

European Embedded Value (EEV) basis results

Operating profit based on longer-term investment returns^{note(i)}

Results analysis by business area

	Note	2013 £m	2012 £m	
		Half year	Half year notes (iv),(v)	Full year notes (iv),(v)
Asia operations				
New business	2	659	547	1,266
Business in force	3	420	327	692
Long-term business		1,079	874	1,958
Eastspring investments ^{note(iv)}		38	32	69
Development expenses		(2)	(3)	(7)
Total		1,115	903	2,020
US operations				
New business	2	479	442	873
Business in force	3	537	363	737
Long-term business		1,016	805	1,610
Broker-dealer and asset management		34	17	39
Total		1,050	822	1,649
UK operations				
New business	2	130	152	313
Business in force	3	274	338	553
Long-term business		404	490	866
General insurance commission		15	17	33
Total UK insurance operations		419	507	899
M&G (including Prudential Capital)		225	199	371
Total		644	706	1,270
Other income and expenditure				
Investment return and other income		10	5	13
Interest payable on core structural borrowings		(152)	(140)	(280)
Corporate expenditure		(128)	(120)	(231)
Unwind of expected asset management margin ^{note(ii)}		(34)	(30)	(56)
Total		(304)	(285)	(554)
Solvency II implementation costs ^{note(iii)}		(14)	(29)	(50)
Restructuring costs ^{note(iii)}		(12)	(8)	(22)
Operating profit based on longer-term investment returns^{note(i)}		2,479	2,109	4,313
Analysed as profits (losses) from:				
New business	2	1,268	1,141	2,452
Business in force	3	1,231	1,028	1,982
Long-term business		2,499	2,169	4,434
Asset management		297	248	479
Other results		(317)	(308)	(600)
Total		2,479	2,109	4,313

European Embedded Value (EEV) basis results continued

Notes

- (i) EEV basis operating profit based on longer-term investment returns excludes the recurrent items of short-term fluctuations in investment returns, the mark to market value movements on core borrowings and the effect of changes in economic assumptions. In addition, for all reporting periods shown above, operating profit excludes the (loss) profit attaching to the held for sale Japan Life business. For half year and full year 2012, operating profit also excludes the dilution of the Group's holding in PPM South Africa and for full year 2012, the gain arising on the acquisition of REALIC. The amounts for these items are included in total EEV profit attributable to shareholders. The Company believes that operating profit, as adjusted for these items, better reflects underlying performance. Profit before tax and basic earnings per share include these items, together with actual investment returns.
- (ii) The value of future profits or losses from asset management and service companies that support the Group's covered insurance businesses are included in the profits for new business and the in-force value of the Group's long-term business. The results of the Group's asset management operations include the profits from the management of internal and external funds. For EEV basis reporting, Group shareholders' other income is adjusted to deduct the unwind of the expected margin for the period arising from the management of the assets of the covered business (as defined in note 1(a)) by the Group's asset management businesses. The deduction is on a basis consistent with that used for projecting the results for covered insurance business. Group operating profit accordingly includes the variance between actual and expected profit in respect of management of the covered business assets.
- (iii) Restructuring costs comprise the charge of £(11) million recognised on an IFRS basis and an additional £(1) million recognised on the EEV basis for the shareholders' share of restructuring costs incurred by the UK with-profits fund. Solvency II implementation costs comprise the charge of £(13) million recognised on an IFRS basis and an additional £(1) million recognised on the EEV basis.
- (iv) The presentation of the comparative results for Eastspring investments for half year and full year 2012 have been adjusted retrospectively to reflect the adoption of IFRS 11 'Joint arrangements'. This has resulted in a reallocation of £(4) million in half year 2013 (half year 2012: £(2) million; full year 2012: £(6) million) from the tax charge on operating profit based on longer-term investment returns to the pre-tax result for Eastspring investments, with no effect on the net of tax EEV basis results (see note 1).
- (v) The comparative results have been prepared using previously reported average exchange rates for the period.