

International Financial Reporting Standards (IFRS) basis results

Condensed consolidated income statement

	Note	2009 £m		2008 £m	
		Half year	Half year	Half year	Full year
Earned premiums, net of reinsurance		9,518	8,926	18,789	
Investment return		3,625	(9,752)	(30,202)	
Other income		574	453	1,146	
Total revenue, net of reinsurance		13,717	(373)	(10,267)	
Benefits and claims and movement in unallocated surplus of with-profits funds, net of reinsurance		(10,783)	1,479	10,824	
Acquisition costs and other operating expenditure		(2,446)	(1,763)	(2,459)	
Finance costs: interest on core structural borrowings of shareholder-financed operations		(84)	(82)	(172)	
Loss on sale of Taiwan agency business	G	(559)	–	–	
Total charges, net of reinsurance		(13,872)	(366)	8,193	
Loss before tax (<i>being tax attributable to shareholders' and policyholders' returns</i>)*		(155)	(739)	(2,074)	
Tax credit attributable to policyholders' returns		79	637	1,624	
Loss before tax attributable to shareholders	C	(76)	(102)	(450)	
Tax (charge) credit	H	(103)	625	1,683	
Less: tax credit attributable to policyholders' returns		(79)	(637)	(1,624)	
Tax (charge) credit attributable to shareholders' returns	H	(182)	(12)	59	
Loss from continuing operations after tax/Loss for the period		(258)	(114)	(391)	
Attributable to:					
Equity holders of the Company		(254)	(116)	(396)	
Minority interests		(4)	2	5	
Loss for the period		(258)	(114)	(391)	

Earnings per share (in pence)

		2009		2008	
		Half year	Half year	Half year	Full year
Based on loss for the period attributable to the equity holders of the Company:					
Basic	I	(10.2)p	(4.7)p	(16.0)p	
Diluted	I	(10.2)p	(4.7)p	(16.0)p	

* This measure is the formal loss before tax measure under IFRS but it is not the result attributable to shareholders.

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continued

Condensed consolidated statement of comprehensive income*

	Note	2009 £m	2008 £m	
		Half year	Half year	Full year
Loss for the period		(258)	(114)	(391)
Other comprehensive income (loss):				
Exchange movements on foreign operations and net investment hedges:				
Exchange movements arising during the period		(292)	32	391
Related tax		(6)	14	119
		(298)	46	510
Available-for-sale securities:				
Unrealised valuation movements on securities of US insurance operations classified as available-for-sale:				
Unrealised holding gains (losses) arising during the period		662	(774)	(2,482)
Add back net losses included in the income statement on disposal and impairment		146	97	378
Total	M	808	(677)	(2,104)
Related change in amortisation of deferred income and acquisition costs		(235)	244	831
Related tax		(150)	148	442
		423	(285)	(831)
Other comprehensive income (loss) for the period, net of related tax		125	(239)	(321)
Total comprehensive loss for the period		(133)	(353)	(712)
Attributable to:				
Equity holders of the Company		(129)	(355)	(717)
Minority interests		(4)	2	5
Total comprehensive loss for the period		(133)	(353)	(712)

* This consolidated statement of comprehensive income has been introduced as a result of the adoption of amendments to IAS 1 'Presentation of Financial Statements: A Revised Presentation'. See note B.

Condensed consolidated statement of changes in equity

	Period ended 30 Jun 2009 £m							Total equity
	Share capital	Share premium	Retained earnings	Translation reserve	Available-for-sale securities reserve	Shareholders' equity	Minority interests	
Reserves								
Total comprehensive income (loss) for the period	–	–	(254)	(298)	423	(129)	(4)	(133)
Dividends	–	–	(322)	–	–	(322)	–	(322)
Reserve movements in respect of share-based payments	–	–	18	–	–	18	–	18
Change in minority interests arising principally from purchase and sale of property partnerships of the PAC with-profits fund and other consolidated investment funds	–	–	–	–	–	–	(22)	(22)
Share capital and share premium								
New share capital subscribed	1	95	–	–	–	96	–	96
Transfer to retained earnings in respect of shares issued in lieu of cash dividends	–	(95)	95	–	–	–	–	–
Treasury shares								
Movement in own shares in respect of share-based payment plans	–	–	7	–	–	7	–	7
Movement in Prudential plc shares purchased by unit trusts consolidated under IFRS	–	–	(8)	–	–	(8)	–	(8)
Net increase (decrease) in equity	1	–	(464)	(298)	423	(338)	(26)	(364)
At beginning of period	125	1,840	3,604	398	(909)	5,058	55	5,113
At end of period	126	1,840	3,140	100	(486)	4,720	29	4,749

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Condensed consolidated statement of changes in equity continued

