PRUDENTIAL PLC
Form 6-K
March 13, 2013

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 March 2013

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 X 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 X

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

STATUTORY BASIS RESULTS

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) BASIS RESULTS

CONSOLIDATED INCOME STATEMENT

Year ended 31 December	Note	2012 £m	2011* £m
Gross premiums earned		29,910	25,706
Outward reinsurance premiums		(506)	(429)
Earned premiums, net of reinsurance		29,404	25,277
Investment return		24,051	9,360
Other income		2,021	1,869
Total revenue, net of reinsurance		55,476	36,506
Benefits and claims		(44,831)	(31,060)
Outward reinsurers' share of benefit and claims		259	746
Movement in unallocated surplus of with-profits funds		(1,381)	1,025
Benefits and claims and movement in unallocated surplus of with-profits funds, net of reinsurance		(45,953)	(29,289)
Acquisition costs and other expenditure	H	(6,055)	(5,120)
Finance costs: interest on core structural borrowings of shareholder-financed operations		(280)	(286)
Total charges, net of reinsurance		(52,288)	(34,695)
Profit before tax (being tax attributable to shareholders' and policyholders' returns)**		3,188	1,811
(Less) add tax (charge) credit attributable to policyholders' returns		(378)	17
Profit before tax attributable to shareholders	C	2,810	1,828
Total tax (charge) attributable to policyholders and shareholders	I	(991)	(392)
Adjustment to remove tax credit (charge) attributable to policyholders' returns		378	(17)
Tax charge attributable to shareholders' returns	I	(613)	(409)
Profit for the year		2,197	1,419
Attributable to:			
Equity holders of the Company		2,197	1,415
Non-controlling interests		-	4
Profit for the year		2,197	1,419

Earnings per share (in pence)	Note	2012	2011*
Based on profit attributable to the equity holders of the Company:	J		
Basic		86.5 p	55.8 p
Diluted		86.4 p	55.7 p

Dividends per share (in pence)			2012	2011
Dividends relating to reporting year:		K		
	Interim dividend		8.40 p	7.95 p
	Final dividend		20.79 p	17.24 p
Total			29.19 p	25.19 p
Dividends declared and paid in reporting year:		K		
	Current year interim dividend		8.40 p	7.95 p
	Final dividend for prior year		17.24 p	17.24 p
Total			25.64 p	25.19 p

* The Group has adopted updated US GAAP requirements for deferred acquisition costs as an improvement to its accounting policy under IFRS 4 for those operations of the Group which measure insurance assets and liabilities substantially by reference to US GAAP principles. Accordingly, the 2011 comparative results and related notes have been adjusted from those previously published for the retrospective application of the change as if the new accounting policy had always applied, as described in note B.

** 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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December		Note	2012 £m	2011* £m
Profit for the year			2,197	1,419
Other comprehensive income:				
Exchange movements on foreign operations and net investment hedges:				
	Exchange movements arising during the year		(214)	(37)
	Related tax		(2)	(68)
			(216)	(105)
Unrealised valuation movements on securities of US insurance operations classified as available-for-sale:				
	Unrealised holding gains arising during the year		930	912
	Deduct net gains included in the income statement on disposal and impairment		(68)	(101)
Total		S	862	811
	Related change in amortisation of deferred acquisition costs		(270)	(275)
	Related tax		(205)	(187)
			387	349

Other comprehensive income for the year, net of related tax	171	244
Total comprehensive income for the year	2,368	1,663
Attributable to:		
Equity holders of the Company	2,368	1,659
Non-controlling interests	-	4
Total comprehensive income for the year	2,368	1,663

* The Group has adopted updated US GAAP requirements for deferred acquisition costs as an improvement to its accounting policy under IFRS 4 for those operations of the Group which measure insurance assets and liabilities substantially by reference to US GAAP principles. Accordingly, the 2011 comparative results and related notes have been adjusted from those previously published for the retrospective application of the change as if the new accounting policy had always applied, as described in note B.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) BASIS RESULTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Year ended 31 December 2012 £m							
	Note	Share capital	Share premium	Retained earnings	Translation reserve	Available -for-sale securities reserves	Shareholders' equity	Non-controlling interests	Total equity
Reserves									
Profit for the year		-	-	2,197	-	-	2,197	-	2,197
Other comprehensive income									
Exchange movements on foreign operations and net investment hedges, net of related tax		-	-	-	(216)	-	(216)	-	(216)
Unrealised valuation movements, net of related change in amortisation of deferred acquisition costs and related tax		-	-	-	-	387	387	-	387
Total other comprehensive income		-	-	-	(216)	387	171	-	171
Total comprehensive income for the year		-	-	2,197	(216)	387	2,368	-	2,368
Dividends		-	-	(655)	-	-	(655)	-	(655)
Reserve movements in respect of share-based payments		-	-	42	-	-	42		42
Change in non-controlling interests		-	-	-	-	-	-	(38)	(38)

arising principally from purchase and sale of property partnerships of the PAC with-profits fund and other consolidated investment funds									
Share capital and share premium									
New share capital subscribed		1	16	-	-	-	17	-	17
Treasury shares									
Movement in own shares in respect of share-based payment plans		-	-	(13)	-	-	(13)	-	(13)
Movement in Prudential plc shares purchased by unit trusts consolidated under IFRS		-	-	36	-	-	36	-	36
Net increase (decrease) in equity		1	16	1,607	(216)	387	1,795	(38)	1,757
At beginning of year:									
As previously reported		127	1,873	5,839	354	924	9,117	43	9,160
Effect of change in accounting policy for deferred acquisition costs	B	-	-	(595)	(72)	114	(553)	-	(553)
After effect of change		127	1,873	5,244	282	1,038	8,564	43	8,607
At end of year		128	1,889	6,851	66	1,425	10,359	5	10,364

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) BASIS RESULTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Year ended 31 December 2011* £m							
	Note	Share capital	Share premium	Retained earnings	Translation reserve	Available -for-sale securities reserve	Shareholders' equity	Non-controlling interests	Total equity
Reserves									
Profit for the year		-	-	1,415	-	-	1,415	4	1,419
Other comprehensive income									

Exchange movements on foreign operations and net investment hedges, net of related tax	-	-	-	(105)	-	(105)	-	(105)
Unrealised valuation movements, net of related change in amortisation of deferred acquisition costs and related tax	-	-	-	-	349	349	-	349
Total other comprehensive income	-	-	-	(105)	349	244	-	244
Total comprehensive income for the year	-	-	1,415	(105)	349	1,659	4	1,663
Dividends	-	-	(642)	-	-	(642)	-	(642)
Reserve movements in respect of share-based payments	-	-	44	-	-	44	-	44
Change in non-controlling interests arising principally from purchase and sale of property partnerships of the PAC with-profits fund and other consolidated investment funds	-	-	-	-	-	-	(5)	(5)
Share capital and share premium								
New share capital subscribed	-	17	-	-	-	17	-	17
Treasury shares								
Movement in own shares in respect of share-based payment plans	-	-	(30)	-	-	(30)	-	(30)
Movement in Prudential plc shares purchased by unit trusts consolidated under IFRS	-	-	(5)	-	-	(5)	-	(5)
Net increase (decrease) in equity	-	17	782	(105)	349	1,043	(1)	1,042
At beginning of year:								
As previously reported	127	1,856	4,982	454	612	8,031	44	8,075
B	-	-	(520)	(67)	77	(510)	-	(510)

