is 5.1 per cent in 2021 (2020: 6.3 per cent).

(iv) Investment-related items and other movements in 2021 primarily represents the effect of higher interest rates on the discount rates applied in the measurement of the policyholder liabilities for other shareholder-backed business and unrealised losses on fixed income assets, partially offset by a higher level of investment return from equities mainly within with-profits and unit-linked funds.

(v) Movements in the year have been translated at the average exchange rates for the year. The closing balance has been translated at the closing spot rates as at 31 December. Differences upon retranslation are included in foreign exchange translation differences.

(vi) Average policyholder liabilities have been based on opening and closing balances, adjusted for any acquisitions, disposals and other relevant corporate transactions arising in the year, and exclude unallocated surplus of with-profits funds.

(vii) The total movement on Africa policyholder liabilities in 2020 included within other business, apart from foreign exchange movements, was included within investment-related items and other movements.

(viii) Unallocated surplus of with-profits funds represents the excess of assets over policyholder liabilities, determined in accordance with the Group's accounting policies, that have yet to be appropriated between policyholders and shareholders for the Group's with-profits funds in Hong Kong and Malaysia. In Hong Kong, the unallocated surplus includes the shareholders' share of expected future bonuses, with the expected policyholder share being included in policyholder liabilities. Any excess of assets over liabilities and amounts expected to be paid out by the fund on future bonuses is also included in the unallocated surplus.

C3 Policyholder liabilities and unallocated surplus continued

C3.1 Policyholder liabilities and unallocated surplus by business type from continuing operations continued

(b) Duration of policyholder liabilities

The table below shows the carrying value of policyholder liabilities from continuing operations and the maturity profile of the cash flows on a discounted basis, taking account of expected future premiums and investment returns:

	31 Dec 2021 $m	31 Dec 2020 $m
Policyholder liabilities	**151,915**	144,733

Expected maturity:	31 Dec 2021 %	31 Dec 2020 %
0 to 5 years	**20**	20
5 to 10 years	**18**	19
10 to 15 years	**15**	15
15 to 20 years	**12**	12
20 to 25 years	**10**	10
Over 25 years	**25**	24

(c) Policyholder liabilities and unallocated surplus by operating segment

The table below shows the policyholder liabilities and unallocated surplus from continuing operations, excluding joint ventures and associates and net of external reinsurance, by segment:

	31 Dec 2021 $m	31 Dec 2020 $m
Hong Kong	**79,363**	73,338
Indonesia	**4,257**	4,617
Malaysia	**8,660**	8,756
Singapore	**34,361**	32,264
Growth markets and other	**20,905**	19,612
Total segment	**147,546**	138,587

C3.2 Reconciliation of gross and reinsurers' share of policyholder liabilities and unallocated surplus

Claims paid include maturities, annuities, surrenders, deaths and other claim events. Maturity claims are recorded as charges on the policy maturity date. Annuity claims are recorded when each annuity instalment becomes due for payment. Surrenders are charged to the income statement when paid. Death and other claims are generally recorded when notified with additional contract liabilities held, where appropriate, for 'incurred but not reported' (IBNR) claims.

Further analysis of the movement in the year of the Group's gross contract liabilities, reinsurers' share of insurance contract liabilities and unallocated surplus of with-profits funds (excluding those held by joint ventures and associates) is provided below:

	Gross insurance contract liabilities $m	Reinsurers' share of insurance contract liabilities $m	Investment contract liabilities $m	Unallocated surplus of with-profits funds $m
At 1 Jan 2020	(380,143)	13,856	(5,535)	(4,750)
Income and expense included in the income statement note (i)				
From continuing operations	(27,367)	5,885	135	(438)
From discontinued US operations	(27,667)	26,838	214	–
	(55,034)	32,723	349	(438)
Other movements note (ii)				
From continuing operations	–	–	276	–
From discontinued US operations	–	–	489	–
	–	–	765	–
Foreign exchange translation differences	(1,610)	16	(38)	(29)
Balance at 31 Dec 2020/1 Jan 2021	**(436,787)**	**46,595**	**(4,459)**	**(5,217)**
Removal of discontinued US operations	**293,325**	**(35,232)**	**3,188**	**–**
Income and expense included in the income statement notes (i)(iii)	**(9,082)**	**(1,552)**	**189**	**(202)**
Other movements note (ii)	**–**	**–**	**(75)**	**–**
Foreign exchange translation differences	**1,789**	**(58)**	**(3)**	**35**
At 31 Dec 2021	**(150,755)**	**9,753**	**(1,160)**	**(5,384)**

Notes

(i) The total charge for benefits and claims from continuing operations shown in the income statement comprises the amounts shown as 'income and expense included in the income statement' in the table above together with claims paid of $(8,845) million in the year (2020: $(7,231) million) and claim amounts attributable to reinsurers of $581 million (2020: $428 million).

(ii) Other movements include premiums received and claims paid on investment contracts without discretionary participating features, which are taken directly to the statement of financial position in accordance with IAS 39.

(iii) The movement in the gross contract liabilities included the impact of a change in 2021 to allow for illiquidity premium in the calculation of the valuation interest rate (VIR) used to value long-term insurance liabilities in Thailand. The VIR, after allowing for the illiquidity premium, is more reflective of the product characteristics and the effect of the change was such that the accounting mismatch between the valuation of the assets and insurance liabilities is reduced. The change reduced policyholder liabilities of Thailand's shareholder-backed business by $160 million at 31 December 2021 and is included within short-term fluctuations in investment returns in the Group's supplementary analysis of profit. It also includes the impact of refinement to the run-off of the allowance for prudence within technical provisions to better reflect the current expectations of the run-off of insurance risk.

(iv) The segmental analysis of the total charge for benefit and claims and movement in unallocated surplus, net of reinsurance in the income statement is shown below. The CPL segment is a joint venture accounted for using the equity method under IFRS, with the Group's share of its results net of related tax presented in a single line within the Group's profit before tax, and therefore not shown in the analysis of benefit and claims items below.

	2021 $m					
	Hong Kong	Indonesia	Malaysia	Singapore	Growth markets and other	Total segment
Claims incurred, net of reinsurance	**(1,687)**	**(1,184)**	**(1,015)**	**(3,037)**	**(1,590)**	**(8,513)**
(Increase) decrease in policyholder liabilities, net of reinsurance	**(6,088)**	**167**	**(260)**	**(2,856)**	**(1,159)**	**(10,196)**
Movement in unallocated surplus of with-profits funds	**(250)**	**–**	**48**	**–**	**–**	**(202)**
Benefits and claims and movement in unallocated surplus, net of reinsurance	**(8,025)**	**(1,017)**	**(1,227)**	**(5,893)**	**(2,749)**	**(18,911)**

	2020 $m					
	Hong Kong	Indonesia	Malaysia	Singapore	Growth markets and other	Total segment
Claims incurred, net of reinsurance	(1,735)	(942)	(867)	(2,334)	(1,199)	(7,077)
(Increase) decrease in policyholder liabilities, net of reinsurance	(14,168)	260	(773)	(4,284)	(2,108)	(21,073)
Movement in unallocated surplus of with-profits funds	(338)	–	(100)	–	–	(438)
Benefits and claims and movement in unallocated surplus, net of reinsurance	(16,241)	(682)	(1,740)	(6,618)	(3,307)	(28,588)

C3 Policyholder liabilities and unallocated surplus continued

C3.3 Reinsurers' share of insurance contract liabilities

The measurement of reinsurance assets is consistent with the measurement of the underlying direct insurance contracts. The treatment of any gains or losses arising on the purchase of reinsurance contracts is dependent on the underlying accounting basis of the entity concerned.

	31 Dec 2021 $m	31 Dec 2020 $m		
	Group total	Asia and Africa	Discontinued US operations	Group total
Insurance contract liabilities	**9,550**	11,187	33,881	45,068
Claims outstanding	**203**	176	1,351	1,527
Total operations	**9,753**	11,363	35,232	46,595

The Group cedes certain business to other insurance companies. Although the ceding of insurance does not relieve the Group from its liability to its policyholders, the Group participates in such agreements largely for the purpose of managing its loss exposure. The Group evaluates the financial condition of its reinsurers and monitors concentration of credit risk from similar geographic regions, activities or economic characteristics of the reinsurers to minimise its exposure from reinsurer insolvencies.

Of the reinsurers' share of insurance contract liabilities balance of $9,753 million at 31 December 2021 (31 December 2020: $46,595 million), 99 per cent (31 December 2020: 99 per cent) was from reinsurers with rating A- and above by Standard & Poor's or other external rating agencies.

The reinsurers' share of insurance contract liabilities for Asia primarily relates to protection business written in Hong Kong. The Group's Hong Kong business cedes insurance risk to limit exposure to underwriting losses under various agreements that cover individual risks, group risks or defined blocks of business, on a co-insurance, surplus, quota share, or catastrophe excess of loss basis. The amount of each risk retained depends on the evaluation of the specific risk, subject to certain circumstances, to maximum limits based on characteristics of coverage.

For the continuing operations, net commissions received during 2021 on ceded business totalled $285 million (2020: $1,005 million) and claims incurred ceded to external reinsurers totalled $604 million (2020: $432 million). There was $3 million (2020: $1 million) of deferred gains in the year.

C3.4 Products and determining contract liabilities

IFRS 4 requires contracts written by insurers to be classified as either 'insurance' contracts or 'investment' contracts. The classification of the contract determines its accounting.

Contracts that transfer significant insurance risk to the Group are classified as insurance contracts. This judgement is applied in considering whether the material features of a contract gives rise to the transfer of significant insurance risk, which is made at the point of contract inception and not revisited. For the majority of the Group's contracts, classification is based on a readily identifiable scenario that demonstrates a significant difference in cash flows if the covered event occurs (as opposed to does not occur) reducing the level of judgement involved.

Contracts that transfer financial risk to the Group but not significant insurance risk are classified as investment contracts. Insurance contracts and investment contracts with discretionary participation features are accounted for under IFRS 4. Investment contracts without such discretionary participation features are accounted for as financial instruments under IAS 39.

Investment contracts without discretionary participation features are measured in accordance with IAS 39 to reflect the deposit nature of the arrangement, with premiums and claims reflected as deposits and withdrawals, and taken directly to the statement of financial position as movements in the financial liability balance.

Investment contracts without fixed and guaranteed terms are classified as financial instruments and designated as fair value through profit or loss because the resulting liabilities are managed and their performance is evaluated on a fair value basis. Where the contract includes a surrender option, its carrying value is subject to a minimum carrying value equal to its surrender value.

Other investment contracts are measured at amortised cost.

In the Group's continuing insurance business operations, the table below gives a list of products that fall into each category:

Insurance contracts and investment contracts with discretionary participation features	Investment contracts without discretionary participation features
– With-profits contracts – Unit-linked policies – Health and protection policies – Non-participating term contracts – Whole life contracts	– Minor amounts for a number of small categories of business

The table below provides description of material feature of each of the products listed above for continuing operations, together with how their contract liabilities are determined.

Contract type	*Description and material features*	*Determination of liabilities*
With-profits and participating contracts	Provides savings and/or protection where the basic sum assured can be enhanced by a profit share (or bonus) from the underlying fund as determined at the discretion of the local business unit. Participating products often offer a guaranteed maturity or surrender value. Declared regular bonuses are guaranteed once vested. Future bonus rates and cash dividends are not guaranteed. Market value adjustments and surrender penalties are used for certain products where the law permits such adjustments. Guarantees are predominantly supported by the segregated funds and their estates.	As explained in note A3.1, with-profits contracts are predominantly sold in Hong Kong, Malaysia and Singapore. The total value of the with-profits funds is driven by the underlying asset valuation with movements reflected principally in the accounting value of policyholder liabilities and unallocated surplus. In Hong Kong, the unallocated surplus includes the shareholders' share of expected future bonuses, with the expected policyholder share being included in policyholder liabilities. Any excess of assets over liabilities and amounts expected to be paid out by the fund on future bonuses is also included in the unallocated surplus.
Unit-linked	Combines savings with protection, the cash value of the policy primarily depends on the value of the underlying unitised funds.	The attaching liabilities largely reflect the unit value obligation driven by the value of the investments of the unit fund. Additional contract liabilities are held for guaranteed benefits beyond the unit fund value, generally using a gross premium valuation method, as discussed below for health and protection business. These additional provisions are recognised as a component of other business liabilities.

C3 Policyholder liabilities and unallocated surplus continued

C3.4 Products and determining contract liabilities continued

Contract type	*Description and material features*	*Determination of liabilities*
Health and protection	Health and protection features are offered as supplements to the products listed above or sold as standalone products. Protection covers mortality and/or morbidity benefits including health, disability, critical illness and accident coverage.	The approach to determine the contract liabilities is generally driven by the local solvency basis. The discount rates used to determine the contract liabilities are derived in line with the measurement basis applied in each local business unit and are generally based on the risk-free rates applicable to the underlying contacts, including appropriate margins. A gross premium valuation (GPV) method is typically used in those local businesses where a risk-based capital framework is adopted for local solvency. Under the GPV method, all cash flows are valued explicitly using best estimate assumptions with a suitable margin for prudence. This is achieved either through adding an explicit allowance above best estimate to the assumptions, or by applying an overlay constraint such that on day one no negative reserves (ie where future premium inflows are expected to exceed future claims and outflows) are derived at an individual policyholder level, or at a product/fund level, or a combination of both. The margin for prudence is released to profit over the life of the contract. Best estimate assumptions are reviewed annually with reference to experience and expectations around the short-term nature of any change (for example increases or decreases in claims levels as a result of Covid-19). Any changes made to best estimate impact the prudence mechanisms described above and, as a consequence, IFRS profit tends to be relatively insensitive to assumption changes made in any given year. The Hong Kong business unit applies a net premium valuation method (NPV) to determine the future policyholder benefit provisions, subject to minimum floors at the policyholder's asset share or guaranteed cash surrender value as appropriate. For India and Taiwan, US GAAP is applied for measuring insurance liabilities. For these businesses, the future policyholder benefit provisions for non-linked business are determined using the net level premium method, with an allowance for surrenders, maintenance and claims expenses. In Vietnam, an estimation basis to determine the contract liabilities is aligned substantially to that used by the local business units applying the GPV method.
Non-participating term contracts, whole life and endowment assurance	Non-participating savings and/or protection where the benefits are guaranteed, determined by a set of defined market-related parameters, or determined at the discretion of the local business unit. These products often offer a guaranteed maturity and/or surrender value. It is common in Asia for regulations or market-driven demand and competition to provide some form of capital value protection and minimum crediting interest rate guarantees. This is reflected within the guaranteed maturity and surrender values. Guarantees are supported by shareholders.	The approach to determining the contract liabilities is generally driven by the local solvency basis, as discussed for health and protection business above.

C4 Intangible assets

C4.1 Goodwill

Business combination

Business acquisitions are accounted for by applying the purchase method of accounting, which adjusts the net assets of the acquired company to fair value at the date of purchase. The excess of the acquisition consideration over the fair value of the assets and liabilities of the acquired business is recorded as goodwill. The Group chooses the full goodwill method or the partial goodwill method to calculate goodwill on an acquisition by acquisition basis. Expenses related to acquiring new subsidiaries are charged to the income statement in the period in which they are incurred and not included in goodwill. Income and expenses of acquired businesses are included in the income statement from the date of acquisition.

Where the Group writes a put option, which if exercised triggers the purchase of non-controlling interests as part of its business acquisition, the put option is recognised as a financial liability at the acquisition date. Where risks and rewards remain with the non-controlling interests, a corresponding amount is deducted from equity. Any subsequent changes to the carrying amount of the put option liability are also recognised within equity.

Goodwill

Goodwill is capitalised and carried on the Group consolidated statement of financial position as an intangible asset at initial value less any accumulated impairment losses. Goodwill impairment testing is conducted annually and when there is an indication of impairment.

Goodwill shown on the consolidated statement of financial position at 31 December 2021 represents amounts allocated to businesses in Asia and Africa in respect of both acquired asset management and life businesses. There has been no impairment as at 31 December 2021 and 2020.

	2021 $m	**2020** $m
Carrying value at 1 Jan	**961**	969
Exchange differences	**(54)**	(8)
Carrying value at 31 Dec	**907**	961

Impairment testing

Goodwill does not generate cash flows independently of other groups of assets and thus is assigned to cash-generating units for the purposes of impairment testing. These cash-generating units (CGUs) are based upon how management monitors the business and represent the lowest level to which goodwill can be allocated on a reasonable basis. Of the carrying value at 31 December 2021, $465 million (31 December 2020: $513 million) relates to asset management business in Thailand and $233 million (31 December 2020: $238 million) relates to the acquisition of UOB Life in Singapore. Other goodwill amounts are allocated across CGUs in Asia and Africa operations, which are not individually material.

Goodwill is tested for impairment by comparing the CGU's carrying amount, including any goodwill, with its recoverable amount. The Group's methodology of assessing whether goodwill may be impaired for acquired life and asset management operations is discussed below.

For acquired life businesses, the Group routinely compares the aggregate of net asset value and acquired goodwill on an IFRS basis of the acquired life business with the value of the current in-force business as determined using the EEV methodology. Any excess of IFRS value over EEV carrying value is then compared with EEV basis value of current and projected future new business to determine whether there is any indication that the goodwill in the IFRS statement of financial position may be impaired. The methodology and assumptions underpinning the Group's EEV basis of reporting are included in the EEV basis supplementary information in this Annual Report.

The goodwill in respect of asset management businesses comprises mainly the goodwill arising from the acquisition of Thanachart Fund Management Co., Ltd in 2019 and TMB Asset Management Co., Ltd in Thailand in 2018. The goodwill impairment testing for these businesses is prepared as a single CGU reflecting that these businesses are managed together. The recoverable amount of these businesses has been determined by calculating the value in use of combined business calculated using a discounted cash flow valuation.

For the combined Thailand asset management business, the valuation is based on a number of key assumptions as follows:

- Cash flow projections based on the latest five-year business plan/forecast;
- A constant growth rate of 2.3 per cent on forecast cash flows beyond the terminal year of the cash flow projection period (31 December 2020: 2.3 per cent);
- The risk discount rate applied in accordance with the nature of the businesses. The pre-tax discount rate applied is 9.0 per cent (31 December 2020: 9.0 per cent); and
- The continuation of asset management contracts on similar terms.

Management believes that any reasonable change in the key assumptions would not cause the recoverable amount of the asset management businesses acquired to fall below its carrying amount.

C4 Intangible assets continued

C4.2 Deferred acquisition costs and other intangible assets

Intangible assets acquired on the purchase of a subsidiary or portfolio of contracts are measured at fair value on acquisition. DAC are accounted for as described in note A3.1(c). Other intangible assets, such as distribution rights and software, are valued initially at the price paid to acquire them and are subsequently carried at cost less amortisation and any accumulated impairment losses. For intangibles other than DAC, amortisation follows the pattern in which the future economic benefits are expected to be consumed. If the pattern cannot be determined reliably, a straight-line method is applied. For software, the amortisation generally represents the licence period of the software acquired. Amortisation of intangible assets is charged to the 'acquisition costs and other expenditure' line in the consolidated income statement. Impairment testing is conducted when there is an indication of impairment.