	Period ended 30 Jun 2008 £m							
	Share capital	Share premium	Retained earnings	Trans-lation reserve	Available-for-sale securities reserve	Share-holders' equity	Minority interests	Total equity
Reserves								
Total comprehensive income (loss) for the period	–	–	(116)	46	(285)	(355)	2	(353)
Dividends	–	–	(304)	–	–	(304)	–	(304)
Reserve movements in respect of share-based payments	–	–	14	–	–	14	–	14
Change in minority interests arising principally from purchase and sale of property partnerships of the PAC with-profits fund and other consolidated investment funds	–	–	–	–	–	–	(6)	(6)
Share capital and share premium								
New share capital subscribed	1	136	–	–	–	137	–	137
Transfer to retained earnings in respect of shares issued in lieu of cash dividends	–	(126)	126	–	–	–	–	–
Treasury shares								
Movement in own shares in respect of share-based payment plans	–	–	6	–	–	6	–	6
Movement in Prudential plc shares purchased by unit trusts consolidated under IFRS	–	–	(8)	–	–	(8)	–	(8)
Net increase (decrease) in equity	1	10	(282)	46	(285)	(510)	(4)	(514)
At beginning of period	123	1,828	4,301	(112)	(78)	6,062	102	6,164
At end of period	124	1,838	4,019	(66)	(363)	5,552	98	5,650

Condensed consolidated statement of changes in equity continued

	Year ended 31 Dec 2008							£m
	Share capital	Share premium	Retained earnings	Translation reserve	Available-for-sale securities reserve	Shareholders' equity	Minority interests	Total equity
Reserves								
Total comprehensive income (loss) for the year	–	–	(396)	510	(831)	(717)	5	(712)
Dividends	–	–	(453)	–	–	(453)	(2)	(455)
Reserve movements in respect of share-based payments	–	–	18	–	–	18	–	18
Change in minority interests arising principally from purchase and sale of property partnerships of the PAC with-profits fund and other consolidated investment funds	–	–	–	–	–	–	(50)	(50)
Share capital and share premium								
New share capital subscribed	2	168	–	–	–	170	–	170
Transfer to retained earnings in respect of shares issued in lieu of cash dividends	–	(156)	156	–	–	–	–	–
Treasury shares								
Movement in own shares in respect of share-based payment plans	–	–	3	–	–	3	–	3
Movement in Prudential plc shares purchased by unit trusts consolidated under IFRS	–	–	(25)	–	–	(25)	–	(25)
Net increase (decrease) in equity	2	12	(697)	510	(831)	(1,004)	(47)	(1,051)
At beginning of year	123	1,828	4,301	(112)	(78)	6,062	102	6,164
At end of year	125	1,840	3,604	398	(909)	5,058	55	5,113

As a result of the introduction of the consolidated statement of comprehensive income there has been a reclassification of £240 million of exchange losses from the Available-for-sale securities reserve to the Translation reserve in the 2008 full year comparatives as explained in note B.

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Condensed consolidated statement of financial position

Assets

	Note	2009 £m	2008 £m	
		30 Jun	30 Jun	31 Dec
Intangible assets attributable to shareholders:				
Goodwill		1,310	1,341	1,341
Deferred acquisition costs and other intangible assets	P	4,045	3,290	5,349
		5,355	4,631	6,690
Intangible assets attributable to with-profits funds:				
In respect of acquired subsidiaries for venture fund and other investment purposes		159	174	174
Deferred acquisition costs and other intangible assets		111	18	126
		270	192	300
Total		5,625	4,823	6,990
Other non-investment and non-cash assets:				
Property, plant and equipment		428	1,038	635
Reinsurers' share of insurance contract liabilities		1,114	971	1,240
Deferred tax asset	H	2,149	1,250	2,886
Current tax recoverable		389	244	657
Accrued investment income		2,366	2,209	2,513
Other debtors		1,311	1,108	1,232
Total		7,757	6,820	9,163
Investments of long-term business and other operations:				
Investment properties		10,479	13,529	11,992
Investments accounted for using the equity method		6	16	10
Financial investments:				
Loans	K	8,613	8,719	10,491
Equity securities and portfolio holdings in unit trusts		56,069	75,876	62,122
Debt securities	L	89,399	83,806	95,224
Other investments		6,085	4,528	6,301
Deposits		8,806	8,194	7,294
Total		179,457	194,668	193,434
Properties held for sale		5	–	–
Cash and cash equivalents		6,542	4,844	5,955
Total assets	D	199,386	211,155	215,542