Effect of change in accounting policy for deferred acquisition costs								
After effect of change	127	1,856	4,462	387	689	7,521	44	7,565
At end of year	127	1,873	5,244	282	1,038	8,564	43	8,607

* The Group has adopted updated US GAAP requirements for deferred acquisition costs as an improvement to its accounting policy under IFRS 4 for those operations of the Group which measure insurance assets and liabilities substantially by reference to US GAAP principles. Accordingly, the 2011 comparative results and related notes have been adjusted from those previously published for the retrospective application of the change as if the new accounting policy had always applied, as described in note B.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) BASIS RESULTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2012

	Note	2012 £m	2011* £m
Assets			
Intangible assets attributable to shareholders:			
Goodwill	N	1,469	1,465
Deferred acquisition costs and other intangible assets	O	4,267	4,234
Total		5,736	5,699
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		78	89
Total		256	267
Total		5,992	5,966
Other non-investment and non-cash assets:			
Property, plant and equipment		765	748
Reinsurers' share of insurance contract liabilities†		6,859	1,647
Deferred tax assets	I	2,314	2,276
Current tax recoverable		254	546
Accrued investment income		2,798	2,710
Other debtors		1,361	987
Total		14,351	8,914
Investments of long-term business and other operations:			
Investment properties		10,880	10,757
Associate investments accounted for using the equity method		113	70
Financial investments**:			
Loans	Q	11,821	9,714
Equity securities and portfolio holdings in unit trusts		99,958	87,349
Debt securities	R	140,103	124,498

Other investments		7,900	7,509
Deposits		12,653	10,708
Total		283,428	250,605
Properties held for sale		98	3
Cash and cash equivalents		6,384	7,257
Total assets	L	310,253	272,745

* The Group has adopted updated US GAAP requirements for deferred acquisition costs as an improvement to its accounting policy under IFRS 4 for those operations of the Group which measure insurance assets and liabilities substantially by reference to US GAAP principles. Accordingly, the 2011 comparative results and related notes have been adjusted from those previously published for the retrospective application of the change as if the new accounting policy had always applied, as described in note B.

** Included within financial investments are £3,015 million (2011: £7,843 million) of lent securities and £2,012 million of loans and debt securities covering liabilities for funds withheld under reinsurance arrangement of the Group's US operations from the purchase of REALIC, as discussed in note Z.

† The increase in reinsurers' share of insurance contract liabilities and other liabilities from 2011 to 2012 is attributed to amounts due to the reinsurance arrangements attaching to the purchase by Jackson of REALIC in September 2012, as discussed in note Z.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) BASIS RESULTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2012

	Note	2012 £m	2011* £m
Equity and liabilities			
Equity			
Shareholders' equity		10,359	8,564
Non-controlling interests		5	43
Total equity		10,364	8,607
Liabilities			
Policyholder liabilities and unallocated surplus of with-profits funds:			
Insurance contract liabilities		208,584	180,363
Investment contract liabilities with discretionary participation features		33,812	29,745
Investment contract liabilities without discretionary participation features		18,378	16,967
Unallocated surplus of with-profits funds		10,589	9,215
Total		271,363	236,290
Core structural borrowings of shareholder-financed operations:			
Subordinated debt		2,577	2,652
Other		977	959

	Total	T	3,554	3,611
Other borrowings:				
	Operational borrowings attributable to shareholder-financed operations	U	2,245	3,340
	Borrowings attributable to with-profits operations	U	1,033	972
Other non-insurance liabilities:				
	Obligations under funding, securities lending and sale and repurchase agreements		2,436	3,114
	Net asset value attributable to unit holders of consolidated unit trusts and similar funds		4,345	3,840
	Deferred tax liabilities	I	3,970	3,929
	Current tax liabilities		445	930
	Accruals and deferred income		833	736
	Other creditors		2,781	2,544
	Provisions		601	529
	Derivative liabilities		2,829	3,054
	Other liabilities†		3,454	1,249
	Total		21,694	19,925
Total liabilities			299,889	264,138
Total equity and liabilities		L	310,253	272,745

* The Group has adopted updated US GAAP requirements for deferred acquisition costs as an improvement to its accounting policy under IFRS 4 for those operations of the Group which measure insurance assets and liabilities substantially by reference to US GAAP principles. Accordingly, the 2011 comparative results and related notes have been adjusted from those previously published for the retrospective application of the change as if the new accounting policy had always applied, as described in note B.

† The increase in reinsurers' share of insurance contract liabilities and other liabilities from 2011 to 2012 is attributed to amounts due to the reinsurance arrangements attaching to the purchase by Jackson of REALIC in September 2012, as discussed in note Z.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) BASIS RESULTS

CONSOLIDATED STATEMENT OF CASH FLOWS

		Note	2012 £m	2011* £m
Year ended 31 December				
Cash flows from operating activities				
Profit before tax (being tax attributable to shareholders' and policyholders' returns)note (i)			3,188	1,811
Non-cash movements in operating assets and liabilities reflected in profit before tax:				
	Investments		(27,126)	(8,854)
	Other non-investment and non-cash assets		(801)	(999)
	Policyholder liabilities (including unallocated surplus)		26,710	10,874
	Other liabilities (including operational borrowings)		(969)	(859)
Interest income and expense and dividend income included in result before tax			(7,772)	(7,449)
Other non-cash itemsnote (ii)			128	108
Operating cash items:				
	Interest receipts		6,483	6,365

Dividend receipts		1,530	1,302
Tax paid		(925)	(561)
Net cash flows from operating activities		446	1,738
Cash flows from investing activities			
Purchases of property, plant and equipment		(139)	(124)
Proceeds from disposal of property, plant and equipment		14	10
Acquisition of subsidiaries, net of cash balancenote (iii)	Z	(224)	(53)
Change to Group's holdings, net of cash balance	G	23	-
Net cash flows from investing activities		(326)	(167)
Cash flows from financing activities			
Structural borrowings of the Group:			
Shareholder-financed operations:note (iv)	T		
Issue of subordinated debt, net of costs		-	340
Redemption of senior debt		-	(333)
Bank loan		25	-
Interest paid		(270)	(286)
With-profits operations:note (v)	U		
Interest paid		(9)	(9)
Equity capital:			
Issues of ordinary share capital		17	17
Dividends paid		(655)	(642)
Net cash flows from financing activities		(892)	(913)
Net (decrease) increase in cash and cash equivalents		(772)	658
Cash and cash equivalents at beginning of year		7,257	6,631
Effect of exchange rate changes on cash and cash equivalents		(101)	(32)
Cash and cash equivalents at end of year		6,384	7,257

* The Group has adopted updated US GAAP requirements for deferred acquisition costs as an improvement to its accounting policy under IFRS4, for those operations of the Group which measure insurance assets and liabilities substantially by reference to US GAAP principles. Accordingly, the 2011 comparative results and related notes have been adjusted from those previously published for the retrospective application of the change as if the new accounting policy had always applied, as described in note B.

