

International Financial Reporting Standards (IFRS) basis results

Condensed consolidated income statement

	Note	2010 £m	2009 £m	
		Half year	Half year	Full year
Earned premiums, net of reinsurance		11,256	9,518	19,976
Investment return	G,I	5,027	3,625	26,889
Other income		754	574	1,234
Total revenue, net of reinsurance		17,037	13,717	48,099
Benefits and claims and movement in unallocated surplus of with-profits funds, net of reinsurance	J	(13,650)	(10,783)	(41,195)
Acquisition costs and other expenditure	G,H	(2,654)	(2,446)	(4,572)
Finance costs: interest on core structural borrowings of shareholder-financed operations		(129)	(84)	(209)
Loss on sale of Taiwan agency business	K	–	(559)	(559)
Total charges, net of reinsurance		(16,433)	(13,872)	(46,535)
Profit (loss) before tax (being tax attributable to shareholders' and policyholders' returns)*		604	(155)	1,564
Tax (charge) credit attributable to policyholders' returns		(11)	79	(818)
Profit (loss) before tax attributable to shareholders	C	593	(76)	746
Tax (charge) credit	L	(160)	(103)	(873)
Less: tax attributable to policyholders' returns		11	(79)	818
Tax (charge) credit attributable to shareholders' returns	L	(149)	(182)	(55)
Profit (loss) from continuing operations after tax		444	(258)	691
Discontinued operations (net of tax)†		–	–	(14)
Profit (loss) for the period		444	(258)	677
Attributable to:				
Equity holders of the Company		442	(254)	676
Non-controlling interests		2	(4)	1
Profit (loss) for the period		444	(258)	677
Earnings per share (in pence)				
Basic:				
Based on profit (loss) from continuing operations attributable to the equity holders of the Company	M	17.5p	(10.2)p	27.6p
Based on loss from discontinued operations attributable to the equity holders of the Company		–	–	(0.6)p
		17.5p	(10.2)p	27.0p
Diluted:				
Based on profit (loss) from continuing operations attributable to the equity holders of the Company	M	17.5p	(10.2)p	27.6p
Based on loss from discontinued operations attributable to the equity holders of the Company		–	–	(0.6)p
		17.5p	(10.2)p	27.0p

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

† The full year 2009 charge which was net of £nil tax, reflected completion adjustments for a previously disposed business.

Condensed consolidated statement of comprehensive income

	Note	2010 £m	2009 £m	
		Half year	Half year	Full year
Profit (loss) for the period		444	(258)	677
Other comprehensive income (loss):				
Exchange movements on foreign operations and net investment hedges:				
Exchange movements arising during the period		315	(292)	(206)
Related tax		(8)	(6)	11
		307	(298)	(195)
Available-for-sale securities:				
Unrealised valuation movements on securities of US insurance operations classified as available-for-sale:				
Unrealised holding gains arising during the period		1,123	662	2,249
Add back net losses included in the income statement on disposal and impairment		21	146	420
Total	W	1,144	808	2,669
Related change in amortisation of deferred income and acquisition costs	S	(510)	(235)	(1,069)
Related tax		(215)	(150)	(557)
		419	423	1,043
Other comprehensive income for the period, net of related tax		726	125	848
Total comprehensive income (loss) for the period		1,170	(133)	1,525
Attributable to:				
Equity holders of the Company		1,168	(129)	1,524
Non-controlling interests		2	(4)	1
Total comprehensive income (loss) for the period		1,170	(133)	1,525

Condensed consolidated statement of changes in equity

	Period ended 30 Jun 2010 £m							Total equity
	Share capital	Share premium	Retained earnings	Translation reserve	Available-for-sale securities reserve	Shareholders' equity	Non-controlling interests	
Reserves								
Total comprehensive income for the period	–	–	442	307	419	1,168	2	1,170
Dividends	–	–	(344)	–	–	(344)	–	(344)
Reserve movements in respect of share-based payments	–	–	15	–	–	15	–	15
Change in non-controlling interests arising principally from purchase and sale of property partnerships of the PAC with-profits fund and other consolidated investment funds	–	–	–	–	–	–	3	3
Share capital and share premium								
New share capital subscribed	–	39	–	–	–	39	–	39
Transfer to retained earnings in respect of shares issued in lieu of cash dividends	–	(26)	26	–	–	–	–	–
Treasury shares								
Movement in own shares in respect of share-based payment plans	–	–	8	–	–	8	–	8
Movement in Prudential plc shares purchased by unit trusts consolidated under IFRS	–	–	4	–	–	4	–	4
Net increase in equity	–	13	151	307	419	890	5	895
At beginning of period	127	1,843	3,964	203	134	6,271	32	6,303
At end of period	127	1,856	4,115	510	553	7,161	37	7,198

