

Notes on the IFRS basis results continued

L: Statement of financial position - analysis of segment by business type**i UK insurance operations****Overview**

- In order to show the statement of financial position by reference to the differing degrees of policyholder and shareholder economic interest of the different types of fund and business, the analysis below is structured to show separately assets and liabilities of the Scottish Amicable Insurance Fund (SAIF), the Prudential Assurance Company Limited (PAC) with-profits sub-fund (WPSF), unit-linked assets and liabilities and annuity (principally PRIL) and other long-term business.
- £97 billion of the £152 billion of investments are held by SAIF and the PAC WPSF. Shareholders are exposed only indirectly to value movements on these assets.

	2013 £m					2012* £m		
	Scottish Amicable Insurance Fund note(iii)	PAC with-profits fund notes(i),(ii)	Other funds and subsidiaries			30 Jun Total	30 Jun Total	31 Dec Total
			Unit-linked assets and liabilities	Annuity and other long-term business	Total			
By operating segment								
Assets								
Intangible assets attributable to shareholders:								
Deferred acquisition costs and other intangible assets	–	–	–	98	98	98	109	105
Total	–	–	–	98	98	98	109	105
Intangible assets attributable to with-profits funds:								
In respect of acquired subsidiaries for investment purposes	–	178	–	–	–	178	178	178
Deferred acquisition costs	–	6	–	–	–	6	6	6
Total	–	184	–	–	–	184	184	184
Total intangible assets	–	184	–	98	98	282	293	289
Deferred tax assets	1	113	–	67	67	181	243	183
Other non-investment and non-cash assets	468	2,604	489	2,080	2,569	5,641	5,443	5,448
Investments of long-term business and other operations:								
Investment properties	453	7,947	600	1,551	2,151	10,551	10,501	10,528
Investments in joint ventures and associates accounted for using the equity method	–	209	–	65	65	274	236	259
Financial investments:								
Loans ^{note P}	114	2,866	–	1,333	1,333	4,313	4,265	4,303
Equity securities and portfolio holdings in unit trusts	2,048	20,435	15,187	43	15,230	37,713	34,090	36,281
Debt securities ^{note Q}	3,605	45,737	6,944	26,568	33,512	82,854	80,049	84,008
Other investments ^{note (iv)}	283	3,511	4	300	304	4,098	4,418	4,256
Deposits	814	9,385	801	1,365	2,166	12,365	11,105	11,131
Total investments	7,317	90,090	23,536	31,225	54,761	152,168	144,664	150,766
Properties held for sale	–	–	–	–	–	–	–	98
Cash and cash equivalents	132	1,180	890	553	1,443	2,755	2,593	2,668
Total assets	7,918	94,171	24,915	34,023	58,938	161,027	153,236	159,452

* The 2012 comparative results have been adjusted retrospectively from those previously published for the application of the new accounting standards described in note B.

	2013 £m					2012* £m		
	Scottish Amicable Insurance Fund note (iii)	PAC with-profits fund notes (i), (ii)	Other funds and subsidiaries			30 Jun Total	30 Jun Total	31 Dec Total
			Unit-linked assets and liabilities	Annuity and other long-term business	Total			
By operating segment								
Equity and liabilities								
Equity								
Shareholders' equity	–	–	–	3,044	3,044	3,044	2,722	3,033
Non-controlling interests	–	2	–	–	–	2	29	1
Total equity	–	2	–	3,044	3,044	3,046	2,751	3,034
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) ^{note V}	7,445	75,775	23,243	26,827	50,070	133,290	128,387	133,912
Unallocated surplus of with-profits funds (reflecting application of 'realistic' basis provisions for UK regulated with-profits funds) ^{note V}	–	11,350	–	–	–	11,350	9,750	10,526
Total	7,445	87,125	23,243	26,827	50,070	144,640	138,137	144,438
Operational borrowings attributable to shareholder-financed operations	–	–	–	76	76	76	42	127
Borrowings attributable to with-profits funds	11	913	–	–	–	924	895	968
Deferred tax liabilities	51	945	2	291	293	1,289	1,258	1,185
Other non-insurance liabilities	411	5,186	1,670	3,785	5,455	11,052	10,153	9,700
Total liabilities	7,918	94,169	24,915	30,979	55,894	157,981	150,485	156,418
Total equity and liabilities	7,918	94,171	24,915	34,023	58,938	161,027	153,236	159,452

* The 2012 comparative results have been adjusted from those previously published for the retrospective application of the new and amended accounting standards described in note B.

