

**Notes**

- (a) Movements in the period have been translated at the average exchange rate for the six months ended 30 June 2013. The closing balance has been translated at the closing spot rates as at 30 June 2013. Differences upon retranslation are included in foreign exchange translation differences.
- (b) Net flows have increased to £1,184 million in the first half of 2013 reflecting increased premium flows from new business and growth in the in-force books offset by higher surrenders and maturities in the with-profits business.
- (c) The surrenders for shareholder-backed business in the first half of 2013, are broadly consistent with the equivalent period in 2012 once allowance is made for the movements in investment markets and foreign exchange. For with-profits business, surrenders, maturities and deaths have increased from £499 million in half year 2012 to £742 million in half year 2013, primarily as a result of an increased number of policies within Hong Kong and Singapore reaching their five year anniversary and maturity, the point at which some product features trigger.
- (d) Investment-related items and other movements for with-profits business for the first six months of 2013 principally represents unrealised losses on bonds, following the rise in long-term bond yields within the with-profits funds. This has been partly offset by gains in the unit-linked funds from the improvement in equity markets in the period.
- (e) The acquisition of Thanachart Life reflects the liabilities acquired at the date of acquisition.
- (f) The liabilities of the Japanese life operation at 30 June 2013 have been removed from policyholder liabilities following its reclassification as held for sale at that date.

**W: Share capital, share premium and own shares**

	Number of ordinary shares	Share capital £m	Share premium £m
Issued shares of 5p each fully paid:			
At 1 January 2012	2,548,039,330	127	1,873
Shares issued under share option schemes	8,209,568	–	14
At 30 June 2012	2,556,248,898	127	1,887
Issued shares of 5p each fully paid:			
At 1 January 2012	2,548,039,330	127	1,873
Shares issued under share option schemes	9,203,022	1	16
At 31 December 2012	2,557,242,352	128	1,889
Issued shares of 5p each fully paid:			
At 1 January 2013	2,557,242,352	128	1,889
Shares issued under share option schemes	2,036,258	–	1
<b>At 30 June 2013</b>	<b>2,559,278,610</b>	<b>128</b>	<b>1,890</b>

Amounts recorded in share capital represent the nominal value of the shares issued. The difference between the proceeds received on issue of shares, net of issue costs, and the nominal value of shares issued is credited to the share premium account.

At 30 June 2013, there were options outstanding under Save As You Earn schemes to subscribe for shares as follows:

	Number of shares to subscribe for	Share price range		Exercisable by year
		from	to	
30 June 2013	9,014,837	288p	629p	2018
30 June 2012	8,181,704	288p	572p	2017
31 December 2012	9,396,810	288p	629p	2018

**Transactions by Prudential plc and its subsidiaries in Prudential plc shares**

The Group buys and sells Prudential plc (own shares) either in relation to its share schemes or via transactions undertaken by authorised investment funds that the Group is deemed to control. Further information about these transactions is set out below.

The cost of own shares of £71 million as at 30 June 2013 (30 June 2012: £101 million; 31 December 2012: £97 million) is deducted from retained earnings. The Company has established trusts to facilitate the delivery of shares under employee incentive plans and savings-related share option schemes. At 30 June 2013, 4.2 million (30 June 2012: 6.5 million; 31 December 2012: 8.0 million) Prudential plc shares with a market value of £45 million (30 June 2012: £49 million; 31 December 2012: £69 million) were held in such trusts all of which are for employee incentive plans.

In half year 2013, the Company purchased the following number of shares in respect of employee incentive plans.

	Number of shares purchased* (in millions)	Cost £m
Half year 2013	2.9	31.4
Half year 2012	5.8	44.2
Full year 2012	9.4	76.1

\* The maximum number of shares held during half year 2013 was 8.0 million which was at the beginning of the period.

## Notes on the IFRS basis results continued

### W: Share capital, share premium and own shares continued

None of the shares were held by a qualifying employee share ownership trust at 30 June 2013 (30 June 2012: 0.1 million; 31 December 2012: none). The shares held by the trust at 30 June 2012 were subsequently fully distributed on maturity of savings-related share option schemes.

The Group has consolidated a number of authorised investment funds where it is deemed to control these funds under IFRS. Some of these funds hold shares in Prudential plc. The total number of shares held by these funds at 30 June 2013 was 4.2 million (30 June 2012: 8.3 million; 31 December 2012: 4.5 million) and the cost of acquiring these shares of £26 million (30 June 2012: £50 million; 31 December 2012: £27 million) is included in the cost of own shares. The market value of these shares as at 30 June 2013 was £46 million (30 June 2012: £56 million; 31 December 2012: £39 million).

During half year 2013 these funds made net disposals of 268,411 Prudential shares (30 June 2012: 357,340; 31 December 2012: 4,143,340) for a net decrease of £1.6 million to book cost (30 June 2012: net decrease of £2.6 million; 31 December 2012: net decrease of £25.1 million).

All share transactions were made on an exchange other than the Stock Exchange of Hong Kong.

Other than set out above the Group did not purchase, sell or redeem any Prudential plc listed securities during half year 2013 or 2012.

### X: Business acquisitions

#### (a) Acquisition of Thanachart Life Assurance Company Limited and bancassurance partnership agreement with Thanachart Bank

On 3 May 2013, the agreement Prudential plc, through its subsidiary Prudential Life Assurance (Thailand) Public Company Limited (Prudential Thailand), entered into in November 2012 to establish an exclusive 15-year partnership with Thanachart Bank Public Company Limited (Thanachart Bank) to develop jointly their bancassurance business in Thailand was launched. At the same time, Prudential Thailand completed the acquisition of 100 per cent of the voting interest in Thanachart Life Assurance Company Limited (Thanachart Life), a wholly-owned life insurance subsidiary of Thanachart Bank. This transaction builds on Prudential's strategy of focusing on the highly attractive markets of South-east Asia and is in line with the Group's multichannel distribution strategy.

The consideration for the transaction is THB 18.981 billion (£412 million), of which THB 17.500 billion (£380 million) was settled in cash on completion in May 2013 with a further payment of THB 0.946 billion (£20 million), for adjustments to reflect the net asset value as at completion date, paid in July 2013. In addition a deferred payment of THB 0.535 billion (£12 million) is payable 12 months after completion. Included in the total consideration of THB 18.981 billion (£412 million) was the cost of the distribution rights associated with the exclusive 15-year bancassurance partnership agreement with Thanachart Bank.

The purchase consideration paid was equivalent to the fair value of the acquired assets and liabilities assumed. No goodwill has been recognised.

In addition to the purchase consideration, the Group incurred £4 million of acquisition related costs, of which £3 million was recognised as an expense in the consolidated income statement in the second half of 2012 and the remaining £1 million recognised in half year 2013.

#### Assets acquired and liabilities assumed at the date of acquisition

The fair value of the acquired assets and liabilities are shown in the table below.

	Fair value recognised at acquisition date £m
<b>Assets</b>	
Acquired value of in-force business	21
Investments (principally debt securities)	642
Cash and cash equivalents	4
Other assets (including distribution rights)	293
<b>Total assets</b>	<b>960</b>
<b>Liabilities</b>	
Insurance contract liabilities	487
Other non-insurance liabilities	61
<b>Total liabilities</b>	<b>548</b>
<b>Net assets acquired and liabilities assumed</b>	<b>412</b>
<b>Purchase consideration (including £32 million of deferred consideration)</b>	<b>412</b>