

Notes on the IFRS basis results continued

AC: Additional information on the effect of adoption of new and amended accounting standards

The new and amended accounting standards adopted by the Group in 2013 are explained in note B. The tables below show the quantitative effect of the adoption of these new and amended standards on the Group primary financial statements and supplementary analysis of profit.

(a) The aggregate effect of the adoption of the standards on the income statement, earnings per share, statement of comprehensive income, statement of changes in equity, statement of financial position and cash flow statement is shown in the tables below:

Condensed consolidated income statement

	Half year 2013 £m				As reported after IFRS changes
	Under previous accounting requirements	Effect of IFRS changes			
		IFRS 10	IFRS 11	IAS 19R	
Total revenue, net of reinsurance	23,070	65	(744)	–	22,391
Benefits and claims and movement in unallocated surplus of with-profits funds, net of reinsurance	(18,629)	–	522	(36)	(18,143)
Acquisition costs and other expenditure	(3,605)	(65)	136	67	(3,467)
Remeasurement of Japan Life business classified as held for sale	(135)	–	–	–	(135)
Share of profit from joint ventures and associates, net of related tax*	–	–	74	–	74
Profit before tax (<i>being tax attributable to shareholders' and policyholders' returns</i>)	701	–	(12)	31	720
Less tax charge attributable to policyholders' returns	(213)	–	2	(3)	(214)
Profit before tax attributable to shareholders	488	–	(10)	28	506
Total tax charge attributable to policyholders and shareholders	(357)	–	12	(10)	(355)
Adjustment to remove tax charge (credit) attributable to policyholders' returns	213	–	(2)	3	214
Tax charge attributable to shareholders' returns	(144)	–	10	(7)	(141)
Profit for the period attributable to equity holders of the Company	344	–	–	21	365
Earnings per share (in pence)					
Based on profit attributable to the equity holders of the Company:					
Basic	13.5p	–	–	0.8p	14.3p
Diluted	13.5p	–	–	0.8p	14.3p

* The effect of change from IFRS 11 in the table above includes the reclassification of the Group's share of profit from its investments in associates into the Share of profit from joint ventures and associates, net of related tax line. These investments were already on the equity method accounting prior to 2013 but their results were previously included within the Investment return line.

Condensed consolidated income statement continued

	Half year 2012 £m				
	As reported under previous accounting requirements	Effect of IFRS changes			After IFRS changes
		IFRS 10	IFRS 11	IAS 19R	
Total revenue, net of reinsurance	23,881	38	(557)	–	23,362
Benefits and claims and movement in unallocated surplus of with-profits funds, net of reinsurance	(19,850)	–	389	118	(19,343)
Acquisition costs and other expenditure	(2,732)	(38)	97	(212)	(2,885)
Share of profit from joint ventures and associates, net of related tax*	–	–	62	–	62
Profit before tax (<i>being tax attributable to shareholders' and policyholders' returns</i>)	1,299	–	(9)	(94)	1,196
Less tax charge attributable to policyholders' returns	(40)	–	2	8	(30)
Profit before tax attributable to shareholders	1,259	–	(7)	(86)	1,166
Total tax charge attributable to policyholders and shareholders	(347)	–	9	29	(309)
Adjustment to remove tax charge attributable to policyholders' returns	40	–	(2)	(8)	30
Tax charge attributable to shareholders' returns	(307)	–	7	21	(279)
Profit for the period attributable to equity holders of the Company	952	–	–	(65)	887
Earnings per share (in pence)					
Based on profit attributable to the equity holders of the Company:					
Basic	37.5p	–	–	(2.5)p	35.0p
Diluted	37.5p	–	–	(2.6)p	34.9p

* The effect of change from IFRS 11 in the table above includes the reclassification of the Group's share of profit from its investments in associates into the Share of profit from joint ventures and associates, net of related tax line. These investments were already on the equity method accounting prior to 2013 but their results were previously included within the Investment return line.

