

PRUDENTIAL PLC
Form 6-K
August 12, 2014

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER

Pursuant to Rule 13a-16 or 15d-16 of
the Securities Exchange Act of 1934

For the month of August, 2014

PRUDENTIAL PUBLIC LIMITED COMPANY

(Translation of registrant's name into English)

LAURENCE POUNTNEY HILL,
LONDON, EC4R 0HH, ENGLAND
(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports
under cover Form 20-F or Form 40-F.

Form 20-F Form 40-F

Indicate by check mark whether the registrant by furnishing the information
contained in this Form is also thereby furnishing the information to the
Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes No

If "Yes" is marked, indicate below the file number assigned to the registrant
in connection with Rule 12g3-2(b): 82-

Enclosures: Prudential plc HY14 - IFRS

International Financial Reporting Standards (IFRS) Basis Results

CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	2014 £m Half year	2013 £m Half year	2013 £m Full year
Earned premiums, net of reinsurance		16,189	14,763	29,844
Investment return		13,379	6,528	20,347
Other income		1,059	1,100	2,184
Total revenue, net of reinsurance		30,627	22,391	52,375
Benefits and claims and movement in unallocated surplus of with-profits funds, net of reinsurance		(25,549)	(18,143)	(43,154)
Acquisition costs and other expenditure	B3	(3,336)	(3,315)	(6,861)
Finance costs: interest on core structural borrowings of shareholder-financed operations		(170)	(152)	(305)
Remeasurement of carrying value of Japan Life business classified as held for sale	D1	(11)	(135)	(120)
Total charges, net of reinsurance		(29,066)	(21,745)	(50,440)
Share of profits from joint ventures and associates, net of related tax		147	74	147
Profit before tax (being tax attributable to shareholders' and policyholders' returns)*		1,708	720	2,082
Less tax charge attributable to policyholders' returns		(284)	(214)	(447)
Profit before tax attributable to shareholders	B1.1	1,424	506	1,635
Total tax charge attributable to policyholders and shareholders	B5	(563)	(355)	(736)
Adjustment to remove tax charge attributable to policyholders' returns		284	214	447
Tax charge attributable to shareholders' returns	B5	(279)	(141)	(289)
Profit for the period attributable to equity holders of the Company		1,145	365	1,346
		2014	2013	
Earnings per share (in pence)		Half year	Half year	Full year
Based on profit attributable to the equity holders of the Company:	B6			
Basic		45.0p	14.3p	52.8p
Diluted		44.9p	14.3p	52.7p
		2014	2013	
Dividends per share (in pence)	Note	Half year	Half year	Full year
Dividends relating to reporting period:	B7			
Interim dividend (2014 and 2013)		11.19p	9.73p	9.73p
Final dividend (2013)		-	-	23.84p
Total		11.19p	9.73p	33.57p
Dividends declared and paid in reporting period:	B7			

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	Current year interim dividend	-	-	9.73p
	Final dividend for prior year	23.84p	20.79p	20.79p
Total		23.84p	20.79p	30.52p

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

This is principally because the corporate taxes of the Group include those on the income of consolidated with-profits and unit-linked funds that, through adjustments to benefits, are borne by policyholders. These amounts are required to be included in the tax charge of the Company under IAS 12. Consequently, the profit before all taxes measure (which is determined after deducting the cost of policyholder benefits and movements in the liability for unallocated surplus of the PAC with-profits fund after adjusting for taxes borne by policyholders) is not representative of pre-tax profits attributable to shareholders.

International Financial Reporting Standards (IFRS) Basis Results

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	2014 £m Half year	2013 £m Half year	Full year
Profit for the period		1,145	365	1,346
Other comprehensive income:				
Items that may be reclassified subsequently to profit or loss				
Exchange movements on foreign operations and net investment hedges:				
Gross		(115)	227	(255)
Related tax		(2)	5	-
		(117)	232	(255)
Net unrealised valuation movements on securities of US insurance operations classified as available-for-sale:				
Net unrealised holding gains (losses) arising during the period		1,060	(1,665)	(2,025)
Net gains included in the income statement on disposal and impairment		(37)	(42)	(64)
Total	C3.3(b)	1,023	(1,707)	(2,089)
Related change in amortisation of deferred acquisition costs	C5.1(b)	(212)	419	498
Related tax		(284)	451	557
		527	(837)	(1,034)
Total		410	(605)	(1,289)
Items that will not be reclassified to profit or loss				
Shareholders' share of actuarial and other gains and losses on defined benefit pension schemes:				
Gross		12	(28)	(62)
Related tax		(2)	7	14
		10	(21)	(48)

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Other comprehensive income (loss) for the period, net of related tax	420	(626)	(1,337)
Total comprehensive income (loss) for the period attributable to the equity holders of the Company	1,565	(261)	9

International Financial Reporting Standards (IFRS) Basis Results

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Period ended 30 June 2014 £m							
		Share capital	Share premium	Retained earnings	Translation reserve	Available -for-sale securities reserves	Shareholders' equity	Non-controlling interests	Total equity
Note		note C9	note C9						
Reserves									
		-	-	1,145	-	-	1,145	-	1,145
		-	-	10	(117)	527	420	-	420
		-	-	1,155	(117)	527	1,565	-	1,565
Dividends	B7	-	-	(610)	-	-	(610)	-	(610)
Reserve movements in respect of share-based payments		-	-	52	-	-	52	-	52
Change in non-controlling interests		-	-	-	-	-	-	-	-
Share capital and share premium									
New share capital subscribed	C9	-	8	-	-	-	8	-	8
Treasury shares									
Movement in own shares in respect of share-based payment plans		-	-	(34)	-	-	(34)	-	(34)
Movement in own shares purchased by unit trusts consolidated under IFRS		-	-	(6)	-	-	(6)	-	(6)
Net increase (decrease) in equity		-	8	557	(117)	527	975	-	975
At beginning of period		128	1,895	7,425	(189)	391	9,650	1	9,651
At end of period		128	1,903	7,982	(306)	918	10,625	1	10,626

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Period ended 30 June 2013 £m

	Note	Share capital note C9	Share premium note C9	Retained earnings	Translation reserve	Available -for-sale securities reserves	Shareholders' equity	Non- controlling interests	Total equity
Reserves									
Profit for the period		-	-	365	-	-	365	-	365
Other comprehensive (loss) income		-	-	(21)	232	(837)	(626)	-	(626)
Total comprehensive income (loss) for the period		-	-	344	232	(837)	(261)	-	(261)
Dividends	B7	-	-	(532)	-	-	(532)	-	(532)
Reserve movements in respect of share-based payments		-	-	31	-	-	31	-	31
Change in non-controlling interests		-	-	-	-	-	-	1	1
Share capital and share premium									
New share capital subscribed	C9	-	1	-	-	-	1	-	1
Treasury shares									
Movement in own shares in respect of share-based payment plans		-	-	25	-	-	25	-	25
Movement in own shares purchased by unit trusts consolidated under IFRS		-	-	2	-	-	2	-	2
Net increase (decrease) in equity		-	1	(130)	232	(837)	(734)	1	(733)
At beginning of period		128	1,889	6,851	66	1,425	10,359	5	10,364
At end of period		128	1,890	6,721	298	588	9,625	6	9,631

International Financial Reporting Standards (IFRS) Basis Results

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

Year ended 31 December 2013 £m

	Share capital	Share premium	Retained earnings	Translation reserve	Available -for-sale	Shareholders' equity	Non- controlling	Total equity
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	Note	note C9	note C9		securities reserves		interests		
Reserves									
Profit for the year		-	-	1,346	-	-	1,346	-	1,346
Other comprehensive loss		-	-	(48)	(255)	(1,034)	(1,337)	-	(1,337)
Total comprehensive income (loss) for the year		-	-	1,298	(255)	(1,034)	9	-	9
Dividends	B7	-	-	(781)	-	-	(781)	-	(781)
Reserve movements in respect of share-based payments		-	-	98	-	-	98	-	98
Change in non-controlling interests		-	-	-	-	-	-	(4)	(4)
Share capital and share premium									
New share capital subscribed	C9	-	6	-	-	-	6	-	6
Treasury shares									
Movement in own shares in respect of share-based payment plans		-	-	(10)	-	-	(10)	-	(10)
Movement in own shares purchased by unit trusts consolidated under IFRS		-	-	(31)	-	-	(31)	-	(31)
Net increase (decrease) in equity		-	6	574	(255)	(1,034)	(709)	(4)	(713)
At beginning of year		128	1,889	6,851	66	1,425	10,359	5	10,364
At end of year		128	1,895	7,425	(189)	391	9,650	1	9,651

International Financial Reporting Standards (IFRS) Basis Results

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	2014 £m 30 Jun	2013 £m 30 Jun	2013 £m 31 Dec
Assets				
Intangible assets attributable to shareholders:				
Goodwill	C5.1(a)	1,458	1,474	1,461
Deferred acquisition costs and other intangible assets	C5.1(b)	5,944	5,538	5,295
Total		7,402	7,012	6,756

Intangible assets attributable to with-profits funds:

Goodwill in respect of acquired subsidiaries for venture fund and other investment purposes		177	178	177
Deferred acquisition costs and other intangible assets		63	79	72
Total		240	257	249
Total intangible assets		7,642	7,269	7,005

Other non-investment and non-cash assets:

Property, plant and equipment		910	868	920
Reinsurers' share of insurance contract liabilities		6,743	7,204	6,838
Deferred tax assets	C7.1	2,173	2,637	2,412
Current tax recoverable		158	191	244
Accrued investment income		2,413	2,726	2,609
Other debtors		3,643	2,318	1,746
Total		16,040	15,944	14,769

Investments of long-term business and other operations:

Investment properties		11,754	10,583	11,477
Investment in joint ventures and associates accounted for using the equity method		911	696	809
Financial investments*:				
Loans	C3.4	12,457	13,230	12,566
Equity securities and portfolio holdings in unit trusts		130,566	112,258	120,222
Debt securities	C3.3	134,177	138,256	132,905
Other investments		5,908	6,140	6,265
Deposits		13,057	13,542	12,213
Total		308,830	294,705	296,457

Assets held for sale	D1	875	1,079	916
Cash and cash equivalents		5,903	6,840	6,785
Total assets	C1,C3.1	339,290	325,837	325,932

* Included within financial investments are £3,953 million of lent securities as at 30 June 2014 (30 June 2013: £5,076 million; 31 December 2013: £3,791 million).

International Financial Reporting Standards (IFRS) Basis Results

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	2014 £m 30 Jun	2013 £m 30 Jun	31 Dec
Equity and liabilities				
Equity				
Shareholders' equity		10,625	9,625	9,650
Non-controlling interests		1	6	1
Total equity		10,626	9,631	9,651

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)		283,704	272,728	273,953
Unallocated surplus of with-profits-funds		13,044	11,434	12,061
Total	C4.1(a)	296,748	284,162	286,014

Core structural borrowings of shareholder-financed operations:

Subordinated debt		3,597	3,161	3,662
Other		970	988	974
Total	C6.1	4,567	4,149	4,636

Other borrowings:

Operational borrowings attributable to shareholder-financed operations	C6.2(a)	2,243	2,530	2,152
Borrowings attributable to with-profits operations	C6.2(b)	864	924	895

Other non-insurance liabilities:

Obligations under funding, securities lending and sale and repurchase agreements		2,188	2,889	2,074
Net asset value attributable to unit holders of consolidated unit trusts and similar funds		5,262	5,394	5,278
Deferred tax liabilities	C7.1	3,855	4,102	3,778
Current tax liabilities		475	325	395
Accruals and deferred income		731	538	824
Other creditors		4,999	3,743	3,307
Provisions		534	537	635
Derivative liabilities		1,400	2,226	1,689
Other liabilities		3,970	3,661	3,736
Total		23,414	23,415	21,716

Liabilities held for sale	D1	828	1,026	868
Total liabilities	C1,C3.1	328,664	316,206	316,281
Total equity and liabilities		339,290	325,837	325,932

International Financial Reporting Standards (IFRS) Basis Results

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	2014 £m Half year	2013 £m Half year	2013 £m Full year
Cash flows from operating activities				
Profit before tax (being tax attributable to shareholders' and policyholders' returns)note (i)		1,708	720	2,082
Non-cash movements in operating assets and liabilities reflected in profit before taxnote (ii)		(1,162)	533	(775)
Other itemsnote (iii)		38	70	17
Net cash flows from operating activities		584	1,323	1,324
Cash flows from investing activities				

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Net cash outflows from purchases and disposals of property, plant and equipment		(50)	(140)	(179)
Acquisition of distribution rights and subsidiaries, net of cash balance note (iv)		(534)	(376)	(405)
Net cash flows from investing activities		(584)	(516)	(584)
Cash flows from financing activities				
Structural borrowings of the Group:				
Shareholder-financed operations: note (v)	C6.1			
Issue of subordinated debt, net of costs		-	429	1,124
Interest paid		(169)	(148)	(291)
With-profits operations: note (vi)	C6.2			
Interest paid		(4)	(4)	(9)
Equity capital:				
Issues of ordinary share capital		8	1	6
Dividends paid		(610)	(532)	(781)
Net cash flows from financing activities		(775)	(254)	49
Net (decrease) increase in cash and cash equivalents		(775)	553	789
Cash and cash equivalents at beginning of period		6,785	6,126	6,126
Effect of exchange rate changes on cash and cash equivalents		(107)	161	(130)
Cash and cash equivalents at end of period		5,903	6,840	6,785

Notes

- (i) This measure is the formal profit before tax measure under IFRS but it is not the result attributable to shareholders.
- (ii) The adjusting items to profit before tax included within non-cash movements in operating assets and liabilities reflected in profit before tax are as follows:

	2014 £m	2013 £m	
	Half year	Half year	Full year
Other non-investment and non-cash assets	(2,461)	(1,140)	(1,146)
Investments	(15,866)	(8,074)	(23,487)
Policyholder liabilities (including unallocated surplus)	15,110	7,295	21,951
Other liabilities (including operational borrowings)	2,055	2,452	1,907
Non-cash movements in operating assets and liabilities reflected in profit before tax	(1,162)	533	(775)

(iii) The adjusting items to profit before tax included within other items are adjustments in respect of non-cash items together with operational interest receipts and payments, dividend receipts and tax paid.