	31 Dec 2021 $m	31 Dec 2020 $m
Deferred acquisition costs and other intangible assets attributable to shareholders note (a)	**6,809**	20,275
Other intangible assets, including computer software, attributable to with-profits funds	**49**	70
Total of deferred acquisition costs and other intangible assets	**6,858**	20,345
Analysed as:		
Deferred acquisition costs and other intangible assets from continuing operations		
Attributable to shareholder-backed business note	**6,809**	6,394
Attributable to with-profits business	**49**	70
Deferred acquisition costs and other intangible assets from discontinued US operations	**–**	13,881
Total of deferred acquisition costs and other intangible assets	**6,858**	20,345

Note
The deferred acquisition costs (DAC) and other intangible assets attributable to shareholders from continuing operations comprise:

	31 Dec 2021 $m	31 Dec 2020 $m
DAC related to insurance contracts as classified under IFRS 4	**2,776**	2,319
DAC related to investment management contracts, including life assurance contracts classified as financial instruments and investment management contracts under IFRS 4	**39**	34
DAC related to insurance and investment contracts	**2,815**	2,353
Distribution rights	**3,782**	3,851
Present value of acquired in-force policies for insurance contracts as classified under IFRS 4	**28**	34
Other intangibles	**184**	156
Present value of acquired in-force policies (PVIF) and other intangibles attributable to shareholders	**3,994**	4,041
Total of DAC and other intangible assets	**6,809**	6,394

(a) Movement in DAC and other intangible assets attributable to shareholders

	2021 $m			2020 $m
	DAC note (b)	PVIF and other intangibles note (c)	Total	Total
Balance at 1 Jan	**16,216**	**4,059**	**20,275**	17,409
Removal of discontinued US operations	**(13,863)**	**(18)**	**(13,881)**	–
Additions	**848**	**337**	**1,185**	2,471
Amortisation to the income statement:				
From continuing operations	**(343)**	**(308)**	**(651)**	(518)
From discontinued US operations	**–**	**–**	**–**	374
	(343)	**(308)**	**(651)**	(144)
Amortisation of DAC related to the discontinued US operations recognised within other comprehensive income	**–**	**–**	**–**	494
Disposals and transfers	**–**	**(7)**	**(7)**	(12)
Exchange differences and other movements	**(43)**	**(69)**	**(112)**	57
Balance at 31 Dec	**2,815**	**3,994**	**6,809**	20,275

(b) Movement in DAC related to insurance and investment contracts

	2021 $m		2020 $m	
	Insurance contracts	Investment contracts note	Insurance contracts	Investment contracts note
Balance at 1 Jan	**16,182**	**34**	14,206	33
Removal of discontinued US operations	**(13,863)**	**–**	–	–
Additions	**841**	**7**	1,354	3
Amortisation	**(339)**	**(4)**	85	(4)
Exchange differences and other movements	**(45)**	**2**	43	2
Change in shadow DAC related to the discontinued US operations	**–**	**–**	494	–
Balance at 31 Dec	**2,776**	**39**	16,182	34

Note

The carrying amount of the DAC balance relating to investment contracts comprises the following gross and accumulated amortisation amounts:

	31 Dec 2021 $m	31 Dec 2020 $m
Gross amount	**55**	39
Accumulated amortisation	**(16)**	(5)
Carrying amount	**39**	34

(c) Movement in PVIF and other intangibles attributable to shareholders

	2021 $m				2020 $m			
	PVIF note (i)	Distribution rights note (ii)	Other intangibles (including software) note (iii)	Total	PVIF note (i)	Distribution rights note (ii)	Other intangibles (including software) note (iii)	Total
Balance at 1 Jan								
Cost	**177**	**4,845**	**424**	**5,446**	175	3,783	379	4,337
Accumulated amortisation	**(143)**	**(994)**	**(250)**	**(1,387)**	(137)	(812)	(218)	(1,167)
	34	**3,851**	**174**	**4,059**	38	2,971	161	3,170
Removal of discontinued US operations	**–**	**–**	**(18)**	**(18)**	–	–	–	–
Additions	**–**	**260**	**77**	**337**	–	1,047	67	1,114
Amortisation charge	**(5)**	**(268)**	**(35)**	**(308)**	(5)	(180)	(45)	(230)
Disposals and transfers	**–**	**–**	**(7)**	**(7)**	–	–	(12)	(12)
Exchange differences and other movements	**(1)**	**(61)**	**(7)**	**(69)**	1	13	3	17
Balance at 31 Dec	**28**	**3,782**	**184**	**3,994**	34	3,851	174	4,059
Comprising:								
Cost	**140**	**5,037**	**313**	**5,490**	177	4,845	424	5,446
Accumulated amortisation	**(112)**	**(1,255)**	**(129)**	**(1,496)**	(143)	(994)	(250)	(1,387)
	28	**3,782**	**184**	**3,994**	34	3,851	174	4,059

Notes

(i) All of the net PVIF balances relate to insurance contracts. The PVIF attaching to investment contracts have been fully amortised.

(ii) Distribution rights relate to amounts that have been paid or have become unconditionally due for payment as a result of past events in respect of 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 in which the future economic benefits are expected to be consumed by reference to new business production levels.

(iii) Software rights from continuing operations include additions of $61 million, amortisation of $(24) million, disposals of $(2) million, foreign exchange of $(5) million and closing balance at 31 December 2021 of $114 million (31 December 2020: $84 million).

C5 Borrowings

Although initially recognised at fair value (net of transaction costs), borrowings are 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 related issue costs) is amortised through the income statement to the date of maturity or for hybrid debt, over the expected life of the instrument.

C5.1 Core structural borrowings of shareholder-financed businesses

	31 Dec 2021 $m	31 Dec 2020 $m
Continuing operations:		
Subordinated debt:		
US$250m 6.75% Notes note (i)	–	250
US$300m 6.5% Notes note (i)	–	300
US$700m 5.25% Notes note (i)	–	700
US$1,000m 5.25% Notes note (i)	**1,000**	999
US$725m 4.375% Notes note (iii)	**725**	723
US$750m 4.875% Notes	**748**	746
€20m Medium Term Notes 2023	**23**	24
£435m 6.125% Notes 2031	**584**	590
US$1,000m 2.95% Notes 2033 note (ii)	**995**	–
Senior debt: note (iv)		
£300m 6.875% Notes 2023	**404**	406
£250m 5.875% Notes 2029	**313**	312
$1,000m 3.125% Notes 2030	**985**	983
Bank loans:		
$350m Loan 2024	**350**	350
Total continuing operations	**6,127**	6,383
Discontinued US operations: Jackson US$250m 8.15% Surplus Notes 2027		250
Total core structural borrowings of shareholder-financed businesses		6,633

Notes
(i) The US$250 million, US$300 million, US$700 million notes were redeemed on 23 December 2021 and the US$1,000 million notes were redeemed on 20 January 2022 using the proceeds from the issuance of ordinary shares during the year as discussed in note C8.
(ii) In November 2021, the Company issued US$1,000 million 2.95 per cent subordinated debt maturing on 3 November 2033 with proceeds, net of costs, of $995 million.
(iii) The US$725 million note was redeemed on 20 January 2022 using the proceeds from the US$1,000 million subordinated debt issued in November 2021.
(iv) The senior debt ranks above subordinated debt in the event of liquidation.

C5.2 Operational borrowings

	31 Dec 2021 $m	31 Dec 2020 $m
Shareholder-financed business:		
Borrowings in respect of short-term fixed income securities programmes – commercial paper	**500**	501
Lease liabilities under IFRS 16	**209**	251
Other borrowings	**10**	–
Operational borrowings from continuing operations	**719**	752
Discontinued US operations note		1,498
Group total operational borrowings attributable to shareholder-financed businesses		2,250
With-profits business:		
Lease liabilities under IFRS 16	**138**	194
Other borrowings	**4**	–
Group total operational borrowings	**861**	2,444

Note
Operational borrowings from discontinued US operations can be analysed as follows:

	31 Dec 2020 $m
Non-recourse borrowings of consolidated investment funds	994
Lease liabilities under IFRS 16	51
Senior debt issued through the Federal Home Loan Bank of Indianapolis (FHLB)	453
Operational borrowings from discontinued US operations	1,498

C6 Risk and sensitivity analysis

Group overview

The Group's risk framework and the management of risks attaching to the Group's financial statements including financial assets, financial liabilities and insurance liabilities, together with the inter-relationship with the management of capital, have been included in the audited sections of the Risk review report.

The financial and insurance assets and liabilities on the Group's statement of financial position are, to varying degrees, subject to market and insurance risk and other changes of experience assumptions that may have a material effect on IFRS basis profit or loss and shareholders' equity. The market and insurance risks and also ESG-related risks, including how they affect Group's operations and how these are managed are discussed in the Risk review report referred to above. The ESG-related risks discussed in the Risk review report include in particular the potential long-term impact of environmental risks associated with climate change (including physical and transition risks) on the Group's investments and liabilities. The ESG Report included in this Annual Report sets out three commonly used scenarios of plausible global responses to climate change. Each scenario is translated into potential sensitivities to economic factors, using third party calibrated inputs, which have then been applied during the year to the Group's starting assets and liabilities to quantify possible future impacts thereon. Though the Group remains exposed to financial impact from plausible global responses addressing climate change, the results for each scenario are not outside observed market volatility experienced and therefore do not indicate the need for explicit allowance for climate change within the current valuations. In addition, given the nature of the business, the impact of climate change does not directly alter the Group's assumptions for claims and lapses for its insurance business based on the annual review of experience. If experience or exposure changes, for example due to a step change in long-term morbidity and/or mortality expectations in a particular region due to climate events, the financial impacts from climate-related risks on our insurance liabilities could be more significant and would be allowed for as part of the regular review.

The most significant items that the IFRS shareholders' profit or loss and shareholders' equity for the Group's life assurance business are sensitive to, are shown in the following tables. The distinction between direct and indirect exposure is not intended to indicate the relative size of the sensitivity.

Type of business	*Market and credit risk*	*Insurance and lapse risk*
All insurance business		Mortality and/or morbidity risk Persistency risk
With-profits business	Net neutral direct exposure (indirect exposure to investment performance, which is subject to smoothing through declared bonuses)	
Unit-linked business	Net neutral direct exposure (indirect exposure to investment performance, through asset management fees)	
Non-participating business	Asset/liability mismatch risk which results in sensitivity to interest rates and credit spreads, particularly for operations where the insurance liability basis is sensitive to current market movements Profit and shareholders' equity are also sensitive to the impact of current market movements on assets held in excess of non-participating policyholder liabilities Indirect exposure to investment performance through policyholder charges and guarantees in some cases	

Sensitivity analyses of IFRS shareholders' equity to key market and other risks for the continuing insurance operations are provided in section C6.1 below. The sensitivity analyses provided show the effect on shareholders' equity to changes in the relevant risk variables, all of which are considered to be reasonably possible at the relevant balance sheet date.

The sensitivities reflect all consequential impacts from market movements at the valuation date.

The sensitivity of the Group's Eastspring and central operations to market risks is discussed in section C6.2.

The Group benefits from diversification benefits achieved through the geographical spread of the Group's operations and, within those operations, through a broad mix of product types. These benefits are not reflected in the simplified sensitivities below.

Relevant correlation factors include:

- Correlation across geographic regions for both financial and non-financial risk factors; and
- Correlation across risk factors for mortality and morbidity, expenses, persistency and other risks.

The geographical diversity of the Group's business means that it has some exposure to the risk of foreign exchange rate fluctuations. The Group has no exposure to currency fluctuation from business units that operate in USD, or currencies pegged to the USD (such as HKD), and reduced exposure to currencies partially managed to the USD within a basket of currencies (such as SGD). Sensitivities to exchange rate movements in the Group's key markets are therefore expected to be limited.

C6 Risk and sensitivity analysis continued

C6.1 Continuing insurance operations

(a) Sensitivity to key market risks

The table below shows the sensitivity of shareholders' equity as at 31 December 2021 and 2020 for continuing insurance operations to the following market risks:

- 1 per cent increase and 0.5 per cent decrease in interest rates (based on local government bond yields at the valuation date) in isolation and subject to a floor of zero; and
- Instantaneous 10 per cent rise and 20 per cent fall in the market value of equity and property assets. The equity risk sensitivity analysis assumes that all equity indices fall by the same percentage.

The sensitivities below only allow for limited management actions such as changes to policyholder bonuses, where applicable. If the economic conditions set out in the sensitivities persisted, the financial impacts may differ to the instantaneous impacts shown below. Given the continuous risk management processes in place, management could take additional actions to help mitigate the impact of these stresses, including (but not limited to) rebalancing investment portfolios, increased use of reinsurance, repricing of in-force benefits, changes to new business pricing and the mix of new business being sold. The sensitivities reflect all consequential impacts from market movements at the valuation date. Where liabilities are directly valued using short-term historic average rates, the average interest rates in the sensitivities are adjusted accordingly and reflected in the impact on these liabilities. These sensitivities do not include credit risk sensitivities, such as movements in credit spreads, and hence the valuation of debt securities and policyholder liabilities. A one-letter credit downgrade in isolation (ie ignoring any consequential change in valuation) would not have a material impact on IFRS profit or shareholders' equity.

Net effect on shareholders' equity from continuing insurance operations	31 Dec 2021 $m	31 Dec 2020 $m
Shareholders' equity from continuing insurance operations	**14,289**	12,861
Sensitivity to key market risks*:		
Interest rates and consequential effects – 1% increase	**(796)**	(318)
Interest rates and consequential effects – 0.5% decrease	**137**	(1,274)
Equity/property market values – 10% rise	**372**	410
Equity/property market values – 20% fall	**(787)**	(848)

* The effect from the changes in interest rates or equity and property prices above, if they arose, would impact profit after tax for the continuing insurance operations and would mostly be recorded within short-term fluctuations in investment returns. The impact on profit after tax would be the same as the net effect on shareholders' equity. In the context of the Group, the results of the Africa insurance operations are not materially impacted by interest rate or equity rate changes.

The degree of sensitivity of the results of the non-linked shareholder-backed business of the continuing insurance operations to movements in interest rates depends upon the degree to which the liabilities under the 'grandfathered' IFRS 4 measurement basis reflects market interest rates from period to period. This varies by business unit.

For example:

- Certain businesses (Taiwan and India) apply US GAAP, for which the results can be more sensitive as the effect of interest rate movements on the backing investments may not be offset by liability movements;
- The level of options and guarantees in the products written in a particular business unit will affect the degree of sensitivity to interest rate movements; and
- The degree of sensitivity of the results is dependent on the interest rate level at that point of time.

The sensitivity of the insurance operations presented as a whole at a given point in time will also be affected by a change in the relative size of the individual businesses.

The 'increase of 1%' sensitivities reflects that, at the current level of interest rates, for many operations the impact of interest rate movements on the value of government and corporate bond investments dominates, namely bonds are expected to decrease in value as interest rates increase to a greater extent than the offsetting decrease in liabilities from a corresponding change in discount rates. This arises because the discount rate in some operations does not fluctuate in line with interest rate movements together with the fact that, for operations where the discount rate does fluctuate in line with interest rate movements, at higher levels of interest rates, liabilities of these operations become less sensitive to interest rate movements and the effects on assets becomes more dominant. While interest rates have been rising steadily and may rise further in response to increasing inflationary pressures, the Group believes the 'increase of 1%' sensitivities continues to reflect the effect of a reasonably possible change at 31 December 2021 based on the latest market expectation of interest rate changes.

The 'decrease of 0.5%' sensitivities at 31 December 2020, when rates were historically low reflected that some business units' liabilities become more sensitive at a further decrease in interest rates and the increase in liabilities as rates decrease begin to exceed asset gains. The prudent nature of some of the regulatory regimes of the Group's markets can lead to duration of liabilities that are longer than would be expected on a more economic basis and hence results in a mismatch with the assets that are managed on a more realistic basis. As noted above, the results only allow for limited management actions, and if a lower interest scenario persisted for a longer period management could take additional actions to manage the impact of these stresses, including (but not limited to) rebalancing investment portfolios, increased use of reinsurance, changes to new business pricing and the mix of new business being sold.

Following increases in interest rates over 2021, under a 0.5% decrease of interest rate scenario for most operations asset gains exceed the increases in liabilities resulting in an overall small positive impact of an instantaneous decrease of rates.

Generally, changes in equity and property investment values are not directly offset by movements in non-linked policyholder liabilities. Movements in equities backing with-profits and unit-linked business have been excluded as they are generally matched by an equal movement in insurance liabilities (including unallocated surplus of with-profits funds). The impact on changes to future profitability as a result of changes to the asset values within unit-linked or with-profits funds have not been included in the instantaneous sensitivity above. The estimated sensitivities shown above include equity and property investments held by the Group's joint venture and associate businesses.

(b) Sensitivity to insurance risk

For insurance operations, adverse persistency experience can impact the IFRS profitability of certain types of business written in the region. This risk is managed at a local business unit level through regular monitoring of experience and the implementation of management actions as necessary. These actions could include product enhancements, increased management focus on premium collection, as well as other customer retention efforts. The potential financial impact of lapses is often mitigated through the specific features of the products, eg surrender charges, or through the availability of premium holiday or partial withdrawal policy features. The reserving basis, as discussed in note A3.1(a) and C3.4, is generally such that a change in lapse assumptions has an immaterial effect on immediate profitability.

Many of the business units are exposed to mortality and morbidity risk and a provision is made within policyholder liabilities to cover the potential exposure. If all these assumptions were strengthened by 5 per cent then it is estimated that post-tax profit and shareholders' equity would decrease by approximately $108 million (2020: $77 million). Weakening these assumptions by 5 per cent would have a similar opposite impact.

C6. 2 Eastspring and central operations

The profit for the year of Eastspring is sensitive to the level of assets under management, as this significantly affects the value of management fees earned by the business in the current and future periods. Assets under management will rise and fall as market conditions change, with a consequential impact on profitability.

Eastspring and central operations do not hold significant financial investments. At 31 December 2020, the financial investments of the central operations were principally short-term treasury bills and money market funds held by the Group's treasury function for liquidity purposes and so there is limited sensitivity to interest rate movements. At 31 December 2021, in addition to these financial investments, the central operations also held the 18.4 per cent economic interest in the equity securities of Jackson. These equity securities are listed on the New York Stock Exchange and classified as 'available-for-sale' with a fair value of $683 million at 31 December 2021. If the value of these securities decreased by 20 per cent, the change in valuation would be $(137) million, which would reduce shareholders' equity by this amount before tax, all of which would pass through other comprehensive income outside of the profit or loss.

C7 Tax assets and liabilities

Accounting policies on deferred tax are included in note B3.

C7.1 Current tax

At 31 December 2021, of the $20 million (31 December 2020: $11 million) current tax recoverable from continuing operations, the majority is expected to be recovered more than 12 months after the reporting period.

At 31 December 2021, the current tax liability from continuing operations of $185 million (31 December 2020: $270 million) includes $42 million (31 December 2020: $110 million) of provisions for uncertain tax matters. Further detail is provided in note B3.2.

C7.2 Deferred tax

The statement of financial position contains the following deferred tax assets and liabilities in relation to:

	2021 $m				
	Balance at 1 Jan	Removal of discontinued US operations	Movement in income statement	Other movements including foreign exchange movements	Balance at 31 Dec
Deferred tax assets					
Unrealised losses or gains on investments	–	–	3	–	3
Balances relating to investment and insurance contracts	87	–	(16)	(37)	34
Short-term temporary differences	4,662	(4,513)	15	(2)	162
Unused tax losses	109	(29)	(14)	1	67
Total	4,858	(4,542)	(12)	(38)	266
Deferred tax liabilities					
Unrealised losses or gains on investments	(1,063)	691	127	3	(242)
Balances relating to investment and insurance contracts	(1,765)	–	(433)	73	(2,125)
Short-term temporary differences	(3,247)	2,832	(87)	7	(495)
Total	(6,075)	3,523	(393)	83	(2,862)

	2020 $m				
	Balance at 1 Jan	Movement in income statement	Movement through other comprehensive income	Other movements including foreign exchange movements	Balance at 31 Dec
Deferred tax assets					
Unrealised losses or gains on investments	–	–	–	–	–
Balances relating to investment and insurance contracts	32	55	–	–	87
Short-term temporary differences	133	14	–	2	149
Unused tax losses	106	(31)	–	5	80
Total continuing operations	271	38	–	7	316
Discontinued US operations	3,804	732	–	6	4,542
Group total	4,075	770	–	13	4,858
Deferred tax liabilities					
Unrealised losses or gains on investments	(289)	(78)	–	(5)	(372)
Balances relating to investment and insurance contracts	(1,507)	(235)	–	(23)	(1,765)
Short-term temporary differences	(350)	(53)	–	(12)	(415)
Total continuing operations	(2,146)	(366)	–	(40)	(2,552)
Discontinued US operations	(3,091)	(324)	(102)	(6)	(3,523)
Group total	(5,237)	(690)	(102)	(46)	(6,075)

At 31 December 2021, no deferred tax asset has been recognised in respect of unused tax losses and temporary deductible differences of $1,382 million (31 December 2020: $991 million from continuing operations) which have a potential tax benefit of $264 million (31 December 2020: $191 million). Of the potential tax benefit, $23 million relates to unused tax losses that will expire within the next ten years, and the remainder ($241 million) has no expiry date.