Notes

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

(ii) Other non-cash items consist of the adjustment of non-cash items to profit before tax together with other net items, net purchases of treasury shares and other net movements in equity.

(iii) The acquisition of REALIC in 2012, as explained further in note Z, resulted in a net cash outflow of £224 million. The acquisition of subsidiaries in 2011 related to the PAC with-profits fund's purchase of Earth and Wind, and Alticom venture investments with an outflow of £53 million.

(iv) Structural borrowings of shareholder-financed operations comprise the core debt of the parent company, a PruCap bank loan and Jackson surplus notes. Core debt excludes 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.

(v) 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 ON THE IFRS BASIS RESULTS

A Basis of preparation and audit status

The statutory basis results included in this announcement have been extracted from the audited financial statements of the Group for the year ended 31 December 2012. These statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board (IASB) and as endorsed by the European Union (EU) as required by EU law (IAS Regulation EC1606/2032). EU-endorsed IFRSs may differ from IFRSs issued by the IASB if, at any point in time, new or amended IFRSs have not been endorsed by the EU. At 31 December 2012, there were no unendorsed standards effective for the two years ended 31 December 2012 affecting the consolidated financial information of the Group and there were no differences between IFRSs endorsed by the EU and IFRSs issued by the IASB in terms of their application to the Group. The auditors have reported on the 2012 statutory accounts. The financial information set out in this announcement does not constitute the Company's statutory accounts for the years ended 31 December 2012 or 2011 but is derived from those accounts.

Statutory accounts for 2011 have been delivered to the registrar of companies, and those for 2012 will be delivered following the Company's Annual General Meeting. The auditors have reported on those accounts. Their 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 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 2011, except for the adoption of the altered US GAAP reporting requirements for Group IFRS reporting as described in note B below.

Certain new accounting pronouncements which become effective for the Group in 2013 are described in note AD.

B Adoption of updated US GAAP reporting requirements for Group IFRS reporting in 2012

Background
In October 2010, the Emerging Issues Task Force of the US Financial Accounting Standards Board issued update No 2010-26 on 'Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts' (the 'Update'). The Update was issued to address perceived diversity in practices by companies preparing financial statements in accordance with US GAAP as regards the types of acquisition costs being deferred. Under US GAAP, costs that can be deferred and amortised are those that 'vary with and are primarily related to the acquisition of insurance contracts'. The Update requires insurers to capitalise only those incremental costs directly relating to acquiring a contract for financial statements for reporting periods beginning after 15 December 2011. All other indirect acquisition expenses are required to be charged to the income statements as incurred expenses. Accordingly, the main impact of the Update is to disallow insurers from deferring costs that are not directly related to successful sales.

The Group's IFRS accounting policies include that under IFRS 4, 'Insurance Contracts', insurance assets and liabilities other than those for UK regulated with-profits funds, are measured using the GAAP basis applied prior to IFRS adoption in 2005. On this basis insurance assets and liabilities are measured under the UK Modified Statutory Basis (MSB) which was codified by the Statement of Recommended Practice (SORP) on accounting for insurance business issued by the Association of British Insurers (ABI) in 2003. The SORP also permits the use of local GAAP subject to the requirement for adjustments to be made to ensure sufficient consistency of measurement under the UK GAAP framework under which the SORP was developed.

In applying this overarching basis, the Group has chosen to apply US GAAP for measuring the insurance assets and liabilities of Jackson. In addition, for the Group's operations in India, Japan, Taiwan and until 2012 Vietnam*, where the local GAAP basis would not be appropriate as the start point for deriving MSB insurance asset and liabilities, the measurement has been determined substantially by reference to US GAAP requirements.

* Separately from the DAC change noted above, in Vietnam, the Company has improved its estimation basis for liabilities in 2012 from one determined substantially by reference to US GAAP requirements. After making this change, the estimation basis for Vietnam is aligned substantially with that used in Singapore, Malaysia and some other Asia operations.

For 2012, the Group had the option to either continue with its current basis of measurement or improve its accounting policy under IFRS4 to acknowledge the issuance of the Update. Prudential has chosen to improve its accounting policy in 2012 to apply the US GAAP update, on a retrospective basis, to the results of Jackson and the affected Asia operations.

The 2011 comparatives in these consolidated financial statements have been adjusted accordingly for the retrospective application of this Update.

Effect of change in accounting policy

(a) The effect of the change in accounting policy for deferred acquisition costs (DAC) on the income statement, earnings per share, comprehensive income, changes in equity and statement of financial position is shown in the tables below.

Consolidated Income Statement

	Year ended 31 December					
	2012 £m			2011 £m		
	Under previous policy	Effect of change	Under new policy	As reported under previous policy	Effect of change	Under new policy
Total revenue, net of reinsurance	55,476	-	55,476	36,506	-	36,506
Acquisition costs and other expenditure	(5,908)	(147)	(6,055)	(5,005)	(115)	(5,120)
Total other charges, net of reinsurance	(46,233)		(46,233)	(29,575)	-	(29,575)
Profit before tax (being tax attributable to shareholders' and policyholders' returns)	3,335	(147)	3,188	1,926	(115)	1,811
(Less) Add tax (charge) credit attributable to policyholders' returns	(378)	-	(378)	17	-	17
Profit before tax attributable to shareholders	2,957	(147)	2,810	1,943	(115)	1,828
Total tax charge attributable to policyholders and shareholders	(1,039)	48	(991)	(432)	40	(392)
Adjustment to remove tax charge (credit) attributable to policyholders' returns	378	-	378	(17)	-	(17)
Tax charge attributable to shareholders' returns	(661)	48	(613)	(449)	40	(409)
Profit for the year	2,296	(99)	2,197	1,494	(75)	1,419

Profit for the year attributable to equity holders of the Company	2,296	(99)	2,197	1,490	(75)	1,415
Earnings per share (in pence)						
Based on profit attributable to the equity holders of the Company:						
Basic	90.4p	(3.9)p	86.5p	58.8p	(3.0)p	55.8p
Diluted	90.3p	(3.9)p	86.4p	58.7p	(3.0)p	55.7p

Consolidated Statement of Comprehensive Income and Statement of Changes in Equity

	Year ended 31 December					
	2012 £m			2011 £m		
	Under previous policy	Effect of change	Under new policy	As reported under previous policy	Effect of change	Under new policy
Profit for the year	2,296	(99)	2,197	1,494	(75)	1,419
Exchange movements on foreign operations and net investment hedges, net of related tax	(236)	20	(216)	(100)	(5)	(105)
Unrealised valuation movements on securities of US insurance operations classified as available-for-sale	862	-	862	811	-	811
Related change in amortisation of deferred income and acquisition costs	(314)	44	(270)	(331)	56	(275)
Related tax	(190)	(15)	(205)	(168)	(19)	(187)
Net unrealised gains	358	29	387	312	37	349
Total comprehensive income for the year	2,418	(50)	2,368	1,706	(43)	1,663
Total comprehensive income for the year attributable to equity holders of the Company	2,418	(50)	2,368	1,702	(43)	1,659
Shareholders' equity:						
Net increase in shareholders' equity	1,845	(50)	1,795	1,086	(43)	1,043
At beginning of year	9,117	(553)	8,564	8,031	(510)	7,521
At end of year	10,962	(603)	10,359	9,117	(553)	8,564