Condensed consolidated statement of changes in equity continued

	Period ended 30 Jun 2009 £m							
	Share capital	Share premium	Retained earnings	Trans- lation reserve	Available- for-sale securities reserve	Share- holders' equity	Non- control- ling interests	Total equity
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 non-controlling 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

Condensed consolidated statement of changes in equity continued

	Year ended 31 Dec 2009 £m							
	Share capital	Share premium	Retained earnings	Trans- lation reserve	Available- for-sale securities reserve	Share- holders' equity	Non- control- ling interests	Total equity
Reserves								
Total comprehensive income (loss) for the year	–	–	676	(195)	1,043	1,524	1	1,525
Dividends	–	–	(481)	–	–	(481)	–	(481)
Reserve movements in respect of share-based payments	–	–	29	–	–	29	–	29
Change in non-controlling interests arising principally from purchase and sale of property partnerships of the PAC with-profits fund and other consolidated investment funds	–	–	–	–	–	–	(24)	(24)
Share capital and share premium								
New share capital subscribed	2	139	–	–	–	141	–	141
Transfer to retained earnings in respect of shares issued in lieu of cash dividends	–	(136)	136	–	–	–	–	–
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	–	–	(3)	–	–	(3)	–	(3)
Net increase (decrease) in equity	2	3	360	(195)	1,043	1,213	(23)	1,190
At beginning of year	125	1,840	3,604	398	(909)	5,058	55	5,113
At end of year	127	1,843	3,964	203	134	6,271	32	6,303

Condensed consolidated statement of financial position

Assets	Note	2010 £m	2009 £m	
		30 Jun	30 Jun	31 Dec
Intangible assets attributable to shareholders:				
Goodwill	R	1,465	1,310	1,310
Deferred acquisition costs and other intangible assets	S	4,028	4,045	4,049
		5,493	5,355	5,359
Intangible assets attributable to with-profits funds:				
In respect of acquired subsidiaries for venture fund and other investment purposes		124	159	124
Deferred acquisition costs and other intangible assets		110	111	106
		234	270	230
Total		5,727	5,625	5,589
Other non-investment and non-cash assets:				
Property, plant and equipment		382	428	367
Reinsurers' share of insurance contract liabilities		1,369	1,114	1,187
Deferred tax assets	L	2,691	2,149	2,708
Current tax recoverable		575	389	636
Accrued investment income		2,559	2,366	2,473
Other debtors		1,467	1,311	762
Total		9,043	7,757	8,133
Investments of long-term business and other operations:				
Investment properties		11,360	10,479	10,905
Investments accounted for using the equity method		9	6	6
Financial investments:				
Loans	U	9,587	8,613	8,754
Equity securities and portfolio holdings in unit trusts		71,775	56,069	69,354
Debt securities	V	113,334	89,399	101,751
Other investments		6,768	6,085	5,132
Deposits		9,766	8,806	12,820
Total		222,599	179,457	208,722
Properties held for sale		3	5	3
Cash and cash equivalents		6,040	6,542	5,307
Total assets	O	243,412	199,386	227,754