Some of the Group's businesses are located in jurisdictions in which a withholding tax charge is incurred upon the distribution of earnings. At 31 December 2021, deferred tax liabilities from continuing operations of $330 million (31 December 2020: $323 million) have not been recognised in respect of such withholding taxes as the Group is able to control the timing of the distributions and it is probable that the timing differences will not reverse in the foreseeable future.

C8 Share capital, share premium and own shares

Shares are classified as equity when their terms do not create an obligation to transfer assets. Amounts recorded in share capital represent the nominal value of the shares issued. The difference between the proceeds received on issue of the shares, net of share issue costs, and the nominal value of the shares issued, is credited to share premium. Where the Company purchases shares for the purposes of employee incentive plans, the consideration paid, net of issue costs, is deducted from retained earnings. Upon issue or sale any consideration received is credited to retained earnings net of related costs.

	2021			2020		
Issued shares of 5p each fully paid	**Number of ordinary shares**	**Share capital $m**	**Share premium $m**	**Number of ordinary shares**	**Share capital $m**	**Share premium $m**
Balance at 1 Jan	**2,609,489,702**	**173**	**2,637**	2,601,159,949	172	2,625
Shares issued under share-based schemes	**6,142,213**	**–**	**8**	8,329,753	1	12
Shares issued under Hong Kong public offer and international placing in 2021 (see below)	**130,780,350**	**9**	**2,365**	–	–	–
Balance at 31 Dec	**2,746,412,265**	**182**	**5,010**	2,609,489,702	173	2,637

Options outstanding under save as you earn schemes to subscribe for shares at each year end shown below are as follows:

	Number of shares to subscribe for	Share price range from	Share price range to	Exercisable by year
31 Dec 2021	**2,022,535**	**964p**	**1,455p**	**2027**
31 Dec 2020	2,320,320	964p	1,455p	2026

Transactions by Prudential plc and its subsidiaries in Prudential plc shares

The Group buys and sells Prudential plc shares ('own shares') in relation to its employee share schemes. The cost of own shares of $267 million at 31 December 2021 (31 December 2020: $243 million) is deducted from retained earnings. The Company has established trusts to facilitate the delivery of shares under employee incentive plans. At 31 December 2021, 11.7 million (31 December 2020: 11.2 million) Prudential plc shares with a market value of $201 million (31 December 2020: $205 million) were held in such trusts, all of which are for employee incentive plans. The maximum number of shares held during the year was 15.1 million which was in March 2021.

Within the trusts, shares are notionally allocated by business unit reflecting the employees to which the awards were made.

The Company purchased the following number of shares in respect of employee incentive plans:

	2021				2020			
	Number of shares	**Share price Low £**	**Share price High £**	**Cost $**	**Number of shares**	**Share price Low £**	**Share price High £**	**Cost $**
January	**74,817**	**14.12**	**14.48**	**1,443,158**	62,395	14.42	14.68	1,195,275
February	**69,865**	**12.42**	**12.96**	**1,251,067**	62,680	14.57	14.60	1,183,717
March	**55,545**	**14.91**	**15.49**	**1,189,784**	79,057	11.18	11.40	1,110,374
April	**2,438,884**	**15.45**	**15.55**	**52,512,098**	5,363,563	10.21	10.48	68,010,967
May	**52,989**	**15.82**	**15.96**	**1,183,836**	81,377	11.16	11.30	1,117,783
June	**121,472**	**14.62**	**14.89**	**2,508,974**	167,724	11.86	12.67	2,540,749
July	**60,473**	**13.62**	**13.78**	**1,145,078**	87,239	12.30	12.51	1,365,109
August	**57,004**	**14.20**	**14.37**	**1,128,450**	72,287	12.21	12.33	1,167,008
September	**312,226**	**14.89**	**15.24**	**7,961,098**	75,368	11.61	11.68	1,138,447
October	**436,771**	**14.48**	**14.99**	**8,410,274**	116,802	11.49	11.71	1,764,694
November	**53,867**	**14.77**	**14.83**	**1,072,374**	74,178	10.62	12.76	1,233,127
December	**76,926**	**13.20**	**13.24**	**1,355,942**	70,814	12.78	12.83	1,217,842
Total	**3,810,839**			**81,162,133**	6,313,484			83,045,092

The cost in USD shown has been calculated from the share prices in pounds sterling using the monthly average exchange rate for the month in which those shares were purchased.

The share transactions in respect of employee incentive plans as shown in the table above were made on an exchange other than the Stock Exchange of Hong Kong. In the future, the Company intends to make share purchases on the Stock Exchange of Hong Kong for the purpose of the employee incentive plans.

C8 Share capital, share premium and own shares continued

On 4 October 2021, Prudential completed the issuance of 130.8 million new ordinary shares on the Hong Kong Stock Exchange through a concurrent public offer to Hong Kong retail investors (including eligible employees and agents of Prudential) and international placing to global investors (together, the 'Share Offer'). Approximately 6.5 million shares were allocated to the public offer and approximately 124.2 million shares were allocated to the international placing. The final offer price was set at HK$143.80 per share and the net proceeds from the Share Offer, after deduction of the underwriting fees and other estimated expenses payable in connection with the Share Offer of US$41 million, was approximately HK$18.5 billion or US$2.4 billion (equating to US$18.34 per share). On 25 September 2021, the day the final offer price was announced, the latest available market price of the issued shares was HK$147.70 per share. The final offer price of HK$143.80 per share, equivalent to £13.51, represented a 2.9 per cent discount to the last London closing price of £13.92 on 24 September 2021. This discount does not take into account the US$41 million of underwriting fees and estimated expenses payable in connection with the Share Offer.

The new shares have also been listed on the Singapore Stock Exchange and the London Stock Exchange. In the three-year period preceding the Share Offer, the percentage increase in issued share capital due to non pre-emptive issuances (excluding employee and agency share schemes) for cash was 5 per cent. The majority of the net proceeds (approximately HK$17.5 billion or US$2.3 billion) from the Share Offer have been utilised to redeem four existing high coupon debt in December 2021 and January 2022 as shown in note C5.1, with the remaining net proceeds expected to contribute to Prudential's central stock of liquidity, in order to further increase Prudential's financial flexibility. The above use of proceeds is consistent with the intended use of proceeds previously disclosed in Prudential's prospectus for this Share Offer.

C9 Provisions

	31 Dec 2021 $m	31 Dec 2020 $m
Staff benefits provisions note (i)	**355**	328
Other provisions	**17**	22
Total provisions note (ii)	**372**	350

Notes
(i) Provisions for staff benefits are generally expected to be paid out within the next three years.
(ii) Analysis of movement in total provisions is shown below:

	2021 $m	2020 $m
Balance at 1 Jan	**350**	466
Removal of discontinued US operations	**(14)**	–
Charged (credited) to income statement:		
Additional provisions	**263**	128
Unused amounts released	**(15)**	(13)
Utilisation during the year	**(204)**	(241)
Exchange differences	**(8)**	10
Balance at 31 Dec	**372**	350

C10 Capital

C10.1 Group objectives, policies and processes for managing capital

(a) Capital measure

The Group manages its Group GWS capital resources as its measure of capital. At 31 December 2021, estimated Group shareholder GWS capital resources from continuing operations is $16.9 billion (31 December 2020: $12.8 billion). The 31 December 2020 capital resources have been restated from those previously disclosed on a LCSM basis to reflect the treatment of grandfathered debt instruments under the GWS Framework, which increased eligible group capital resources by $1.6 billion compared to the LCSM basis. The 31 December 2020 Group GWS capital results are presented on a Group excluding Jackson basis before including the value of the Group's retained interest in Jackson Financial Inc.

(b) External capital requirements

Prudential plc is subject to the Group-wide Supervision (GWS) Framework issued by the Hong Kong Insurance Authority (IA). The GWS Framework became effective for Prudential upon designation by the Hong Kong IA on 14 May 2021 and replaced the local capital summation method (LCSM) which was used for determination of the 31 December 2020 Group capital position as agreed with the Hong Kong IA.

The GWS methodology is largely consistent with that previously applied under LCSM with the exception of the treatment of debt instruments which are subject to transitional arrangements under the GWS Framework. Under the GWS Framework, all debt instruments (senior and subordinated) issued by Prudential plc at the 31 December 2021 are included as GWS eligible group capital resources. This includes debt issued at the date of designation which met the transitional conditions set by the Hong Kong IA and have not since been redeemed and debt issued since the date of designation which met the qualifying conditions as set out in the Insurance (Group Capital) Rules. Under the LCSM, only specific bonds (being those subordinated debt instruments issued by Prudential plc at the date of demerger of M&G plc) were included as eligible group capital resources.

Prudential applies the Insurance (Group Capital) Rules set out in the GWS Framework to determine group regulatory capital requirements (both minimum and prescribed levels). The summation of local statutory capital requirements across the Group is used to determine group regulatory capital requirements, with no allowance for diversification between business operations. The GWS eligible group capital resources are determined by the summation of capital resources across local solvency regimes for regulated entities and IFRS shareholders' equity, with adjustments where applicable, for non-regulated entities.

More details on Group capital are given in section I(i) in the Additional unaudited financial information section.

(c) Meeting of capital management objectives

The GWS group capital adequacy requirements have been met since the GWS Framework became effective for Prudential upon designation. This includes maintaining total eligible group capital resources in excess of the group prescribed capital requirement of the supervised group and maintaining Tier 1 group capital resources in excess of the group minimum capital requirement of the supervised group.

As well as holding sufficient capital to meet GWS requirements at Group level, the Group also closely manages the cash it holds within its central holding companies so that it can:

- Fund new opportunities;
- Maintain flexibility and absorb shock events;
- Cover central costs; and
- Fund dividends.

More details on holding company cash flows and balances are given in section I(v) in the Additional unaudited financial information section.

Reserve adequacy testing under a range of scenarios and dynamic solvency testing is carried out, including under certain scenarios mandated by the local regulators.

The Group monitors regulatory capital, economic capital and rating agency capital metrics and manages the business within its risk appetite by remaining within its economic and regulatory capital limits.

The Group's capital management framework focuses on achieving sustainable, profitable growth and retaining a resilient balance sheet, with a disciplined approach to active capital allocation.

The sensitivity of liabilities and other components of total capital vary depending upon the type of business concerned and this conditions the approach to asset/liability management.

C10.2 Local capital regulations

(a) Insurance operations

The local valuation basis for the assets, liabilities and capital requirements of significant insurance operations are:

CPL

A risk-based capital, risk management and governance framework, known as the China Risk Oriented Solvency System (C-ROSS), applies in China. Under C-ROSS, insurers are required to maintain a core solvency ratio (core capital over minimum capital) and a comprehensive solvency ratio (capital resources over minimum capital) of not lower than 50 per cent and 100 per cent, respectively.

The actual capital is the difference between the admitted assets and admitted liabilities with trading and available-for-sale assets marked-to-market and other assets at book value. Policyholder liabilities are based on a gross premium valuation method using best estimate assumptions with a separate risk margin.

The CBIRC has released the final regulations of C-ROSS Phase II which becomes effective in the first quarter of 2022. The main updates to the local regulation are to introduce explicit tiering and admissibility rule of negative reserves in the capital resources and further updates to the risk calibrations used in calculating capital requirements.

Hong Kong

The capital requirements set out in the regulations vary by underlying risk type and duration of liabilities but are generally determined as a percentage of mathematical reserves and capital at risk.

Mathematical reserves are based on a net premium valuation method using assumptions which include a suitable margin for prudence. The valuation interest rate used to value long-term liabilities reflects a blend between the prudent assessment of the portfolio yield and the reinvestment yield subject to a maximum of the prudent portfolio yield. The approach used to determine the reinvestment yield for reserving allows for average yields thus the impact of movements in interest rates are reflected in the valuation interest rate over time. The basis of calculation was updated in 2020 in line with a circular issued by the Hong Kong IA. The capital resources are based on assets that are marked-to-market. The nature of the current regulatory regime means that the duration of statutory liabilities is longer than would be expected on an economic basis and hence there is an inherent mismatch with the assets that are managed on a more realistic basis.

The Hong Kong IA has developed a risk-based capital framework which values technical provisions on a best estimate basis together with a margin over current estimates and the capital requirements are risk-based. In February 2022 Prudential Hong Kong Limited submitted an application to the Hong Kong IA to early adopt this new risk-based capital framework for local statutory reporting.

Indonesia

Solvency capital is determined using a risk-based capital approach. The capital resources are based on assets that are marked-to-market, with policyholder liabilities based on a gross premium valuation method using best estimate assumptions with a suitable margin for prudence. Liabilities are zeroised at a policy level (ie negative liabilities are not permitted at a policy level). For unit-linked policies an unearned premium reserve is established.

C10 Capital continued

C10.2 Local capital regulations continued

(a) Insurance operations continued

Malaysia

A risk-based capital framework applies in Malaysia. The local regulator, Bank Negara Malaysia (BNM), has set a Supervisory Target Capital Level of 130 per cent below which supervisory actions of increasing intensity will be taken. Each insurer is also required to set its own Individual Target Capital Level to reflect its own risk profile and this is expected to be higher than the Supervisory Target Capital Level.

The capital resources are based on assets that are marked-to-market, with policyholder liabilities based on a gross premium valuation method using best estimate assumptions with a suitable margin for prudence. Liabilities are zeroised at a fund level (ie negative liabilities are not permitted at a fund level). The BNM has initiated a review of its RBC framework. A discussion paper on the design of the updated RBC framework was issued on 30 June 2021 with industry feedback provided by 30 September 2021. The BNM have yet to issue their final technical specification and the exact timing of implementation of potential revisions remains uncertain, these would need to be subject to quantitative impact studies and parallel run prior to introduction.

Market liberalisation measures were introduced by BNM in April 2009, which increases the limit from 49 per cent to 70 per cent on foreign equity ownership for insurance companies and Takaful operators in Malaysia. A higher foreign equity limit beyond 70 per cent for insurance companies will be considered by BNM on a case by case basis, for example, for companies who support expansion of providing insurance coverage to the most vulnerable in Malaysian society.

Singapore

A risk-based capital framework applies in Singapore. The regulator also has the authority to direct that the insurer satisfies additional capital adequacy requirements in addition to those set forth under the Singapore Insurance Act if it considers such additional requirements appropriate. The capital resources are based on assets that are marked-to-market, with policyholder liabilities based on a gross premium valuation method using best estimate assumptions with a suitable margin for prudence. The updated risk-based capital framework (RBC2) came into effect on 31 March 2020 and this permits the recognition of a prudent allowance for negative reserves in the capital resources.

(b) Asset management operations – regulatory and other surplus

Certain asset management subsidiaries of the Group are subject to local regulatory requirements. The movement in the year of the estimated surplus regulatory capital position of those subsidiaries, combined with the movement in the IFRS basis shareholders' equity for unregulated asset management operations from continuing operations, is as follows:

	2021 $m	**2020** $m
Balance at 1 Jan	**459**	376
Gains during the year	**266**	223
Movement in capital requirement	**3**	48
Capital injection	**6**	65
Distributions made to the parent company	**(201)**	(204)
Exchange and other movements	**(5)**	(49)
Balance at 31 Dec	**528**	459

C10.3 Transferability of capital resources

The amounts retained within the insurance companies are at levels that provide an appropriate level of capital strength in excess of the local regulatory minimum. The businesses may, in general, remit dividends to parent entities, provided the statutory insurance fund meets the local regulatory solvency requirements and there are sufficient statutory accounting profits. For with-profits funds, the excess of assets over liabilities is retained within the funds, with distribution to shareholders tied to the shareholders' share of declared bonuses.

Capital resources of the non-insurance business units is transferable after taking account of an appropriate level of operating capital, based on local regulatory solvency requirements, where relevant.

C11 Property, plant and equipment

Property, plant and equipment comprise Group occupied properties and tangible assets. Property, plant and equipment also includes right-of-use assets for operating leases of properties occupied by the Group and leases of equipment and other tangible assets. All property, plant and equipment, including the right-of-use assets under operating leases, are held at cost less cumulative depreciation, calculated using the straight-line method, and impairment charge.

A reconciliation of the carrying amount of the Group's property, plant and equipment from the beginning to the end of the years shown is as follows:

	2021 $m				2020 $m			
	Group occupied property	Tangible assets	Right-of-use assets	Total	Group occupied property	Tangible assets	Right-of-use assets	Total
Balance at 1 Jan								
Cost	**355**	**707**	**710**	**1,772**	351	687	734	1,772
Accumulated depreciation	**(88)**	**(523)**	**(268)**	**(879)**	(76)	(490)	(141)	(707)
Opening net book amount	**267**	**184**	**442**	**893**	275	197	593	1,065
Removal of discontinued US operations	**(242)**	**(32)**	**(35)**	**(309)**	–	–	–	–
Additions	**–**	**36**	**59**	**95**	3	56	21	80
Depreciation and impairment charge	**(1)**	**(45)**	**(123)**	**(169)**	(9)	(64)	(145)	(218)
Disposals, transfers and lease modifications	**–**	**–**	**(22)**	**(22)**	(3)	(13)	(25)	(41)
Effect of movements in exchange rates	**(1)**	**(3)**	**(6)**	**(10)**	1	8	(2)	7
Balance at 31 Dec	**23**	**140**	**315**	**478**	267	184	442	893
Representing:								
Cost	**33**	**489**	**678**	**1,200**	355	707	710	1,772
Accumulated depreciation	**(10)**	**(349)**	**(363)**	**(722)**	(88)	(523)	(268)	(879)
Closing net book amount	**23**	**140**	**315**	**478**	267	184	442	893

The Group does not have any right-of-use assets that would meet the definition of investment property. As at 31 December 2021, total right-of-use assets comprised $311 million (31 December 2020: $402 million from continuing operations; $27 million from discontinued operations) of property and $4 million (31 December 2020: $5 million from continuing operations; $8 million from discontinued operations) of non-property assets. Of the $315 million (31 December 2020: $407 million from continuing operations; $35 million from discontinued operations) total right-of-use assets, $128 million (31 December 2020: $182 million from continuing operations) were held by the Group's with-profits businesses.

Extension and termination options are included in a number of property and equipment leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor. The Group assesses at lease commencement whether it is reasonably certain to exercise the option. This assertion is revisited if there is a material change in circumstances. As at 31 December 2021, the undiscounted value of lease payments beyond the break period not recognised in the lease liabilities from continuing operations is $201 million (31 December 2020: $179 million).

The Group has non-cancellable property subleases which have been classified as operating leases under IFRS 16. The sublease rental income received in 2021 for the leases is $6 million (2020: $6 million from continuing operations).

C11 Property, plant and equipment continued

Tangible assets

At 31 December 2021, of the $140 million (31 December 2020: $152 million from continuing operations; $32 million from discontinued operations) tangible assets, $63 million (31 December 2020: $72 million from continuing operations) were held by the Group's with-profits businesses.