Notes

- (i) The WPSF mainly contains with-profits business but it also contains some non-profit business (unit-linked, term assurances and annuities). The WPSF's profits are apportioned 90 per cent to its policyholders and 10 per cent to shareholders as surplus for distribution is determined via the annual actuarial valuation. For the purposes of this table and subsequent explanation, references to the WPSF also include, for convenience, the amounts attaching to the Defined Charges Participating Sub-fund which comprises 3.4 per cent of the total assets of the WPSF and includes the with-profits annuity business transferred to Prudential from the Equitable Life Assurance Society on 1 December 2007 (with assets of approximately £1.7 billion). Profits to shareholders on this with-profits annuity business emerge on a 'charges less expenses' basis and policyholders are entitled to 100 per cent of the investment earnings. Included in the PAC with-profits fund is £13.5 billion (2012: £13.3 billion) of non-profits annuities liabilities.
- (ii) Excluding policyholder liabilities of the Hong Kong branch of PAC.
- (iii) The fund is solely for the benefit of policyholders of SAIF. Shareholders have no interest in the profits of this fund although they are entitled to asset management fees on this business. SAIF is a separate sub-fund within the PAC long-term business fund.
- (iv) Other investments comprise:

	2013 £m	2012* £m	
	30 Jun	30 Jun	31 Dec
Derivative assets†	894	1,318	1,349
Partnerships in investment pools and other‡	3,204	3,100	2,907
	4,098	4,418	4,256

* The 2012 comparative results have been adjusted from those previously published for the retrospective application of the new and amended accounting standards described in note B.

† After including derivative liabilities of £1,289 million (30 June 2012: £1,340 million; 31 December 2012: £1,010 million), which are also included in the statement of financial position, the overall derivative position was a net liability of £395 million (30 June 2012: net liability of £22 million; 31 December 2012: net asset of £339 million).

‡ Partnerships in investment pools and other comprise mainly investments held by the PAC with-profits fund. These investments are primarily investments in limited partnerships and additionally investments in property funds.

Notes on the IFRS basis results continued

L: Statement of financial position - analysis of segment by business type continued

ii US insurance operations

	2013 £m			2012 £m	
	Variable annuity separate account assets and liabilities note (i)	Fixed annuity, GIC and other business note (i)	30 Jun Total*	30 Jun Total	31 Dec Total*
Assets					
Intangible assets attributable to shareholders:					
Deferred acquisition costs and other intangibles	–	4,300	4,300	3,203	3,222
Total	–	4,300	4,300	3,203	3,222
Deferred tax assets	–	2,232	2,232	1,633	1,889
Other non-investment and non-cash assets note (v)	–	7,255	7,255	1,536	6,792
Investments of long-term business and other operations:					
Investment properties	–	30	30	25	24
Financial investments:					
Loans note P	–	6,691	6,691	4,168	6,235
Equity securities and portfolio holdings in unit trusts note (iv)	60,054	331	60,385	43,874	49,551
Debt securities notes Q, R	–	33,368	33,368	27,061	32,993
Other investments note (ii)	–	1,867	1,867	2,634	2,296
Deposits	–	–	–	228	211
Total investments	60,054	42,287	102,341	77,990	91,310
Cash and cash equivalents	–	678	678	293	513
Total assets	60,054	56,752	116,806	84,655	103,726
Equity and liabilities					
Equity					
Shareholders' equity note (iii)	–	3,598	3,598	3,919	4,343
Total equity	–	3,598	3,598	3,919	4,343
Liabilities					
Policyholder:					
Contract liabilities (including amounts in respect of contracts classified as investment contracts under IFRS 4) note V	60,054	46,161	106,215	75,264	92,261
Total	60,054	46,161	106,215	75,264	92,261
Core structural borrowings of shareholder-financed operations note S	–	164	164	159	153
Operational borrowings attributable to shareholder-financed operations	–	23	23	91	26
Deferred tax liabilities	–	2,155	2,155	2,069	2,168
Other non-insurance liabilities note (v)	–	4,651	4,651	3,153	4,775
Total liabilities	60,054	53,154	113,208	80,736	99,383
Total equity and liabilities	60,054	56,752	116,806	84,655	103,726

* The statements of financial position at 30 June 2013 and 31 December 2012 include the assets and liabilities of the acquired REALIC business. See note X(b).