(iv) The agreement entered into by the Group in the first half of 2014 expanding the term and geographic scope of its strategic pan-Asian bancassurance partnership with Standard Chartered plc resulted in a net cash outflow during the reporting period of £503 million for acquisition of distribution rights. In addition, the acquisition of Express Life in Ghana, in the first half of 2014, resulted in a net cash outflow of £14 million. There was also a £12 million payment for a deferred consideration of the acquisition of Thanachart, and a further £5 million payment in respect of other distribution agreements. The acquisition of Thanachart Life and related distribution agreements in 2013 resulted in a net cash outflow of £396 million in full year 2013 (half year 2013: £376 million). A further £9 million cash payment was made in the second half of 2013 relating to the acquisition of REALIC in 2012.

(v) Structural borrowings of shareholder-financed operations exclude 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) Interest paid on 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.

International Financial Reporting Standards (IFRS) Basis Results

NOTES

A BACKGROUND

A1 Basis of preparation and audit status

These condensed consolidated interim financial statements for the six months ended 30 June 2014 have been prepared in accordance with IAS 34 'Interim Financial Reporting' as issued by the International Accounting Standards Board (IASB) and as endorsed by the European Union (EU). The Group's policy for preparing this interim financial information is to use the accounting policies adopted by the Group in its last consolidated financial statements, as updated by any changes in accounting policies it intends to make in its next consolidated financial statements as a result of new or amended IFRS that are applicable or available for early adoption for the next annual financial statements and other policy improvements. EU-endorsed IFRS may differ from IFRSs issued by the IASB if, at any point in time, new or amended IFRS have not been endorsed by the EU. At 30 June 2014, there were no unendorsed standards effective for the period ended 30 June 2014 affecting the condensed consolidated financial statements of the Group, and there were no differences between IFRS endorsed by the EU and IFRS issued by the IASB in terms of their application to the Group.

The IFRS basis results for the 2014 and 2013 half years are unaudited. The 2013 full year IFRS basis results have been derived from the 2013 statutory accounts. The auditors have reported on the 2013 statutory accounts which have been delivered to the Registrar of Companies. The auditors' report was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

The exchange rates applied for balances and transactions in currencies other than the presentational currency of the Group, pounds sterling (GBP) were:

	Closing rate at 30 Jun 2014	Average for the 6 months to 30 Jun 2014	Closing rate at 30 Jun 2013	Average for the 6 months to 30 Jun 2013	Closing rate at 31 Dec 2013	Average for 2013
Local currency: £						
Hong Kong	13.25	12.95	11.76	11.98	12.84	12.14
Indonesia	20,270.27	19,573.46	15,053.25	15,024.12	20,156.57	16,376.89
Malaysia	5.49	5.45	4.79	4.75	5.43	4.93
Singapore	2.13	2.10	1.92	1.92	2.09	1.96
India	102.84	101.45	90.13	84.94	102.45	91.75
Vietnam	36,471.11	35,266.15	32,161.63	32,305.17	34,938.60	32,904.71
US	1.71	1.67	1.52	1.54	1.66	1.56

Certain notes to the financial statements present half year 2013 comparative information at Constant Exchange Rates, in addition to the reporting at Actual Exchange Rates used throughout the condensed consolidated financial statements. Actual Exchange Rates (AER) are actual historical exchange rates for the specific accounting period, being the average rates over the period for the income statement and the closing rates for the balance sheet at the

balance sheet date. Constant Exchange Rates (CER) results are calculated by translating prior period results using the current period foreign exchange rate ie current period average rates for the income statement and current period closing rates for the balance sheet.

The accounting policies applied by the Group in determining the IFRS basis results in this report are the same as those previously applied in the Group's consolidated financial statements for the year ended 31 December 2013, except for the adoption of the new and amended accounting pronouncements for Group IFRS reporting as described below.

A2 Adoption of new accounting pronouncements in 2014

The following accounting pronouncements issued and endorsed for use in the EU have been adopted for half year 2014. This is not intended to be a complete list as only those accounting pronouncements that could have an impact upon the Group's financial statements are discussed.

Accounting standard	Key requirements	Impact on financial statements
Amendments to IAS 32: Offsetting financial assets and financial liabilities	These amendments, effective from 1 January 2014 provide clarification on the application of the offsetting rules and require offsetting of a financial asset and financial liability when there is both the legally-enforceable right to set-off and intention to either settle on a net basis or realise the asset and settle the liability simultaneously.	The Group has adopted the standard from 1 January 2014 with no material impact on the presentation of the Group's financial assets and financial liabilities.
IFRIC 21, 'Levies'	This clarification, effective from 1 January 2014, provides guidance on recognition of the liability for a levy imposed by a government.	The Group has adopted the clarification from 1 January 2014 and there is no material impact on the recognition of liabilities for the levies imposed on the Group.

B EARNINGS PERFORMANCE

B1 Analysis of performance by segment

B1.1 Segment results - profit before tax

For memorandum disclosure purposes, the table below presents the half year 2013 results on both actual exchange rates (AER) and constant exchange rates (CER) bases so as to eliminate the impact of exchange translation.

	Note	2014 £m		2013 £m		%		2013 £m
		Half year	Half year	AER Half year note (v)	CER Half year note (v)	AER vs Half year note (v)	CER vs Half year note (v)	
Asia operations								
Insurance operations	B4(a)	484	476	408		2%	19%	1,003
Development expenses		(1)	(2)	(2)		50%	50%	(2)

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Total Asia insurance operations after development expenses		483	474	406	2%	19%	1,001																																								
Eastspring Investments		42	38	34	11%	24%	74																																								
Total Asia operations		525	512	440	3%	19%	1,075																																								
US operations																																															
Jackson (US insurance operations)	B4(b)	686	582	538	18%	28%	1,243																																								
Broker-dealer and asset management		(5)	34	31	(115)%	(116)%	59																																								
Total US operations		681	616	569	11%	20%	1,302																																								
UK operations																																															
UK insurance operations:	B4(c)																																														
Long-term business		374	341	341	10%	10%	706																																								
General insurance commission note (i)		12	15	15	(20)%	(20)%	29																																								
Total UK insurance operations		386	356	356	8%	8%	735																																								
M&G (including Prudential Capital)		249	225	225	11%	11%	441																																								
Total UK operations		635	581	581	9%	9%	1,176																																								
Total segment profit		1,841	1,709	1,590	8%	16%	3,553																																								
Other income and expenditure																																															
Investment return and other income		3	10	10	(70)%	(70)%	10																																								
Interest payable on core structural borrowings		(170)	(152)	(152)	(12)%	(12)%	(305)																																								
Corporate expenditure note (ii)		(138)	(128)	(128)	(8)%	(8)%	(263)																																								
Total		(305)	(270)	(270)	(13)%	(13)%	(558)																																								
Solvency II implementation costs		(11)	(13)	(13)	15%	15%	(29)																																								
Restructuring costs note (iii)		(4)	(11)	(11)	64%	64%	(12)																																								
Operating profit based on longer-term investment returns		1,521	1,415	1,296	7%	17%	2,954																																								
Short-term fluctuations in investment returns on shareholder-backed business																																															
Amortisation of acquisition accounting adjustments	B1.2	(45)	(755)	(709)	94%	94%	(1,110)																																								
Loss attaching to held for sale Japan Life business note (iv)	D1	-	(124)	(107)	100%	100%	(102)																																								
Costs of domestication of Hong Kong branch	D2	(8)	-	-	n/a	n/a	(35)																																								
Profit before tax attributable to shareholders		1,424	506	452	181%	215%	1,635																																								
<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th>2014</th> <th>2013</th> <th colspan="2">%</th> <th>2013</th> </tr> <tr> <th></th> <th>Half year</th> <th>AER half year</th> <th>CER half year</th> <th>AER vs half year</th> <th>CER vs half year</th> </tr> <tr> <th></th> <th></th> <th>note (v)</th> <th>note (v)</th> <th>note (v)</th> <th>note (v)</th> </tr> </thead> <tbody> <tr> <td>Basic earnings per share (in pence)</td> <td>B6</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Based on operating profit based on longer-term investment returns</td> <td></td> <td>45.2p</td> <td>42.2p</td> <td>38.7p</td> <td>7%</td> <td>17%</td> <td>90.9p</td> </tr> <tr> <td>Based on profit for the period</td> <td></td> <td>45.0p</td> <td>14.3p</td> <td>12.8p</td> <td>215%</td> <td>252%</td> <td>52.8p</td> </tr> </tbody> </table>									2014	2013	%		2013		Half year	AER half year	CER half year	AER vs half year	CER vs half year			note (v)	note (v)	note (v)	note (v)	Basic earnings per share (in pence)	B6					Based on operating profit based on longer-term investment returns		45.2p	42.2p	38.7p	7%	17%	90.9p	Based on profit for the period		45.0p	14.3p	12.8p	215%	252%	52.8p
	2014	2013	%		2013																																										
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Notes

- (i) The Group's UK insurance operations transferred its general insurance business to Churchill in 2002. General insurance commission represents the commission receivable net of expenses for Prudential-branded general insurance products as part of this arrangement.
- (ii) Corporate expenditure as shown above is for Group Head Office and Asia Regional Head Office.
- (iii) Restructuring costs are incurred in the UK and represent one-off expenses incurred in securing expense savings.
- (iv) To facilitate comparisons of operating profit based on longer-term investment returns that reflect the Group's retained operations, the results attributable to the held for sale Japan Life business are included separately within the supplementary analysis of profit above.
- (v) For definitions of actual exchange rates (AER) and constant exchange rates (CER) refer to note A1.

B1.2 Short-term fluctuations in investment returns on shareholder-backed business

	2014 £m	2013 £m	
	Half year	Half year	Full year
Insurance operations:			
Asia note (ii)	119	(137)	(204)
US note (iii)	(226)	(441)	(625)
UK note (iv)	93	(147)	(254)
Other operationsnote (v)	(31)	(30)	(27)
Total	(45)	(755)	(1,110)

Notes

- (i) General overview of defaults
The Group did not experience any defaults on its shareholder-backed debt securities portfolio in 2014 or 2013.
- (ii) Asia insurance operations
In Asia, the positive short-term fluctuations of £119 million (half year 2013: negative £(137) million; full year 2013: negative £(204) million) primarily reflect net unrealised movements on bond holdings following modest falls in bond yields across the region during the first half of the year.
- (iii) US insurance operations
The short-term fluctuations in investment returns for US insurance operations comprise the following items:

	2014 £m	2013 £m	
	Half year	Half year	Full year
Short-term fluctuations relating to debt securities			
Credits (charges) in the period:			
Losses on sales of impaired and deteriorating bonds	(1)	(2)	(5)
Bond write downs	(5)	(5)	(8)
Recoveries / reversals	14	6	10
Total credits (charges) in the periodnote (a)	8	(1)	(3)
Add: Risk margin allowance deducted from operating profit based on longer-term investment returnsnote (b)	38	44	85
	46	43	82
Interest-related realised gains:			
Arising in the period	20	34	64
Less: Amortisation of gains and losses arising in current and prior years to operating profit based on longer-term	(43)	(45)	(89)

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investment returns

	(23)	(11)	(25)
Related amortisation of deferred acquisition costs	(7)	(8)	(15)
Total short-term fluctuations related to debt securities	16	24	42
Derivatives (other than equity-related): market value movements (net of related amortisation of deferred acquisition costs)note (c)	208	(380)	(531)
Net equity hedge results (principally guarantees and derivatives, net of related amortisation of deferred acquisition costs)note (d)	(478)	(166)	(255)
Equity-type investments: actual less longer-term return (net of related amortisation of deferred acquisition costs)	21	63	89
Other items (net of related amortisation of deferred acquisition costs)	7	18	30
Total	(226)	(441)	(625)

The short-term fluctuations in investment returns shown in the table above are stated net of a credit for the related amortisation of deferred acquisition costs of £107 million (half year 2013: £242 million; full year 2013: £228 million). See note C5.1(b).