Capital expenditure: property, plant and equipment by segment

The capital expenditure on property, plant and equipment from continuing operations in 2021 of $36 million (2020: $57 million) arose as follows:

	2021 $m	**2020** $m
Hong Kong	**9**	10
Indonesia	**1**	1
Malaysia	**2**	3
Singapore	**1**	5
Growth markets and other	**19**	14
Eastspring	**3**	2
Total segment	**35**	35
Unallocated to a segment (central operations)	**1**	22
Total capital expenditure on property, plant and equipment from continuing operations	**36**	57

D1 Corporate transactions

D1.1 (Loss) gain attaching to corporate transactions

Where there is a disposal, income and expenses of entities sold during the year are included in the income statement up to the date of disposal. The gain or loss on disposal is calculated as the difference between sale proceeds net of selling costs, less the net assets of the entity at the date of disposal, adjusted for foreign exchange movements attaching to the sold entity that are required to be recycled to the income statement under IAS 21.

	2021 $m	**2020** $m
Loss attaching to corporate transactions as shown separately on the consolidated income statement [note]	**(35)**	(30)
(Loss) gain arising on reinsurance transaction undertaken by the Hong Kong business	**(59)**	765
Total (loss) gain attaching to corporate transactions from continuing operations [note B1.1]	**(94)**	735

Note

The loss attaching to corporate transactions includes $(30) million incurred by Prudential plc during the year (2020: $(20) million) of costs associated with the separation of Jackson. Additionally, the 2021 amount includes $(28) million of payment for the termination of loss of office made to the former chief executive of Jackson as discussed further in note D4. These charges are partially offset by a gain of $23 million on the repurchase by Jackson of a portion of the Group's retained interest in the company in December 2021, as described further in note D1.2.

D1.2 Discontinued US operations

On 13 September 2021, the Group completed the separation of its US operations (Jackson) through a demerger, whereby shares in Jackson, representing 70.1 per cent voting interest (69.2 per cent economic interest) were distributed to Prudential shareholders. In accordance with IFRS 5 'Non-current assets held for sale and discontinued operations', the US operations have been classified as discontinued within these consolidated financial statements. The 2021 income statement includes the results of Jackson up to 13 September 2021, the date of demerger.

At the point of demerger, Prudential plc retained a 19.9 per cent non-controlling voting interest (19.7 per cent economic interest) in Jackson, which is reported within the consolidated financial position as a financial investment at fair value and is included in 'Unallocated to a segment (central operations)' for segmental analysis. This investment has been classified as available-for-sale under IAS 39. On 13 December 2021, Jackson announced, as part of its previously disclosed $300 million share repurchase program, the repurchase of 2,242,516 shares of its Class A common stock from Prudential. With this repurchase activity, Prudential's remaining economic interest in Jackson was 18.4 per cent as of 31 December 2021 (18.5 per cent voting interest). Subject to market conditions, the Group intends to monetise a further portion of this investment to support its investment in Asia within 12 months of the demerger, such that the Group will own less than 10 per cent at the end of such period.

In accordance with IFRIC 17, 'Distribution of non-cash assets to owners', at the point of demerger, Jackson was remeasured to fair value and a loss on remeasurement to fair value has been recognised of $(8,259) million within the results of discontinued operations. $(7,341) million of this remeasurement relates to the Group's 88.9 per cent economic interest in Jackson, with the remaining $(918) million attributable to non-controlling interests. The fair value has been determined with reference to the opening quoted price of Jackson shares on the New York Stock Exchange as at the date of demerger on 13 September 2021.

Accordingly, the value of the dividend in specie representing a 70.1 per cent voting interest (69.2 per cent economic interest) of Jackson distributed to shareholders was $(1,735) million. At the point of demerger, Athene Life Re Ltd. retained its existing 9.9 per cent voting interest (11.1 per cent economic interest) in Jackson.

The results for the discontinued US operations presented in the consolidated financial statements for the period up to the demerger in September 2021 are analysed below.

Critical accounting policies applied for the discontinued US operations

The policyholder liabilities for Jackson's conventional protection-type policies were determined under US GAAP principles with locked in assumptions for mortality, interest, policy lapses and expenses along with provisions for adverse deviations. For other policies, the policyholder liabilities included the policyholder account balance. For those investment contracts with fixed and guaranteed terms, Jackson used the amortised cost model to measure the liability.

Jackson applied FASB ASU 2010-26 on 'Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts' and capitalised only those incremental costs directly relating to successfully acquiring a contract. Under US GAAP, most of Jackson's products were accounted for under Accounting Standards Codification Topic 944, Financial Services – Insurance of the Financial Accounting Standards Board (ASC 944) whereby deferred acquisition costs are amortised in line with expected gross profits. The majority of Jackson's DAC relates to its variable annuities business. For variable annuity business, a key assumption is the long-term investment return from the separate accounts. Jackson made certain adjustments to the DAC assets which were recognised directly in other comprehensive income ('shadow accounting') to match the recognition of unrealised gains or losses on available-for-sale securities causing the adjustments.

Debt securities of Jackson were designated as available-for-sale with value movements, unless impaired, being recorded as movements within other comprehensive income. Impairments were recorded in the income statement. For these securities, the consideration of evidence of impairment requires management's judgement. In making this determination, a range of market and industry indicators were considered including the severity and duration of the decline in fair value and the financial condition and prospects of the issuer. The factors reviewed include economic conditions, credit loss experience, other issuer-specific developments and future cash flows.

D1 Corporate transactions continued

D1.2 Discontinued US operations continued

(a) Income statement

	2021 $m	2020 $m
Gross premiums earned	**14,047**	19,026
Outward reinsurance premiums note (i)	**(274)**	(30,584)
Earned premiums, net of reinsurance	**13,773**	(11,558)
Investment return and other income	**32,199**	31,321
Total revenue, net of reinsurance	**45,972**	19,763
Benefits and claims, net of reinsurance	**(41,350)**	(19,617)
Acquisition costs and other expenditure	**(2,305)**	(906)
Total charge, net of reinsurance	**(43,655)**	(20,523)
Profit (loss) before tax	**2,317**	(760)
Tax (charge) credit	**(363)**	477
Profit (loss) after tax	**1,954**	(283)
Remeasurement to fair value on demerger note (iii)	**(8,259)**	–
Cumulative valuation movements on available-for-sale debt securities, net of related tax and change in DAC, and net investment hedges recycled from other comprehensive income note (ii)	**1,278**	–
Loss for the year	**(5,027)**	(283)
Attributable to:		
Equity holders of the Company	**(4,234)**	(340)
Non-controlling interests	**(793)**	57
Loss for the year	**(5,027)**	(283)

Notes

(i) In 2020, outward reinsurance premiums included $(30.2) billion paid during the period in respect of the reinsurance of substantially all of Jackson's in-force fixed and fixed indexed annuity liabilities to Athene Life Re Ltd.

(ii) In accordance with IFRS, as a result of the demerger of Jackson, accumulated balances previously recognised through other comprehensive income relating to financial instruments held by Jackson classified as available-for-sale and historical net investment hedges have been recycled from other comprehensive income to the results of discontinued operations in the consolidated income statement. Total shareholders' equity is unchanged as a result of this recycling.

(iii) The loss on remeasurement to fair value on demerger is recognised in accordance with IFRIC 17, 'Distribution of non-cash assets to owners' as described above.

(b) Total comprehensive income

	2021 $m	2020 $m
Loss for the year	**(5,027)**	(283)
Other comprehensive (loss) income		
Valuation movements in the year on available-for-sale debt securities	**(1,053)**	(100)
Related change in amortisation of DAC	**80**	494
Related tax	**210**	(102)
	(763)	292
Cumulative valuation movements on available-for-sale debt securities, net of related tax and change in DAC, and net investment hedges recycled through profit or loss at the point of demerger	**(1,278)**	–
Other comprehensive (loss) income for the year	**(2,041)**	292
Total comprehensive (loss) income for the year	**(7,068)**	9
Attributable to:		
Equity holders of the Company	**(6,283)**	(40)
Non-controlling interests	**(785)**	49
Total comprehensive (loss) income for the year	**(7,068)**	9

(c) Cash flows

	2021 $m	2020 $m
Net cash flows from operating activities	**(423)**	(807)
Net cash flows from investing activities	**–**	(2)
Net cash flows from financing activities [note]	**2,329**	470
Cash divested upon demerger	**(3,527)**	–
Net decrease in cash and cash equivalents	**(1,621)**	(339)
Cash and cash equivalents at 1 Jan	**1,621**	1,960
Cash and cash equivalents at 31 Dec	**–**	1,621

Note
Financing activities largely reflect issuance of debt of $2,350 million in 2021 and the investment by Athene in 2020. No dividends were paid by Jackson during 2020 or in 2021 prior to demerger.

Effect on the Group statement of financial position

	13 September 2021 $m
Deferred acquisition costs and other intangible assets	**14,018**
Reinsurers' share of insurance contract liabilities	**34,014**
Financial investments	**293,562**
Cash and cash equivalents	**3,527**
Policyholder liabilities	**(316,495)**
Net other assets and liabilities	**(17,861)**
Net assets and liabilities of discontinued US operations at demerger before remeasurement to fair value	**10,765**
Adjustment for remeasurement of the carrying value of the business to fair value on demerger	**(8,259)**
Net assets and liabilities of discontinued US operations at demerger after remeasurement to fair value	**2,506**
Attributable to:	
Equity holders of the Company	**2,228**
Non-controlling interests	**278**
	2,506

D2 Contingencies and related obligations

Litigation and regulatory matters
The Group is involved in various litigation and regulatory proceedings. While the outcome of such litigation and regulatory issues cannot be predicted with certainty, the Group believes that their ultimate outcome will not have a material adverse effect on the Group's financial condition, results of operations, or cash flows.

Guarantees
The Group has provided guarantees to third-parties entered into in the normal course of business but the Group does not consider that the amounts involved are significant.

Intra-group capital support arrangements
Prudential has put in place intra-group arrangements to formalise undertakings by Prudential to the regulators of the Hong Kong subsidiaries regarding their solvency levels. Other intra-group transactions are discussed in note D4 below.

D3 Post balance sheet events

Dividends
The 2021 second interim ordinary dividend approved by the Board of Directors after 31 December 2021 is as described in note B5.

Debt redemption
On 20 January 2022 the Company redeemed subordinated debt instruments of $1,725 million, as described in note C5.1.

D4 Related party transactions

Transactions between the Company and its subsidiaries or intra-group transactions are eliminated on consolidation. Intra-group transactions of the Group mainly related to a limited number of loans, guarantees or services provided by the Company to or from other business units, or between local business units, including investment management services provided by the Group's asset managers to the insurance operations businesses as shown in note B1.3. All intra-group transactions are subject to the same internal approval framework as external transactions. As the Group's business units operate independently, overall there is limited interconnectedness across the Group. The Group reviews its recovery plan (that also covers intra-group transactions and the level of the Group's interconnectivity risk) on an annual basis and details the remedial actions that could be used to restore financial strength and viability if the Group were to come under severe stress.

The Company has transactions and outstanding balances with collective investment schemes and similar entities that are not consolidated and where a Group company acts as manager, which are regarded as related parties for the purposes of IAS 24. The balances are included in the Group's statement of financial position at fair value or amortised cost in accordance with IAS 39 classifications with the corresponding amounts included in the income statement. The transactions include amounts paid on issue of shares or units, amounts received on cancellation of shares or units and amounts paid in respect of the periodic charge and administration fee.

In addition, there are no material transactions between the Group's joint ventures and associates, which are accounted for on an equity method basis, and other Group companies.

Key management personnel of the Company, as described in note B2.3, may from time to time purchase insurance, asset management or annuity products marketed by Group companies in the ordinary course of business on substantially the same terms as those prevailing at the time for comparable transactions with other persons.

On 5 April 2021, pursuant to a separation agreement, Jackson National Life agreed to pay circa $23.5 million to Michael Falcon, the former chief executive officer of Jackson, as a series of cash lump sum payments for termination of loss of office, and agreed that Mr Falcon will retain 98,311 Prudential ADRs that had been previously deferred under the Deferred Annual Incentive Plan. Prudential agreed to reimburse Jackson National Life for such payments and settled this obligation prior to the demerger. On completion of the demerger, the Prudential ADRs were translated into Jackson Shares with an equivalent value. They will be released on the original timeline, ie in 2022 and 2023, and will remain subject to the original malus and clawback provisions.

In 2021 and 2020, other transactions with key management personnel were not deemed to be significant both by virtue of their size and in the context of the individuals' financial positions. All of these transactions were on terms broadly equivalent to those that prevailed in arm's-length transactions.

Additional details on the Directors' interests in shares, transactions or arrangements are given in the Directors' remuneration report. Key management remuneration is disclosed in note B2.3.

D5 Commitments

The Group has provided, from time to time, certain commitments to third parties.

At 31 December 2021, the Group had $2,878 million unfunded commitments (31 December 2020: $1,913 million from continuing operations) primarily related to investments in infrastructure funds and alternative investment funds in Asia. At 31 December 2020, the discontinued US operations had unfunded commitments of $1,016 million related to investments in limited partnerships, commercial mortgage loans and other fixed income securities. These commitments were entered into in the normal course of business and a material adverse impact on the operations is not expected to arise from them.

D6 Investments in subsidiary undertakings, joint ventures and associates

D6.1 Basis of consolidation

The Group consolidates those investees it is deemed to control. The Group has control over an investee if all three of the following are met: (1) it has power over an investee; (2) it is exposed to, or has rights to, variable returns from its involvement with the investee; and (3) it has ability to use its power over the investee to affect its own returns.

(a) Subsidiaries

Subsidiaries are those investees that the Group controls. The majority of the Group's subsidiaries are corporate entities.

The Group performs a re-assessment of consolidation whenever there is a change in the substance of the relationship between the Group and an investee. Where the Group is deemed to control an entity it is treated as a subsidiary and its results, assets and liabilities are consolidated. Where the Group holds a minority share in an entity, with no control over the entity, the investments are carried at fair value within financial investments in the consolidated statement of financial position.

(b) Joint ventures and associates

Joint ventures are joint arrangements arising from a contractual agreement whereby the Group and other investors have joint control of the net assets of the arrangement. In a number of these arrangements, the Group's share of the underlying net assets may be less than 50 per cent but the terms of the relevant agreement make it clear that control is jointly exercised between the Group and the third party. Associates are entities over which the Group has significant influence, but it does not control. Generally it is presumed that the Group has significant influence if it holds between 20 per cent and 50 per cent voting rights of the entity.

With the exception of those referred to below, the Group accounts for its investments in joint ventures and associates by using the equity method of accounting. The Group's share of profit or loss of its joint ventures and associates is recognised in the income statement and its share of movements in other comprehensive income is recognised in other comprehensive income. The equity method of accounting does not apply to investments in associates and joint ventures held by the Group's insurance or investment funds. This includes collective investment schemes and which, as allowed by IAS 28 'Investments in Associates and Joint Ventures', are carried at fair value through profit or loss.

(c) Structured entities

Structured entities are those that have been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity. Voting rights relate to administrative tasks. Relevant activities are directed by means of contractual arrangements. The Group invests in both consolidated and unconsolidated structured entities including investment vehicles such as:

- Collective investment schemes;
- Collateralised debt obligations;
- Mortgage-backed securities; and
- Similar asset-backed securities.

Up until the demerger of Jackson in September 2021, structured entities of the Group also include the investment vehicles within separate accounts offered through variable annuities written by Jackson.

Collective investment schemes

The Group invests in collective investment schemes, which invest mainly in equities, bonds, cash and cash equivalents, and properties. In assessing control under IFRS 10 'Consolidated Financial Statements', the Group determines whether it is acting as principal or agent and the variable returns from its involvement with these entities. The Group's percentage ownership in these entities can fluctuate on a daily basis according to the participation of the Group and other investors in them.

- Where the entity is managed by a Group asset manager, and the Group's ownership holding in the entity exceeds 50 per cent, the Group is judged to have control over the entity;
- Where the entity is managed by a Group asset manager, and the Group's ownership holding in the entity is between 20 per cent and 50 per cent, the facts and circumstances of the Group's involvement in the entity are considered, including the rights to any fees earned by the asset manager from the entity, in forming a judgement as to whether the Group has control over the entity;
- Where the entity is managed by a Group asset manager, and the Group's ownership holding in the entity is less than 20 per cent, the Group is judged to not have control over the entity; and
- Where the entity is managed by an asset manager outside the Group, an assessment is made of whether the Group has existing rights that gives it the ability to direct the current activities of the entity and therefore control the entity. In assessing the Group's ability to direct an entity, the Group considers its ability relative to other investors.

Where the Group is deemed to control these entities, they are treated as a subsidiary and are consolidated, with the interests of investors other than the Group being classified as liabilities, and presented within 'Net asset value attributable to unit holders of consolidated investment funds'.

Where the Group does not control these entities (as it is deemed to be acting as an agent under IFRS 10) and they do not meet the definition of associates, they are carried at fair value through profit or loss within financial investments in the consolidated statement of financial position.

Where the Group's asset manager sets up investment funds as part of its asset management operations, unless the Group also participates in the ownership holding of the entities, the Group's interest is limited to the fees charged to manage the assets of such entities. With no participation in ownership holding of these entities, the Group does not retain risks associated with investment funds. For these investment funds, the Group is not deemed to control the entities but to be acting as an agent.

The Group generates returns and retains the ownership risks in these investment vehicles commensurate to its participation and does not have any further exposure to the residual risks of these investment vehicles.

D6 Investments in subsidiary undertakings, joint ventures and associates continued

D6.1 Basis of consolidation continued

Other structured entities

The Group holds investments in mortgage-backed securities, collateralised debt obligations and similar asset-backed securities, the majority of which are actively traded in a liquid market.

The Group consolidates the vehicles that hold the investments where the Group is deemed to control the vehicles. When assessing control over the vehicles, the factors considered include the purpose and design of the vehicle, the Group's exposure to the variability of returns and the scope of the Group's ability to direct the relevant activities of the vehicle including any kick-out or removal rights that are held by third parties. The outcome of the control assessment is dependent on the terms and conditions of the respective individual arrangements.

The majority of such vehicles are not consolidated. In these cases, the Group is not the sponsor of the vehicles in which it holds investments and has no administrative rights over the vehicles' activities. The Group generates returns and retains the ownership risks commensurate to its holding and its exposure to the investments and does not have any further exposure to the residual risks or losses of the investments or the vehicles in which it holds investments. Accordingly, the Group does not have power over the relevant activities of such vehicles and all are carried at fair value through profit or loss within financial investments in the consolidated statement of financial position.

The table below provides aggregate carrying amounts of the investments in unconsolidated structured entities for continuing operations reported in the Group's statement of financial position:

	31 Dec 2021 $m		31 Dec 2020 $m	
Statement of financial position line items	Investment funds	Other structured entities	Investment funds	Other structured entities
Equity securities and holdings in collective investment schemes	**35,446**	**–**	27,167	–
Debt securities	**–**	**251**	–	181
Total continuing operations	**35,446**	**251**	27,167	181

The Group's maximum exposure to loss related to the interest in unconsolidated structured entities is limited to the carrying value in the statement of financial position and the unfunded investment commitments provided by the Group (see note D5).

During the reporting period, the Group receives dividend and interest income from its investments in these unconsolidated structured entities. Where the Group's asset manager manages these entities such as the collective investment schemes, the Group also receives asset management fees from these entities.

As at 31 December 2021 and 2020, the Group does not have an agreement, contractual or otherwise, or intention to provide financial support to structured entities (both consolidated and unconsolidated) that could expose the Group to a loss.