Consolidated Statement of Financial Position

	31 Dec 2012 £m			31 Dec 2011 £m		
	Under previous policy	Effect of change	Under new policy	As reported under previous policy	Effect of change	Under new policy

Assets						
Deferred acquisition costs and other intangible assets	5,173	(906)	4,267	5,069	(835)	4,234
Total other assets	305,986	-	305,986	268,511	-	268,511
Total assets	311,159	(906)	310,253	273,580	(835)	272,745
Liabilities						
Deferred tax liabilities	4,273	(303)	3,970	4,211	(282)	3,929
Total other liabilities	295,919	-	295,919	260,209	-	260,209
Total liabilities	300,192	(303)	299,889	264,420	(282)	264,138
Equity						
Shareholders' equity	10,962	(603)	10,359	9,117	(553)	8,564
Non-controlling interests	5	-	5	43	-	43
Total equity	10,967	(603)	10,364	9,160	(553)	8,607

(b) The effect of the change in accounting policy for deferred acquisition costs on the Group's supplementary analysis of profit is shown in the table below.

Segment disclosure - profit before tax

	Year ended 31 December					
	2012 £m			2011 £m		
	Under previous basis	Effect of change	Under new policy	As reported under previous basis	Effect of change	Under new policy
Operating profit based on longer-term investment returns						
Asia insurance operationsnote (i)	922	(9)	913	704	-	704
US insurance operationsnote (ii)	1,081	(117)	964	694	(43)	651
Other operations	656	-	656	672	-	672
Total	2,659	(126)	2,533	2,070	(43)	2,027
Short-term fluctuations in investment returns on shareholder-backed business	225	(21)	204	(148)	(72)	(220)
Shareholders' share of actuarial and other gains and losses on defined benefit pension schemes	50	-	50	21	-	21
Gain on dilution of Group's holdings	42	-	42	-	-	-
Amortisation of Acquisition accounting adjustments arising on the purchase of REALIC	(19)	-	(19)	-	-	-
Profit before tax attributable to shareholders	2,957	(147)	2,810	1,943	(115)	1,828
Basic EPS from operating profit based on longer-term investment returns after tax and non-controlling interests	80.2 p	(3.4)	76.8 p	63.9p	(1.1)p	62.8p
	90.4 p	(3.9)	86.5 p	58.8p	(3.0)p	55.8p

Basic EPS based on total profit after tax and non-controlling interests

Notes on the effect of the change in the accounting policy on operating profit based on longer-term investment returns

(i) Asia insurance operations

		2012 £m Effect of change	2011 £m Effect of change
New business			
	Acquisition costs on new contracts not deferred under the new policy	(14)	(16)
Business in force at beginning of period			
	Reduction in amortisation on reduced DAC balance under the new policy	5	16
Total		(9)	-

(ii) US insurance operations

		2012 £m Effect of change	2011 £m Effect of change
New business			
	Acquisition costs on new contracts not deferred under the new policy	(174)	(156)
Business in force at beginning of period			
	Reduction in amortisation on reduced DAC balance under the new policy	57	113
	Total	(117)	(43)

C Segment disclosure - profit before tax

		Note	2012 £m	2011* £m
Asia operations				
Insurance operations		Ei		
	Operating result before gain on sale of stake in China Life of Taiwan		869	709
	Gain on sale of stake in China Life of Taiwan	Fii	51	-
Total Asia insurance operations			920	709
Development expenses			(7)	(5)
Total Asia insurance operations after development expenses			913	704
Eastspring Investments			75	80
Total Asia operations			988	784

US operations

Jackson (US insurance operations)	Eii	964	651
Broker-dealer and asset management		39	24
Total US operations		1,003	675
UK operations			
UK insurance operations:	Eiii		
Long-term business		703	683
General insurance commission note (i)		33	40
Total UK insurance operations		736	723
M&G		371	357
Total UK operations		1,107	1,080
Total segment profit		3,098	2,539
Other income and expenditure			
Investment return and other income		13	22
Interest payable on core structural borrowings		(280)	(286)
Corporate expenditure	H	(231)	(219)
Total		(498)	(483)
RPI to CPI inflation measure change on defined benefit pension schemes	V	-	42
Solvency II implementation costs		(48)	(55)
Restructuring costs note (ii)		(19)	(16)
Operating profit based on longer-term investment returns		2,533	2,027
Short-term fluctuations in investment returns on shareholder-backed business	F	204	(220)
Shareholders' share of actuarial and other gains and losses on defined benefit pension schemes	V	50	21
Gain on dilution of Group's holdings	G	42	-
Amortisation of acquisition accounting adjustments arising on the purchase of REALIC	Z	(19)	-
Profit before tax attributable to shareholders		2,810	1,828

* The 2011 comparative results have been adjusted from those previously published for the retrospective application of the change in accounting policy described in note B.

Notes

(i) UK operations transferred its general insurance business to Churchill in 2002. General insurance commission represents the net commission receivable net of expenses for Prudential-branded general insurance products as part of this arrangement.

(ii) Restructuring costs are incurred in the UK and represent one-off expenses incurred in securing expense savings.

Determining operating segments and performance measure of 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 with the exception of Prudential Capital (PruCap) which has been incorporated into the M&G operating segment for the purposes of segment reporting.

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 measure excludes the recurrent items of short-term fluctuations in investment returns and the shareholders' share of actuarial and other gains and losses on defined benefit pension schemes. In addition for 2012 this measure excluded a gain arising upon the dilution of the Group's holding in PPM South Africa and the amortisation of the acquisition accounting adjustments arising on the purchase of REALIC as described further in note Z. Operating earnings per share is based on operating profit based on longer-term investment returns, after tax and non-controlling interests.

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 the assets backing the UK annuity business, 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:

- Assets backing UK annuity business liabilities. For UK annuity 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.

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

In principle, for debt securities and loans, the longer-term capital returns comprise two elements. The first element is a risk margin reserve (RMR) 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 RMR charge to the operating result is reflected in short-term fluctuations in investment returns. The second element is for 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 RMR 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 RMR charge. Further details of the RMR charge, as well as the amortisation of interest-related realised gains and losses, for Jackson are shown in note F(iii).

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 RMR charge.