Notes

(a) The credits/charges on the debt securities of Jackson comprise the following:

	2014 £m	2013 £m	
	Half year	Half year	Full year
Residential mortgage-backed securities:			
Prime (including agency)	-	2	1
Alt-A	4	-	(1)
Sub-prime	3	(1)	-
Total residential mortgage-backed securities	7	1	-
Corporate debt securities	(1)	(2)	(1)
Other	2	-	(2)
Total	8	(1)	(3)

(b) The risk margin reserve charge for longer-term credit-related losses included in operating profit based on longer-term investment returns of Jackson for half year 2014 is based on an average annual risk margin reserve of 23 basis points (half year 2013: 25 basis points; full year 2013: 25 basis points) on average book values of US\$54.7 billion (half year 2013: US\$54.3 billion; full year 2013: US\$54.4 billion) as shown below:

	Half year 2014				Half year 2013				Full year 2013			
Moody's rating category (or equivalent under NAIC ratings of mortgage-backed securities)	Average book value US\$m	RMR %	Annual expected loss US\$m £m		Average book value US\$m	RMR %	Annual expected loss US\$m £m		Average book value US\$m	RMR %	Annual expected loss US\$m £m	
A3 or higher	27,849	0.12	(32)	(19)	27,411	0.11	(31)	(20)	27,557	0.11	(32)	(20)
Baa1, 2 or 3	24,982	0.25	(62)	(37)	24,187	0.25	(61)	(40)	24,430	0.25	(62)	(40)
Ba1, 2 or 3	1,363	1.25	(17)	(10)	1,633	1.14	(19)	(12)	1,521	1.18	(18)	(11)

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B1, 2 or 3	386	3.02	(12)	(7)	608	2.73	(17)	(11)	530	2.80	(15)	(9)
Below B3	108	3.71	(4)	(2)	423	2.15	(9)	(6)	317	2.32	(7)	(5)
Total	54,688	0.23	(127)	(75)	54,262	0.25	(137)	(89)	54,355	0.25	(134)	(85)

Related change to amortisation of deferred acquisition costs (see below)			22	13			26	17			25	16
Risk margin reserve charge to operating profit for longer-term credit related losses			(105)	(62)			(111)	(72)			(109)	(69)

Consistent with the basis of measurement of insurance assets and liabilities for Jackson's IFRS results, the charges and credits to operating profits based on longer-term investment returns are partially offset by related amortisation of deferred acquisition costs.

(c) Derivatives (other than equity-related): positive fluctuation of £208 million (half year 2013: negative fluctuation of £(380) million; full year 2013: negative fluctuation of £(531) million) net of related amortisation of deferred acquisition costs.

These gains and losses are in respect of interest rate swaps and swaptions and for the Guaranteed Minimum Income Benefit (GMIB) reinsurance. The swaps and swaptions are undertaken to manage interest rate exposures and durations within the general account, including the variable annuity and fixed index annuity guarantees (as described in note (d) below). The GMIB reinsurance is in place so as to insulate Jackson from the GMIB exposure.

The amounts principally reflect the fair value movement on these instruments, net of related amortisation of deferred acquisition costs.

Under the Group's IFRS reporting of Jackson's derivatives (other than equity-related) programme significant accounting mismatches arise. This is because:

- The derivatives are required to be fair valued with the value movements booked in the income statement;
- As noted above, part of the derivative value movements arises in respect of interest rate exposures within Jackson's guarantee liabilities for variable annuity and fixed index annuity business which are only partially fair valued under IFRS (see below); and
- The GMIB liability is valued under the US GAAP insurance measurement basis applied for IFRS in a way that substantially does not recognise the effect of market movements. However, notwithstanding that the liability is reinsured, as the reinsurance asset is net settled it is deemed a derivative under IAS 39 which requires fair valuation.

In half year 2014, the positive fluctuation of £208 million reflects principally the favourable mark-to-market impact of approximately 42 basis points decrease in swap rates on the valuation of the interest rate swaps, swaptions, and the GMIB reinsurance asset.

(d) Net equity hedge result: negative fluctuation of £(478) million (half year 2013: negative fluctuation £(166) million; full year 2013: negative fluctuation £(255) million).

These amounts are in respect of the equity-based derivatives and associated guarantee liabilities of Jackson's variable and fixed index annuity business. The equity based derivatives are undertaken to manage the equity risk exposure of the guarantee liabilities. The economic exposure of these guarantee liabilities also includes the effects of changes in interest rates which are managed through the swaps and swaptions programmes described in note (c) above.

The amounts reflect the net effect of:

- Fair value movements on free-standing equity derivatives;
- The accounting value movements on the variable annuity and fixed index annuity guarantee liabilities;
- Fee assessments and claim payments in respect of guarantee liabilities; and
- Related DAC amortisation.

Under the Group's IFRS reporting of Jackson's equity-based derivatives and associated guarantee liabilities significant accounting mismatches arise. This is because:

- The free-standing equity-based derivatives and Guaranteed Minimum Withdrawal Benefit (GMWB) "not for life" embedded derivative liabilities are required to be fair valued. These fair value movements include the effects of changes to levels of equity markets, implied volatility and interest rates. The interest rate exposure is managed through the derivative programme explained above in note (c);
- The Guaranteed Minimum Death Benefit (GMDB) and GMWB "for life" guarantees are valued under the US GAAP insurance measurement basis applied for IFRS in a way that substantially does not recognise the effect of equity market and interest rate changes.

In half year 2014, the negative fluctuation of £(478) million reflects the net effect of mark-to-market reductions on the free-standing equity-based derivatives together with increases in the carrying amounts of those guarantees that are fair valued as embedded derivatives under IFRS. Both aspects reflect increased equity markets (the S&P 500 increased by 6 per cent) with the value movement on the embedded derivatives also being affected by decreases in average implied volatility levels and the decrease in swap rates.

(iv) UK insurance operations

The positive short-term fluctuations in investment returns for UK insurance operations of £93 million (half year 2013: negative £(147) million; full year 2013: negative £(254) million) include net unrealised movements on fixed income assets supporting the capital of the shareholder-backed annuity business, reflecting the fall in bond yields since the end of 2013.

(v) Other

Short-term fluctuations in investment returns of other operations, were negative £(31) million (half year 2013: negative £(30) million; full year 2013: negative £(27) million) representing principally unrealised value movements on investments and foreign exchange items.

B1.3 Determining operating segments and performance measure of operating segments

Operating segments

The Group's operating segments, determined in accordance with IFRS 8, 'Operating Segments', are as follows:
Insurance operations

- Asia
- US (Jackson)
- UK

Asset management operations

- M&G (including Prudential Capital)
- Eastspring Investments
- US broker-dealer and asset management (including Curian)

The Group's operating segments are also its reportable segments for the purposes of internal management reporting with the exception of Prudential Capital which has been incorporated into the M&G operating segment for the purposes of segment reporting.

Performance measure

The performance measure of operating segments utilised by the Company is IFRS operating profit attributable to shareholders based on longer-term investment returns, as described below. This measurement basis distinguishes operating profit based on long-term investment returns from other constituents of the total profit as follows:

- Short-term fluctuations in investment returns;
- Amortisation of acquisition accounting adjustments arising on the purchase of business. This comprises principally the charge for the adjustments arising on the purchase of REALIC in 2012;
- Loss attaching to the held for sale Japan Life business. See note D1 for further details; and
- The costs associated with the domestication of the Hong Kong branch which became effective on 1 January 2014.

Segment results that are reported to the Group Executive Committee include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items are mainly in relation to the Group Head Office and the Asia Regional Head Office.

Except in the case of assets backing the UK annuity, unit-linked and US variable annuity separate account liabilities, operating profit based on longer-term investment returns for shareholder-financed business is determined on the basis of expected longer-term investment returns. In the case of assets backing the UK annuity business, unit-linked and US variable annuity separate account liabilities, the basis of determining operating profit based on longer-term investment returns is as follows:

- UK annuity business liabilities: For this business, policyholder liabilities are determined by reference to current interest rates. The value movements of the assets covering liabilities are closely correlated with the related change in liabilities. Accordingly, asset value movements are recorded within the 'operating results based on longer-term investment returns'. Policyholder liabilities include a margin for credit risk. Variations between actual and best estimate expected impairments are recorded as a component of short-term fluctuations in investment returns.
- Unit-linked and US variable annuity business separate account liabilities: For such business, the policyholder unit liabilities are directly reflective of the asset value movements. Accordingly, the operating results based on longer-term investment returns reflect the current period value movements in unit liabilities and the backing assets.

In the case of other shareholder-financed business, the measurement of operating profit based on longer-term investment returns reflects the particular features of long-term insurance business where assets and liabilities are held for the long-term and for which the accounting basis for insurance liabilities under current IFRS is not generally conducive to demonstrating trends in underlying performance of life businesses exclusive of the effects of short-term fluctuations in market conditions. In determining the profit on this basis, the following key elements are applied to the results of the Group's shareholder-financed operations.

(a) Debt, equity-type securities and loans

Longer-term investment returns comprise actual income receivable for the period (interest/dividend income) and for both debt and equity-type securities longer-term capital returns.

In principle, for debt securities and loans, the longer-term capital returns comprise two elements:

- Risk margin reserve based charge for the expected level of defaults for the period, which is determined by reference to the credit quality of the portfolio. The difference between impairment losses in the reporting period and

the risk margin reserve charge to the operating result is reflected in short-term fluctuations in investment returns; and

- The amortisation of interest-related realised gains and losses to operating results based on longer-term investment returns to the date when sold bonds would have otherwise matured.

Jackson is the shareholder-backed operation for which the distinction between impairment losses and interest-related realised gains and losses is in practice relevant to a significant extent. Jackson has used the ratings by Nationally Recognised Statistical Ratings Organisations (NRSRO) or ratings resulting from the regulatory ratings detail issued by the National Association of Insurance Commissioners (NAIC) developed by external third parties such as PIMCO or BlackRock Solutions to determine the average annual risk margin reserve to apply to debt securities held to back general account business. Debt securities held to back separate account and reinsurance funds withheld are not subject to risk margin reserve charge. Further details of the risk margin reserve charge, as well as the amortisation of interest-related realised gains and losses, for Jackson are shown in note B1.2.

For debt securities backing non-linked shareholder-financed business of the UK insurance operations (other than the annuity business) and of the Asia insurance operations, the realised gains and losses are principally interest related. Accordingly, all realised gains and losses to date for these operations are being amortised over the period to the date those securities would otherwise have matured, with no explicit risk margin reserve charge.

At 30 June 2014, the level of unamortised interest-related realised gains and losses related to previously sold bonds for the Group was a net gain of £427 million (half year 2013: net gain of £522 million; full year 2013: net gain of £461 million).

For equity-type securities, the longer-term rates of return are estimates of the long-term trend investment return for income and capital having regard to past performance, current trends and future expectations. Equity-type securities held for shareholder-financed operations other than the UK annuity business, unit-linked and US variable annuity are of significance for the US and Asia insurance operations. Different rates apply to different categories of equity-type securities.

As at 30 June 2014, the equity-type securities for US insurance non-separate account operations amounted to £1,071 million (half year 2013: £1,188 million; full year 2013: £1,118 million). For these operations, the longer-term rates of return for income and capital applied in 2014 and 2013, which reflect the combination of risk free rates and appropriate risk premiums are as follows:

	2014 Half year	2013 Half year	Full year
Equity-type securities such as common and preferred stock and portfolio holdings in mutual funds	6.5% to 6.7%	5.7% to 6.5%	5.7% to 6.8%
Other equity-type securities such as investments in limited partnerships and private equity funds	8.5% to 8.7%	7.7% to 8.5%	7.7% to 9.0%

For Asia insurance operations, excluding assets of the Japan Life held for sale business, investments in equity securities held for non-linked shareholder-financed operations amounted to £664 million as at 30 June 2014 (half year 2013: £526 million; full year 2013: £571 million). The rates of return applied in the years 2014 and 2013 ranged from 2.02 per cent to 13.75 per cent with the rates applied varying by territory. These rates are determined after consideration by the Group's in-house economists of long-term expected real government bond returns, equity risk premium and long-term inflation. These rates are broadly stable from period to period but may be different between countries reflecting, for example, differing expectations of inflation in each territory. The assumptions are for returns

expected to apply in equilibrium conditions. The assumed rates of return do not reflect any cyclical variability in economic performance and are not set by reference to prevailing asset valuations.

The longer-term investment returns for the Asia insurance joint ventures accounted for on the equity method are determined on a similar basis as the other Asia insurance operations described above.

(b) US variable and fixed index annuity business

The following value movements for Jackson's variable and fixed index annuity business are excluded from operating profit based on longer-term investment returns:

- Fair value movements for equity-based derivatives;
- Fair value movements for embedded derivatives for Guaranteed Minimum Withdrawal Benefit 'not for life' and fixed index annuity business, and Guaranteed Minimum Income Benefit reinsurance (see note below);
- Movements in accounts carrying value of Guaranteed Minimum Death Benefit and Guaranteed Minimum Withdrawal Benefit 'for life' and Guaranteed Minimum Income Benefit liabilities, for which, under the 'grandfathered' US GAAP applied under IFRS for Jackson's insurance assets and liabilities, the measurement basis gives rise to a muted impact of current period market movements;
- Fee assessments and claim payments, in respect of guarantee liabilities; and
- Related amortisation of deferred acquisition costs for each of the above items.

Note

US operations - Embedded derivatives for variable annuity guarantee features

The Guaranteed Minimum Income Benefit liability, which is fully reinsured, subject to a deductible and annual claim limits, is accounted for in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Subtopic 944-80 Financial Services - Insurance - Separate Accounts (formerly SOP 03-1) under IFRS using 'grandfathered' US GAAP. As the corresponding reinsurance asset is net settled, it is considered to be a derivative under IAS 39, 'Financial Instruments: Recognition and Measurement', and the asset is therefore recognised at fair value. As the Guaranteed Minimum Income Benefit is economically reinsured the market element of the reinsurance asset is included as a component of short-term fluctuations in investment returns.