D6.2 Dividend restrictions and minimum capital requirements

Certain Group subsidiaries and joint ventures are subject to restrictions on the amount of funds they may transfer in the form of cash dividends or otherwise to the parent company.

Under UK company law, UK companies can only declare dividends if they have sufficient distributable reserves.

The Group's subsidiaries, joint ventures and associates may remit dividends to the Group, in general, provided the statutory insurance fund meets the capital adequacy standard required under local statutory regulations and has sufficient distributable reserves. Further details on local capital regulations in certain Asia operations please refer to note C10.2.

D6.3 Investments in joint ventures and associates

Joint ventures represent arrangements where the controlling parties through contractual or other agreement have the rights to the net assets of the arrangements. The Group has shareholder-backed joint venture insurance and asset management businesses in China with CITIC Group and a joint venture asset management business in India with ICICI Bank. In addition, there is an asset management joint venture in Hong Kong with Bank of China International Holdings Limited (BOCI) and Takaful insurance joint venture in Malaysia. For the Group's joint ventures that are accounted for by using the equity method, the net of tax results of these operations are included in the Group's profit before tax.

The Group's associates, which are also accounted for under the equity method, include the Indian insurance entity (with the majority shareholder being ICICI Bank).

In addition, the Group has investments in collective investment schemes, funds holding collateralised debt obligations and property funds where the Group has significant influence. As allowed under IAS 28, these investments are accounted for on a fair value through profit or loss basis. The aggregate fair value of associates accounted for at fair value through profit or loss, where there are published price quotations, is approximately $0.6 billion at 31 December 2021 (31 December 2020: $0.7 billion).

For joint ventures and associates accounted for using the equity method, the 12 months financial information of these investments for the years ended 31 December 2021 and 2020 (covering the same period as that of the Group) has been used in these consolidated financial statements.

The Group's share of the profits for shareholder-backed business (including short-term fluctuations in investment returns), net of related tax, in joint ventures and associates, which are equity accounted as shown in the consolidated income statement, is allocated across segments as follows:

	2021 $m	2020 $m
CPL	**278**	394
Hong Kong	**9**	3
Malaysia	**28**	30
Growth markets and other note	**(110)**	(27)
Insurance operations	**205**	400
Eastspring	**147**	117
Total segment and Group total	**352**	517

Note
For growth markets and other, as well as the segment results for associates and joint ventures within the segment, the amount shown includes other items of $(38) million (2020: $(103) million) which primarily comprise of taxes for all life joint ventures and associates together with other non-recurring items.

There is no other comprehensive income in the joint ventures and associates other than the foreign exchange differences that arise from translating the associates and joint ventures into the Group's presentational currency. There has been no unrecognised share of losses of a joint venture or associate that the Group has stopped recognising in total comprehensive income.

The Group's interest in joint ventures and associates gives rise to no contingent liabilities or capital commitments that are material to the Group.

CITIC-Prudential Life Insurance Company is the Group's joint venture with the CITIC Group in which the Group owns a 50 per cent interest. The joint venture is incorporated in China and is principally engaged in underwriting insurance and investment contracts. The summarised financial information for CITIC-Prudential Life Insurance Company, which is considered to be a material joint venture to the Group, is set out below. The financial information represents the entity's financial statements prepared in accordance with Group's IFRS accounting policies, on a 100 per cent basis, for the years shown:

Statement of financial position:	31 Dec 2021 $m	31 Dec 2020 $m
Total assets	**29,237**	21,602
Total liabilities (including non-controlling interest)	**26,523**	19,336
Shareholders' equity	**2,714**	2,266
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	**422**	316
Financial liabilities (excluding trade and other payables and provisions)	**938**	714

Income statement:	2021 $m	2020 $m
Revenue	**7,374**	5,492
Profit for the year after tax	**453**	599
The above profit for the year includes the following:		
Depreciation and amortisation	**(86)**	(81)
Interest income	**465**	378
Interest expense	**(2)**	(2)
Income tax expense	**(84)**	(166)

The summarised financial information above is reconciled to the carrying amount of the Group's interest in the joint venture recognised in the consolidated financial statements as follows:

	31 Dec 2021 $m	31 Dec 2020 $m
Net assets of CITIC-Prudential Life as shown above	**2,714**	2,266
Proportion owned by the joint venture partner (50%)	**1,357**	1,133
Carrying amount of the Group's interest in the joint venture (50%)	**1,357**	1,133

The Group has received dividends of $57 million (2020: $38 million) from CITIC-Prudential Life Insurance Company.

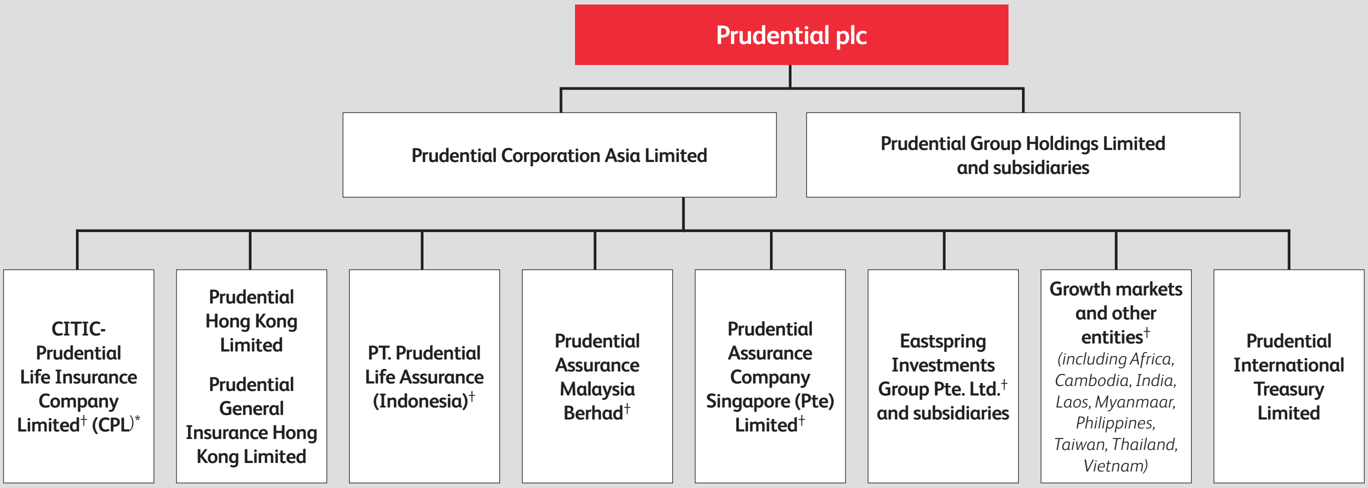
D6 Investments in subsidiary undertakings, joint ventures and associates continued

D6.4 Related undertakings

In accordance with Section 409 of the Companies Act 2006, a list of Prudential Group's subsidiaries, joint ventures, associates and significant holdings (being holdings of more than 20 per cent) is disclosed below, along with the classes of shares held, the registered office address and the effective percentage of equity owned at 31 December 2021.

The definitions of a subsidiary undertaking, joint venture and associate in accordance with the Companies Act 2006 are different from the definition under IFRS Standards. As a result, the related undertakings included within the list below may not be the same as the undertakings consolidated in the Group IFRS financial statements. The Group's consolidation policy is described in note D6.1. The Group also operates through branches, none of which are significant.

Simplified corporate structure as at 31 December 2021



* CPL is a 50/50 joint venture with CITIC, a leading state owned conglomerate.
† Indirectly held by Prudential Corporation Asia Limited.

Direct subsidiary undertakings of the parent company, Prudential plc (shares held directly or via nominees)

Name of entity	Classes of shares held	Proportion held	Registered office address
Prudential Corporation Asia Limited	OS	100.00%	13th Floor, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong
Prudential Group Holdings Limited	OS	100.00%	1 Angel Court, London, EC2R 7AG, United Kingdom

Other subsidiaries, joint ventures, associates and significant holdings of the Group – no shares held directly by the parent company (Prudential plc) or its nominees

Name of entity	Classes of shares held	Proportion held	Registered office address
Aberdeen Standard Cash Creation Fund	U	28.74%	28th Floor Bangkok City Tower, 179 South Sathorn Road, Thungmahamek, Sathorn, Bangkok 10120, Thailand
Aberdeen Standard Global Opportunities Fund	U	33.13%	21 Church Street, #01-01, Capital Square Two, Singapore 049480
Aberdeen Standard Singapore Equity - SGD class	U	60.26%	
AC Financial Partners Limited Partnership	OS	100.00%	65 Haymarket Terrace, Edinburgh, EH12 5HD
Allianz Global Investors Greater China Fund	U	21.67%	5th Floor, No.378, Fu Xing N. Rd. Taipei, Taiwan
Alternatives North America Ltd.	U	100.00%	PO Box 1093, Queensgate House, Grand Cayman, KY1-1102, Cayman Islands
BOCHK Aggressive Growth Fund	U	43.21%	27th Floor, Bank of China Tower, 1 Garden Road, Hong Kong
BOCHK Balanced Growth Fund	U	38.14%	
BOCHK China Equity Fund	U	55.78%	
BOCHK Conservative Growth Fund	U	41.65%	
BOCHK US Dollar Money Market Fund	U	23.54%	
BOCI-Prudential Asset Management Limited	OS	36.00%	
BOCI-Prudential Trustee Limited	OS	36.00%	Suites 1501-1507 & 1513-1516, 15th Floor, 1111 King's Road, Taikoo Shing, Hong Kong
Capital Asian Bond Fund	U	39.57%	15th Floor, No.69, Sec. 2, Dunhua South. Rd. Da-an District, Taiwan

Key to share classes:

LBG	Limited by Guarantee
MI	Membership Interest
OS	Ordinary Shares
PI	Partnership Interest
PS	Preference Shares
U	Units

Name of entity	Classes of shares held	Proportion held	Registered office address
Cathay High Yield ex China Cash pay 1-5 Year 2% Issuer Capped ETF	U	47.10%	Cathay Securities Inv Trust Co Ltd, 8F, No. 296, Sec. 4, Ren Ai Road, Taipei 10633, Taiwan
CITIC-CP Asset Management Co., Ltd.	MI	26.95%	Room 101-2, No.128 North Zhangjiabang Road, Pudong District, Shanghai, China
CITIC-Prudential Fund Management Company Limited	MI	49.00%	Level 9, HSBC Building, Shanghai IFC, 8 Century Avenue, Pudong, Shanghai, China
CITIC-Prudential Life Insurance Company Limited	MI	50.00%	0507-0510, 1601-1616, East Tower, World Financial Centre, No.1 East Third Ring Middle Road, Chaoyang District, Beijing, 100020, China
Eastspring Al-Wara' Investments Berhad	OS	100.00%	Level 25, Menara Hong Leong, No. 6 Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur, Malaysia
Eastspring Asset Management Korea Co. Ltd.	OS	100.00%	22nd Floor (Seoul International Finance Center, Yeouido dong), 10 Gukjegeumyung-ro, Yeongdeungpo-gu, Seoul, Republic of Korea 07326
Eastspring Infrastructure Debt Fund L.P.	PI	90.55%	PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands
Eastspring Investment K-Short Term Bond Alpha Securities Investment Trust(Bond Balanced)	U	21.57%	22nd Floor One IFC, 10 Gukjegeumyung-ro, Youngdungpo-gu, Seoul 07326, Korea
Eastspring Investment Management (Shanghai) Company Limited	MI	100.00%	Unit 306-308, 3rd Floor, Azia Center, 1233 Lujiazui Ring Road, China (Shanghai) Pilot Free Trade Zone, China
Eastspring Investments - Asia Opportunities Equity Fund	U	100.00%	26, Boulevard Royal, L-2449, Luxembourg
Eastspring Investments - European Investment Grade Bond Fund	U	99.29%	
Eastspring Investments - Global Growth Equity Fund	U	66.74%	
Eastspring Investments - Global Low Volatility Equity Fund	U	99.32%	
Eastspring Investments - Global Technology Fund	U	81.53%	
Eastspring Investments - Greater China Equity Fund	U	93.60%	
Eastspring Investments - Pan European Fund	U	60.47%	
Eastspring Investments - US High Investment Grade Bond Fund	U	92.67%	
Eastspring Investments - US High Yield Bond Fund	U	46.24%	
Eastspring Investments - US Investment Grade Bond Fund	U	65.18%	
Eastspring Investments - World Value Equity Fund	U	95.30%	
Eastspring Investments (Hong Kong) Limited	OS	100.00%	13th Floor, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong
Eastspring Investments (Luxembourg) S.A.	OS	100.00%	26, Boulevard Royal, L-2449, Luxembourg
Eastspring Investments (Singapore) Limited	OS	100.00%	10 Marina Boulevard, #32-01, Marina Bay Financial Centre, Singapore 018983
Eastspring Investments Asia Oceania U&I Bond Fund	U	69.74%	Eastspring Investments Limited, Marunouchi Park Bldg., 2-6-1 Marunochi, Chiyoda-ku, Tokyo, Japan 100-6905
Eastspring Investments Asia Pacific Equity Fund	U	99.99%	26, Boulevard Royal, L-2449, Luxembourg
Eastspring Investments Asia Real Estate Multi Asset Income Fund	U	63.78%	
Eastspring Investments Asia Sustainable Bond Fund	U	99.06%	
Eastspring Investments Asian Bond Fund	U	46.83%	
Eastspring Investments Asian Dynamic Fund	U	94.59%	
Eastspring Investments Asian Equity Fund	U	99.37%	
Eastspring Investments Asian Equity Income Fund	U	84.85%	
Eastspring Investments Asian High Yield Bond Fund	U	33.17%	
Eastspring Investments Asian High Yield Bond MY Fund	U	42.33%	Eastspring Investments Berhad, Level 22, Menara Prudential, Persiaran TRX Barat, 55188 Tun Razak Exchange, Kuala Lumpur, Malaysia
Eastspring Investments Asian Infrastructure Equity Fund	U	71.86%	26, Boulevard Royal, L-2449, Luxembourg
Eastspring Investments Asian Investment Grade Bond Fund	U	89.95%	
Eastspring Investments Asian Low Volatility Equity Fund	U	99.50%	
Eastspring Investments Asian Multi Factor Equity Fund	U	67.61%	
Eastspring Investments Asian Property Securities Fund	U	98.74%	
Eastspring Investments Berhad	OS	100.00%	Level 25, Menara Hong Leong, No. 6 Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur, Wilayah Persekutuan, Malaysia
Eastspring Investments China A Shares Growth Fund	U	71.38%	26, Boulevard Royal, L-2449, Luxembourg
Eastspring Investments Dragon Peacock Fund	U	94.37%	
Eastspring Investments Emerging Markets Star Players	U	33.14%	Eastspring Investments Limited, Marunouchi Park Bldg., 2-6-1 Marunochi, Chiyoda-ku, Tokyo, Japan 100-6905
Eastspring Investments Equity Income Fund	U	33.22%	Eastspring Investments Berhad, Level 22, Menara Prudential, Persiaran TRX Barat, 55188 Tun Razak Exchange, Kuala Lumpur, Malaysia
Eastspring Investments Fund Management Limited Liability Company	MI	100.00%	23rd Floor, Saigon Trade Center, 37 Ton Duc Thang Street, District 1, Ho Chi Minh City, Vietnam
Eastspring Investments Funds - Monthly Income Plan	U	31.62%	26, Boulevard Royal, L-2449, Luxembourg
Eastspring Investments Global Emerging Markets Bond Fund	U	99.35%	
Eastspring Investments Global Emerging Markets ex-China Dynamic Fund	U	100.00%	
Eastspring Investments Global Equity Fund	U	96.64%	Eastspring Investments Berhad, Level 22, Menara Prudential, Persiaran TRX Barat, 55188 Tun Razak Exchange, Kuala Lumpur, Malaysia
Eastspring Investments Global Equity Navigator Fund	U	95.74%	26, Boulevard Royal, L-2449, Luxembourg

D6 Investments in subsidiary undertakings, joint ventures and associates continued

D6.4 Related undertakings continued

Direct subsidiary undertakings of the parent company, Prudential plc (shares held directly or via nominees) continued

Name of entity	Classes of shares held	Proportion held	Registered office address
Eastspring Investments Global Growth Fund	U	24.78%	Eastspring Investments Berhad, Level 22, Menara Prudential, Persiaran TRX Barat, 55188 Tun Razak Exchange, Kuala Lumpur, Malaysia
Eastspring Investments Global Market Navigator Fund	U	99.81%	26, Boulevard Royal, L-2449, Luxembourg
Eastspring Investments Global Multi Asset Income Plus Growth Fund	U	99.99%	
Eastspring Investments Group Pte. Ltd.	OS	100.00%	10 Marina Boulevard, #32-01, Marina Bay Financial Centre, Singapore 018983
Eastspring Investments Incorporated	OS	100.00%	874 Walker Road, Suite C, City of Dover, County of Kent, State of Delaware, 19904, USA
Eastspring Investments India Consumer Equity Open Limited	OS	100.00%	3rd Floor, 355 NEX, Rue du Savoir, Cybercity Ebene, 72201, Mauritius
Eastspring Investments India Equity Fund	U	80.90%	26, Boulevard Royal, L-2449, Luxembourg
Eastspring Investments India Equity Open Limited	OS	100.00%	3rd Floor, 355 NEX, Rue du Savoir, Cybercity Ebene, 72201, Mauritius
Eastspring Investments India Infrastructure Equity Open Limited	OS	100.00%	
Eastspring Investments Japan Dynamic MY Fund	U	33.87%	Eastspring Investments Berhad, Level 22, Menara Prudential, Persiaran TRX Barat, 55188 Tun Razak Exchange, Kuala Lumpur, Malaysia
Eastspring Investments Limited	OS	100.00%	Marunouchi Park Building, 6-1 Marunouchi 2-chome, Chiyoda-Ku, Tokyo, Japan
Eastspring Investments MY Focus Fund	U	28.48%	Eastspring Investments Berhad, Level 22, Menara Prudential, Persiaran TRX Barat, 55188 Tun Razak Exchange, Kuala Lumpur, Malaysia
Eastspring Investments Services Pte. Ltd.	OS	100.00%	10 Marina Boulevard, #32-01, Marina Bay Financial Centre, Singapore 018983
Eastspring Investments SICAV-FIS - Alternative Investments Fund	U	100.00%	26, Boulevard Royal, L-2449, Luxembourg
Eastspring Investments SICAV-FIS - Asia Pacific Loan Fund	U	74.23%	
Eastspring Investments Unit Trusts - Asian Balanced Fund	U	95.36%	
Eastspring Investments Unit Trusts - Asian Infrastructure Equity Fund	U	98.42%	
Eastspring Investments Unit Trusts - Dragon Peacock Fund	U	97.67%	10 Marina Boulevard, #32-01, Marina Bay Financial Centre, Singapore 018983
Eastspring Investments Unit Trusts - Global Technology Fund	U	86.75%	26, Boulevard Royal, L-2449, Luxembourg
Eastspring Investments Unit Trusts - Pan European Fund	U	64.86%	
Eastspring Investments Unit Trusts - Singapore ASEAN Equity Fund	U	99.33%	10 Marina Boulevard, #32-01, Marina Bay Financial Centre, Singapore 018983
Eastspring Investments Unit Trusts - Singapore Select Bond Fund	U	66.03%	
Eastspring Investments US Corporate Bond Fund	U	51.25%	26, Boulevard Royal, L-2449, Luxembourg
Eastspring Investments Vietnam Navigator Fund	U	77.02%	23rd Floor, Saigon Trade Center Building, 37 Ton Duc Thang Street, Ben Nghe Ward, District 1, Ho Chi Minh City, Vietnam
Eastspring Overseas Investment Fund Management (Shanghai) Company Limited	MI	100.00%	Unit 306-308, 3rd Floor, 1233 Lujiazui Ring Road, China (Shanghai) Pilot Free Trade Zone, China
Eastspring Real Assets Partners	OS	100.00%	PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands
Eastspring Securities Investment Trust Co., Ltd.	OS	99.54%	4th Floor, No.1 Songzhi Road, Taipei 110, Taiwan
First Sentier Global Property Securities Fund	U	55.74%	38 Beach Road, #06-11 South Beach Tower, Singapore 189767
First State China Focus Fund	U	70.17%	70 Sir John Rogerson's Quay, Dublin 2, D02 R296, Ireland
Fubon 1-5 Years US High Yield Bond Ex China	U	51.79%	Fubon Securities Investment Trust Co, 8F, Sec 1, Tun Hwa South Road, Taipei, Taiwan
Fubon Global Investment Grade Bond Fund	U	46.17%	8th Floor, No.108, Sec.1, Dunhua South. Rd. Taipei, Taiwan
Fuh Hwa 1-5 Yr High Yield ETF	U	41.17%	Fuh-Hwa Securities Invt Trust Co Ltd , 8F, Section 2, 308 Ba De Road, Taipei, Taiwan
Fuh Hwa Emerging Market RMB Fixed Income Fund	U	32.17%	8-9th Floor., No.308, Sec. 2, Bade Rd., Da-an District
Furnival Insurance Company PCC Limited	OS	100.00%	PO Box 155, Mill Court, La Charroterie, St Peter Port, GY1 4ET, Guernsey
GIS Total Return Bond Fund	U	26.15%	78 Sir John Rogerson's Quay, Dublin, D02 HD32, Ireland
GS Twenty Two Limited	OS	100.00%	1 Angel Court, London, EC2R 7AG, United Kingdom
HSBC Senior Global Infrastructure Debt Fund	U	100.00%	8 Canada Square, London, E14 5HQ, United Kingdom
ICICI Prudential Asset Management Company Limited	OS	49.00%	12th Floor, Narain Manzil, 23, Barakhamba Road, New Delhi 110001, India
ICICI Prudential Life Insurance Company Limited	OS	22.09%	ICICI PruLife Towers, 1089 Appasaheb Marathe Marg, Prabhadevi, Mumbai 400025, India
ICICI Prudential Pension Funds Management Company Limited	OS	22.09%	
ICICI Prudential Trust Limited	OS	49.00%	12th Floor, Narain Manzil, 23, Barakhamba Road, New Delhi 110001, India
India Innovation High Growth EQ QII	U	100.00%	Eastspring Investments Limited, Marunouchi Park Bldg., 2-6-1 Marunochi, Chiyoda-ku, Tokyo, Japan 100-6905
Invesco Fixed Maturity Selective Emerging Market Bonds 2024	U	99.49%	8th Floor, No 122, Tung Hua N. Rd. Taipei, Taiwan
Invesco Select 6 Year Maturity Global Bond Fund	U	99.43%	
iShares Australian Equity ETFs	U	21.52%	Yarra Falls, 452 Johnston Street, Abbotsford VIC 3067
iShares Core MSCI Asia	U	78.02%	16th Floor Champion Tower, 3 Garden Road, Central, Hong Kong
iShares Core MSCI Europe UCITS ETF EUR (Acc)	U	27.70%	1 North Wall Quay, Dublin 1