Notes on the IFRS basis results continued

AC: Additional information on the effect of adoption of new and amended accounting standards continued

Condensed consolidated income statement continued

	Full year 2012 £m				
	As reported under previous accounting requirements	Effect of IFRS changes			After IFRS changes
		IFRS 10	IFRS 11	IAS 19R	
Total revenue, net of reinsurance	55,476	52	(1,090)	–	54,438
Benefits and claims and movement in unallocated surplus of with-profits funds, net of reinsurance	(45,953)	–	715	94	(45,144)
Acquisition costs and other expenditure	(6,335)	(52)	220	(145)	(6,312)
Share of profit from joint ventures and associates, net of related tax*	–	–	135	–	135
Profit before tax (<i>being tax attributable to shareholders' and policyholders' returns</i>)	3,188	–	(20)	(51)	3,117
Less tax charge attributable to policyholders' returns	(378)	–	2	6	(370)
Profit before tax attributable to shareholders	2,810	–	(18)	(45)	2,747
Total tax charge attributable to policyholders and shareholders	(991)	–	20	17	(954)
Adjustment to remove tax charge (credit) attributable to policyholders' returns	378	–	(2)	(6)	370
Tax charge attributable to shareholders' returns	(613)	–	18	11	(584)
Profit for the year attributable to equity holders of the Company	2,197	–	–	(34)	2,163

Earnings per share (in pence)

Based on profit attributable to the equity holders of the Company:

Basic	86.5p	–	–	(1.4)p	85.1p
Diluted	86.4p	–	–	(1.4)p	85.0p

* The effect of change from IFRS 11 in the table above includes the reclassification of the Group's share of profit from its investments in associates into the Share of profit from joint ventures and associates, net of related tax line. These investments were already on the equity method accounting prior to 2013 but their results were previously included within the Investment return line.

Condensed consolidated statement of comprehensive income and statement of changes in equity

	Half year 2013 £m				
	Under previous accounting requirements	Effect of IFRS changes			As reported after IFRS changes
		IFRS 10	IFRS 11	IAS 19R	
Profit for the period	344	–	–	21	365
Exchange movements on foreign operations and net investment hedges, net of related tax	232	–	–	–	232
Unrealised valuation on securities of US insurance operations classified as available-for-sale net of amortisation of deferred acquisition costs and related tax	(837)	–	–	–	(837)
Shareholders' share of actuarial gains and losses on defined benefit pension schemes, net of related tax	–	–	–	(21)	(21)
Total comprehensive loss for the period	(261)	–	–	–	(261)
Net decrease in shareholders' equity	(734)	–	–	–	(734)
At beginning of period	10,359	–	–	–	10,359
At end of period	9,625	–	–	–	9,625

Condensed consolidated statement of comprehensive income and statement of changes in equity continued

	Half year 2012 £m				
	As reported under previous accounting requirements	Effect of IFRS changes			After IFRS changes
		IFRS 10	IFRS 11	IAS 19R	
Profit for the period	952	–	–	(65)	887
Exchange movements on foreign operations and net investment hedges, net of related tax	(54)	–	–	–	(54)
Unrealised valuation on securities of US insurance operations classified as available-for-sale net of amortisation of deferred acquisition costs and related tax	196	–	–	–	196
Shareholders' share of actuarial and other gains and losses on defined benefit pension schemes, net of related tax	–	–	–	65	65
Total comprehensive income for the period	1,094	–	–	–	1,094
Net increase in shareholders' equity	728	–	–	–	728
At beginning of period	8,564	–	–	–	8,564
At end of period	9,292	–	–	–	9,292
	Full year 2012 £m				
	As reported under previous accounting requirements	Effect of IFRS changes			After IFRS changes
		IFRS 10	IFRS 11	IAS 19R	
Profit for the year	2,197	–	–	(34)	2,163
Exchange movements on foreign operations and net investment hedges, net of related tax	(216)	–	–	–	(216)
Unrealised valuation on securities of US insurance operations classified as available-for-sale net of amortisation of deferred acquisition costs and related tax	387	–	–	–	387
Shareholders' share of actuarial and other gains and losses on defined benefit pension schemes, net of related tax	–	–	–	34	34
Total comprehensive income for the year	2,368	–	–	–	2,368
Net increase in shareholders' equity	1,795	–	–	–	1,795
At beginning of year	8,564	–	–	–	8,564
At end of year	10,359	–	–	–	10,359

Notes on the IFRS basis results continued

AC: Additional information on the effect of adoption of new and amended accounting standards continued