At 31 December 2012, the level of unamortised interest-related realised gains and losses related to previously sold bonds for the Group was a net gain of £498 million (31 December 2011: £462 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 31 December 2012, the equity-type securities for US insurance non-separate account operations amounted to £1,004 million (31 December 2011: £902 million). For these operations, the longer-term rates of return for income and capital applied in 2012 reflects the combination of risk free rates and appropriate risk premium are as follows:

	2012	2011
Equity-type securities such as common and preferred stock and portfolio holdings in mutual funds	5.5% to 6.2%	5.9% to 7.5%
Other equity-type securities such as investments in limited partnerships and private equity funds	7.5% to 8.2%	7.9% to 9.5%

For Asia insurance operations, investments in equity securities held for non-linked shareholder-financed operations amounted to £659 million as at 31 December 2012 (31 December 2011: £590 million). The rates of return applied in the years 2012 and 2011 ranged from 1.0 per cent to 13.8 per cent with the rates applied varying by territory. The investment amounts for 2011 of £590 million included the Group's investment in China Life Insurance Company of Taiwan (China Life (Taiwan)) of £88 million which was sold in 2012, as described in note F(ii).

The longer-term rates of return discussed above for equity-type securities 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.

(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 (GMWB) 'not for life' and fixed index annuity business, and Guaranteed Minimum Income Benefit (GMIB) reinsurance (see note);
- Movements in accounts carrying value of Guaranteed Minimum Death Benefit (GMDB) and GMWB 'for life' 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 changes to amortisation of deferred acquisition costs for each of the above items.

Note: US operations - Embedded derivatives for variable annuity guarantee features
The GMIB liability, which is fully reinsured, subject to a deductible and annual claim limits, is accounted for in accordance with FASB 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 GMIB benefit is economically reinsured, the mark to 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
i 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 (which is applied for IFRS balance sheet purposes) 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.

ii Japan Guaranteed Minimum Death Benefit (GMDB) product features
For unhedged GMDB liabilities accounted for under IFRS using 'grandfathered' US GAAP, such as in the Japanese business, the change in carrying value is determined under FASB ASC subtopic 944-80, Financial Services - Insurance - Separate Accounts (formerly SOP 03-1), which partially reflects changes in market conditions. Under the company's segmental basis of reporting the operating profit reflects the change in liability based on longer-term market conditions with the difference between the charge to the operating result and the movement reflected in the total result included in short-term fluctuations in investment returns.

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' in the Group's supplementary analysis of profit:

- 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. Negative experience compared to assumptions is included within short-term fluctuations in investment returns without further adjustment. This is to be contrasted with positive experience where surpluses are retained in short-term allowances for credit risk for IFRS reporting purposes. 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.

D 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:

	M&G	US	Eastspring Investments note (iv)	Total 2012	Total 2011
	£m	£m	£m	£m	£m
Revenue (excluding revenue of consolidated investment funds and NPH broker-dealer fees)	1,234	296	282	1,812	1,583
Revenue of consolidated investment fundsnote (i)	(11)	-	-	(11)	9
NPH broker-dealer feesnote (i)	-	435	-	435	405
Gross revenue*	1,223	731	282	2,236	1,997
	(713)	(257)	(207)	(1,177)	(1,147)

Charges (excluding charges of consolidated investment funds and NPH broker-dealer fees)					
Charges of consolidated investment fundsnote (i)	11	-	-	11	(9)
NPH broker-dealer feesnote (i)	-	(435)	-	(435)	(405)
Gross charges	(702)	(692)	(207)	(1,601)	(1,561)
Profit before tax	521	39	75	635	436
Comprising:					
Operating profit based on longer-term investment returnsnote (ii)	371	39	75	485	461
Short-term fluctuations in investment returns note (iii)	93	-	-	93	(29)
Shareholder's share of actuarial gains and losses on defined benefit pension schemes	15	-	-	15	4
Gain on dilution of Group's holdings	42	-	-	42	-
Profit before tax	521	39	75	635	436

* For 2012, gross revenue includes the Group's share of results from the associate PPM South Africa. In prior years, PPM South Africa was treated as a subsidiary and accounted for accordingly.

Notes

(i) Under IFRS, disclosure details of segment revenue are required. The segment revenue of the Group's asset management operations are required to include two items that are for amounts which, reflecting their commercial nature, are also wholly reflected as charges within the income statement. After allowing for these charges, there is no effect on profit from these two items which are:

(a) Investment funds which are managed on behalf of third parties and are consolidated under IFRS in recognition of the control arrangements for the funds. The gains and losses of these funds are non-recourse to M&G and the Group, and

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

The presentation in the table above shows the amounts attributable to these two items so that the underlying revenue and charges can be seen.

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

	2012 £m	2011** £m
Asset management fee income	728	662
Other income	6	4
Staff costs	(289)	(270)
Other costs	(147)	(134)
Underlying profit before performance-related fees	298	262
Share of associate results	13	26
Performance-related fees	9	13
Operating profit from asset management operations	320	301
Operating profit from Prudential Capital	51	56
Total M&G operating profit based on longer-term investment returns	371	357

** Following the divestment in the first half of 2012 of M&G's holding in PPM South Africa from 75 per cent to 49.99 per cent and its treatment from 2012 as an associate, M&G's operating income and expense no longer include any element from PPM South Africa, with the share of associates results being presented in a separate line. The table above reflects the retrospective application of this basis of presentation for the 2011 results. Total profit remains the same.

The difference between the fees and other income shown above in respect of asset management operations, and the revenue figure for M&G shown (excluding consolidated investment funds) in the main table primarily relates to the total revenue of Prudential Capital (including short-term fluctuations) of £218 million (2011: £96 million) and commissions which have been netted off in arriving at the fee income of £728 million (2011: £662 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) Included within Eastspring Investments revenue and charges are £42 million of commissions (2011: £44 million).

E Insurance assets and liabilities - key results features

In addition to the effect of the accounting policy change for deferred acquisition costs as disclosed in note B, the following features are of particular relevance to the determination of the 2012 results in respect of the measurement of insurance assets and liabilities.

i Asia insurance operations
In 2012, the IFRS operating profit based on longer-term investment returns for Asia insurance operations included a net £48 million credit (2011: £38 million) representing a small number of non-recurring items that are not anticipated to re-occur in subsequent periods.

Separately, the IFRS policyholder liabilities of the shareholder-backed non-linked business of the Group's Hong Kong operation are measured on a prospective net premium valuation approach with zero allowance for lapses. In 2012, the basis of determining the valuation rate of interest has been altered to align with a permitted practice of the Hong Kong authorities for regulatory reporting. The main change is to apply a valuation rate of interest that incorporates a reinvestment yield that is weighted by reference to current and the historical three year average rather than the year end rate. The change reduced the carrying value of policyholder liabilities at 31 December 2012 by £95 million. This benefit is included within the short-term fluctuations in investment returns in the Group's supplementary analysis of profit.

ii US insurance operations
Amortisation of deferred acquisition costs
Under the Group's basis of applying IFRS 4, the insurance assets and liabilities of Jackson's life and annuity business are accounted for under US GAAP. In line with industry practice, Jackson applies the mean reversion technique method 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 2012, reflecting the positive market returns in the period, there was a credit for decelerated amortisation of £56 million (2011: charge for accelerated amortisation of £190 million) as explained in note O.

iii 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 discounting projected future annuity payments to policyholders that would have otherwise applied. Since mid-2007 there has been a significant increase in the actual and perceived credit risk associated with corporate bonds as reflected in the significant widening that has occurred in corporate bond spreads. Although bond spreads over swap rates have narrowed from their peak in March 2009, they are still high compared with the levels seen in the years immediately preceding the start of the dislocated markets in 2007. The allowance that should therefore be made for credit risk

remains a particular area of judgement.