Key to share classes:

LBG	Limited by Guarantee
MI	Membership Interest
OS	Ordinary Shares
PI	Partnership Interest
PS	Preference Shares
U	Units

Name of entity	Classes of shares held	Proportion held	Registered office address
iShares Edge MSCI USA Minimum volatility ESG UCITS ETF	U	86.82%	J.P. Morgan 200 Capital 79 Sir John Rogerson's Quay Dublin 2 D02 RK57 Ireland
iShares Fallen Angels High Yield Corporate Bond UCITS ETF Wing	U	54.90%	79 Sir John Rogerson's Quay, Dublin 2, D02 RK 57, Ireland
iShares MSCI USA Momentum Factor ESG UCITS ETF USD (Acc)	U	99.33%	
iShares STOXX Europe 600 Telecommunications UCITS ETF	U	26.50%	Unter den Linden 42, 10117 Berlin
iShares US Value ESG USD A	U	98.90%	J.P. Morgan 200 Capital 79 Sir John Rogerson's Quay Dublin 2 D02 RK57 Ireland
KKP Active Equity Fund	U	30.10%	19th Floor Muang Thai-Phatra Complex, Building Tower, A, 252/25 Ratchadapisek Road, Huaykwang, Bangkok 10310, Thailand
Krungsri Greater China Equity Hedged Dividend Fund	U	29.29%	12th, 18th Zone B Floor, Ploenchit Tower 898 Ploenchit Road, Lumpini Pathumwan, Bangkok 10330, Thailand
Lasalle Property Securities SICAV-FIS	U	99.61%	11-13 Bouldevard de la Foire, L-1528 Luxembourg
M&G Asia Property TS Trust	U	99.94%	8 Marina Boulevard, #05-02 Marina Bay, Financial Centre Tower 1, Singapore, 018981
M&G Luxembourg European Strategic Value Fund	U	29.27%	49 Avenue J.F. Kennedy, L-1855, Luxembourg
M&G Real Estate Asia Holding Company Pte. Ltd.	OS	33.00%	138 Market Street, #35-01 CapitaGreen, Singapore 048946
Manulife Asia Pacific Bond Fund	U	56.16%	9th Floor, No 89 Son Ren Road, Taipei, Taiwan
Manulife Asia Pacific Mid and Small Capital Fund	U	31.40%	
Manulife China Dim Sum High Yield Bond Fund	U	59.75%	
Manulife China Offshore Bond Fund	U	73.13%	
Manulife Taiwan Dynamic Fund-I	U	24.36%	
Manulife USD High Yield Bond Fund	U	35.95%	
Nomura Six Years Fixed Maturity Asia Pacific Emerging Market Bond Fund	U	99.75%	101 Tower, 30th Floor, No. 7 Sec. 5, Xinyi Rd., Xinyi Dist., Taipei, Taiwan
Nomura Six Years Fixed Maturity Emerging Market Bond Fund	U	40.58%	
Nomura Six Years Ladder Maturity Asia Pacific Emerging Market Bond Fund	U	99.90%	
North Sathorn Holdings Company Limited	OS	100.00%	No. 63, Athenee Tower, 34th Floor, Wireless Road, Lumpini Subdistrict Pathumwan District, Bangkok Metropolis, Thailand
PCA IP Services Limited	OS	100.00%	13th Floor, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong
PCA Life Assurance Co. Ltd.	OS	99.79%	8th Floor, No.1 Songzhi Road, Taipei City, 11047, Taiwan
PCA Reinsurance Co. Ltd.	OS	100.00%	Unit Level 13(A), Main Office Tower, Financial Park Labuan, Jalan Merdeka, 87000 Federal Territory of Labuan, Malaysia
Prenetics Group Limited	PS	11.18%	P.O. Box 902, Second Floor, Century Yard, Cricket Square, Grand Cayman, KY1-1001, Cayman Islands
Pru Life Insurance Corporation of U.K.	OS	100.00%	9th Floor, Uptown Place Tower 1, 1 East 11th Drive, Uptown Bonifacio, 1634 Taguig City, Metro Manila, Philippines
Pru Life UK Asset Management and Trust Corporation	OS	100.00%	
Prudence Foundation	LBG	100.00%	13th Floor, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong
Prudential (Cambodia) Life Assurance Plc	OS	100.00%	Phnom Penh Tower, 20F, #445, Monivong Blvd., Boeung, Prolit, 7 Makara, Phnom Penh, Cambodia
Prudential (US Holdco 1) Limited	OS	100.00%	1 Angel Court, London, EC2R 7AG, United Kingdom
Prudential Africa Holdings Limited	OS	100.00%	
Prudential Africa Services Limited	OS	100.00%	3rd Floor One Africa Place LR. No. 1870/X/45 , P.O. Box 25093-00100, Nairobi, Kenya
Prudential Assurance Company Singapore (Pte) Limited	OS	100.00%	30 Cecil Street, #30-01 Prudential Tower, Singapore 049712
Prudential Assurance Malaysia Berhad*	OS	51.00%	Level 20, Menara Prudential, Persiaran TRX Barat, 55188 Tun Razak Exchange, Kuala Lumpur, Malaysia
Prudential Assurance Uganda Limited	OS	100.00%	Zebra Plaza, Plot 23, Kampala Road, P.O. Box 2660, Kampala, Uganda
Prudential BeGeneral Insurance S.A.	OS	51.00%	Immeuble Woodin Center 1st Floor, Avenue Nogues, Plateaux, Abidjan, Cote d'Ivoire
Prudential Belife Insurance S.A.	OS	50.93%	
Prudential Beneficial General Insurance Cameroon S.A.	OS	50.04%	1944 Blvd de la République, BP 2328, Douala, Cameroon
Prudential Beneficial Life Insurance Cameroon S.A.	OS	51.00%	
Prudential Beneficial Life Insurance Togo S.A.	OS	50.99%	2963 Rue De La Chance Agbalepedogan, P.B. 1115, Lome, Togo
Prudential BSN Takaful Berhad†	OS	49.00%	Level 13, Menara Prudential, Persiaran TRX Barat, 55188 Tun Razak Exchange, Kuala Lumpur, Malaysia
Prudential Corporation Asia Limited	OS	100.00%	13th Floor, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong
Prudential Corporation Holdings Limited	OS	100.00%	1 Angel Court, London, EC2R 7AG, United Kingdom
Prudential Financial Partners (Asia) Limited	OS	100.00%	
Prudential Financial Partners HK Limited	OS	100.00%	13th Floor, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong
Prudential General Insurance Hong Kong Limited	OS	100.00%	59th Floor, One Island East, 18 Westlands Road, Quarry Bay, Hong Kong
Prudential Group Holdings Limited	OS	100.00%	1 Angel Court, London, EC2R 7AG, United Kingdom
Prudential Group Secretarial Services HK Limited	OS	100.00%	13th Floor, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong
Prudential Group Secretarial Services Limited	OS	100.00%	1 Angel Court, London, EC2R 7AG, United Kingdom
Prudential Holdings Limited	OS	100.00%	4th Floor, Saltire Court, 20, Castle Terrace, Edinburgh, EH1 2EN, United Kingdom
Prudential Hong Kong Limited	OS	100.00%	59th Floor, One Island East, 18 Westlands Road, Quarry Bay, Hong Kong
Prudential International Treasury Limited	OS	100.00%	13th Floor, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong

D6 Investments in subsidiary undertakings, joint ventures and associates continued

D6.4 Related undertakings continued

Direct subsidiary undertakings of the parent company, Prudential plc (shares held directly or via nominees) continued

Name of entity	Classes of shares held	Proportion held	Registered office address
Prudential IP Services Limited	OS	100.00%	1 Angel Court, London, EC2R 7AG, United Kingdom
Prudential Life Assurance (Lao) Company Limited	OS	100.00%	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	OS	99.93%	944 Mitrtown Office Tower, 10th, 29th-31st Floor, Rama 4 Road, Wangmai, Pathumwan, Bangkok, 10330, Thailand
Prudential Life Assurance Kenya Limited	OS	100.00%	Vienna Court, Ground Floor, State House Road-Crescent Road, P.O. Box 25093-00100, Nairobi, Kenya
Prudential Life Assurance Zambia Limited	OS	100.00%	Prudential House, Plot No. 32256, Thabo Mbeki Road, P.O. Box 31357, Lusaka, Zambia
Prudential Life Insurance Ghana Limited	OS	100.00%	35 North Street, Tesano, Accra, Accra - North, PO Box AN11549, Ghana
Prudential Life Vault Limited	OS	100.00%	98 Awolowo Road, South-West Ikoyi, Lagos, Nigeria
Prudential Mauritius Holdings Limited	OS	100.00%	3rd Floor, 355 NEX, Rue du Savoir, Cybercity Ebene, 72201, Mauritius
Prudential Myanmar Life Insurance Limited	OS	100.00%	#15-01, 15th Floor, Sule Square, 221 Sule Pagoda Road, Kyauktada Township, Yangon, Myanmar
Prudential Pensions Management Zambia Limited	OS	49.00%	Prudential House, Plot No. 32256, Thabo Mbeki Road, P.O. Box 31357, Lusaka, Zambia
Prudential Services Asia Sdn. Bhd.	OS	100.00%	Suite 1005, 10th Floor, Wisma Hamzah-Kwong Hing, No. 1 Leboh Ampang, 50100 Kuala Lumpur, Malaysia
	PS	100.00%	
Prudential Services Limited	OS	100.00%	1 Angel Court, London, EC2R 7AG, United Kingdom
Prudential Services Singapore Pte. Ltd.	OS	100.00%	1 Wallich Street, #19-01 Guoco Tower, Singapore 078881
Prudential Singapore Holdings Pte. Limited	OS	100.00%	30 Cecil Street, #30-01 Prudential Tower, Singapore 049712
Prudential Technology and Services India Private Limited	OS	100.00%	CoWrks NXT, EPIP Industrial Area, Whitefield Road, K.R Puram, Near SAP Labs, Hubli, Bangalore, Karnataka, 560066, India
Prudential Vietnam Assurance Private Limited	OS	100.00%	25th Floor, Saigon Trade Centre, 37 Ton Duc Thang Street, District 1, Ho Chi Minh City, Vietnam
Prudential Zenith Life Insurance Limited	OS	51.00%	13th Floor, Civic Towers, Ozumba Mbadiwe Avenue, Victoria Island, Lagos, Nigeria
PRUInvest PH Equity Index Tracker Fund	U	99.23%	9th Floor Uptown Place Tower 1, 1 East 11th Drive, Uptown Bonifacio, 1634 Taguig City, Metro Manila, Philippines
PT Prudential Sharia Life Assurance	OS	94.62%	Prudential Tower, 2nd Floor, Jl. Jend. Sudirman Kav. 79, Jakarta 12910, Indonesia
PT. Eastspring Investments Indonesia	OS	100.00%	Prudential Tower, 23rd Floor, Jl. Jend. Sudirman Kav.79, Jakarta 12910, Indonesia
PT. Prudential Life Assurance	OS	94.62%	Prudential Tower, JI. Jend. Sudirman Kav. 79, Jakarta 12910, Indonesia
Pulse Ecosystems Pte. Ltd.	OS	100.00%	1 Wallich Street, #19-01 Guoco Tower, Singapore 078881
Pulse Wealth Limited	OS	100.00%	59th Floor One Island East, Quarry Bay, Hong Kong
PVFC Financial Limited (in liquidation)	OS	100.00%	Suite 509, 5th Floor, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong
Reksa Dana Eastspring IDR Fixed Income Fund	U	98.86%	Prudential Tower, 23rd Floor, Jl. Jend. Sudirman Kav.79, Jakarta 12910, Indonesia
Reksa Dana Eastspring Investments Alpha Navigator Fund	U	79.24%	
Reksa Dana Eastspring Investments Cash Reserve	U	98.25%	
Reksa Dana Eastspring Investments IDR High Grade	U	35.51%	
Reksa Dana Eastspring Investments Value Discovery	U	81.12%	
Reksa Dana Syariah Eastspring Syariah Equity Islamic Asia Pacific USD	U	81.64%	
Reksa Dana Syariah Eastspring Syariah Fixed Income Amanah	U	48.79%	
Reksa Dana Syariah Eastspring Syariah Money Market Khazanah	U	96.38%	
Reksa Dana Syariah Penyertaan Terbatas Bahana Syariah BUMN Fund	U	99.01%	Graha CIMB Niaga 21st Floor. Jl Jend Sudirman Kav 58, Jakarta – 12190, Indonesia
Rhodium Investment Fund	U	99.90%	10 Marina Boulevard, #32-01, Marina Bay Financial Centre Tower 2, Singapore 018983
SCB Global Income Fund	U	22.59%	7-8th Floor, SCB Park Plaza 1, 18 Ratchadapisek Road, Chatuchak, Bangkok 10900, Thailand
SCB Set Banking Sector Fund	U	21.65%	
Schroder Asian Investment Grade Credit	U	33.32%	138 Market Street, #23-01 CapitaGreen, Singapore 048946
Schroder Emerging Markets Fund	U	63.00%	
Schroder Multi-Asset Revolution	U	52.22%	
Schroder US Dollar Money Fund	U	37.00%	
Scotts Spazio Pte. Ltd.	OS	45.00%	316 Tanglin Road, #01-01,Singapore, 247978
Shenzhen Prudential Technology Limited	MI	100.00%	Unit 5, 8th Floor, China Resources Tower, No.2666 Keyuan South Road, Yuehai Street, Nanshan District, Shenzhen 518054, China
Sinopac RMB Money Market Fund	U	29.62%	14th Floor, No.17,Po Ai Rd., Taipei, Taiwan
Sri Han Suria Sdn. Bhd.	OS	51.00%	Suite 1005, 10th Floor, Wisma Hamzah-Kwong Hing, No. 1 Leboh Ampang, 50100 Kuala Lumpur, Malaysia

Key to share classes:

LBG	Limited by Guarantee
MI	Membership Interest
OS	Ordinary Shares
PI	Partnership Interest
PS	Preference Shares
U	Units

Name of entity	Classes of shares held	Proportion held	Registered office address
Staple Limited	OS	100.00%	No. 63, Athenee Tower, 34th Floor, Wireless Road, Lumpini Subdistrict Pathumwan District, Bangkok Metropolis, Thailand
Templeton Asian Growth Fund	U	30.35%	8A, Rue Albert Borschette, L-1246 Luxembourg
Thanachart Fund Management Co., Ltd.	OS	50.10%	Units 902-908, 9th Floor, Mitrtown Office Tower 944, Rama 4 Road, Wangmai, Patumwan, Bangkok 10330, Thailand
TMB Asset Management Co., Ltd.	OS	65.00%	9th Floor, Mitrtown Office Tower, 944 Rama 4 Road, Wangmai,Pathumwan, Bangkok 10330, Thailand
UOB Smart Global Healthcare	U	37.96%	23A, 25th Floor, Asia Centre Building, 173/27-30, 32-33 South Sathorn Road, Thungmahamek, Sathorn, Bangkok 10120, Thailand
UOB Smart Japan Small and Mid Cap Fund	U	24.21%	
UOB Smart Millennium Growth Fund	U	34.13%	
USD Investment Grade Infrastructure Debt Fund SCSp	U	21.78%	35a, Avenue J.F. Kennedy, L-1855, Luxembourg, Grand Duchy of Luxembourg

* Prudential Assurance Malaysia Berhad is consolidated at 100 per cent in the Group's financial statements reflecting the economic interest to the Group.
† Prudential BSN Takaful Berhad is a joint venture that is accounted for using the equity method, for which the Group has an economic interest of 70 per cent for all business sold up to 23 December 2016 and of 49 per cent for new business sold subsequent to this date.

Statement of financial position of the parent company

	Note	31 Dec 2021 $m	31 Dec 2020 $m
Non-current assets			
Investments in subsidiary undertakings	5	**13,114**	12,682
Current assets			
Amounts owed by subsidiary undertakings		**7,013**	6,722
Equity securities - fair value through other comprehensive income	6	**683**	–
Other debtors		**9**	5
Cash at bank and in hand		**1,711**	5
		9,416	6,732
Liabilities: amounts falling due within one year			
Subordinated liabilities		**(1,725)**	–
Commercial paper	7	**(500)**	(501)
Amounts owed to subsidiary undertakings		**(161)**	(149)
Tax payable		**(7)**	(16)
Accruals and deferred income		**(85)**	(79)
		(2,478)	(745)
Net current assets		**6,938**	5,987
Total assets less current liabilities		**20,052**	18,669
Liabilities: amounts falling due after more than one year	7		
Subordinated liabilities		**(2,350)**	(4,332)
Debenture loans		**(1,702)**	(1,701)
Other borrowings		**(350)**	(350)
		(4,402)	(6,383)
Total net assets		**15,650**	12,286
Capital and reserves	8		
Share capital		**182**	173
Share premium		**5,010**	2,637
Profit and loss account		**10,458**	9,476
Shareholders' funds		**15,650**	12,286

	2021 $m	2020 $m
Profit/(loss) for the year	**2,648**	(85)

The financial statements of the parent company on pages 314 to 320 were approved by the Board of Directors on 8 March 2022 and signed on its behalf.