Condensed consolidated statement of financial position

	30 Jun 2013 £m				As reported after IFRS changes
	Under previous accounting requirements	Effect of IFRS changes			
		IFRS10	IFRS11	IAS19R	
Assets					
Intangible assets attributable to shareholders	7,101	–	(89)	–	7,012
Intangible assets attributable to with-profits funds	257	–	–	–	257
Reinsurers' share of insurance contract liabilities	7,211	–	(7)	–	7,204
Other non-investment and non-cash assets	8,843	10	(113)	–	8,740
Investments of long-term business and other operations:					
Investment properties	10,936	–	(353)	–	10,583
Investments accounted for using the equity method	103	–	593	–	696
Financial investments:					
Loans	12,411	830	(11)	–	13,230
Equity securities and portfolio holdings in unit trusts	113,124	571	(1,437)	–	112,258
Debt securities	139,629	152	(1,525)	–	138,256
Other investments	6,178	(3)	(35)	–	6,140
Deposits	13,998	(3)	(453)	–	13,542
Total other assets	8,269	(141)	(209)	–	7,919
Total assets	328,060	1,416	(3,639)	–	325,837
Liabilities					
Policyholder liabilities and unallocated surplus of with-profits funds	287,499	–	(3,337)	–	284,162
Net asset value attributable to unit holders of consolidated unit trusts and similar funds	4,270	1,124	–	–	5,394
Total other liabilities	26,660	292	(302)	–	26,650
Total liabilities	318,429	1,416	(3,639)	–	316,206
Equity					
Shareholders' equity	9,625	–	–	–	9,625
Non-controlling interests	6	–	–	–	6
Total equity	9,631	–	–	–	9,631
Total equity and liabilities	328,060	1,416	(3,639)	–	325,837

Condensed consolidated statement of financial position continued

	30 Jun 2012 £m				After IFRS changes
	As reported under previous accounting requirements	Effect of IFRS changes			
		IFRS 10	IFRS 11	IAS 19R	
Assets					
Intangible assets attributable to shareholders	5,800	–	(96)	–	5,704
Intangible assets attributable to with-profits funds	262	–	–	–	262
Reinsurers' share of insurance contract liabilities	1,703	–	(5)	–	1,698
Other non-investment and non-cash assets	7,825	28	(125)	–	7,728
Investments of long-term business and other operations:					
Investment properties	10,822	–	(290)	–	10,532
Investments accounted for using the equity method	112	–	475	–	587
Financial investments:					
Loans	9,981	830	(11)	–	10,800
Equity securities and portfolio holdings in unit trusts	90,542	(45)	(1,399)	–	89,098
Debt securities	128,269	149	(1,069)	–	127,349
Other investments	8,143	(280)	(35)	–	7,828
Deposits	12,429	(5)	(473)	–	11,951
Total other assets	6,737	(251)	(151)	–	6,335
Total assets	282,625	426	(3,179)	–	279,872
Liabilities					
Policyholder liabilities and unallocated surplus of with-profits funds	246,221	–	(2,912)	–	243,309
Net asset value attributable to unit holders of consolidated unit trusts and similar funds	3,778	408	–	–	4,186
Total other liabilities	23,300	18	(267)	–	23,051
Total liabilities	273,299	426	(3,179)	–	270,546
Equity					
Shareholders' equity	9,292	–	–	–	9,292
Non-controlling interests	34	–	–	–	34
Total equity	9,326	–	–	–	9,326
Total equity and liabilities	282,625	426	(3,179)	–	279,872

Notes on the IFRS basis results continued

AC: Additional information on the effect of adoption of new and amended accounting standards continued

Condensed consolidated statement of financial position continued

	31 Dec 2012 £m				
	As reported under previous accounting requirements	Effect of IFRS changes			After IFRS changes
		IFRS 10	IFRS 11	IAS 19R	
Assets					
Intangible assets attributable to shareholders	5,736	–	(90)	–	5,646
Intangible assets attributable to with-profits funds	256	–	–	–	256
Reinsurers' share of insurance contract liabilities	6,859	–	(5)	–	6,854
Other non-investment and non-cash assets	7,492	25	(113)	–	7,404
Investments of long-term business and other operations:					
Investment properties	10,880	–	(326)	–	10,554
Investments accounted for using the equity method	113	–	522	–	635
Financial investments:					
Loans	11,821	930	(8)	–	12,743
Equity securities and portfolio holdings in unit trusts	99,958	172	(1,504)	–	98,626
Debt securities	140,103	146	(1,342)	–	138,907
Other investments	7,900	(323)	(30)	–	7,547
Deposits	12,653	(3)	(402)	–	12,248
Total other assets	6,482	(121)	(137)	–	6,224
Total assets	310,253	826	(3,435)	–	307,644
Liabilities					
Policyholder liabilities and unallocated surplus of with-profits funds	271,363	–	(3,100)	–	268,263
Net asset value attributable to unit holders of consolidated unit trusts and similar funds	4,345	800	–	–	5,145
Total other liabilities	24,181	26	(335)	–	23,872
Total liabilities	299,889	826	(3,435)	–	297,280
Equity					
Shareholders' equity	10,359	–	–	–	10,359
Non-controlling interests	5	–	–	–	5
Total equity	10,364	–	–	–	10,364
Total equity and liabilities	310,253	826	(3,435)	–	307,644