(c) Other derivative value movements

Generally, derivative value movements are excluded from operating results based on longer-term investment returns (unless those derivative value movements broadly offset changes in the accounting value of other assets and liabilities included in operating profit). The principal example of non-equity based derivatives (for example interest rate swaps and swaptions) whose value movements are excluded from operating profit arises in Jackson. Non-equity based derivatives are primarily held by Jackson as part of a broadly-based hedging programme for features of Jackson's bond portfolio (for which value movements are booked in the statement of comprehensive income rather than the income statement), product liabilities (for which US GAAP accounting as 'grandfathered' under IFRS 4 does not fully reflect the economic features being hedged), and the interest rate exposure attaching to equity-based embedded derivatives.

(d) Other liabilities to policyholders and embedded derivatives for product guarantees

Under IFRS, the degree to which the carrying values of liabilities to policyholders are sensitive to current market conditions varies between territories depending upon the nature of the 'grandfathered' measurement basis. In general, in those instances where the liabilities are particularly sensitive to routine changes in market conditions, the accounting basis is such that the impact of market movements on the assets and liabilities is broadly equivalent in the income statement, and operating profit based on longer-term investments returns is not distorted. In these circumstances, there is no need for the movement in the liability to be bifurcated between the elements that relate to longer-term market conditions and short-term effects.

However, some types of business movements in liabilities do require bifurcation to ensure that at the net level (ie after allocated investment return and change for policyholder benefits) the operating result reflects longer-term market returns.

Examples where such bifurcation is necessary are:

Asia - Hong Kong

For certain non-participating business, the economic features are more akin to asset management products with policyholder liabilities reflecting asset shares over the contract term. For these products, the charge for policyholder benefits in the operating results should reflect the asset share feature rather than volatile movements that would otherwise be reflected if the local regulatory basis (also applied for IFRS basis) was used.

For other Hong Kong non-participating business, longer-term interest rates are used to determine the movement in policyholder liabilities for determining operating results. Similar principles apply for other Asia operations.

UK shareholder-backed annuity business

The operating result based on longer-term investment returns reflects the impact of value movements on policyholder liabilities for annuity business in PRIL and the PAC non-profit sub-fund after adjustments to allocate the following elements of the movement to the category of 'short-term fluctuations in investment returns':

- The impact on credit risk provisioning of actual upgrades and downgrades during the period;
- Credit experience compared to assumptions; and
- Short-term value movements on assets backing the capital of the business.

Credit experience reflects the impact of defaults and other similar experience, such as asset exchanges arising from debt restructuring by issuers that include effectively an element of permanent impairment of the security held. Positive or negative experience compared to assumptions is included within short-term fluctuations in investment returns without further adjustment. The effects of other changes to credit risk provisioning are included in the operating result, as is the net effect of changes to the valuation rate of interest due to portfolio rebalancing to align more closely with management benchmark.

(e) Fund management and other non-insurance businesses

For these businesses, the particular features applicable for life assurance noted above do not apply. For these businesses it is inappropriate to include returns in the operating result on the basis described above. Instead, it is appropriate to generally include realised gains and losses (including impairments) in the operating result with unrealised gains and losses being included in short-term fluctuations. For this purpose impairments are calculated as the credit loss determined by comparing the projected cash flows discounted at the original effective interest rate to the carrying value. In some instances it may also be appropriate to amortise realised gains and losses on derivatives and other financial instruments to operating results over a time period that reflects the underlying economic substance of the arrangements.

B1.4 Additional segmental analysis of revenue

The additional segmental analyses of revenue from external customers excluding investment return and net of outward reinsurance premiums are as follows:

	Half year 2014 £m				Total
	Asia	US	UK Intra-group		
Revenue from external customers:					
Insurance operations	4,336	8,321	3,629	-	16,286
Asset management	140	387	612	(194)	945

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Unallocated corporate	-	-	17	-	17
Intra-group revenue eliminated on consolidation	(67)	(42)	(85)	194	-
Total revenue from external customers	4,409	8,666	4,173	-	17,248

	Half year 2013 £m				
	Asia	US	UK	Intra-group	Total
Revenue from external customers:					
Insurance operations	4,276	7,858	2,786	-	14,920
Asset management	122	421	562	(172)	933
Unallocated corporate	-	-	10	-	10
Intra-group revenue eliminated on consolidation	(49)	(43)	(80)	172	-
Total revenue from external customers	4,349	8,236	3,278	-	15,863

	Full year 2013 £m				
	Asia	US	UK	Intra-group	Total
Revenue from external customers:					
Insurance operations	8,919	15,381	5,816	-	30,116
Asset management	245	855	1,165	(379)	1,886
Unallocated corporate	-	-	26	-	26
Intra-group revenue eliminated on consolidation	(98)	(86)	(195)	379	-
Total revenue from external customers	9,066	16,150	6,812	-	32,028

Revenue from external customers comprises:

	2014 £m	2013 £m	
	Half year	Half year	Full year
Earned premiums, net of reinsurance	16,189	14,763	29,844
Fee income and investment contract business and asset management (presented as 'Other income')	1,059	1,100	2,184
Total revenue from external customers	17,248	15,863	32,028

In their capacity as fund managers to fellow Prudential Group subsidiaries, M&G, Eastspring Investments and the US asset management businesses generate fees for investment management and related services. These services are charged at appropriate arm's length prices, typically priced as a percentage of funds under management. Intra-group fees included within asset management revenue were earned by the following asset management segment:

	2014 £m	2013 £m		
	Half year	Half year	Full year	
Intra-group revenue generated by:				
M&G		85	80	195
Eastspring investments		67	49	98
US broker-dealer and asset management (including Curian)		42	43	86
Total intra-group fees included within asset management segment		194	172	379

Revenue from external customers of Asia, US and UK insurance operations shown above are net of outwards reinsurance premiums of £134 million, £115 million and £103 million respectively (half year 2013: £96 million, £172

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million and £92 million respectively; full year 2013: £190 million, £278 million and £190 million respectively).

B2 Profit before tax - asset management operations

The profit included in the income statement in respect of asset management operations for the year is as follows:

	2014 £m			2013 £m		
	M&G	US Investments note (iv)	Eastspring Half year Total	Half year Total	Full year Total	
Revenue (excluding NPH broker-dealer fees)	682	139	142	963	916	1,914
NPH broker-dealer feesnote (i)	-	248	-	248	249	504
Gross revenue	682	387	142	1,211	1,165	2,418
Charges (excluding NPH broker-dealer fees)	(433)	(144)	(114)	(691)	(644)	(1,353)
NPH broker-dealer feesnote (i)	-	(248)	-	(248)	(249)	(504)
Gross charges	(433)	(392)	(114)	(939)	(893)	(1,857)
Share of profits from joint ventures and associates, net of related tax	6	-	14	20	16	35
Profit before tax	255	(5)	42	292	288	596
Comprising:						
Operating profit based on longer-term investment returnsnote (ii)	249	(5)	42	286	297	574
Short-term fluctuations in investment returns note (iii)	6	-	-	6	(9)	22
Profit before tax	255	(5)	42	292	288	596

Notes

(i) NPH broker-dealer fees represent commissions received that are then paid on to the writing brokers on sales of investment products

The segment revenue of the Group's asset management operations is required to include this item. However, reflecting their commercial nature, equivalent amounts are also reflected as charges within the income statement. After allowing for these charges, there is no effect on profit from this item. The presentation in the table above shows the amounts attributable to this item so as to distinguish the underlying revenue and charges.

(ii) M&G operating profit based on longer-term investment returns:

	2014 £m		2013 £m	
	Half year	Half year	Half year	Full year
Asset management fee income	462	418	418	859
Other income	1	3	3	4
Staff costs	(160)	(149)	(149)	(339)
Other costs	(89)	(77)	(77)	(166)
Underlying profit before performance-related fees	214	195	195	358
Share of associate's results	6	5	5	12
Performance-related fees	7	4	4	25
Operating profit from asset management operations	227	204	204	395
Operating profit from Prudential Capital	22	21	21	46
Total M&G operating profit based on longer-term investment returns	249	225	225	441

The difference between the fees and other income shown above in respect of asset management operations, and the revenue figure for M&G noted in the main table primarily relates to the total revenue of Prudential Capital (including short-term fluctuations) of £72 million (half year 2013: £51 million; full year 2013: £144 million) and commissions which have been netted off in arriving at the fee income of £462 million (half year 2013: £418

million; full year 2013: £859 million) in the table above. The difference in the presentation of commission is aligned with how management reviews the business.

(iii) Short-term fluctuations in investment returns for M&G are primarily in respect of unrealised fair value movements on Prudential Capital's bond portfolio.

(iv) The US asset management result includes a provision of £(33) million related to the receipt and potential refund of certain fees by Curian.

B3 Acquisition costs and other expenditure

	2014 £m		2013 £m	
	Half year	Half year	Half year	Full year
Acquisition costs incurred for insurance policies	(1,307)	(1,185)	(1,185)	(2,553)
Acquisition costs deferred less amortisation of acquisition costs	272	419	419	566
Administration costs and other expenditure	(2,097)	(2,127)	(2,127)	(4,303)
Movements in amounts attributable to external unit holders of consolidated investment funds	(204)	(422)	(422)	(571)
Total acquisition costs and other expenditure	(3,336)	(3,315)	(3,315)	(6,861)

Included in total acquisition costs and other expenditure is depreciation of property, plant and equipment of £(45) million (half year 2013: £(45) million; full year 2013: £(87) million).

B4 Effect of changes and other accounting features on insurance assets and liabilities

The following features are of relevance to the determination of the half year 2014 results:

(a) Asia insurance operations

In half year 2014, the IFRS operating profit based on longer-term investment returns for Asia insurance operations included a net credit of £19 million (half year 2013: £31 million; full year 2013: £44 million) representing a small number of non-recurring items.

(b) US insurance operations

Amortisation of deferred acquisition costs

Jackson applies a mean reversion technique for amortisation of deferred acquisition costs on variable annuity business which dampens the effects of short-term market movements on expected gross profits against which deferred acquisition costs are amortised. To the extent that the mean reversion methodology does not fully dampen the effects of market returns, there is a charge or credit for accelerated or decelerated amortisation. For half year 2014, reflecting the positive market returns in the period, there was a credit for decelerated amortisation of £10 million (half year 2013: credit for decelerated amortisation of £20 million; full year 2013: credit for decelerated amortisation of £82 million) to the operating profit based on longer-term investment returns. See note C5.1(b) for further details.

Other

In the second half of 2013, Jackson revised its projected long-term separate account return from 8.4 per cent to 7.4 per cent net of external fund management fees. The effect of this change together with other assumption changes and recalibration of modelling of accounting values of guarantees gave rise to a net benefit of £6 million to profit before tax in full year 2013.

(c) UK insurance operations

Annuity business: allowance for credit risk

For IFRS reporting, the results for UK shareholder-backed annuity business are particularly sensitive to the allowances made for credit risk. The allowance is reflected in the deduction from the valuation rate of interest for

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discounting projected future annuity payments to policyholders that would have otherwise applied. Credit risk allowance comprises (i) an amount for long-term best estimate defaults, and (ii) additional provisions for credit risk premium, downgrade resilience and short-term defaults.

The weighted components of the bond spread over swap rates for shareholder-backed fixed and linked annuity business for Prudential Retirement Income Limited (PRIL), the principal company which writes the UK's shareholder backed business, based on the asset mix at these dates are shown below.

	30 June 2014 (bps)			30 June 2013 (bps)			31 December 2013 (bps)		
	Adjustment from Pillar 1 regulatory basis		regulatory to IFRS basis IFRS	Adjustment from Pillar 1 regulatory basis		regulatory to IFRS basis IFRS	Adjustment from Pillar 1 regulatory basis		regulatory to IFRS basis IFRS
Bond spread over swap rates note (i)	119	-	119	157	-	157	133	-	133
Credit risk allowance									
Long-term expected defaults note (ii)	14	-	14	15	-	15	15	-	15
Additional provisions note (iii)	47	(19)	28	49	(22)	27	47	(19)	28
Total credit risk allowance	61	(19)	42	64	(22)	42	62	(19)	43
Liquidity premium	58	19	77	93	22	115	71	19	90

Notes

(i) Bond spread over swap rates reflect market observed data.

(ii) Long-term expected defaults are derived by applying Moody's data from 1970 to 2009 and the definition of the credit rating used is the second highest credit rating published by Moody's, Standard & Poor's and Fitch.

(iii) Additional provisions comprise credit risk premium, which is derived from Moody's data from 1970 to 2009, an allowance for a one-notch downgrade of the portfolio subject to credit risk and an additional allowance for short-term defaults.

The prudent Pillar 1 regulatory basis reflects the overriding objective of maintaining sufficient provisions and capital to ensure payments to policyholders can be made. The approach for IFRS aims to establish liabilities that are closer to 'best estimate'.