Shriti Vadera
Chair

Mike Wells
Group Chief Executive

Mark FitzPatrick
Group Chief Financial Officer and Chief Operating Officer

Statement of changes in equity of the parent company

	Share capital $m	Share premium $m	Profit and loss account $m	Total shareholders' funds $m
Balance at 1 Jan 2020	172	2,625	10,376	13,173
Total comprehensive loss for the year	–	–	(85)	(85)
Transactions with owners, recorded directly in equity				
New share capital subscribed	1	12	–	13
Share based payment transactions	–	–	(1)	(1)
Dividends	–	–	(814)	(814)
Total contributions by and distributions to owners	1	12	(815)	(802)
Balance at 31 Dec 2020 / 1 Jan 2021	**173**	**2,637**	**9,476**	**12,286**
Profit for the year	**–**	**–**	**2,648**	**2,648**
Valuation movements on retained interest in Jackson measured at fair value through other comprehensive income	**–**	**–**	**273**	**273**
Total comprehensive income for the year	**–**	**–**	**2,921**	**2,921**
Transactions with owners, recorded directly in equity				
New share capital subscribed	**9**	**2,373**	**–**	**2,382**
Demerger dividend in specie of Jackson	**–**	**–**	**(1,735)**	**(1,735)**
Share based payment transactions	**–**	**–**	**217**	**217**
Other dividends	**–**	**–**	**(421)**	**(421)**
Total contributions by and distributions to owners	**9**	**2,373**	**(1,939)**	**443**
Balance at 31 Dec 2021	**182**	**5,010**	**10,458**	**15,650**

1 Nature of operations

Prudential plc ('the Company') together with its subsidiaries (collectively, 'the Group' or 'Prudential') is an international financial services group. Prudential provides life and health insurance and asset management services in Asia and Africa. The Group helps individuals to get the most out of life by making healthcare accessible and affordable by promoting financial inclusion. The Group is joint-headquartered in London and Hong Kong. On 28 January 2021, the Company announced its intention to demerge its subsidiary Jackson Financial Inc. (Jackson), which following approval of the demerger by shareholder vote on 27 August 2021, took effect on 13 September 2021.

2 Basis of preparation

The financial statements of the Company, which comprise the statement of financial position, statement of changes in equity and related notes, are prepared in accordance with UK Generally Accepted Accounting Practice, including Financial Reporting Standard 101 Reduced Disclosure Framework ('FRS 101') and Part 15 of the Companies Act 2006.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements in accordance with IFRS Standards as issued by the IASB and the UK-adopted international accounting standards but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken. The Company has also taken advantage of the exemption under Section 408 of the Companies Act 2006 from presenting its own profit and loss account.

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 with wholly-owned subsidiaries within the Prudential Group;
- Disclosure in respect of capital management; and
- The effects of new but not yet effective IFRS.

As the consolidated financial statements of the Group include the equivalent disclosures, the Company has also applied the exemptions available under FRS 101 in respect of the following disclosures:

- IFRS 2 'Share Based Payments' in respect of Group-settled share-based payments;
- Disclosure required by IFRS 7 'Financial Instrument Disclosures' and IFRS 13 'Fair Value Measurement', except for the consequential amendments to IFRS 7 related to IFRS 9 which have not been adopted by the Group; and
- IFRS 15, 'Revenue from Contracts with Customers' in respect of revenue recognition.

The accounting policies set out in note 3 below have, unless otherwise stated, been applied consistently to both years presented in these financial statements.

The Company and Group manages its cash resources, remittances and financing primarily in US dollars. Accordingly, the functional currency of the Company is US dollars.

3 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 and the Company's financial investment in Jackson's equity securities, which are classified as fair value through other comprehensive income (as discussed below), 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 recallable 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.

Upon the demerger of Jackson, the Company has made the election under IFRS 9 to measure its retained interest in Jackson's equity securities at 'fair value through other comprehensive income'. Under this designation, only dividend income from this retained interest is recognised in the profit or loss of the Company. Unrealised gains and losses are recognised in other comprehensive income and there is no recycling to the profit or loss on derecognition.

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.

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.

4 Reconciliation from the FRS 101 parent company results to the IFRS Group results

The parent company financial statements are prepared in accordance with FRS 101 and the Group financial statements are prepared in accordance with IFRS Standards as issued by the IASB and international financial reporting standards adopted for use in the UK.

The tables below provide a reconciliation between the FRS 101 parent company results and the IFRS Group results.

	2021 $m	**2020** $m
Profit after tax		
Profit (loss) for the financial year of the Company in accordance with FRS 101 note (i)	**2,648**	(85)
Accounting policy difference note (ii)	**28**	(18)
Share in the IFRS result of the Group, net of distributions to the Company note (iii)	**(4,718)**	2,221
(Loss) profit after tax of the Group attributable to equity holders in accordance with IFRS	**(2,042)**	2,118

	31 Dec 2021 $m	**31 Dec 2020** $m
Shareholders' equity		
Shareholders' funds of the Company in accordance with FRS 101	**15,650**	12,286
Accounting policy difference note (ii)	**19**	15
Share in the IFRS net equity of the Group note (iii)	**1,419**	8,577
Shareholders' equity of the Group in accordance with IFRS	**17,088**	20,878

Notes

(i) The Company's profit (loss) for the financial year includes distributions to the Company from subsidiaries.

(ii) Accounting policy difference represents the difference in accounting policy for expected credit losses on loan assets, and the difference in treatment of realised gains and losses on investments classified as fair value through other comprehensive income, as the Company has adopted IFRS 9 while the Group applies IAS 39.

(iii) The 'share in the IFRS result and net equity of the Group' lines represent the parent company's equity in the earnings and net assets of its subsidiaries and associates.

The profit for the year of the Company in accordance with IFRS includes dividends received from subsidiary undertakings of $3,597 million for the year ended 31 December 2021 (2020: $406 million).

5 Investments in subsidiary undertakings

	2021 $m	**2020** $m
At 1 Jan	**12,682**	10,444
Capital injections note (i)	**430**	–
Exchange of non-current debt instruments for equity shares note (ii)	**–**	2,000
Equity shares issued in exchange for assuming bank loan liability note (iii)	**–**	350
Other note (iv)	**2**	(112)
At 31 Dec	**13,114**	12,682

Notes

(i) On 15 December 2021, an intercompany loan of $430 million owed to the Company was settled in exchange for the issue of equity instruments from Prudential Group Holdings Limited, an immediate subsidiary of the Company.

(ii) On 16 June 2020, the non-current debt instrument of $2,000 million received by the Company was settled in exchange for the issue of equity instruments from Prudential Corporation Asia Limited, an immediate subsidiary of the Company.

(iii) On 20 June 2020, Prudential Corporation Asia Limited issued equity shares to the Company, in exchange for the Company assuming a bank loan liability of $350 million (see note 7).

(iv) Other includes net amounts in respect of share-based payments settled by the Company for employees of its subsidiary undertakings.

See note 6 below for details of the transfer and distribution of shares in Jackson Financial Inc. during the year.

Investments in subsidiaries held at 31 December 2021 have been assessed for impairment and no impairment was identified.

Subsidiary undertakings of the Company at 31 December 2021 are listed in note D6 of the Group IFRS financial statements.

6 Equity securities – fair value through other comprehensive income

On 8 September 2021, Prudential Corporation Asia Limited, a subsidiary of the Company, transferred the Group's holding in Jackson to the Company as a dividend in specie. This holding was classified as an asset held for distribution and was measured at fair value less costs to distribute at date of transfer. On 13 September 2021, the Company distributed shares in Jackson with value of $1,735 million to its shareholders (further details are provided in note D1.2 of the Group IFRS financial statements). In accordance with IFRIC 17 the value of dividend in-specie recognised as distribution within the statement of changes in equity was the fair value of Jackson Financial Inc. at the date of distribution. As also required by IFRIC 17, the difference between the fair value of Jackson Financial Inc. on distribution and the previous carrying value of the Company's investment in Jackson Financial Inc. of $439 million is recognised as a loss within profit for the year. Immediately after the distribution, the Company retained a 19.7 per cent economic interest (19.9 per cent voting interest) in Jackson's equity securities, which was recognised as a financial investment at 'fair value through other comprehensive income'. On 13 December 2021, Jackson announced, as part of previously disclosed $300 million share repurchase program, the repurchase of 2,242,516 shares of its Class A common stock from the Company. With this repurchase activity, the Company's remaining economic interest in Jackson was 18.4 per cent as of 31 December 2021 (18.5 per cent voting interest).

The fair value of the Company's holding in the equity securities of Jackson is determined by the use of current market bid prices, and is categorised as Level 1: Quoted prices (unadjusted in active markets) of the IFRS 13 'Fair Value Measurement' defined fair value hierarchy. Following initial recognition on 13 September 2021, a gain of $273 million has been recognised in other comprehensive income for the year in respect of these instruments.

7 Borrowings

	Core structural borrowings		Other borrowings		Total	
	31 Dec 2021 $m	31 Dec 2020 $m	31 Dec 2021 $m	31 Dec 2020 $m	31 Dec 2021 $m	31 Dec 2020 $m
Core structural borrowings note (i)						
Subordinated liabilities note (ii)	**4,075**	4,332	**–**	–	**4,075**	4,332
Debenture loans	**1,702**	1,701	**–**	–	**1,702**	1,701
Bank loan	**350**	350	**–**	–	**350**	350
	6,127	6,383	**–**	–	**6,127**	6,383
Commercial paper note (iii)	**–**	–	**500**	501	**500**	501
Total borrowings	**6,127**	6,383	**500**	501	**6,627**	6,884
Borrowings are repayable as follows:						
Within 1 year	**1,725**	–	**500**	501	**2,225**	501
Between 1 and 5 years	**778**	780	**–**	–	**778**	780
After 5 years	**3,624**	5,603	**–**	–	**3,624**	5,603
	6,127	6,383	**500**	501	**6,627**	6,884

Notes

(i) Further details on the core structural borrowings of the Company are provided in note C5.1 of the Group IFRS financial statements.
(ii) The interests of the holders of the subordinated liabilities are subordinate to the entitlements of other creditors of the Company.
(iii) These borrowings support a short-term fixed income securities programme.
(iv) Borrowings are classified in line with contractual maturity dates unless the Company has established its intention to redeem at an earlier date.

8 Capital and reserves

Share capital and share premium

On 4 October 2021, the Company completed the issuance of 130,780,350 new ordinary shares on the Stock Exchange of Hong Kong through a concurrent Hong Kong public offer and international placing. Further details on this issuance together with a summary of the ordinary shares in issue and the options outstanding to subscribe for the Company's shares at 31 December 2021 is set out in note C8 of the Group IFRS financial statements.

Retained profit of the Company

Retained profit at 31 December 2021 amounted to $10,458 million (31 December 2020: $9,476 million). The retained profit includes distributable reserves of $4,734 million (31 December 2020: $3,838 million) and non-distributable reserves of $5,724 million (31 December 2020: $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. The Group segmental analysis illustrates the generation of profit across the Group (see note B1 of the Group IFRS financial statements). The Group and its subsidiaries are subject to local regulatory minimum capital requirements, as set out in note C10 of the Group IFRS financial statements. A number of the principal risks set out in the Risk Report could impact the generation of profit in the Group's subsidiaries in the future and hence impact their ability to pay dividends in the future.

In determining the dividend payment in any year, the directors follow the Group dividend policy described in the Financial Review section of this Annual Report. The directors consider the Company's ability to pay current and future dividends twice a year by reference to the Company's business plan and certain stressed scenarios.

9 Other information

a Information on key management remuneration is given in note B2.3 of the Group IFRS financial statements. Additional information on directors' remuneration is given in the directors' remuneration report section of this Annual Report.

b Information on transactions of the directors with the Group is given in note D4 of the Group IFRS financial statements.

c The Company employs no staff.

d Fees payable to the Company's auditor for the audit of the Company's annual accounts were $0.1 million (2020: $0.1 million) and for other services were $0.1 million (2020: $0.1 million).

e In certain instances, the Company has guaranteed that its subsidiaries will meet their obligations when they fall due for payment.

10 Post balance sheet events

Dividends

The second interim ordinary dividend for the year ended 31 December 2021, which was approved by the Board of Directors after 31 December 2021, is described in note B5 of the Group IFRS financial statements.

Debt redemption

On 20 January 2022 the Company redeemed subordinated debt instruments of $1,725 million, as described in note C5.1 of the Group IFRS financial statements.

Statement of Directors' responsibilities in respect of the Annual Report and the financial statements

The directors are responsible for preparing the Annual Report and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and parent company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with UK-adopted international accounting standards and applicable law and have elected to prepare the parent company financial statements in accordance with UK accounting standards and applicable law, 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 Group and parent company and of their profit or loss for that period. In preparing each of the Group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, reliable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with UK-adopted international accounting standards;
- for the parent company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the parent company financial statements;
- assess the Group and parent 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 Group or the parent 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 parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that comply with that law and those regulations.

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.

Responsibility statement of the directors in respect of the annual financial report

The directors of Prudential plc, whose names and positions are set out on pages 150 to 155 confirm that to the best of their knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole;
- the strategic report includes a fair review of the development and performance of the business and the position of the Group and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the annual report and financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

1. Our opinion is unmodified

We have audited the financial statements of Prudential plc ("the Company") for the year ended 31 December 2021 which comprise;

- the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of financial position and consolidated statement of cash flows, and the related notes, including accounting policies in note 3.1; and
- the parent company statements of financial position and of changes in equity, and the related notes, including the significant accounting policies in note 3.

In our opinion:

- The financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2021 and of the Group's loss for the year then ended;
- The Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- The parent company financial statements have been properly prepared in accordance with UK Accounting Standards including FRS 101 Reduced Disclosure Framework; and
- The financial statements 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 believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were appointed as auditor by the shareholders in October 1999. The period of total uninterrupted engagement is for the 23 financial years ended 31 December 2021. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the Financial Reporting Council ('FRC') Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

Valuation of insurance contract liabilities and investment contract liabilities with discretionary participation features (2021: $151,101 million, 2020: $437,266 million).

The risk compared to the prior year has remained unchanged.

Refer to page 175 (Audit Committee report), page 242 (accounting policy) and pages 281 to 286 (financial disclosures)

The risk

The Group has significant insurance contract liabilities and investment contract liabilities with discretionary participation features (policyholder liabilities) representing 83 per cent (2020: 88 per cent) of the Group's total liabilities.

Subjective valuation

This is an area that involves significant judgement over uncertain future outcomes, mainly the ultimate total settlement value of these long term policyholder liabilities, and we consider the risk to have remained unchanged in the current year in light of the continued business and economic disruption caused by the Coronavirus pandemic's (COVID-19) potential impact on policyholder behaviour in respect of decisions such as lapses, making historical experience less reliable in setting operating assumptions.

Significant judgement is required to assess whether the directors' overall estimate, taking into account key economic assumptions, including investment return and associated discount rates, and operating assumptions including mortality, morbidity, expenses and persistency, which are the key inputs used to estimate these long term liabilities, falls within an acceptable range, in addition to the appropriate design and calibration of complex reserving models.

The effect of these matters is that, as part of our risk assessment, we determined that the valuation of policyholder liabilities has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole and possibly many times that amount. The financial statements note C6 discloses the sensitivities estimated by the Group.

Our response

We used our own actuarial specialists to assist us in performing our procedures in this area.

Our procedures included:

Methodology choice

We assessed the methodology for selecting assumptions and calculating the policyholder liabilities. This included:

- Assessing the methodology adopted for selecting assumptions by applying our industry knowledge and experience and comparing the methodology used against industry standard actuarial practice;
- Assessing the methodology adopted for calculating the policyholder liabilities by reference to the requirements of the accounting standard and actuarial market practice, and assessing the impact of current year changes in methodology on the calculation of policyholder liabilities;
- Comparing changes in methodology to our expectations derived from market experience; and
- Evaluating the analysis of the movements in policyholder liabilities during the year, including consideration of whether the movements were in line with the methodology and assumptions adopted.

Control operation

We used our own IT specialists to assist us in performing our procedures in this area which included testing of the design, implementation and operating effectiveness of key controls over the valuation process. Controls testing in respect of the valuation process included assessment and approval of the methods and assumptions adopted over the calculation of policyholder liabilities as well as appropriate access and change management controls over the actuarial models.

Our procedures also included:

Historical comparison

- Evaluating the experience analysis in respect of the mortality, morbidity, persistency, and expense assumptions by reference to actual experience, taking into account the potential impact of COVID-19 on reported claims, in order to assess whether this supported the year-end assumptions adopted.

Benchmarking assumptions and sector experience

- Using our sector experience and market knowledge to inform our challenge of the assumptions in the areas noted above.

Model evaluation

- Assessing the reserving models by considering the accuracy of the cash flow projections including by reference to the inclusion of relevant product features. We have also assessed the impact of modelling and assumption changes by inspecting pre and post change model runs and comparing the outcomes of the changes to our expectations.

Assessing transparency

We assessed whether the disclosures in relation to the assumptions used in the valuation of policyholder liabilities are compliant with the relevant accounting requirements.

Our result

We found the valuation and disclosures of policyholder liabilities to be acceptable (2020: acceptable).

Valuation of certain level 2 and level 3 investments held at fair value (2021: $31,282 million, 2020: $63,823 million).

The risk compared to the prior year has remained unchanged.

Refer to page 175 (Audit Committee report), page 242 (accounting policy) and pages 272 to 280 (financial disclosures)

The risk	Our response
The Group's investments portfolio represents 85 per cent (2020: 83 per cent) of the Group's total assets. **Subjective valuation** The area that involved significant audit effort and judgement in 2021 was the valuation of certain level 2 and level 3 positions within the portfolio of financial investments held at fair value. This is comprised of unlisted debt securities and unlisted funds that are valued by reference to their Net Asset Value ('NAV funds'). For these positions a reliable third-party price was not readily available and therefore involved the application of expert judgement in the valuations adopted. Auditor judgement is required in determining the appropriate valuation methodology where external pricing sources are either not readily available or are unreliable. Further judgement is required to assess whether the directors' overall estimate, based on their judgement depending on the observability and significance of the inputs into the valuation and the consequent impact on the classification of those investments, falls within an acceptable range. The effect of these matters is that, as part of our risk assessment, we determined that the valuation of certain level 2 and 3 investments held at fair value has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole and possibly many times that amount. The financial statements note C6 disclose the sensitivities estimated by the Group.	We used our own valuation specialists in order to assist us in performing our procedures in this area. ***Our procedures included:*** **Methodology choice** We assessed the appropriateness of the pricing methodologies with reference to relevant accounting standards as well as industry practice. **Control operation** We tested the design, implementation and operating effectiveness of key controls over the valuation process, including the Group's review and approval of the estimates and assumptions used for the valuation including key authorisation and data input controls. **Tests of details** For a sample of securities, we used our valuation specialists to assess the Group's classification of assets within Level 2 or Level 3 by evaluating the observability of the inputs used in valuing these securities. For a sample of unlisted debt securities we compared the price adopted to our independently derived price, using our valuation specialists. For a sample of unlisted funds, we agreed the valuations for the NAV funds to the most recent NAV statements. To assess reliability of these statements we compared to audited financial statements of the funds, where available, or performed a retrospective test over the NAV valuations for each fund to assess if the fund valuations reported in the audited financial statements in the prior year were materially consistent with the most recent NAV valuation statements available at the time. **Assessing transparency** We assessed whether the disclosures in relation to the valuation of level 2 and 3 investments held at fair value are compliant with the relevant accounting requirements. **Our result** We found the valuation and disclosures of level 2 and 3 investments held at fair value to be acceptable (2020: acceptable).

