

PART IV

HISTORICAL FINANCIAL INFORMATION ON THE JACKSON GROUP

1. Basis of preparation

The financial information of the Jackson Group in this Part IV has been extracted without material adjustment from the consolidation schedules that support the audited consolidated financial statements of the Prudential Group for the three years ended 31 December 2020. The accounting policies applied are consistent with those applied in the Prudential Group's published consolidated financial statements for each of the financial periods presented.

The profit before tax and shareholders' equity of the Jackson Group presented in this Circular differ from the financial information presented in the Form 10 of the Jackson Group being filed with the SEC. This relates primarily to differences in the accounting basis applied with the financial information in the Form 10 being prepared under U.S. GAAP, as compared to IFRS, and differences in the presentation of the results of the Jackson Group in the Prudential consolidated accounts as compared to that presented in the Jackson Group's Form 10. The financial information of the Jackson Group following completion of the Demerger will continue to be provided in U.S. GAAP rather than IFRS.

The financial information reflects the results and shareholders' equity of the Jackson Group as if it had been a standalone business throughout the financial periods covered. The allocation of amounts to the Jackson Group, which primarily relate to restructuring and IFRS 17 implementation costs, provides a reasonable basis for the presentation of the historical financial information relating to the Jackson Group to enable shareholders to make a fully informed voting decision. The adoption of new accounting pronouncements during the periods presented did not result in a restatement of the comparative information. This included the adoption of IFRS 16, 'Leases', in 2019, whereby the modified retrospective approach was applied with no restatement required to the comparative information.

The financial information contained in this Part IV does not constitute statutory accounts within the meaning of section 434 of the Companies Act. The consolidated statutory accounts of the Prudential Group in respect of each of the years ended 31 December 2018, 31 December 2019 and 31 December 2020 have been delivered to the Registrar of Companies. The auditors' reports in respect of those statutory accounts for the three years ended 31 December 2020 (i) were unqualified; (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report; and (iii) did not contain a statement under section 498(2) or (3) of the Companies Act. KPMG were the auditors of the Prudential Group in respect of the three years ended 31 December 2020.

Shareholders should read the whole of this Circular and not rely solely on the financial information contained in this Part IV.

A Notice of Internet Availability of the Information Statement which contains detailed financial information about the Jackson Group (prepared under U.S. GAAP) will be sent to you on or around the date of this Circular. A copy of the Information Statement may be accessed (subject to the restrictions provided therein) at www.prudentialplc.com/investors/shareholder-information/jackson-demerger-transaction-documents.

For the avoidance of doubt, the contents of that website and the Information Statement are not incorporated into and do not form part of this Circular.

2. Consolidated income statement of the Jackson Group

	Year ended 31 December		
	2020 \$m	2019 \$m	2018 \$m
Gross premiums earned	19,026	21,209	23,573
Outward reinsurance premiums	(30,584)	(467)	(412)
Earned premiums, net of reinsurance	(11,558)	20,742	23,161
Investment return	31,229	34,594	(6,393)
Other income	92	95	134
Total revenue, net of reinsurance	19,763	55,431	16,902
Benefit and claims	(47,714)	(55,284)	(12,241)
Reinsurers' share of benefit and claims	28,097	550	505
Benefits and claims, net of reinsurance	(19,617)	(54,734)	(11,736)
Acquisition costs and other expenditure	(867)	(1,409)	(2,802)
Finance costs: interest on core structural borrowings of shareholder-financed businesses	(21)	(20)	(20)
Loss attaching to corporate transactions	(18)	–	(51)
Total charges, net of reinsurance	(20,523)	(56,163)	(14,609)
(Loss) Profit before tax attributable to shareholders' returns	(760)	(732)	2,293
Tax credit (charge) attributable to shareholders' returns	477	347	(334)
(Loss) Profit for the year	(283)	(385)	1,959
Attributable to:			
Equity holders of the Company	(340)	(385)	1,959
Non-controlling interests ⁽ⁱ⁾	57	–	–
	(283)	(385)	1,959

3. Consolidated statement of financial position of the Jackson Group

As of:	31 Dec 2020 \$m
Assets	
Deferred acquisition costs and other intangible assets	13,881
Property, plant and equipment	309
Reinsurers' share of insurance contract liabilities	35,232
Deferred tax assets	4,542
Current tax recoverable	433
Accrued investment income	378
Other debtors	270
Investment properties	7
Loans	12,340
Equity securities and holdings in collective investment schemes	219,340
Debt securities	36,033
Derivative assets	2,220
Other investments	1,867
Deposits	7
Cash and cash equivalents	1,621
Total assets	328,480
Equity	
Shareholders' equity	8,511
Non-controlling interests ⁽ⁱ⁾	1,063
Total equity	9,574
Liabilities	
Insurance contract liabilities	293,325
Investment contract liabilities without discretionary participation features	3,188
Core structural borrowings of shareholder-financed businesses	250
Operational borrowings	1,498
Obligations under funding, securities lending and sale and repurchase agreements	9,497
Net asset value attributable to unit holders of consolidated investment funds	494
Deferred tax liabilities	3,523
Current tax liabilities	10
Accruals, deferred income and other liabilities	7,064
Provisions	14
Derivative liabilities	43
Total liabilities	318,906
Total equity and liabilities	328,480

Note

- (i) The non-controlling interests in 2020 shown in the financial information of the Jackson Group relate to the Athene Investment completed on 17 July 2020. Under the transaction, Athene invested \$500 million in Jackson for Class A common stock and Class B common stock, representing a 9.9 per cent. voting interest corresponding to an 11.1 per cent. economic interest. Shareholders' equity equates to Prudential plc's 88.9 per cent. economic interest in the Jackson Group.