Movement in the credit risk allowance

The movement during the first half of 2014 of the average basis points allowance for PRIL on Pillar 1 regulatory and IFRS bases are as follows:

	Pillar 1 Regulatory basis (bps)	IFRS (bps)
Total allowance for credit risk at 31 December 2013	62	43
Credit rating changes	1	1
Asset trading	(2)	(1)
New business and other	-	(1)

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Total allowance for credit risk at 30 June 2014 61 42

Overall the movement has led to the credit allowance for Pillar 1 purposes to be 51 per cent (half year 2013: 41 per cent; full year 2013: 47 per cent) of the bond spread over swap rates. For IFRS purposes it represents 35 per cent (half year 2013: 27 per cent; full year 2013: 32 per cent) of the bond spread over swap rates.

The reserves for credit risk allowance at 30 June 2014 for the UK shareholder annuity fund were as follows:

	Pillar 1	
	Regulatory	IFRS
	basis	
	Total £bn	Total £bn
PRIL	1.7	1.2
PAC non-profit sub-fund	0.2	0.1
Total -30 June 2014	1.9	1.3
Total -30 June 2013	2.0	1.2
Total -31 December 2013	1.9	1.3

B5 Tax charge

(a) Total tax charge by nature of expense

The total tax charge in the income statement is as follows:

	2014 £m		Half year Total	2013 £m	
	Current tax	Deferred tax		Half year Total	Full year Total
Tax charge					
UK tax	(272)	10	(262)	(159)	(300)
Overseas tax	(260)	(41)	(301)	(196)	(436)
Total tax charge	(532)	(31)	(563)	(355)	(736)

The current tax charge of £532 million includes £23 million (2013: half year £8 million; full year 2013: £18 million) in respect of the tax charge for the Hong Kong operation. The Hong Kong current tax charge is calculated as 16.5 per cent for all periods on either (i) 5 per cent of the net insurance premium or (ii) the estimated assessable profits, depending on the nature of the business written.

The total tax charge comprises tax attributable to policyholders and unallocated surplus of with-profits funds, unit-linked policies and shareholders as shown below.

	2014 £m		Half year Total	2013 £m	
	Current tax	Deferred tax		Half year Total	Full year Total
Tax charge					
Tax charge to policyholders' returns	(245)	(39)	(284)	(214)	(447)
Tax charge attributable to shareholders	(287)	8	(279)	(141)	(289)
Total tax charge	(532)	(31)	(563)	(355)	(736)

The principal reason for the increase in the tax charge attributable to policyholders' returns compared to half year 2013 is an increase in current tax on net realised investment gains of the UK with-profits fund. An explanation of the tax charge attributable to shareholders is shown in note (b) below.

(b) Reconciliation of effective tax rate

Reconciliation of tax charge on profit attributable to shareholders

	Half year 2014 £m (Except for tax rates)				Total*
	Asia insurance operations*	US insurance operations	UK insurance operations	Other operations	
Operating profit (loss) based on longer-term investment returns	483	686	386	(34)	1,521
Non-operating profit (loss)	115	(266)	85	(31)	(97)
Profit (loss) before tax attributable to shareholders	598	420	471	(65)	1,424
Expected tax rate†	22%	35%	22%	21%	26%
Tax charge (credit) at the expected tax rate	130	147	102	(13)	366
Effects of:					
Adjustment to tax charge in relation to prior years	-	-	-	3	3
Movements in provisions for open tax matters	1	-	-	-	1
Income not taxable or taxable at concessionary rates	(40)	(27)	(2)	(4)	(73)
Deductions not allowable for tax purposes	15	-	-	2	17
Deferred tax adjustments	1	-	(4)	-	(3)
Effect of results of joint ventures and associates	(19)	-	-	(5)	(24)
Irrecoverable withholding taxes	-	-	-	15	15
Other	(4)	(13)	-	(6)	(23)
Total actual tax charge (credit)	84	107	96	(8)	279
Analysed into:					
Tax on operating profit (loss) based on longer-term investment returns	82	206	79	2	369
Tax charge (credit) on non-operating (loss) profit	2	(99)	17	(10)	(90)
Actual tax rate:					
Operating profit (loss) based on longer-term investment returns	17%	30%	20%	(6%)	24%
Total profit	14%	25%	20%	12%	20%

* The expected and actual tax rates as shown includes the impact of the held for sale Japan Life business. For half year 2014 the tax rates for Asia insurance and Group excluding the impact of the held for sale Japan Life business are the same.

	Half year 2013 £m (Except for tax rates)				Total*
	Asia insurance operations*	US insurance operations	UK insurance operations	Other operations	
Operating profit based on longer-term investment returns	474	582	356	3	1,415
Non-operating loss	(264)	(468)	(147)	(30)	(909)
Profit (loss) before tax attributable to shareholders	210	114	209	(27)	506
Expected tax rate†	17%	35%	23%	23%	23%
Tax charge (credit) at the expected tax rate	36	40	48	(6)	118

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Effects of:

Adjustment to tax charge in relation to prior years	4	-	1	6	11
Movements in provisions for open tax matters	1	-	-	(10)	(9)
Income not taxable or taxable at concessionary rates	(26)	(37)	-	-	(63)
Deductions not allowable for tax purposes	51	-	-	3	54
Deferred tax adjustments	(2)	-	-	-	(2)
Effect of results of joint ventures and associates	(14)	-	-	(3)	(17)
Irrecoverable withholding taxes	-	-	-	6	6
Other	8	24	11	-	43
Total actual tax charge (credit)	58	27	60	(4)	141

Analysed into:

Tax charge on operating profit based on longer-term investment returns	79	166	92	3	340
Tax credit on non-operating loss	(21)	(139)	(32)	(7)	(199)

Actual tax rate:

Operating profit based on longer-term investment returns	17%	29%	26%	100%	24%
Total profit	28%	24%	29%	15%	28%

* The expected and actual tax rates as shown includes the impact of the held for sale Japan Life business. The tax rates for Asia insurance and Group, excluding the impact of the held for sale Japan Life business are as follows:

Expected tax rate on total profit	Asia insurance	Total Group
	25%	26%
Actual tax rate:		
Operating profit based on longer-term investment returns	17%	24%
Total profit	17%	22%

Full year 2013 £m (Except for tax rates)

	Asia insurance operations*	US insurance operations	UK insurance operations	Other operations	Total*
Operating profit (loss) based on longer-term investment returns	1,001	1,243	735	(25)	2,954
Non-operating loss	(313)	(690)	(289)	(27)	(1,319)
Profit (loss) before tax attributable to shareholders	688	553	446	(52)	1,635
Expected tax rate†	21%	35%	23%	23%	26%
Tax charge (credit) at the expected tax rate	144	194	103	(12)	429
Effects of:					
Adjustment to tax charge in relation to prior years	(3)	-	4	(7)	(6)
Movements in provisions for open tax matters	5	-	-	(12)	(7)
Income not taxable or taxable at concessionary rates	(45)	(88)	-	(10)	(143)
	61	-	-	5	66

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Deductions not allowable for tax purposes					
Impact of changes in local statutory tax rates	(9)	-	(51)	5	(55)
Deferred tax adjustments	(4)	-	-	(8)	(12)
Effect of results of joint ventures and associates	(10)	-	-	(8)	(18)
Irrecoverable withholding taxes	-	-	-	20	20
Other	9	(5)	16	(5)	15
Total actual tax charge (credit)	148	101	72	(32)	289
Analysed into:					
Tax charge (credit) on operating profit (loss) based on longer-term investment returns	173	343	132	(10)	638
Tax credit on non-operating loss	(25)	(242)	(60)	(22)	(349)
Actual tax rate:					
Operating profit (loss) based on longer-term investment returns	17%	28%	18%	40%	22%
Total profit	22%	18%	16%	62%	18%

* The expected and actual tax rates as shown includes the impact of the held for sale Japan Life business. The tax rates for Asia insurance and Group, excluding the impact of the held for sale Japan Life business are as follows:

	Asia insurance	Total Group
Expected tax rate on total profit	23%	27%
Actual tax rate:		
Operating profit based on longer-term investment returns	17%	22%
Total profit	19%	17%

† The expected tax rates (rounded to the nearest whole percentage) reflect the corporation tax rates generally applied to taxable profits of the relevant country jurisdictions. For Asia operations the expected tax rates reflect the corporation tax rates weighted by reference to the source of profits of operations contributing to the aggregate business result. The expected tax rate for other operations reflects the mix of business between UK and overseas non-insurance operations, which are taxed at a variety of rates. The rates will fluctuate from year to year dependent on the mix of profits.

(c) Taxes paid

During half year 2014 Prudential remitted £1.2 billion (half year 2013: £0.9 billion; full year 2013: £1.8 billion) of tax to revenue authorities, this includes £337 million (half year 2013: £182 million; full year 2013: £418 million) of corporation tax, £163 million (half year 2013: £96 million; full year 2013: £236 million) of other taxes and £651 million (half year 2013: £634 million; full year 2013: £1,143 million) collected on behalf of employees, customers and third parties.

The geographical split of taxes remitted by Prudential is as follows:

	2014 £m			2013 £m		
	Corporation taxes*	Other taxes†	Taxes collected‡	Half year Total	Half year Total	Full year Total
Asia	90	26	41	157	101	319
US	85	20	183	288	103	292
UK	161	116	424	701	706	1,181

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Other	1	1	3	5	2	5
Total tax paid	337	163	651	1,151	912	1,797

* In certain countries such as the UK, the corporation tax payments for the Group's life insurance businesses are based on taxable profits which include policyholder investment returns on certain life insurance products.

† Other taxes paid includes property taxes, withholding taxes, customs duties, stamp duties, employer payroll taxes and irrecoverable indirect taxes.

‡ Taxes collected are other taxes that Prudential remits to tax authorities which it is obliged to collect from employees, customers and third parties which includes sales/value added tax/goods and services taxes, employee and annuitant payroll taxes.

B6 Earnings per share

		Half year 2014				
	Note	Before tax £m B1.1	Tax £m B5	Net of tax £m	Basic earnings per share Pence	Diluted earnings per share Pence
Based on operating profit based on longer-term investment returns		1,521	(369)	1,152	45.2p	45.1p
Short-term fluctuations in investment returns on shareholder-backed business	B1.2	(45)	73	28	1.1p	1.1p
Amortisation of acquisition accounting adjustments		(44)	15	(29)	(1.1)p	(1.1)p
Costs of domestication of Hong Kong branch D2		(8)	2	(6)	(0.2)p	(0.2)p
Based on profit for the period		1,424	(279)	1,145	45.0p	44.9p

		Half year 2013				
	Note	Before tax £m B1.1	Tax £m B5	Net of tax £m	Basic earnings per share Pence	Diluted earnings per share Pence
Based on operating profit based on longer-term investment returns		1,415	(340)	1,075	42.2p	42.1p
Short-term fluctuations in investment returns on shareholder-backed business	B1.2	(755)	189	(566)	(22.2)p	(22.1)p
Amortisation of acquisition accounting adjustments		(30)	10	(20)	(0.8)p	(0.8)p
Loss attaching to held for sale Japan Life business	D1	(124)	-	(124)	(4.9)p	(4.9)p
Based on profit for the period		506	(141)	365	14.3p	14.3p

		Full year 2013				
	Note	Before tax £m B1.1	Tax £m B5	Net of tax £m	Basic earnings per share Pence	Diluted earnings per share Pence

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Based on operating profit based on longer-term investment returns		2,954	(638)	2,316	90.9p	90.7p
Short-term fluctuations in investment returns on shareholder-backed business	B1.2	(1,110)	318	(792)	(31.1)p	(31.0)p
Amortisation of acquisition accounting adjustments		(72)	24	(48)	(1.9)p	(1.9)p
Loss attaching to held for sale Japan Life business	D1	(102)	-	(102)	(4.0)p	(4.0)p
Costs of domestication of Hong Kong branch	D2	(35)	7	(28)	(1.1)p	(1.1)p
Based on profit for the year		1,635	(289)	1,346	52.8p	52.7p

Earnings per share are calculated based on earnings attributable to ordinary shareholders, after related tax and non-controlling interests.

The weighted average number of shares for calculating earnings per share:

	Half year 2014 (millions)	Half year 2013 (millions)	Full year 2013 (millions)
Weighted average number of shares for calculation of:			
Basic earnings per share	2,547	2,548	2,548
Diluted earnings per share	2,551	2,553	2,552

B7 Dividends

	Half year 2014		Half year 2013		Full year 2013	
	Pence per share	£m	Pence per share	£m	Pence per share	£m
Dividends relating to reporting period:						
Interim dividend (2014 and 2013)	11.19p	287	9.73p	249	9.73p	249
Final dividend (2013)	-	-	-	-	23.84p	610
Total	11.19p	287	9.73p	249	33.57p	859
Dividends declared and paid in reporting period:						
Current year interim dividend	-	-	-	-	9.73p	249
Final dividend for prior year	23.84p	610	20.79p	532	20.79p	532
Total	23.84p	610	20.79p	532	30.52p	781

Dividend per share

Interim dividends are recorded in the period in which they are paid. Final dividends are recorded in the period in which they are approved by shareholders. The final dividend for the year ended 31 December 2013 of 23.84 pence per ordinary share was paid to eligible shareholders on 22 May 2014 and the 2013 interim dividend of 9.73 pence per ordinary share was paid to eligible shareholders on 26 September 2013.