Notes

- (i) Assets and liabilities attaching to variable annuity business that are not held in the separate account are shown within other business.
(ii) Other investments comprise:

	2013 £m		2012 £m	
	30 Jun	30 Jun	31 Dec	31 Dec
Derivative assets [†]	1,010	1,866	1,546	
Partnerships in investment pools and other [‡]	857	768	750	
	1,867	2,634	2,296	

[†] In the US, Prudential uses derivatives to reduce interest rate risk, to facilitate efficient portfolio management to match liabilities under annuity policies and for certain equity-based product management activities. After taking account of derivative liabilities of £555 million (30 June 2012: £1,046 million; 31 December 2012: £645 million), which are also included in the statement of financial position, the overall derivative position is a net asset of £455 million (30 June 2012: net asset of £820 million; 31 December 2012: net asset of £901 million).

[‡] Partnerships in investment pools and other comprise primarily investments in limited partnerships. These include interests in the PPM America Private Equity Fund and diversified investments in other partnerships by independent money managers that generally invest in various equities and fixed income loans and securities.

- (iii) Changes in shareholders' equity.

	2013 £m		2012 £m	
	30 Jun	30 Jun	31 Dec	31 Dec
Short-term fluctuations in investment returns ^{noteF}	(441)	(125)	(90)	
Amortisation of acquisition accounting adjustments arising on the purchase of REALIC	(27)	-	(19)	
Profit before shareholder tax	114	317	855	
Tax ^{noteH}	(27)	(71)	(234)	
Profit for the period	87	246	621	
	2013 £m		2012 £m	
	30 Jun	30 Jun	31 Dec	31 Dec
Profit for the period (as above)	87	246	621	
Items recognised in other comprehensive income:				
Exchange movements	293	(34)	(181)	
Unrealised valuation movements on securities classified as available-for-sale:				
Unrealised holding (losses) gains arising during the period	(1,665)	470	930	
Deduct net (gains)/add back net losses included in income statement	(42)	12	(68)	
Total unrealised valuation movements	(1,707)	482	862	
Related change in amortisation of deferred income and acquisition costs ^{noteN}	419	(181)	(270)	
Related tax	451	(105)	(205)	
Total other comprehensive (loss) income	(544)	162	206	
Total comprehensive (loss) income for the period	(457)	408	827	
Dividends, interest payments to central companies and other movements	(288)	(250)	(245)	
Net (decrease) increase in equity	(745)	158	582	
Shareholders' equity at beginning of period	4,343	3,761	3,761	
Shareholders' equity at end of period	3,598	3,919	4,343	

- (iv) Equity securities and portfolio holdings in unit trusts includes investments in mutual funds, the majority of which are equity based.
(v) Reinsurance balances relating to REALIC
Included within other non-investment and non-cash assets of £7,255 million (full year 2012: £6,792 million) were balances of £6,360 million (full year 2012: £6,076 million) for reinsurers' share of insurance contract liabilities. Of the £6,360 million as at 30 June 2013 (31 December 2012: £6,076 million), £5,550 million (31 December 2012: £5,234 million) related to the reinsurance ceded by the newly acquired REALIC business. REALIC holds collateral for certain of these reinsurance arrangements with a corresponding funds withheld liability. As of 30 June 2013, the funds withheld liability of £2,206 million (31 December 2012: £2,021 million) was recorded within other non-insurance liabilities.

Notes on the IFRS basis results continued

L: Statement of financial position - analysis of segment by business type continued