Condensed consolidated statement of cash flows

	30 Jun 2013 £m				
	Under previous accounting requirements	Effect of IFRS changes			As reported after IFRS changes
		IFRS 10	IFRS 11	IAS 19R	
Cash flows from operating activities					
Profit before tax (<i>being tax attributable to shareholders' and policyholders' returns</i>)	701	–	(12)	31	720
Non-cash movements in operating assets and liabilities reflected in profit before tax and other items	972	(141)	(197)	(31)	603
Net cash flows from operating activities	1,673	(141)	(209)	–	1,323
Cash flows from investing activities	(516)	–	–	–	(516)
Cash flows from financing activities	(254)	–	–	–	(254)
Net increase (decrease) in cash and cash equivalents	903	(141)	(209)	–	553
Cash and cash equivalents at beginning of period	6,126	–	–	–	6,126
Effect of exchange rate changes on cash and cash equivalents	161	–	–	–	161
Cash and cash equivalents at end of period	7,190	(141)	(209)	–	6,840
	30 Jun 2012 £m				
	As reported under previous accounting requirements	Effect of IFRS changes			After IFRS changes
		IFRS 10	IFRS 11	IAS 19R	
Cash flows from operating activities					
Profit before tax (<i>being tax attributable to shareholders' and policyholders' returns</i>)	1,299	–	(9)	(94)	1,196
Non-cash movements in operating assets and liabilities reflected in profit before tax and other items	(1,111)	60	61	94	(896)
Net cash flows from operating activities	188	60	52	–	300
Cash flows from investing activities	(85)	–	–	–	(85)
Cash flows from financing activities	(569)	–	–	–	(569)
Net (decrease) increase in cash and cash equivalents	(466)	60	52	–	(354)
Cash and cash equivalents at beginning of period	7,257	(310)	(206)	–	6,741
Effect of exchange rate changes on cash and cash equivalents	(54)	–	2	–	(52)
Cash and cash equivalents at end of period	6,737	(250)	(152)	–	6,335
	31 Dec 2012 £m				
	As reported under previous accounting requirements	Effect of IFRS changes			After IFRS changes
		IFRS 10	IFRS 11	IAS 19R	
Cash flows from operating activities					
Profit before tax (<i>being tax attributable to shareholders' and policyholders' returns</i>)	3,188	–	(20)	(51)	3,117
Non-cash movements in operating assets and liabilities reflected in profit before tax and other items	(2,742)	190	89	51	(2,412)
Net cash flows from operating activities	446	190	69	–	705
Cash flows from investing activities	(326)	–	–	–	(326)
Cash flows from financing activities	(892)	–	–	–	(892)
Net (decrease) increase in cash and cash equivalents	(772)	190	69	–	(513)
Cash and cash equivalents at beginning of year	7,257	(310)	(206)	–	6,741
Effect of exchange rate changes on cash and cash equivalents	(101)	–	(1)	–	(102)
Cash and cash equivalents at end of year	6,384	(120)	(138)	–	6,126

Notes on the IFRS basis results continued

AC: Additional information on the effect of adoption of new and amended accounting standards continued

(b) The effect of the adoption of the new and amended accounting standards in 2013 on the Group's supplementary analysis of profit is shown in the table below.