The additional yield received on corporate bonds relative to swaps can be broken into the following constituent parts:
(a) the expected level of future defaults,
(b) the credit risk premium that is required to compensate for the potential volatility in default levels,
(c) the liquidity premium that is required to compensate for the lower liquidity of corporate bonds relative to swaps, and
(d) the mark to market risk premium that is required to compensate for the potential volatility in corporate bond spreads (and hence market values) at the time of sale.
The sum of (c) and (d) is often referred to as 'liquidity premium'.

The allowance for credit risk 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 PRIL at 31 December 2012 and 31 December 2011, based on the asset mix at the relevant balance sheet date are shown below.

31 December 2012	Pillar 1 regulatory basis (bps)	Adjustment from regulatory to IFRS basis (bps)	IFRS (bps)
Bond spread over swap rates note (i)	161	-	161
Credit risk allowance			
Long-term expected defaults note (ii)	15	-	15
Additional provisionsnote (iii)	50	(23)	27
Total credit risk allowance	65	(23)	42
Liquidity premium	96	23	119

31 December 2011	Pillar 1 regulatory basis (bps)	Adjustment from regulatory to IFRS basis (bps)	IFRS (bps)
Bond spread over swap rates note (i)	201	-	201
Credit risk allowance			
Long-term expected defaults note (ii)	15	-	15
Additional provisionsnote (iii)	51	(24)	27
Total credit risk allowance	66	(24)	42
Liquidity premium	135	24	159

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 and 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 for PRIL for the year ended 31 December 2012
The movement during 2012 of the average basis points allowance for PRIL on Pillar 1 regulatory and IFRS bases are as follows:

	Pillar 1 Regulatory basis (bps) Total	IFRS (bps) Total
Total allowance for credit risk at 31 December 2011	66	42
Credit rating changes	3	2
Asset trading	1	1
New business and other	(5)	(3)
Total allowance for credit risk at 31 December 2012	65	42

For periods prior to full year 2011, favourable credit experience was retained in short-term allowances for credit risk on both the Pillar 1 and IFRS bases. From full year 2011 onwards the methodology applied is to continue to retain such surplus experience in the IFRS credit provisions but not for Pillar 1.

Overall the movement has led to the credit allowance for Pillar 1 purposes to be 40 per cent (2011: 33 per cent) of the bond spread over swap rates. For IFRS purposes it represents 26 per cent (2011: 20 per cent) of the bond spread over swap rates.

The reserves for credit risk allowance at 31 December 2012 for the UK shareholder annuity fund were as follows:

	Pillar 1 Regulatory basis Total £bn	IFRS Total £bn
PRIL	1.9	1.2
PAC non-profit sub-fund	0.2	0.1
Total -31 December 2012	2.1	1.3
Total -31 December 2011	2.0	1.3

Mortality and other assumption changes
2012
In 2012, for the shareholder-backed business, the net effect of assumption changes other than the allowance for credit risk described above was a charge to shareholder results of £17 million. This comprises the aggregate effect of

strengthening of mortality assumptions for the annuity business, offsetting releases of margins and altered expenses and other assumptions.

The mortality assumptions for 2012 and 2011 are as follows:

	PRIL	
2012	Males	Females
In payment	92% - 96% PCMA00 with future improvements in line with Prudential's own calibration of the CMI 2011 mortality model, with a long-term improvement rate of 2.25%.	84% - 97% PCFA00 with future improvements in line with Prudential's own calibration of the CMI 2011 mortality model, with a long-term improvement rate of 1.50%.
In deferment	AM92 minus 4 years	AF92 minus 4 years

	PRIL	
2011	Males	Females
In payment	93% - 94% PCMA00 with future improvements in line with Prudential's own calibration of the CMI 2009 mortality model, with a long term improvement rate of 2.25%.	84% - 96% PCFA00 with future improvements in line with Prudential's own calibration of the CMI 2009 mortality model, with a long term improvement rate of 1.25%.
In deferment	AM92 minus 4 years	AF92 minus 4 years

2011

In 2011, for the shareholder-backed business, the aggregate effect of assumption changes other than the allowance for credit risk described above was a net charge to the shareholder results of £(9) million, comprising a number of individually small assumption changes.

F Short-term fluctuations in investment returns on shareholder-backed business

		2012 £m	2011* £m
Insurance operations:			
	Asia note (ii)	76	(92)
	US note (iii)	(90)	(167)
	UK note (iv)	136	159
Other operations:			
	- Economic hedge value movementnote (v)	(32)	-
	- Other note (vi)	114	(120)
Totalnote (i)		204	(220)

* The Group has adopted updated US GAAP requirements for deferred acquisition costs as an improvement to its accounting policy under IFRS 4 for those operations of the Group which measure insurance assets and liabilities

substantially by reference to US GAAP principles. Accordingly, the 2011 comparative results and related notes have been adjusted from those previously published for the retrospective application of the change as if the new accounting policy had always applied, as described in note B.

Notes

(i) General overview of defaults

The Group did not experience any defaults on its shareholder-backed debt securities portfolio in 2012 or 2011.

(ii) Asia insurance operations

The positive short-term fluctuations of £76 million in 2012 reflects unrealised gains on bond assets following a fall in yields in the period. These gains more than offset the impact of falling interest rates in Hong Kong and the transfer to operating profit of previously booked unrealised gains on the sale of the Group's stake in China Life of Taiwan. The realised gain on the sale of the Group's stake in China Life of Taiwan of £51 million is included in the Group's operating profit based on longer-term investment returns disclosed in note C.

The fluctuations of negative £(92) million in 2011 in part reflected equity market falls in Taiwan and negative unrealised value movement on the Group's stake in China Life of Taiwan.

(iii) US insurance operations

The short-term fluctuations in investment returns for US insurance operations comprise the following items:

		2012 £m	2011* £m
Short-term fluctuations relating to debt securities			
Charges in the year:			
	Defaults	-	-
	Losses on sales of impaired and deteriorating bonds	(23)	(32)
	Bond write downs	(37)	(62)
	Recoveries / reversals	13	42
	Total charges in the yearnote (a)	(47)	(52)
Less: Risk margin charge included in operating profit based on longer-term investment returnsnote (b)		79	70
		32	18
Interest-related realised gains:			
	Arising in the year	94	158
	Less: Amortisation of gains and losses arising in current and prior years to operating profit based on longer-term investment returns	(91)	(84)
		3	74
Related change to amortisation of deferred acquisition costs		(3)	(3)
Total short-term fluctuations related to debt securities		32	89
Derivatives (other than equity-related): market value movements (net of related change to amortisation of deferred acquisition costs)note (c)		135	554
Net equity hedge results (principally guarantees and derivatives, net of related change to amortisation of deferred acquisition costs) note (d)		(302)	(788)
Equity-type investments: actual less longer-term return (net of related change to amortisation of deferred acquisition costs)C		23	-
Other items (net of related change to amortisation of deferred acquisition costs)		22	(22)
Total		(90)	(167)

* The 2011 comparative results have been adjusted from those previously published for the retrospective application of the change in accounting policy described in note B.