Condensed consolidated statement of financial position

	Note	2010 £m	2009 £m	
		30 Jun	30 Jun	31 Dec
Equity and liabilities				
Equity				
Shareholders' equity		7,161	4,720	6,271
Non-controlling interests		37	29	32
Total equity		7,198	4,749	6,303
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)		198,913	165,047	186,398
Unallocated surplus of with-profits funds		10,066	7,061	10,019
Total	AA	208,979	172,108	196,417
Core structural borrowings of shareholder-financed operations:				
Subordinated debt		2,767	2,198	2,691
Other		715	701	703
Total	X	3,482	2,899	3,394
Other borrowings:				
Operational borrowings attributable to shareholder-financed operations	Y	3,234	2,855	2,751
Borrowings attributable to with-profits operations	Y	1,313	1,349	1,284
Other non-insurance liabilities:				
Obligations under funding, securities lending and sale and repurchase agreements		3,222	4,218	3,482
Net asset value attributable to unit holders of consolidated unit trusts and similar funds		2,667	2,706	3,809
Current tax liabilities		1,272	663	1,215
Deferred tax liabilities	L	4,115	2,651	3,872
Accruals and deferred income		555	626	594
Other creditors		3,246	1,640	1,612
Provisions		641	614	643
Derivative liabilities		2,033	1,379	1,501
Other liabilities		1,455	929	877
Total		19,206	15,426	17,605
Total liabilities		236,214	194,637	221,451
Total equity and liabilities	O	243,412	199,386	227,754

Condensed consolidated statement of cash flows

	Note	2010	2009	
		£m	£m	
		Half year	Half year	Full year
Cash flows from operating activities				
Profit (loss) before tax (<i>being tax attributable to shareholders' and policyholders' returns</i>) ^{note i}		604	(155)	1,564
Loss before tax from discontinued operations		–	–	(14)
Total profit (loss) before tax		604	(155)	1,550
Changes in operating assets and liabilities ^{note ii}		516	1,068	(2,139)
Other items ^{note ii}		167	633	697
Net cash flows from operating activities		1,287	1,546	108
Cash flows from investing activities				
Net cash flows from purchases and disposals of property, plant and equipment		(22)	(22)	(37)
Completion adjustment for previously disposed business		–	–	(20)
Disposal of Taiwan agency business ^{note iii}	K	–	(436)	(497)
Acquisition of UOB Life, net of cash balance ^{note iv}		(101)	–	–
Net cash flows from investing activities		(123)	(458)	(554)
Cash flows from financing activities				
Structural borrowings of the Group:				
Shareholder-financed operations: ^{note v}				
Issue of subordinated debt, net of costs	X	–	379	822
Redemption of senior debt		–	(249)	(249)
Interest paid		(131)	(98)	(207)
With-profits operations: ^{note vi}				
Interest paid	Y	(4)	(9)	(9)
Equity capital: ^{note vii}				
Issues of ordinary share capital		13	–	3
Dividends paid		(318)	(226)	(344)
Net cash flows from financing activities		(440)	(203)	16
Net increase (decrease) in cash and cash equivalents		724	885	(430)
Cash and cash equivalents at beginning of period		5,307	5,955	5,955
Effect of exchange rate changes on cash and cash equivalents		9	(298)	(218)
Cash and cash equivalents at end of period		6,040	6,542	5,307

Notes

i This measure is the formal profit (loss) before tax measure under IFRS but it is not the result attributable to shareholders.

ii The adjusting items to profit (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 (full year 2009: £697 million) includes £559 million (full year 2009: £559 million) for the loss on disposal of Taiwan agency business. The elements of the adjusting items within changes in operating assets and liabilities are as follows:

	2010	2009	2009
	Half year	Half year	Full year
	£m	£m	£m
Other non-investment and non-cash assets	(997)	227	(384)
Investments	(5,278)	(1,076)	(26,388)
Policyholder liabilities (including unallocated surplus)	6,086	2,265	24,932
Other liabilities (including operational borrowings)	705	(348)	(299)
Changes in operating assets and liabilities	516	1,068	(2,139)

iii The amount of £436 million for half year 2009 and £497 million for full year 2009 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 (half year 2009: £3 million; full year 2009: £ 64 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 On 6 January 2010, the Group announced the acquisition from United Overseas Bank Limited (UOB) of its 100 per cent interest in UOB Life Assurance Limited in Singapore (see note Q). The amount of £101 million net cash outflow in respect of this acquisition represents consideration which has been paid as at 30 June 2010 of £188 million, acquisition-related costs paid of £2 million, less cash and cash equivalents acquired of £89 million.

v 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.

vi 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.

vii Cash movements in respect of equity capital exclude scrip dividends.