The 2014 interim dividend of 11.19 pence per ordinary share will be paid on 25 September 2014 in sterling to shareholders on the principal register and the Irish branch register at 6.00pm BST on 22 August 2014 (Record Date), and in Hong Kong dollars to shareholders on the Hong Kong branch register at 4.30pm Hong Kong time on the

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Record Date (HK Shareholders). Holders of US American Depositary Receipts (US Shareholders) will be paid their dividends in US dollars on or about 3 October 2014. The interim dividend will be paid on or about 2 October 2014 in Singapore dollars to shareholders with shares standing to the credit of their securities accounts with The Central Depository (Pte.) Limited (CDP) at 5.00pm Singapore time on the Record Date (SG Shareholders). The dividend payable to the HK Shareholders will be translated using the exchange rate quoted by the WM Company at the close of business on 11 August 2014. The exchange rate at which the dividend payable to the SG Shareholders will be translated into SG\$, will be determined by CDP.

Shareholders on the principal register and Irish branch register will be able to participate in a Dividend Reinvestment Plan.

C BALANCE SHEET NOTES

C1 Analysis of Group position by segment and business type

To explain more comprehensively the assets, liabilities and capital of the Group's businesses, it is appropriate to provide analyses of the Group's statement of financial position by operating segment and type of business.

C1.1 Group statement of financial position - analysis by segment

		2014 £m					2013 £m				
		Insurance operations			Total	Asset	Unallocated	Intra	30 Jun	30 Jun	31 Dec
		Asia	US	UK	insurance	management	segment	-group	Group	Group	Group
					operations	operations	(central	eliminations	Total	Total	Total
By operating	Note	C2.1	C2.2	C2.3		C2.4	operations)				
segment											
Assets											
Intangible											
assets											
attributable to											
shareholders:											
Goodwill	C5.1(a)	228	-	-	228	1,230	-	-	1,458	1,474	1,461
Deferred											
acquisition											
costs and											
other											
intangible											
assets	C5.1(b)	1,767	4,037	84	5,888	20	36	-	5,944	5,538	5,295
Total		1,995	4,037	84	6,116	1,250	36	-	7,402	7,012	6,756
Intangible											
assets											
attributable to											
with-profits											
funds:											
Goodwill in		-	-	177	177	-	-	-	177	178	177
respect of											
acquired											
subsidiaries											

for venture fund and other investment purposes											
Deferred acquisition costs and other intangible assets											
		58	-	5	63	-	-	-	63	79	72
Total		58	-	182	240	-	-	-	240	257	249
Total		2,053	4,037	266	6,356	1,250	36	-	7,642	7,269	7,005
Deferred tax assets	C7.1	68	1,819	132	2,019	115	39	-	2,173	2,637	2,412
Other non-investment and non-cash assets note (i)		2,667	6,440	8,001	17,108	1,256	4,435	(8,932)	13,867	13,307	12,357
Investments of long-term business and other operations:											
Investment properties		1	26	11,727	11,754	-	-	-	11,754	10,583	11,477
Investments in joint ventures and associates accounted for using the equity method		303	-	513	816	95	-	-	911	696	809
Financial investments:											
Loans	C3.4	916	6,130	4,389	11,435	1,022	-	-	12,457	13,230	12,566
Equity securities and portfolio holdings in unit trusts		16,775	71,775	41,916	130,466	74	26	-	130,566	112,258	120,222
Debt securities	C3.3	19,958	30,586	81,680	132,224	1,953	-	-	134,177	138,256	132,905
Other investments		49	1,349	4,433	5,831	73	4	-	5,908	6,140	6,265
Deposits		693	-	12,319	13,012	45	-	-	13,057	13,542	12,213
Total investments		38,695	109,866	156,977	305,538	3,262	30	-	308,830	294,705	296,457
	D1	875	-	-	875	-	-	-	875	1,079	916

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Assets held for sale											
Cash and cash equivalents		1,487	677	2,121	4,285	751	867	-	5,903	6,840	6,785
Total assets	C3.1	45,845	122,839	167,497	336,181	6,634	5,407	(8,932)	339,290	325,837	325,932

		2014 £m					2013 £m				
		Insurance operations			Total	Asset	Unallocated	Intra	30 Jun	30 Jun	31 Dec
By operating segment	Note	Asia	US	UK operations	insurance operations	management operations	segment (central operations)	-group eliminations	Group Total	Group Total	Group Total
Equity and liabilities											
Equity											
Shareholders' equity		3,020	3,801	3,245	10,066	2,053	(1,494)	-	10,625	9,625	9,650
Non-controlling interests		1	-	-	1	-	-	-	1	6	1
Total equity		3,021	3,801	3,245	10,067	2,053	(1,494)	-	10,626	9,631	9,651
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)		35,372	112,009	137,619	285,000	-	-	(1,296)	283,704	272,728	273,953
Unallocated surplus of with-profits funds		1,985	-	11,059	13,044	-	-	-	13,044	11,434	12,061
Total	C4	37,357	112,009	148,678	298,044	-	-	(1,296)	296,748	284,162	286,014
policyholder liabilities and unallocated surplus of											

with-profits funds											
Core structural borrowings of shareholder-financed operations:											
Subordinated debt		-	-	-	-	-	3,597	-	3,597	3,161	3,662
Other		-	146	-	146	275	549	-	970	988	974
Total	C6.1	-	146	-	146	275	4,146	-	4,567	4,149	4,636
Operational borrowings attributable to shareholder-financed operations	C6.2(a)	-	222	71	293	-	1,950	-	2,243	2,530	2,152
Borrowings attributable to with-profits operations	C6.2(b)	-	-	864	864	-	-	-	864	924	895
Deferred tax liabilities	C7.1	645	1,997	1,184	3,826	18	11		3,855	4,102	3,778
Other non-insurance liabilities											
(ii)		3,994	4,664	13,455	22,113	4,288	794	(7,636)	19,559	19,313	17,938
Liabilities held for sale	D1	828	-	-	828	-	-	-	828	1,026	868
Total liabilities		42,824	119,038	164,252	326,114	4,581	6,901	(8,932)	328,664	316,206	316,281
Total equity and liabilities	C3.1	45,845	122,839	167,497	336,181	6,634	5,407	(8,932)	339,290	325,837	325,932

Notes

(i) The main component of the other non-investment and non-cash assets of £13,867 million (30 June 2013: £13,307 million; 31 December 2013: £12,357 million) is the reinsurers' share of contract liabilities of £6,743 million (30 June 2013: £7,204 million; 31 December 2013: £6,838 million). As set out in note C2.2 these amounts relate primarily to the REALIC business of the Group's US insurance operations.

Within other non-investment and non-cash assets are premiums receivable of £317 million (30 June 2013: £310 million; 31 December 2013: £345 million) of which approximately two-thirds are due within one year. The remaining one-third, due after one year, relates to products where charges are levied against premiums in future years.

Also included within other non-investment and non-cash assets are property, plant and equipment of £910 million (30 June 2013: £868 million; 31 December 2013: £920 million). The Group made additions to property, plant and equipment of £58 million in half year 2014 (half year 2013: £146 million; full year 2013: £221 million).

(ii) Within other non-insurance liabilities are other creditors of £4,999 million (30 June 2013: £3,743 million; 31 December 2013: £3,307 million) of which £4,720 million (30 June 2013: £3,487 million; 31 December 2013: £3,046 million) are due within one year.

C1.2 Group statement of financial position - analysis by business type

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	Policyholder	2014 £m					2013 £m			
		Participating funds	Shareholder-backed business			Unallocated to a segment (central operations)	Intra-group eliminations	30 Jun Group Total	30 Jun Group Total	31 Dec Group Total
			Unit-linked and variable annuity	Non-linked business	Asset management operations					
Note										
Assets										
Intangible assets attributable to shareholders:										
Goodwill	C5.1(a)	-	-	228	1,230	-	-	1,458	1,474	1,461
Deferred acquisition costs and other intangible assets	C5.1(b)	-	-	5,888	20	36	-	5,944	5,538	5,295
Total		-	-	6,116	1,250	36	-	7,402	7,012	6,756
Intangible assets attributable to with-profits funds:										
In respect of acquired subsidiaries for venture fund and other investment purposes										
Deferred acquisition costs and other intangible assets		177	-	-	-	-	-	177	178	177
Total		63	-	-	-	-	-	63	79	72
Total		240	-	-	-	-	-	240	257	249
Total		240	-	6,116	1,250	36	-	7,642	7,269	7,005
Deferred tax assets	C7.1	74	-	1,945	115	39	-	2,173	2,637	2,412
Other non-investment and non-cash assets*		4,427	693	9,287	1,256	4,435	(6,231)	13,867	13,307	12,357
Investments of long-term business and										

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other operations:										
Investment properties		9,430	652	1,672	-	-	-	11,754	10,583	11,477
Investments in joint ventures and associates accounted for using the equity method		449	-	367	95	-	-	911	696	809
Financial investments:										
Loans	C3.4	3,417	-	8,018	1,022	-	-	12,457	13,230	12,566
Equity securities and portfolio holdings in unit trusts		32,104	97,363	999	74	26	-	130,566	112,258	120,222
Debt securities	C3.3	56,106	9,859	66,259	1,953	-	-	134,177	138,256	132,905
Other investments		4,145	38	1,648	73	4	-	5,908	6,140	6,265
Deposits		10,896	926	1,190	45	-	-	13,057	13,542	12,213
Total investments		116,547	108,838	80,153	3,262	30	-	308,830	294,705	296,457
Assets held for sale	D1	-	303	572	-	-	-	875	1,079	916
Cash and cash equivalents		1,671	831	1,783	751	867	-	5,903	6,840	6,785
Total assets		122,959	110,665	99,856	6,634	5,407	(6,231)	339,290	325,837	325,932
Equity and liabilities										
Equity										
Shareholders' equity		-	-	10,066	2,053	(1,494)	-	10,625	9,625	9,650
Non-controlling interests		-	-	1	-	-	-	1	6	1
Total equity		-	-	10,067	2,053	(1,494)	-	10,626	9,631	9,651
Liabilities										
Policyholder liabilities and unallocated surplus of with-profits funds:										
Contract liabilities		99,100	107,781	76,823	-	-	-	283,704	272,728	273,953

(including amounts in respect of contracts classified as investment contracts under IFRS 4)*										
Unallocated surplus of with-profits funds		13,044	-	-	-	-	-	13,044	11,434	12,061
Total policyholder liabilities and unallocated surplus of with-profits funds	C4	112,144	107,781	76,823	-	-	-	296,748	284,162	286,014
Core structural borrowings of shareholder-financed operations:										
Subordinated debt		-	-	-	-	3,597	-	3,597	3,161	3,662
Other		-	-	146	275	549	-	970	988	974
Total	C6.1	-	-	146	275	4,146	-	4,567	4,149	4,636
Operational borrowings attributable to shareholder-financed operations	C6.2(a)	-	3	290	-	1,950	-	2,243	2,530	2,152
Borrowings attributable to with-profits operations	C6.2(b)	864	-	-	-	-	-	864	924	895
Deferred tax liabilities	C7.1	1,211	47	2,568	18	11	-	3,855	4,102	3,778
Other non-insurance liabilities*		8,740	2,531	9,437	4,288	794	(6,231)	19,559	19,313	17,938
Liabilities held for sale	D1	-	303	525	-	-	-	828	1,026	868
Total liabilities		122,959	110,665	89,789	4,581	6,901	(6,231)	328,664	316,206	316,281
Total equity and liabilities		122,959	110,665	99,856	6,634	5,407	(6,231)	339,290	325,837	325,932

* Participating funds business in the table above is presented after the elimination on consolidation of the balances relating to an intragroup reinsurance contract entered into during the period between the UK with-profits and Asia

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with-profits operations. In the segmental analysis presented in note C1.1, the balances are presented before elimination in the individual insurance operations segment, with the adjustment presented separately under "Intra-group eliminations".

C2 Analysis of segment position by business type

To show the statement of financial position by reference to the differing degrees of policyholder and shareholder economic interest of the different types of business, the analysis below is structured to show separately assets and liabilities of each segment by business type.

C2.1 Asia insurance operations

		2014 £m			2013 £m		
	Note	With-profits business note (i)	Unit-linked assets and liabilities	Other business	30 Jun Total	30 Jun Total	31 Dec Total
Assets							
Intangible assets attributable to shareholders:							
Goodwill		-	-	228	228	244	231
Deferred acquisition costs and other intangible assets		-	-	1,767	1,767	1,103	1,026
Total		-	-	1,995	1,995	1,347	1,257
Intangible assets attributable to with-profits funds:							
Deferred acquisition costs and other intangible assets		58	-	-	58	73	66
Deferred tax assets		-	-	68	68	68	55
Other non-investment and non-cash assets		1,795	141	731	2,667	1,164	1,073
Investments of long-term business and other operations:							
Investment properties		-	-	1	1	2	1
Investments in joint ventures and associates accounted for using the equity method		-	-	303	303	328	268
Financial investments:							
Loans	C3.4	511	-	405	916	1,004	922
Equity securities and portfolio holdings in unit trusts		6,057	10,054	664	16,775	14,101	14,383
Debt securities	C3.3	10,661	2,443	6,854	19,958	20,081	18,554
Other investments		17	22	10	49	76	41
Deposits		183	197	313	693	1,141	896
Total investments		17,429	12,716	8,550	38,695	36,733	35,065
Assets held for sale		-	303	572	875	1,079	916
Cash and cash equivalents		335	371	781	1,487	1,644	1,522
Total assets		19,617	13,531	12,697	45,845	42,108	39,954

Equity and liabilities						
Equity						
Shareholders' equity	-	-	3,020	3,020	3,003	2,795
Non-controlling interests	-	-	1	1	4	1
Total equity	-	-	3,021	3,021	3,007	2,796
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)	15,464	12,638	7,270	35,372	33,223	31,910
Unallocated surplus of with-profits funds note (ii)	D2	1,985	-	1,985	84	77
Total	C4.1(b)	17,449	12,638	7,270	37,357	33,307
Operational borrowings attributable to shareholder-financed operations	-	-	-	-	5	-
Deferred tax liabilities	424	47	174	645	641	594
Other non-insurance liabilities	1,744	543	1,707	3,994	4,122	3,709
Liabilities held for sale	-	303	525	828	1,026	868
Total liabilities	19,617	13,531	9,676	42,824	39,101	37,158
Total equity and liabilities	19,617	13,531	12,697	45,845	42,108	39,954

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 operations. Assets and liabilities of other participating business are included in the column for 'Other business'.