The short-term fluctuations shown in the table above are stated net of the related change to amortisation of deferred acquisition costs of £76 million (2011: £287 million). See note O.

Notes

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

	2012 Total £m	2011 Total £m
Residential mortgage-backed securities:		
Prime (including agency)	(4)	(25)
Alt-A	(1)	(1)
Sub-prime	(3)	-
Total residential mortgage-backed securities	(8)	(26)
Corporate debt securities	(14)	(14)
Other	(25)	(12)
Total	(47)	(52)

(b) The risk margin reserve (RMR) charge for longer-term credit-related losses included in operating profit based on longer-term investment returns of Jackson for 2012 is based on an average annual RMR of 26 basis points (2011: 25 basis points) on average book values of US$47.6 billion (2011: $44.4 billion) as shown below:

	2012				2011			
Moody's rating category (or equivalent under NAIC ratings of MBS)	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	23,129	0.11	(26)	(16)	21,255	0.08	(17)	(11)
Baa1, 2 or 3	21,892	0.26	(56)	(36)	20,688	0.26	(54)	(34)
Ba1, 2 or 3	1,604	1.12	(18)	(11)	1,788	1.04	(19)	(11)
B1, 2 or 3	597	2.82	(17)	(11)	474	3.01	(14)	(9)
Below B3	342	2.44	(8)	(5)	211	3.88	(8)	(5)
Total	47,564	0.26	(125)	(79)	44,416	0.25	(112)	(70)
Related change to amortisation of deferred acquisition costs (see below)			21	13			22	14
Risk margin reserve charge to operating profit for longer-term credit related losses			(104)	(66)			(90)	(56)

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 changes to amortisation of deferred acquisition costs.

(c) The gain of £135 million (2011: gain of £554 million) is principally for the value movement of non-equity freestanding derivatives held to manage interest rate exposures, and for the GMIB reinsurance asset that is considered to be a derivative under IAS 39.

Under IAS 39, unless hedge accounting is applied value movements on derivatives are recognised in the income statement. For the derivatives programme attaching to the general account business, the Group has continued its approach of not seeking to apply hedge accounting under IAS 39. This decision reflects the inherent constraints of IAS 39 for hedge accounting investments and life assurance assets and liabilities under 'grandfathered' US GAAP under IFRS 4.

(d) The amount of £(302) million (2011: £(788) million) relates to the net equity hedge accounting effect of the equity-based derivatives and associated guarantee liabilities of Jackson's variable and fixed index annuity business. The details of the value movements excluded from operating profit based on longer-term investment returns are as described in note C. The principal movements are for (i) value for free standing and GMWB 'not for life' embedded derivatives, (ii) accounting values for GMDB and GMWB 'for life' guarantees (iii) fee assessments and claim payments in respect of guarantee liabilities and (iv) related changes to DAC amortisation. In 2012, the charge of (£302) million principally reflects fair value movements on free standing futures contracts and short-dated options. The movements included within the net equity hedge result include the effect of lower interest rates for which the movement was particularly significant in 2011. The value movements on derivatives held to manage this and any other interest rate exposure are included in the £135 million (2011: £554 million) described above in note (c).

In addition to the items discussed above, for US insurance operations, included within the statement of comprehensive income is an increase in net unrealised gains on debt securities classified as available-for-sale of £862 million (2011: increase in net unrealised gains of £811 million). Temporary market value movements do not reflect defaults or impairments. Additional details on the movement in the value of the Jackson portfolio are included in note S.

(iv) UK insurance operations

The short-term fluctuations gain for UK insurance operations of £136 million (2011: £159 million) principally reflect net investment gains arising in the year on fixed income assets backing the capital of the shareholder-backed annuity business.

(v) Economic hedge value movement

This item represents the costs on short-dated hedge contracts taken out in first half of 2012 to provide downside protection against severe equity market falls through a period of particular uncertainty with respect to the Eurozone. The hedge contracts were terminated in the second half of 2012.

(vi) Other

Short-term fluctuations of other operations in 2012 of £114 million primarily represent unrealised fair value movements on Prudential Capital's bond portfolio. Short-term fluctuations of other operations in 2011 of £(120) million represent unrealised value movements on investments, including centrally held swaps to manage foreign exchange and certain macro-economic exposures of the Group.

G Changes to Group's holdings

PPM South Africa

On 22 February 2012, M&G completed transactions to (i) exchange bonus share rights for equity holdings with the employees of PPM South Africa and (ii) the sale of a 10 per cent holding in the majority of the business to Thesele Group, a minority shareholder, for cash. Following these transactions M&G's majority holding in the business reduced from 75 per cent to 49.99 per cent. Under IFRS requirements, the divestment is accounted for as the disposal of the 75 per cent holding and an acquisition of a 49.99 per cent holding at fair value resulting in a reclassification of PPM South Africa from a subsidiary to an associate. As a consequence of the IFRS application, the transactions gave rise to a gain on dilution of £42 million. This amount is shown separately and in the Group's 2012 supplementary analysis of profit excluded from the Group's IFRS operating profit based on longer-term investment returns. The net cash outflow arising from this change to the Group's holdings, as shown in the consolidated statement of cash flows, of £23 million, comprised the net effect of cash and cash equivalents no longer consolidated and the cash proceeds received.

H Acquisition costs and other expenditure

	2012 £m	2011* £m
Acquisition costs incurred for insurance policies	(2,649)	(2,264)
Acquisition costs deferred less amortisation of acquisition costs for insurance policies	480	520
Administration costs and other expenditure	(3,728)	(3,524)
Movements in amounts attributable to external unit holders	(158)	148
Total acquisition costs and other expenditure	(6,055)	(5,120)

* The 2011 comparative results have been adjusted from those previously published for the retrospective application of the change in accounting policy as described in note B.

Included within total acquisition costs and other expenditure is depreciation of property, plant and equipment of £(90) million (2011: £(95) million).

The total amounts for acquisition costs and other expenditure shown above includes corporate expenditure shown in note C (Segment disclosure - income statement). The charge for corporate expenditure comprises:

		2012 £m	2011 £m
Group head office		(168)	(168)
Asia regional office:			
	Gross costs	(99)	(86)
	Recharges to Asia operations	36	35
		(63)	(51)
Total		(231)	(219)

I Tax

i Tax charge

The total tax charge comprises:

	2012 £m			2011* £m
Tax charge	Current tax	Deferred tax	Total	Total
UK tax	(393)	(45)	(438)	(20)
Overseas tax	(414)	(139)	(553)	(372)
Total tax charge	(807)	(184)	(991)	(392)

* The 2011 comparative results have been adjusted from those previously published for the retrospective application of the change in accounting policy described in note B.

The current tax charge of £807 million includes £18 million (2011: charge of £16 million) in respect of the tax charge for Hong Kong. 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.