Recoverability of parent company's investment in subsidiaries – (2021: $13,114 million, 2020: $12,682 million)

The risk compared to the prior year is unchanged. The risk relates to the parent company financial statements.

Refer to page 175 (Audit Committee report), Refer to page 242 (accounting policy) and page 318 (financial disclosures)

The risk	Our response
Low risk, high value The carrying amount of the parent company's investments in subsidiaries represents 58 per cent (2020: 65 per cent) of the company's total assets. Their recoverability is not at a high risk of significant misstatement or subject to significant judgement. However, due to their materiality in the context of the parent company financial statements, this is considered to be the area that had the greatest effect on our overall parent company audit.	***Our procedures included:*** **Tests of details** Comparing the carrying amount of 100% of the investments in subsidiaries with the relevant subsidiaries' draft balance sheet to identify whether their net assets, being an approximation of their minimum recoverable amount, were in excess of their carrying amount and assessing whether those subsidiaries have historically been profit-making. We performed the test above rather than seeking to rely on the parent company's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedure described. **Assessing subsidiary audits** Assessing the work performed by the subsidiary audit teams on all of those subsidiaries and considering the results of that work on those subsidiaries' profits and net assets. **Our result** We found the Group's assessment of the recoverability of the investment in subsidiaries to be acceptable (2020: acceptable).

Following the demerger of the US business from the Group on 13 September 2021, we no longer consider the following to be a key audit matter for 2021:

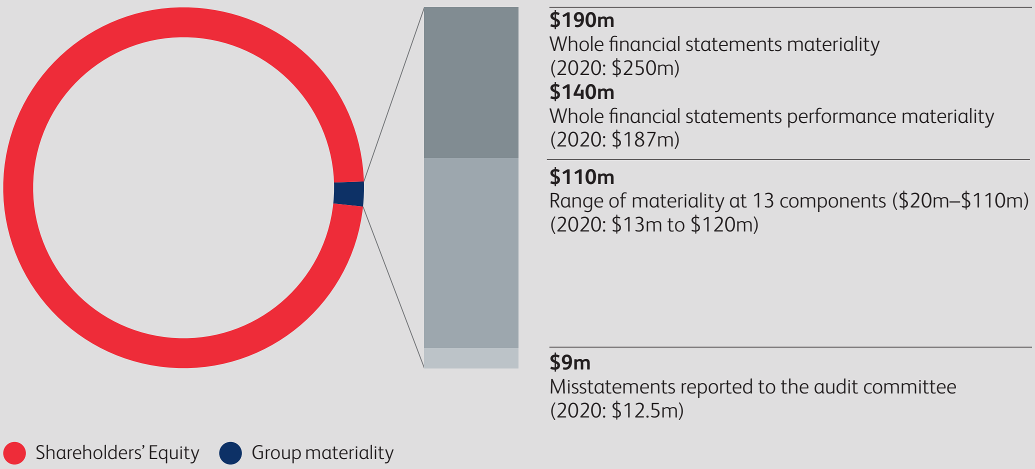
- Amortisation of US deferred acquisition costs, valuation of policyholder liabilities (US) and valuation of certain level 2 and level 3 investments (US): As a result of the demerger, the US business has been classed as discontinued operations in the group financial statements and the consolidated balance sheet does not include any deferred acquisition costs, policyholder liabilities or level 2 and 3 investments in respect of the US business.

3. Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at $190 million (2020: $250 million) determined with reference to a benchmark of IFRS shareholders' equity (of which it represents 1.1 per cent (2020: 1.2 per cent)); the reduction in materiality from 2020 reflects the lower IFRS shareholders' equity due to the impact of the demerger of the US operations from the Group. We consider IFRS shareholders' equity to be the most appropriate benchmark as it represents the residual interest that can be ascribed to shareholders after policyholder assets and corresponding liabilities have been accounted for; we consider that this is the most appropriate measure for the size of the business and that it provides a stable measure year on year. We compared our materiality against other relevant benchmarks (total assets, total revenue and profit before tax from continuing operations) to ensure the materiality selected was appropriate for our audit. We set out below the materiality thresholds that are key to the audit.

IFRS Shareholders' Equity
$17,088m (2020: $20,878m)

Group Materiality
$190m (2020: $250m)



Materiality for the parent company financial statements as a whole was set at $53 million (2020: $60 million), determined with reference to a benchmark of parent company's net assets, of which it represents 0.4 per cent (2020: 0.5 per cent). The component materiality, as determined by the Group audit team, applied to the audit of the parent company financial statements as a whole is lower than the materiality we would otherwise have determined by reference to its net assets.

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that detected and undetected immaterial misstatements in individual account balances aggregate up to a material amount across the financial statements as a whole.

Performance materiality for both the group and parent company was set at 75 per cent (2020: 75 per cent) of materiality for the financial statements as a whole, which equates to $140 million (2020: $187 million) and $33.75 million (2020: $45 million), respectively. We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk across the financial statements as a whole.

We agreed to report to the Group audit committee any corrected or uncorrected identified misstatements exceeding $9 million (2020: $12.5 million) in addition to other identified misstatements that warrant reporting on qualitative grounds.

We subjected the Group's operations to audits for group reporting purposes as follows:

Of the 13 (2020: 14) reporting components scoped in for the Group audit, we subjected 7 (2020: 8) to full scope audits for group reporting purposes, 5 (2020: 4) to an audit of account balances, 1 to specified risk-focused audit procedures over cash and debt securities (2020: 1 to specified risk-focused audit procedures over cash and debt securities and 1 to specified risk-focused audit procedures over operational and other borrowings). The components for which we performed work other than full scope audits for group reporting purposes were not individually significant but were included in the scope of our group reporting work as they did present specific individual audit risks that needed to be addressed or in order to provide further coverage over the Group's results.

The components subjected to full scope audits consisted of the parent company and the insurance operations in the US, Hong Kong, Indonesia, Singapore, Malaysia and China.

The components subjected to an audit of account balances included the insurance operations in Vietnam, Thailand, Taiwan and the Philippines, and the fund management operations of Eastspring Singapore. The account balances audited for Vietnam and Taiwan were policyholder liabilities, investments, deferred acquisition costs, cash, premiums and claims; the account balances audited for Thailand were policyholder liabilities, investments, intangible assets, cash, premiums and claims; the account balances audited for Eastspring Singapore were other income and expenses; the account balances audited for the Philippines were policyholder liabilities, investments and cash. The component for which we performed specified audit risk-focused procedures over cash and debt securities was the Group's treasury operations.

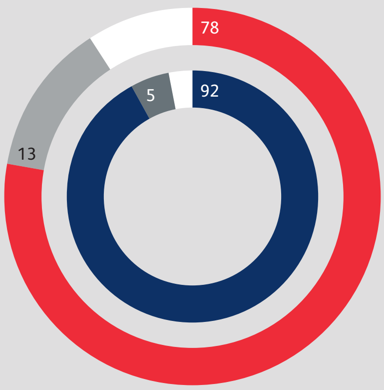
For the remaining operations, we performed analysis at an aggregated Group level to re-examine our assessment that there were no significant risks of material misstatement within these operations.

These components accounted for the following percentages of the Group's results:

Group revenue from continuing operations

91%

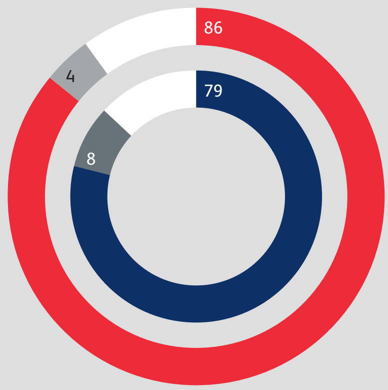
(2020: 97%)



Group profit before tax[1]

90%

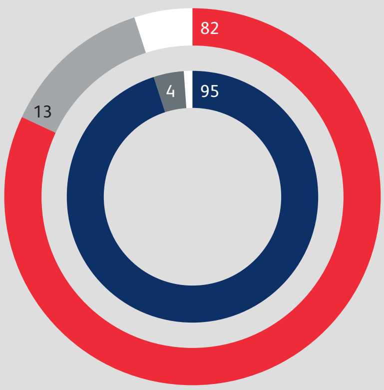
(2020: 87%)



Group total assets

95%

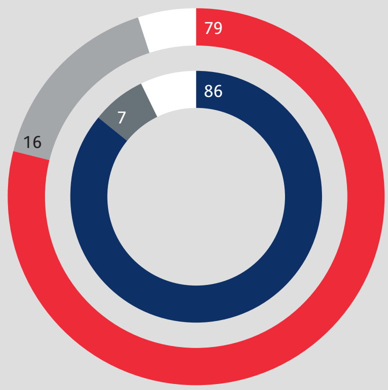
(2020: 99%)



Group shareholders' equity

95%

(2020: 93%)



- Full scope for Group audit purposes 2021
- Audit of account balances and specified risk focused audit procedures 2021
- Full scope for Group audit purposes 2020
- Audit of account balances and specified risk focused audit procedures 2020
- Residual components

Note

1 These percentages represent the total profits and losses that made up group profit before tax

The Group audit team held a global planning conference with component auditors to identify audit risks and decide how each component team should address the identified audit risks. The Group audit team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported. The Group audit team approved the component materialities, which ranged from $20 million to $110 million (2020: $13 million to $120 million) across the components, having regard to the size and risk profile of the Group across the components. The work on 11 components (2020: 12 components) was performed by component auditors and work on the remaining two components, which included the parent company, was performed by the Group audit team.

Whilst it would be conventional practice to visit component teams, the impact of the Coronavirus restrictions on travel has required an alternative approach similar to last year, which required more extensive use of video and telephone conference meetings with all component auditors. During these video and telephone conference meetings, an assessment was made of audit risk and strategy, the findings reported to the Group audit team were discussed in more detail, key working papers were inspected and any further work required by the Group audit team was then performed by the component auditor.

The Group team also routinely reviews the audit documentation of all component audits. Except as noted below, the Group audit team conducted remote file reviews, performed, by experienced members of the audit team, to evaluate whether work performed by all component audit teams over significant risk and other relevant audit areas was sufficient. In addition, the Group audit team maintained clear oversight of the work of component auditors and attended local final audit closing meetings via conference/video call.

Due to regulatory restrictions, a remote file review was not possible for the Chinese component, as such a review needs to be performed from within Mainland China and due to movement restrictions and quarantine requirements relating to the COVID-19 pandemic we were not able to travel to perform this review. To compensate for this situation the Group audit team held increased and more detailed planning and progress calls, obtained extended reporting and held an expanded closing meeting with the Chinese component audit team to understand, assess and challenge the audit approach and findings.

The Senior Statutory Auditor, in conjunction with other senior staff in the Group and component audit teams, also regularly attended Business Unit audit committee meetings and participated in meetings with local components to obtain additional understanding, first hand, of the key risks and audit issues at a component level which may affect the Group financial statements.

We were able to rely upon the Group's internal control over financial reporting in several areas of our audit, where our controls testing supported this approach, which enabled us to reduce the scope of our substantive audit work; in the other areas the scope of the audit work performed was fully substantive.

4. The impact of climate change on our audit

In planning our audit, we have considered the potential impact of climate change on the Group's business and its financial statements.

The Group has set out its commitments to decarbonise its portfolio of assets held on behalf of its insurance companies with a new goal of becoming "net zero" by 2050. Further information is provided in the Group's Environment, Social and Governance report.

Climate change risk could have a significant impact on the Group's business as the operations and strategy of the Group are adapted to address the potential financial and non-financial risks which could arise from both the physical and transition risks associated with climate change. Climate change initiatives and commitments could impact the financial statements of the Group in a variety of ways including in the determination of fair value for assets and potential for increased claims experience which could impact the valuation of liabilities. Greater narrative and disclosure of the impact of climate change risk is also incorporated into the annual report.

As a part of our audit we have made enquiries of management to understand the extent of the potential impact of climate change risk on the Group's financial statements and the Group's preparedness for this. We have performed a risk assessment of how the impact of the scenario analysis performed by the Group in respect of climate change may affect the financial statements and our audit, this involved a discussion with our own climate risk subject matter professionals to challenge our risk assessment. There was no impact of this on our key audit matters.

We have assessed how the Group considers the impact of climate change risk on the valuation of the policyholder liabilities taking into account the nature of the insurance contracts that the group enters into and the associated valuation methodology. This has not had a significant impact on the related key audit matter. We have also incorporated a consideration of the climate change impact on the audit of the valuation of certain level 2 and level 3 positions within the portfolio of financial investments held at fair value, taking into account the nature of the investments and the associated valuation approach. This has not had a significant impact on the related key audit matter. We have read the disclosure of climate related information in the front half of the annual report and considered consistency with the financial statements and our audit knowledge.

We have not been engaged to provide assurance over the accuracy of the climate risk disclosures set out on pages 82 to 95 in the Annual Report.

5. We have nothing to report on going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or the Group or to cease their operations, and as they have concluded that the Company's and the Group'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 their 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 used our knowledge of the Group and Company, its industry, and the general economic environment in which it operates to identify the inherent risks to its business model and analysed how those risks might affect the Group and Company's financial resources or ability to continue operations over the going concern period. The risks that were considered most likely to adversely affect the Group's and Company's available financial resources over this period were:

- Adverse impacts arising from fluctuations or negative trends in the economic environment which affect the valuations of the Group's investments, wider credit spreads and defaults and valuation of policyholder liabilities due to the impact of these market movements;
- The impact on regulatory capital solvency margins from movements in interest rates; and
- Severely adverse policyholder lapse or claims experience.

We also considered less predictable but realistic second order impacts, such as failure of some of the Group's counterparties (such as banks and reinsurers) to meet commitments, which could give rise to a negative impact on the Group's financial position and liquidity, and wider economic factors such as the Coronavirus pandemic's impact on economic volatility and market uncertainty in the period, and other such macroeconomic events.

We considered whether these risks could plausibly affect the liquidity or solvency in the going concern period by assessing the Directors' sensitivities over the level of available financial resources indicated by the Group's and Company's cash flow forecasts taking account of severe but plausible adverse effects that could arise from these risks individually and collectively.

We considered whether the going concern disclosure in note A1 to the financial statements gives a full and accurate description of the directors' assessment of going concern, including the identified risks and related sensitivities.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group and Company's ability to continue as a going concern for the going concern period.
- we have nothing material to add or draw attention to in relation to the Directors' statement in note A1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for the going concern period, and we found the going concern disclosure in note A1 to be acceptable; and
- the related statement under the Listing Rules set out on page 191 is materially consistent with the financial statements and our audit knowledge.

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

6. Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

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

- Enquiring of directors, the audit committee, internal audit, group security, and inspecting key papers provided to those charged with governance as to the high-level policies and procedures to prevent and detect fraud, including the Group's channel for "whistleblowing" and process for engaging local management to identify fraud risks specific to their business units, as well as whether they have knowledge of any actual, suspected, or alleged fraud.
- Reading board and audit committee minutes.
- Considering remuneration incentive schemes and performance targets for directors.
- Consulting with our own professionals with forensic knowledge to assist us in identifying fraud risks based on discussions of the circumstances of the Group and Company.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit. This included communication from the group team to all component audit teams in scope of relevant fraud risks identified at the Group level and requests to these audit teams to report to the Group audit team any instances of fraud that could give rise to a material misstatement at group.

As required by auditing standards, and taking into account possible pressures to meet profit targets, we perform procedures to address the risks of management override of controls, in particular the risk that group and component management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements. Accordingly, we identified fraud risks related to the valuation of insurance contract liabilities given the direct impact on the Group's profit, the opportunity for management to manipulate assumptions due to the subjectivity involved and given the long-term nature of these assumptions which are more difficult to corroborate, and potential incentives for the group to manipulate the profitability of the Asia businesses given the separation of the US business.

On this audit we do not consider there is a fraud risk related to revenue recognition as there is limited management judgement involved in the determination of all material revenue streams as the amounts are contractually derived.

In determining the audit procedures to address the identified fraud risks, we took into account the results of our evaluation and testing of the operating effectiveness of the group-wide anti-fraud risk controls. In order to address the risk of fraud specifically as it relates to the valuation of insurance contract liabilities, we involved actuarial specialists to assist in our challenge of management. We challenged management in relation to the selection of assumptions and the appropriateness of the rationale for any changes, the consistency of the selected assumptions across different aspects of the financial reporting process and comparison to our understanding of the product portfolio, trends in experience, policyholder behaviour and economic conditions and also by reference to market practice. Further detail in respect of these is set out in the audit response to the risks associated with this key audit matter in section 2 of this report.

To address the pervasive risk as it relates to management override, we also performed procedures including:

- Identifying journal entries to test for all in-scope components, other than those only in scope for specified risk-based audit procedures, based on risk criteria and comparing the identified entries to supporting documentation. These include unusual journal entries posted to either cash or borrowings.
- Evaluating the business purpose of non-recurring transactions.
- Assessing significant accounting estimates and judgements for bias.

We discussed with the audit committee matters related to actual or suspected fraud, for which disclosure is not necessary, and considered any implications for our audit.

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

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

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

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the group to all in-scope component audit teams, with the exception of those scoped in only for specified risk-based audit procedures, of relevant laws and regulations identified at the group level, and a request for these teams to report to the group any instances of non-compliance with said laws and regulations, or any identified local laws and regulations, that could give rise to a material misstatement at group.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

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

We discussed with the audit committee matters related to actual or suspected breaches of laws or regulations, for which disclosure is not necessary, and considered any implications for our audit.

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

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

7. We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report
Based solely on our work on the other information:

- 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.

Directors' remuneration report
In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Disclosures of emerging and principal risks and longer-term viability
We are required to perform procedures to identify whether there is a material inconsistency between the directors' disclosures in respect of emerging and principal risks and the viability statement, and the financial statements and our audit knowledge. Based on those procedures, we have nothing material to add or draw attention to in relation to:

- The directors' confirmation within the viability statement on page 64, that they have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- The emerging and principal risks disclosures on pages 52 to 63 describing these risks and explaining how they are being managed and mitigated; and
- The directors' explanation in the viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to review the viability statement, set out on page 64, under the Listing Rules. Based on the above procedures, we have concluded that the above disclosures are materially consistent with the financial statements and our audit knowledge.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. 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 anything to report on these statements is not a guarantee as to the Group's and Company's longer-term viability.

Corporate governance disclosures

We are required to perform procedures to identify whether there is a material inconsistency between the directors' corporate governance disclosures and the financial statements and our audit knowledge.

Based on those procedures, we have concluded that each of the following is materially consistent with the financial statements and our audit knowledge:

- the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy;
- the section of the annual report describing the work of the Audit Committee, including the significant issues that the audit committee considered in relation to the financial statements, and how those issues were addressed; and
- the section of the annual report that describes the review of the effectiveness of the Group's risk management and internal control systems.

We are required to review the part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review. We have nothing to report in this respect.

8. We have nothing to report on the other 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- The parent company financial statements and the part of the Directors' Remuneration Report to be audited 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.

9. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 321, the directors are responsible for the preparation of the financial statements including being satisfied that they give a true and fair view. They 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; assessing the Group and parent 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 Group or the parent 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 other irregularities (see below), 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, other irregularities 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.

10. 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.

Philip Smart (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor

Public Interest Entity Auditor recognised in accordance with the Hong Kong Financial Reporting Council Ordinance

Chartered Accountants
London

8 March 2022