Segment disclosure - profit before tax

	Half year 2013 £m			As reported after IFRS changes
	Under previous accounting requirements	Effect of IFRS changes		
		IFRS 11	IAS 19R	
Operating profit based on longer-term investment returns				
Asia operations:				
Asia insurance operations:				
Before reclassification of held for sale Japan Life business	482	(3)	–	479
Reclassification of Japan Life business	(5)	–	–	(5)
	477	(3)	–	474
Eastspring Investments	42	(4)	–	38
Other operations	903	–	–	903
Total	1,422	(7)	–	1,415
Short-term fluctuations in investment returns:				
Before reclassification of held for sale Japan Life business	(742)	(3)	(4)	(749)
Reclassification of Japan Life business	(6)	–	–	(6)
	(748)	(3)	(4)	(755)
Shareholders' share of actuarial and other gains and losses on defined benefit pension schemes	(32)	–	32	–
Amortisation of acquisition accounting adjustments	(30)	–	–	(30)
Loss attaching to held for sale Japan Life business:				
Reclassification from operating profit based on longer-term investment returns	5	–	–	5
Reclassification from short-term fluctuations in investment returns	6	–	–	6
Remeasurement of carrying value of Japan Life business classified as held for sale	(135)	–	–	(135)
	(124)	–	–	(124)
Profit before tax attributable to shareholders	488	(10)	28	506
Basic EPS based on operating profit based on longer-term investment returns after tax and non-controlling interests (in pence)	42.2p	–	–	42.2p
Basic EPS based on total profit after tax and non-controlling interests (in pence)	13.5p	–	0.8p	14.3p

Segment disclosure - profit before tax continued

	Half year 2012 £m			
	Under previous accounting requirements	Effect of IFRS changes		After IFRS changes
		IFRS 11	IAS19R	
Operating profit based on longer-term investment returns				
Asia operations:				
Asia insurance operations*	406	(3)	–	403
Eastspring Investments	34	(2)	–	32
Other operations	722	–	–	722
Total	1,162	(5)	–	1,157
Short-term fluctuations in investment returns:				
Before reclassification of held for sale Japan Life business	(32)	(2)	1	(33)
Reclassification of Japan Life business	(14)	–	–	(14)
	(46)	(2)	1	(47)
Shareholders' share of actuarial and other gains and losses on defined benefit pension schemes	87	–	(87)	–
Gain on dilution of Group holdings	42	–	–	42
Profit attaching to held for sale Japan Life business:				
Reclassification from operating profit based on longer-term investment returns	–	–	–	–
Reclassification from short-term fluctuations in investment returns	14	–	–	14
	14	–	–	14
Profit before tax attributable to shareholders	1,259	(7)	(86)	1,166
Basic EPS based on operating profit based on longer-term investment returns after tax and non-controlling interests (in pence)	34.6p	–	–	34.6p
Basic EPS based on total profit after tax and non-controlling interests (in pence)	37.5p	–	(2.5)p	35.0p

* For the half year 2012, Japan Life business operating profit was £nil.

Notes on the IFRS basis results continued

AC: Additional information on the effect of adoption of new and amended accounting standards continued

Segment disclosure - profit before tax continued

	Full year 2012 £m			After IFRS changes
	Under previous accounting requirements	Effect of IFRS changes		
		IFRS 11	IAS 19R	
Operating profit based on longer-term investment returns				
Asia operations:				
Asia insurance operations:				
Before reclassification of held for sale Japan Life business	913	(9)	–	904
Reclassification of Japan Life business	2	–	–	2
	915	(9)	–	906
Eastspring Investments	75	(6)	–	69
Other operations	1,545	–	–	1,545
Total	2,535	(15)	–	2,520
Short-term fluctuations in investment returns:				
Before reclassification of held for sale Japan Life business	204	(3)	5	206
Reclassification of Japan Life business	(19)	–	–	(19)
	185	(3)	5	187
Shareholders' share of actuarial and other gains and losses on defined benefit pension schemes	50	–	(50)	–
Amortisation of acquisition accounting adjustments	(19)	–	–	(19)
Gain on dilution of Group holdings	42	–	–	42
Profit attaching to held for sale Japan Life business:				
Reclassification from operating profit based on longer-term investment returns	(2)	–	–	(2)
Reclassification from short-term fluctuations in investment returns	19	–	–	19
	17	–	–	17
Profit before tax attributable to shareholders	2,810	(18)	(45)	2,747
Basic EPS based on operating profit based on longer-term investment returns after tax and non-controlling interests (in pence)	76.9p	–	–	76.9p
Basic EPS based on total profit after tax and non-controlling interests (in pence)	86.5p	–	(1.4)p	85.1p