Equity and liabilities

	Note	2009 £m	2008 £m	
		30 Jun	30 Jun	31 Dec
Equity				
Shareholders' equity		4,720	5,552	5,058
Minority interests		29	98	55
Total equity		4,749	5,650	5,113
Liabilities				
Policyholder liabilities and unallocated surplus of with-profits funds				
Contract liabilities (including amounts in respect of contracts classified as investment contracts under IFRS 4)		165,047	169,113	173,977
Unallocated surplus of with-profits funds		7,061	12,560	8,414
Total		172,108	181,673	182,391
Core structural borrowings of shareholder-financed operations:				
Subordinated debt		2,198	1,603	1,987
Other		701	923	971
Total	N	2,899	2,526	2,958
Other borrowings:				
Operational borrowings attributable to shareholder-financed operations	O	2,855	2,908	1,977
Borrowings attributable to with-profits operations	O	1,349	937	1,308
Other non-insurance liabilities:				
Obligations under funding, securities lending and sale and repurchase agreements		4,218	5,053	5,572
Net asset value attributable to unit holders of consolidated unit trusts and similar funds		2,706	3,755	3,843
Current tax liabilities		663	952	842
Deferred tax liabilities	H	2,651	2,843	3,229
Accruals and deferred income		626	773	630
Other creditors		1,640	1,956	1,496
Provisions		614	488	461
Derivative liabilities		1,379	723	4,832
Other liabilities		929	918	890
Total		15,426	17,461	21,795
Total liabilities		194,637	205,505	210,429
Total equity and liabilities	D	199,386	211,155	215,542

International Financial Reporting Standards (IFRS) basis results

continued

Condensed consolidated statement of cash flows

	Note	2009 £m	2008 £m	
		Half year	Half year	Full year
Cash flows from operating activities				
Loss before tax (<i>being tax attributable to shareholders' and policyholders' returns</i>) ^{note i}		(155)	(739)	(2,074)
Changes in operating assets and liabilities ^{note ii}		1,068	1,236	3,978
Other items ^{note ii}		633	(325)	(760)
Net cash flows from operating activities		1,546	172	1,144
Cash flows from investing activities				
Net cash flows from purchases and disposals of property, plant and equipment		(22)	(55)	(229)
Disposal of Taiwan agency business ^{note iii}	G	(436)	–	–
Net cash flows from investing activities		(458)	(55)	(229)
Cash flows from financing activities				
Structural borrowings of the Group:				
Shareholder-financed operations: ^{note iv}				
Issue of subordinated debt, net of costs	N	379	–	–
Redemption of senior debt		(249)	–	–
Interest paid		(98)	(91)	(167)
With-profits operations: ^{note v}				
Interest paid	O	(9)	(9)	(9)
Equity capital: ^{note vi}				
Issues of ordinary share capital		–	10	12
Dividends paid		(226)	(177)	(297)
Net cash flows from financing activities		(203)	(267)	(461)
Net increase (decrease) in cash and cash equivalents		885	(150)	454
Cash and cash equivalents at beginning of period		5,955	4,951	4,951
Effect of exchange rate changes on cash and cash equivalents		(298)	43	550
Cash and cash equivalents at end of period ^{note vii}		6,542	4,844	5,955

Notes

- i This measure is the formal loss before tax measure under IFRS but it is not the result attributable to shareholders.
- ii The adjusting items to loss before tax include changes in operating assets and liabilities, and other items including adjustments in respect of non-cash items, together with operational interest receipts and payments, dividend receipts, and tax paid. The figure of £633 million for other items at half year 2009 includes £559 million for the loss on disposal of Taiwan agency business. The most significant elements of the adjusting items within changes in operating assets and liabilities are as follows:

	2009 Half year £m	2008 Half year £m	2008 Full year £m
Deferred acquisition costs (excluding changes taken directly into equity)	226	(464)	(1,149)
Other non-investment and non-cash assets	(234)	(742)	(510)
Investments	(841)	9,166	33,255
Policyholder liabilities (including unallocated surplus)	2,265	(9,194)	(26,987)
Other liabilities (including operational borrowings)	(348)	2,470	(631)
Changes in operating assets and liabilities	1,068	1,236	3,978

- iii The amount of £436 million in respect of the disposal of the Taiwan agency business shown above, represents the cash and cash equivalents of £388 million held by Taiwan agency business transferred on disposal and restructuring costs paid in cash in the period of £3 million. In addition, the cash flow for the disposal includes a £45 million outflow to purchase a 9.99 per cent stake in China Life.
- iv Structural borrowings of shareholder-financed operations comprise core debt of the holding company and Jackson surplus notes. Core debt excludes borrowings to support short-term fixed income securities programmes, non-recourse borrowings of investment subsidiaries of shareholder-financed operations and other borrowings of shareholder-financed operations. Cash flows in respect of these borrowings are included within cash flows from operating activities. In May 2009, the Company repaid maturing £249 million senior debt. In the same month, the Company issued £400 million subordinated debt in part to replace the maturing debt.
- v Structural borrowings of with-profits operations relate solely to the £100 million 8.5 per cent undated subordinated guaranteed bonds which contribute to the solvency base of the Scottish Amicable Insurance Fund (SAIF), a ring-fenced sub-fund of the PAC with-profits fund. Cash flows in respect of other borrowings of with-profits funds, which principally relate to consolidated investment funds, are included within cash flows from operating activities.
- vi Cash movements in respect of equity capital exclude scrip dividends.
- vii Of the cash and cash equivalents amounts reported above, £638 million (half year 2008: £361 million; full year 2008: £165 million) were held centrally.