iii Asia insurance operations

	2013 £m				2012* £m	
	With-profits business note(i)	Unit-linked assets and liabilities	Other	30 Jun Total	30 Jun Total	31 Dec Total
Assets						
Intangible assets attributable to shareholders:						
Goodwill	–	–	244	244	237	239
Deferred acquisition costs and other intangible assets	–	–	1,103	1,103	892	819
Total	–	–	1,347	1,347	1,129	1,058
Intangible assets attributable to with-profits funds:						
Deferred acquisition costs and other intangible assets	73	–	–	73	78	72
Deferred tax assets	–	2	66	68	86	76
Other non-investment and non-cash assets	329	155	680	1,164	970	1,023
Investments of long-term business and other operations:						
Investment properties	–	–	2	2	6	2
Investments accounted for using the equity method	–	–	328	328	259	284
Financial investments:						
Loans ^{note P}	586	–	418	1,004	1,160	1,006
Equity securities and portfolio holdings in unit trusts	3,474	10,101	526	14,101	11,060	12,730
Debt securities ^{note Q}	11,030	2,673	6,378	20,081	18,372	20,067
Other investments	42	21	13	76	669	927
Deposits	400	446	295	1,141	594	851
Total investments	15,532	13,241	7,960	36,733	32,120	35,867
Assets held for sale ^{note AB}	–	393	686	1,079	–	–
Cash and cash equivalents	457	350	837	1,644	1,797	1,545
Total assets	16,391	14,141	11,576	42,108	36,180	39,641
Equity and liabilities						
Equity						
Shareholders' equity	–	–	3,003	3,003	2,403	2,529
Non-controlling interests	–	–	4	4	5	4
Total equity	–	–	3,007	3,007	2,408	2,533
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) ^{note V}	13,657	12,783	6,783	33,223	29,856	31,501
Unallocated surplus of with-profits funds ^{notes (ii), V}	84	–	–	84	52	63
Total	13,741	12,783	6,783	33,307	29,908	31,564
Operational borrowings attributable to shareholder-financed operations	–	–	5	5	93	7
Deferred tax liabilities	425	62	154	641	546	582
Other non-insurance liabilities	2,225	903	994	4,122	3,225	4,955
Liabilities held for sale ^{note AB}	–	393	633	1,026	–	–
Total liabilities	16,391	14,141	8,569	39,101	33,772	37,108
Total equity and liabilities	16,391	14,141	11,576	42,108	36,180	39,641

* The 2012 comparative results have been adjusted from those previously published for the retrospective application of the new and amended accounting standards described in note B.

Notes

- (i) The statement of financial position for with-profits business comprises the with-profits assets and liabilities of the Hong Kong, Malaysia and Singapore with-profits operations. Assets and liabilities of other participating business are included in the column for 'Other business'.
- (ii) For the purposes of the presentation of unallocated surplus of with-profits within the statement of financial position, the Hong Kong branch balance is reported within the unallocated surplus of the PAC with-profits sub-fund of the UK insurance operations.

iv Asset management operations

	2013 £m				2012* £m	
	M&G note(i)	US	Eastspring Investments	30 Jun Total	30 Jun Total	31 Dec Total
Assets						
Intangible assets:						
Goodwill ^{note M}	1,153	16	61	1,230	1,230	1,230
Deferred acquisition costs	12	2	1	15	14	13
Total intangible assets	1,165	18	62	1,245	1,244	1,243
Other non-investment and non-cash assets	1,844	198	71	2,113	1,198	1,142
Investments accounted for using the equity method	37	–	57	94	92	92
Financial investments:						
Loans ^{note P}	1,222	–	–	1,222	1,207	1,199
Equity securities and portfolio holdings in unit trusts	45	–	14	59	74	64
Debt securities ^{note Q}	1,953	–	–	1,953	1,867	1,839
Other investments	56	13	–	69	56	41
Deposits	–	16	20	36	24	55
Total investments	3,313	29	91	3,433	3,320	3,290
Cash and cash equivalents	793	53	122	968	1,269	918
Total assets	7,115	298	346	7,759	7,031	6,593
Equity and liabilities						
Equity						
Shareholders' equity	1,664	143	278	2,085	1,888	1,937
Total equity	1,664	143	278	2,085	1,888	1,937
Liabilities						
Core structural borrowing of shareholder-financed operations ^{note S}	275	–	–	275	250	275
Intra-group debt represented by operational borrowings at Group level ^{notes (ii), T}	2,422	–	–	2,422	2,568	2,084
Other non-insurance liabilities ^{note (iii)}	2,754	155	68	2,977	2,325	2,297
Total liabilities	5,451	155	68	5,674	5,143	4,656
Total equity and liabilities	7,115	298	346	7,759	7,031	6,593

* The 2012 comparative results have been adjusted from those previously published for the retrospective application of the new and amended accounting standards described in note B.

Notes

(i) The M&G statement of financial position includes the assets and liabilities in respect of Prudential Capital.

(ii) Intra-group debt represented by operational borrowings at Group level
Operational borrowings for M&G are in respect of Prudential Capital's short-term fixed income security programme and comprise:

	2013 £m	2012 £m	
	30 Jun	30 Jun	31 Dec
Commercial paper	2,123	2,318	1,535
Medium term notes	299	250	549
Total intra-group debt represented by operational borrowings at Group level	2,422	2,568	2,084

(iii) Other non-insurance liabilities consists primarily of intra-group balances, derivative liabilities and other creditors.