(ii) On 1 January 2014, the Hong Kong branch of PAC was transferred to separate subsidiaries established in Hong Kong. From this date, the unallocated surplus of the Hong Kong with-profits business is reported within the Asia insurance segment. Up until 31 December 2013, for the purpose of the presentation of unallocated surplus of with-profits within the statement of financial position, the Hong Kong branch balance was reported within the unallocated surplus of the PAC with-profits sub-fund of the UK insurance operations.

C2.2 US insurance operations

	Note	2014 £m		2013 £m		
		Variable annuity separate account assets and liabilities note (i)	Fixed annuity, GIC and other business	30 Jun Total	30 Jun Total	31 Dec Total
Assets						
Intangible assets attributable to shareholders:						
Deferred acquisition costs and other intangibles		-	4,037	4,037	4,300	4,140
Total		-	4,037	4,037	4,300	4,140
Deferred tax assets		-	1,819	1,819	2,232	2,042

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Other non-investment and non-cash assetsnote (iv)	-	6,440	6,440	7,255	6,710
Investments of long-term business and other operations:					
Investment properties	-	26	26	30	28
Financial investments:					
Loans	C3.4	-	6,130	6,130	6,691
Equity securities and portfolio holdings in unit trustsnote (iii)		71,453	322	71,775	60,385
Debt securities	C3.3	-	30,586	30,586	33,368
Other investmentsnote (ii)		-	1,349	1,349	1,867
Total investments		71,453	38,413	109,866	102,341
Cash and cash equivalents		-	677	677	678
Total assets		71,453	51,386	122,839	116,806
Equity and liabilities					
Equity					
Shareholders' equitynote (v)		-	3,801	3,801	3,598
Total equity		-	3,801	3,801	3,598
Liabilities					
Policyholder liabilities:					
Contract liabilities (including amounts in respect of contracts classified as investment contracts under IFRS 4)		71,453	40,556	112,009	106,215
Total	C4.1 (c)	71,453	40,556	112,009	106,215
Core structural borrowings of shareholder-financed operations		-	146	146	164
Operational borrowings attributable to shareholder-financed operations		-	222	222	23
Deferred tax liabilities		-	1,997	1,997	2,155
Other non-insurance liabilities		-	4,664	4,664	4,651
Total liabilities		71,453	47,585	119,038	113,208
Total equity and liabilities		71,453	51,386	122,839	116,806

Notes

(i) These amounts are for separate account assets and liabilities for all variable annuity products comprising those with and without guarantees. Assets and liabilities attaching to variable annuity business that are not held in the separate account, for example in respect of guarantees, are shown within the statement of financial position of other business.

(ii) Other investments comprise:

	2014 £m	2013 £m	
	30 Jun	30 Jun	31 Dec
Derivative assets*	600	1,010	766
Partnerships in investment pools and other**	749	857	791
	1,349	1,867	1,557

* After taking account of the derivative liabilities of £284 million (30 June 2013: £555 million; 31 December 2013: £515 million), which are also included in other non-insurance liabilities, the derivative position for US operations is a net asset of £316 million (30 June 2013: net asset of £455 million; 31 December 2013: net asset of £251 million).

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** 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) Equity securities and portfolio holdings in unit trusts includes investments in mutual funds, the majority of which are equity-based.

(iv) Included within other non-investment and non-cash assets of £6,440 million (30 June 2013: £7,255 million; 31 December 2013: £6,710 million) were balances of £5,842 million (30 June 2013: £6,360 million; 31 December 2013: £6,065 million) for reinsurers' share of insurance contract liabilities. Of the £5,842 million as at 30 June 2014, £5,179 million related to the reinsurance ceded by the REALIC business (30 June 2013: £5,550 million; 31 December 2013: £5,410 million). REALIC holds collateral for certain of these reinsurance arrangements with a corresponding funds withheld liability. As of 30 June 2014, the funds withheld liability of £2,019 million (30 June 2013: £2,206 million; 31 December 2013: £2,051 million) was recorded within other non-insurance liabilities.

(v) Changes in shareholders' equity

	2014 £m	2013 £m	
	Half	Half year	Full year
	year		
Operating profit based on longer-term investment returns B1.1	686	582	1,243
Short-term fluctuations in investment returns B1.2	(226)	(441)	(625)
Amortisation of acquisition accounting adjustments arising on the purchase of REALIC	(40)	(27)	(65)
Profit before shareholder tax	420	114	553
Tax B5	(107)	(27)	(101)
Profit for the period	313	87	452
Profit for the period (as above)	313	87	452
Items recognised in other comprehensive income:			
Exchange movements	(122)	293	(32)
Unrealised valuation movements on securities classified as available-for sale:			
Unrealised holding (losses) gains arising during the period	1,060	(1,665)	(2,025)
Deduct net gains included in the income statement	(37)	(42)	(64)
Total unrealised valuation movements	1,023	(1,707)	(2,089)
Related change in amortisation of deferred acquisition costs C5.1(b)	(212)	419	498
Related tax	(284)	451	557
Total other comprehensive income (loss)	405	(544)	(1,066)
Total comprehensive income (loss) for the period	718	(457)	(614)
Dividends, interest payments to central companies and other movements	(363)	(288)	(283)
Net increase (decrease) in equity	355	(745)	(897)
Shareholders' equity at beginning of period	3,446	4,343	4,343
Shareholders' equity at end of period	3,801	3,598	3,446

C2.3 UK insurance operations

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Of the total investments of £157 billion in UK insurance operations, £99 billion of investments are held by SAIF and the PAC WPSF. Shareholders are exposed only indirectly to value movements on these assets.

	Note	2014 £m				2013 £m			
		Scottish Amicable Insurance Fund	PAC with-profits sub-fund note (i)	Unit-linked assets and liabilities	Annuity and other long-term business	Total	30 Jun Total	30 Jun Total	31 Dec Total
By operating segment									
Assets									
Intangible assets attributable to shareholders:									
Deferred acquisition costs and other intangible assets		-	-	-	84	84	84	98	90
Total		-	-	-	84	84	84	98	90
Intangible assets attributable to with-profits funds:									
In respect of acquired subsidiaries for venture fund and other investment purposes		-	177	-	-	-	177	178	177
Deferred acquisition costs		-	5	-	-	-	5	6	6
Total		-	182	-	-	-	182	184	183
Total		-	182	-	84	84	266	282	273
Deferred tax assets		-	74	-	58	58	132	181	142
Other non-investment and non-cash assets		390	4,943	552	2,116	2,668	8,001	5,641	5,808
Investments of long-term business and other operations:									
Investment properties		477	8,953	652	1,645	2,297	11,727	10,551	11,448
Investments in joint ventures and associates accounted for using the equity method		-	449	-	64	64	513	274	449
Financial investments:									
Loans	C3.4	81	2,825	-	1,483	1,483	4,389	4,313	4,173
Equity securities and portfolio holdings in unit trusts		2,399	23,648	15,856	13	15,869	41,916	37,713	39,745
Debt securities	C3.3	2,818	42,627	7,416	28,819	36,235	81,680	82,854	82,014
Other investments	note (iii)	279	3,849	16	289	305	4,433	4,098	4,603
Deposits		809	9,904	729	877	1,606	12,319	12,365	11,252
Total investments		6,863	92,255	24,669	33,190	57,859	156,977	152,168	153,684
Cash and cash equivalents		171	1,165	460	325	785	2,121	2,755	2,586
Total assets		7,424	98,619	25,681	35,773	61,454	167,497	161,027	162,493

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	Note	2014 £m					2013 £m		
		Scottish Amicable Insurance Fund note (ii)	PAC with-profits sub-fund note (i)	Unit-linked assets and liabilities	Other funds and subsidiaries Annuity and other long-term business	Total	30 Jun Total	30 Jun Total	31 Dec Total
Equity and liabilities									
Equity									
Shareholders' equity		-	-	-	3,245	3,245	3,245	3,044	2,998
Non-controlling interests		-	-	-	-	-	-	2	-
Total equity		-	-	-	3,245	3,245	3,245	3,046	2,998
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)		6,890	78,042	23,690	28,997	52,687	137,619	133,290	134,632
Unallocated surplus of with-profits funds (reflecting application of 'realistic' basis provisions for UK regulated with-profits funds)	D2	-	11,059	-	-	-	11,059	11,350	11,984
Total	C4.1(d)	6,890	89,101	23,690	28,997	52,687	148,678	144,640	146,616
Operational borrowings attributable to shareholder-financed operations		-	-	3	68	71	71	76	74
Borrowings attributable to with-profits funds		11	853	-	-	-	864	924	895
Deferred tax liabilities		46	741	-	397	397	1,184	1,289	1,213
Other non-insurance liabilities		477	7,924	1,988	3,066	5,054	13,455	11,052	10,697
Total liabilities		7,424	98,619	25,681	32,528	58,209	164,252	157,981	159,495
Total equity and liabilities		7,424	98,619	25,681	35,773	61,454	167,497	161,027	162,493

Notes

- (i) The PAC with-profits sub-fund (WPSF) mainly contains with-profits business but it also contains some non-profit business (unit-linked, term assurances and annuities). Included in the PAC with-profits fund is £11.2 billion (30 June 2013: £13.5 billion; 31 December 2013: £12.2 billion) of liabilities for non-profits 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 3.6 per cent of the total assets of the WPSF. The unallocated surplus of with-profits funds and amounts is for PAC which at 30 June and 31 December 2013 included amounts attributable to the now domesticated Hong Kong branch.
- (ii) 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.
- (iii) Other investments comprise:

	2014 £m		2013 £m	
	30 Jun	30 Jun	30 Jun	31 Dec
Derivative assets*	1,262	894	1,472	
Partnerships in investment pools and other**	3,171	3,204	3,131	
	4,433	4,098	4,603	

* After including derivative liabilities of £751 million (30 June 2013: £1,289 million; 31 December 2013: £804 million), which are also included in the statement of financial position, the overall derivative position was a net asset of £511 million (30 June 2013: net liability of £395 million; 31 December 2013: net asset of £668 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.

C2.4 Asset management operations

	M&G note (i)	2014 £m			2013 £m	
		US	Eastspring Investments	30 Jun Total	30 Jun Total	31 Dec Total
Assets						
Intangible assets:						
Goodwill	1,153	16	61	1,230	1,230	1,230
Deferred acquisition costs and other intangible assets	17	2	1	20	15	20
Total	1,170	18	62	1,250	1,245	1,250
Other non-investment and non-cash assets	1,111	200	60	1,371	2,113	1,475
Investments in joint ventures and associates accounted for using the equity method	34	-	61	95	94	92
Financial investments:						
Loans	C3.4 1,022	-	-	1,022	1,222	1,096
Equity securities and portfolio holdings in unit trusts	59	-	15	74	59	65
Debt securities	C3.3 1,953	-	-	1,953	1,953	2,045
Other investments	60	13	-	73	69	61
Deposits	-	14	31	45	36	65

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Total investments	3,128	27	107	3,262	3,433	3,424
Cash and cash equivalents	599	61	91	751	968	1,562
Total assets	6,008	306	320	6,634	7,759	7,711
Equity and liabilities						
Equity						
Shareholders' equity	1,659	141	253	2,053	2,085	1,991
Total equity	1,659	141	253	2,053	2,085	1,991
Liabilities						
Core structural borrowing of shareholder-financed operations	275	-	-	275	275	275
Intra-group debt represented by operational borrowings at Group levelnote (ii)	1,950	-	-	1,950	2,422	1,933
Other non-insurance liabilitiesnote (iii)	2,124	165	67	2,356	2,977	3,512
Total liabilities	4,349	165	67	4,581	5,674	5,720
Total equity and liabilities	6,008	306	320	6,634	7,759	7,711

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:

	2014 £m	2013 £m	
	30 Jun	30 Jun	31 Dec
Commercial paper	1,650	2,123	1,634
Medium Term Notes	300	299	299
Total intra-group debt represented by operational borrowings at Group level	1,950	2,422	1,933

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

C3 Assets and Liabilities - Classification and Measurement

C3.1 Group assets and liabilities - Classification

The classification of the Group's assets and liabilities, and its corresponding accounting carrying values reflect the requirements of IFRS. For financial investments the basis of valuation reflects the Group's application of IAS 39 'Financial Instruments: Recognition and Measurement' as described further below. Where assets and liabilities have been valued at fair value or measured on a different basis but fair value is disclosed, the Group has followed the principles under IFRS 13 'Fair value measurement'. The basis applied is summarised below:

	30 Jun 2014 £m		
	Cost/ Amortised cost/ IFRS	Total 4 carrying value applicable	Fair value, where
	At fair value	basis value	note (i)
	Through profit	Available for sale	

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and loss

Intangible assets attributable to shareholders:					
Goodwill			1,458	1,458	
Deferred acquisition costs and other intangible assets			5,944	5,944	
Total			7,402	7,402	
Intangible assets attributable to with-profits funds:					
In respect of acquired subsidiaries for venture fund and other investment purposes	-	-	177	177	
Deferred acquisition costs and other intangible assets	-	-	63	63	
Total	-	-	240	240	
Total intangible assets	-	-	7,642	7,642	
Other non-investment and non-cash assets:					
Property, plant and equipment	-	-	910	910	
Reinsurers' share of insurance contract liabilities	-	-	6,743	6,743	
Deferred tax assets	-	-	2,173	2,173	
Current tax recoverable	-	-	158	158	
Accrued investment income	-	-	2,413	2,413	2,413
Other debtors	-	-	3,643	3,643	3,643
Total	-	-	16,040	16,040	
Investments of long-term business and other operations:note (ii)					
Investment properties	11,754	-	-	11,754	11,754
Investments accounted for using the equity method	-	-	911	911	
Loans	2,123	-	10,334	12,457	12,987
Equity securities and portfolio holdings in unit trusts	130,566	-	-	130,566	130,566
Debt securities	103,666	30,511	-	134,177	134,177
Other investments	5,908	-	-	5,908	5,908
Deposits	-	-	13,057	13,057	13,057
Total investments	254,017	30,511	24,302	308,830	
Assets held for sale	875	-	-	875	875
Cash and cash equivalents	-	-	5,903	5,903	5,903
Total assets	254,892	30,511	53,887	339,290	
Liabilities					
Policyholder liabilities and unallocated surplus of with-profits funds:					
Insurance contract liabilities	-	-	227,779	227,779	
Investment contract liabilities with discretionary participation features note (iii)	-	-	35,636	35,636	
Investment contract liabilities without discretionary participation features	17,840	-	2,449	20,289	20,290
Unallocated surplus of with-profits funds	-	-	13,044	13,044	
Total	17,840	-	278,908	296,748	
Core structural borrowings of shareholder-financed operations	-	-	4,567	4,567	5,056
Other borrowings:	-	-	2,243	2,243	2,243

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Operational borrowings attributable to shareholder-financed operations					
Borrowings attributable to with-profits operations	-	-	864	864	879
Other non-insurance liabilities:					
Obligations under funding, securities lending and sale and repurchase agreements	-	-	2,188	2,188	2,200
Net asset value attributable to unit holders of consolidated unit trusts and similar funds	5,262	-	-	5,262	5,262
Deferred tax liabilities	-	-	3,855	3,855	
Current tax liabilities	-	-	475	475	
Accruals and deferred income	-	-	731	731	
Other creditors	279	-	4,720	4,999	4,999
Provisions	-	-	534	534	
Derivative liabilities	1,400	-	-	1,400	1,400
Other liabilities	2,019	-	1,951	3,970	3,970
Total	8,960	-	14,454	23,414	
Liabilities held for sale	828	-	-	828	828
Total liabilities	27,628	-	301,036	328,664	

			30 Jun 2013 £m		
			Cost/ Amortised cost/ IFRS 4	Total carrying value	Fair value, where applicable
	At fair value	Through profit and loss	Available for sale		
Intangible assets attributable to shareholders:					
Goodwill	-	-	1,474	1,474	
Deferred acquisition costs and other intangible assets	-	-	5,538	5,538	
Total	-	-	7,012	7,012	
Intangible assets attributable to with-profits funds:					
In respect of acquired subsidiaries for venture fund and other investment purposes	-	-	178	178	
Deferred acquisition costs and other intangible assets	-	-	79	79	
Total	-	-	257	257	
Total intangible assets	-	-	7,269	7,269	
Other non-investment and non-cash assets:					
Property, plant and equipment	-	-	868	868	
Reinsurers' share of insurance contract liabilities	-	-	7,204	7,204	
Deferred tax assets	-	-	2,637	2,637	
Current tax recoverable	-	-	191	191	
Accrued investment income	-	-	2,726	2,726	2,726

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Other debtors	-	-	2,318	2,318	2,318
Total	-	-	15,944	15,944	
Investments of long-term business and other operations:note (ii)					
Investment properties	10,583	-	-	10,583	10,583
Investments accounted for using the equity method	-	-	696	696	
Loans	2,268	-	10,962	13,230	13,404
Equity securities and portfolio holdings in unit trusts	112,258	-	-	112,258	112,258
Debt securities	105,043	33,213	-	138,256	138,256
Other investments	6,140	-	-	6,140	6,140
Deposits	-	-	13,542	13,542	13,542
Total investments	236,292	33,213	25,200	294,705	
Assets held for sale	1,079	-	-	1,079	1,079
Cash and cash equivalents	-	-	6,840	6,840	6,840
Total assets	237,371	33,213	55,253	325,837	
Liabilities					
Policyholder liabilities and unallocated surplus of with-profits funds:					
Insurance contract liabilities	-	-	219,461	219,461	
Investment contract liabilities with discretionary participation features note (iii)	-	-	33,402	33,402	
Investment contract liabilities without discretionary participation features	17,342	-	2,523	19,865	19,872
Unallocated surplus of with-profits funds	-	-	11,434	11,434	
Total	17,342	-	266,820	284,162	
Core structural borrowings of shareholder-financed operations	-	-	4,149	4,149	4,534
Other borrowings:					
Operational borrowings attributable to shareholder-financed operations	-	-	2,530	2,530	2,530
Borrowings attributable to with-profits operations	22	-	902	924	924
Other non-insurance liabilities:					
Obligations under funding, securities lending and sale and repurchase agreements	-	-	2,889	2,889	2,899
Net asset value attributable to unit holders of consolidated unit trusts and similar funds	5,394	-	-	5,394	5,394
Deferred tax liabilities	-	-	4,102	4,102	
Current tax liabilities	-	-	325	325	
Accruals and deferred income	-	-	538	538	
Other creditors	256	-	3,487	3,743	3,743
Provisions	-	-	537	537	
Derivative liabilities	2,226	-	-	2,226	2,226
Other liabilities	2,206	-	1,455	3,661	3,661
Total	10,082	-	13,333	23,415	
Liabilities held for sale	1,026	-	-	1,026	1,026
Total liabilities	28,472	-	287,734	316,206	

			31 Dec 2013 £m		
			Cost/ Amortised cost/ IFRS 4	Total carrying value	Fair value, where applicable
	At fair value	Through profit and loss	value note (i)	value	
		Available for sale			
Intangible assets attributable to shareholders:					
Goodwill	-	-	1,461	1,461	
Deferred acquisition costs and other intangible assets	-	-	5,295	5,295	
Total	-	-	6,756	6,756	
Intangible assets attributable to with-profits funds:					
In respect of acquired subsidiaries for venture fund and other investment purposes	-	-	177	177	
Deferred acquisition costs and other intangible assets	-	-	72	72	
Total	-	-	249	249	
Total intangible assets	-	-	7,005	7,005	
Other non-investment and non-cash assets:					
Property, plant and equipment	-	-	920	920	
Reinsurers' share of insurance contract liabilities	-	-	6,838	6,838	
Deferred tax assets	-	-	2,412	2,412	
Current tax recoverable	-	-	244	244	
Accrued investment income	-	-	2,609	2,609	2,609
Other debtors	-	-	1,746	1,746	1,746
Total	-	-	14,769	14,769	
Investments of long-term business and other operations:note (ii)					
Investment properties	11,477	-	-	11,477	11,477
Investments accounted for using the equity method	-	-	809	809	
Loans	2,137	-	10,429	12,566	12,995
Equity securities and portfolio holdings in unit trusts	120,222	-	-	120,222	120,222
Debt securities	102,700	30,205	-	132,905	132,905
Other investments	6,265	-	-	6,265	6,265
Deposits	-	-	12,213	12,213	12,213
Total investments	242,801	30,205	23,451	296,457	
Assets held for sale	916	-	-	916	916
Cash and cash equivalents	-	-	6,785	6,785	6,785
Total assets	243,717	30,205	52,010	325,932	
Liabilities					

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Policyholder liabilities and unallocated surplus of with-profits funds:

Insurance contract liabilities	-	-	218,185	218,185	
Investment contract liabilities with discretionary participation features note (iii)	-	-	35,592	35,592	
Investment contract liabilities without discretionary participation features	17,736	-	2,440	20,176	20,177
Unallocated surplus of with-profits funds	-	-	12,061	12,061	
Total	17,736	-	268,278	286,014	
Core structural borrowings of shareholder-financed operations	-	-	4,636	4,636	5,066
Other borrowings:					
Operational borrowings attributable to shareholder-financed operations	-	-	2,152	2,152	2,152
Borrowings attributable to with-profits operations	18	-	877	895	909
Other non-insurance liabilities:					
Obligations under funding, securities lending and sale and repurchase agreements	-	-	2,074	2,074	2,085
Net asset value attributable to unit holders of consolidated unit trusts and similar funds	5,278	-	-	5,278	5,278
Deferred tax liabilities	-	-	3,778	3,778	
Current tax liabilities	-	-	395	395	
Accruals and deferred income	-	-	824	824	
Other creditors	263	-	3,044	3,307	3,307
Provisions	-	-	635	635	
Derivative liabilities	1,689	-	-	1,689	1,689
Other liabilities	2,051	-	1,685	3,736	3,736
Total	9,281	-	12,435	21,716	
Liabilities held for sale	868	-	-	868	868
Total liabilities	27,903	-	288,378	316,281	

Notes

- (i) Assets carried at cost or amortised cost are subject to impairment testing where appropriate under IFRS requirements. This category also includes assets which are valued by reference to specific IFRS standards such as reinsurers' share of insurance contract liabilities, deferred tax assets and investments accounted for under the equity method.
- (ii) Realised gains and losses on the Group's investments for half year 2014 recognised in the income statement amounted to a net gain of £1.8 billion (30 June 2013: £0.8 billion; 31 December 2013: £2.5 billion).
- (iii) The carrying value of investment contracts with discretionary participation features is determined on an IFRS 4 basis. It is impractical to determine the fair value of these contracts due to the lack of a reliable basis to measure the participation features.

C3.2 Group assets and liabilities - Measurement

(a) Determination of fair value

The fair values of the assets and liabilities of the Group have been determined on the following bases.

The fair values of the financial instruments for which fair valuation is required under IFRS are determined by the use of current market bid prices for exchange-quoted investments, or by using quotations from independent third-parties,

such as brokers and pricing services or by using appropriate valuation techniques.

The estimated fair value of derivative financial instruments reflects the estimated amount the Group would receive or pay in an arm's length transaction. This amount is determined using quoted prices if exchange listed, quotations from independent third-parties or valued internally using standard market practices.

The loans and receivables have been shown net of provisions for impairment. The fair value of loans has been estimated from discounted cash flows expected to be received. The rate of discount used was the market rate of interest where applicable.

The fair value of investment properties is based on market values as assessed by professionally qualified external valuers or by the Group's qualified surveyors.

The fair value of the subordinated and senior debt issued by the parent company is determined using the quoted prices from independent third parties.

The fair value of financial liabilities (other than derivative financial instruments) is determined using discounted cash flows of the amounts expected to be paid.

(b) Fair value hierarchy of financial instruments measured at fair value on recurring basis

The table below shows the financial instruments carried at fair value analysed by level of the IFRS 13 'Fair Value Measurement' defined fair value hierarchy. This hierarchy is based on the inputs to the fair value measurement and reflects the lowest level input that is significant to that measurement.

	30 Jun 2014 £m			Total
	Level 1	Level 2	Level 3	
	Quoted prices (unadjusted) in active markets	Valuation based on significant observable market inputs	Valuation based on significant unobservable market inputs	
Analysis of financial investments, net of derivative liabilities by business type				
With-profits				
Equity securities and portfolio holdings in unit trusts	28,796	2,711	597	32,104
Debt securities	15,870	39,756	480	56,106
Other investments (including derivative assets)	64	1,037	3,044	4,145
Derivative liabilities	(45)	(394)	-	(439)
Total financial investments, net of derivative liabilities	44,685	43,110	4,121	91,916
Percentage of total	49%	47%	4%	100%
Unit-linked and variable annuity separate account				
Equity securities and portfolio holdings in unit trusts	97,125	200	38	97,363
Debt securities	3,546	6,313	-	9,859
Other investments (including derivative assets)	5	33	-	38
Derivative liabilities	-	(1)	-	(1)
Total financial investments, net of derivative liabilities	100,676	6,545	38	107,259
Percentage of total	94%	6%	0%	100%
Non-linked shareholder-backed				
Loans	-	259	1,864	2,123

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Equity securities and portfolio holdings in unit trusts	986	79	34	1,099
Debt securities	14,271	53,853	88	68,212
Other investments (including derivative assets)				