Until the end of 2012 for the Group's UK life insurance companies, shareholders' profits were calculated using regulatory surplus as a starting point, with appropriate deferred tax adjustments for IFRS. Beginning in 2013, under new UK life tax rules, shareholders' profits will be calculated using accounting profit or loss as a starting point. As the 2012 Finance Act had been enacted at the balance sheet date, the effects of these changes are reflected in the financial statements for the year ended 31 December 2012 but with no material impact on the Group's net assets.

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

	2012 £m			2011* £m
	Current	Deferred		
Tax charge	tax	tax	Total	Total
Tax (charge) credit to policyholders' returns	(488)	110	(378)	17
Tax charge attributable to shareholders	(319)	(294)	(613)	(409)
Total tax charge	(807)	(184)	(991)	(392)

* The 2011 comparative results have been adjusted from those previously published for the retrospective application of the change in accounting policy described in note B.

The principal reason for the increase in the tax charge attributable to policyholders' returns is an increase in deferred tax on unrealised gains and losses on investments.

An explanation of the movement in tax charge attributable to shareholders is shown in note (iii) below.

ii Deferred tax

The statement of financial position contains the following deferred tax assets and liabilities:

	2012 £m		2011 £m	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities*
Unrealised gains and losses on investments	102	(1,814)	297	(1,566)
Balances relating to investment and insurance contracts	1	(432)	13	(667)
Short-term timing differences	2,097	(1,715)	1,513	(1,687)
Capital allowances	15	(9)	15	(9)
Unused tax losses	99	-	438	-
Total	2,314	(3,970)	2,276	(3,929)

* The 2011 comparative results have been adjusted from those previously published for the retrospective application of the change in accounting policy described in note B.

Deferred tax assets are recognised to the extent that they are regarded as recoverable, that is to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying temporary differences can be deducted.

The taxation regimes applicable across the Group often apply separate rules to trading and capital profits and losses. The distinction between temporary differences that arise from items of either a trading or capital nature may affect the recognition of deferred tax assets. Accordingly, for the 2012 results and financial position at 31 December 2012 the possible tax benefit of approximately £158 million (31 December 2011: £158 million), which may arise from capital losses valued at approximately £0.8 billion (31 December 2011: £0.7 billion), is sufficiently uncertain that it has not been recognised. In addition, a potential deferred tax asset of £122 million (31 December 2011: £147 million), which may arise from trading tax losses and other potential temporary differences totalling £0.5 billion (31 December 2011: £0.6 billion) is sufficiently uncertain that it has not been recognised. Of these, losses of £105 million will expire within the next 7 years. The remaining losses have no expiry date.

The two tables that follow provide a breakdown of the recognised deferred tax assets set out in the table at (ii) above for both the short-term timing differences and unused tax losses split by business unit. The table also shows the period of estimated recoverability for each respective business unit. For these and each category of deferred tax asset recognised their recoverability against forecast taxable profits is not significantly impacted by any current proposed changes to future accounting standards.

Short-term timing differences	2012 £m	Expected period of recoverability
Asia	42	1 to 3 years
JNL	1,800	With run-off of in-force book
UK long-term business	151	1 to 10 years
Other	104	1 to 10 years
Total	2,097	

Unused tax losses	2012 £m	Expected period of recoverability
Asia	36	3 to 5 years
UK long-term business	18	1 to 3 years
Other	45	1 to 3 years
Total	99	

Under IAS 12, 'Income Taxes', deferred tax is measured at the tax rates that are expected to apply to the period when the asset is realised or the liability settled, based on the tax rates (and laws) that have been enacted or are substantively enacted at the end of the reporting periods.

The UK government's tax rate change to 23 per cent (from the 24 per cent effective from 1 April 2012) has had the effect of reducing the UK with-profits and shareholder-backed business element of the net deferred tax balances as at 31 December 2012 by £52 million. The tax change to 23 per cent is effective from 1 April 2013 but has been enacted at 31 December 2012.

The subsequent proposed phased rate changes to 21 per cent are expected to have the effect of reducing the UK with-profits and shareholder-backed business elements of the net deferred tax balances at 31 December 2012 by £52 million.

iii Reconciliation of tax charge on profit attributable to shareholders for continuing operations

	2012 £m (Except for tax rates)				
2012	Asia insurance operations	US insurance operations	UK insurance operations	Other operations	Total
Operating profit (loss) based on longer-term investment returns	913	964	736	(80)	2,533
Non-operating profit (loss)	76	(109)	122	188	277
Profit before tax attributable to shareholders	989	855	858	108	2,810

Expected tax rate:*	23%	35%	25%	25%	27%
Tax at the expected tax rate	227	300	210	26	763
Effects of:					
Adjustment to tax charge in relation to prior years	(11)	10	(26)	(10)	(37)
Movements in provisions for open tax matters	-	(3)	-	32	29
Income not taxable or taxable at concessionary rates	(87)	-	-	(2)	(89)
Deductions not allowable for tax purposes	30	-	-	3	33
Different local basis of tax on overseas profits	-	(68)	-	-	(68)
Impact of changes in local statutory tax rates	-	-	(39)	9	(30)
Deferred tax adjustments	(6)	-	8	(1)	1
Irrecoverable withholding taxes	-	-	-	14	14
Other	5	(5)	8	(11)	(3)
Total actual tax charge	158	234	161	60	613
Analysed into:					
Tax on operating profit based on longer-term investment returns	142	272	126	42	582
Tax on non-operating profit	16	(38)	35	18	31
Actual tax rate:					
Operating profit based on longer-term investment returns	16%	28%	17%	(53%)	23%
Total profit	16%	27%	19%	56%	22%

	2011** £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	704	651	723	(51)	2,027
Non-operating profit	(92)	(167)	177	(117)	(199)
Profit (loss) before tax attributable to shareholders	612	484	900	(168)	1,828
Expected tax rate:*	25%	35%	27%	27%	28%
Tax at the expected tax rate	151	170	243	(45)	519
Effects of:					
Adjustment to tax charge in relation to prior years	(7)	-	33	(19)	7
Movements in provisions for open tax matters	-	-	-	(44)	(44)
Income not taxable or taxable at concessionary rates	(36)	-	(1)	-	(37)
Deductions not allowable for tax purposes	12	-	-	4	16
Different local basis of tax on overseas profits	-	(37)	-	-	(37)
Impact of changes in local statutory tax rates	-	-	(32)	1	(31)
Deferred tax adjustments	7	-	-	-	7
Irrecoverable withholding taxes	-	-	-	13	13
Other	(3)	(6)	(14)	19	(4)
Total actual tax charge (credit)	124	127	229	(71)	409
Analysed into:					

Tax on operating profit based on longer-term investment returns	122	185	190	(64)	433
Tax on non-operating profit	2	(58)	39	(7)	(24)
Actual tax rate:					
Operating profit based on longer-term investment returns	17%	28%	26%	125%	21%
Total profit	20%	26%	25%	42%	22%

* The expected tax rates shown in the table above (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.

**The 2011 comparative results have been adjusted from those previously published for the retrospective application of the change in accounting policy described in note B.

J Supplementary analysis of earnings per share

		2012					
	Note	Before tax	Tax	Non-controlling interests	Net of tax and non-controlling interests	Basic earnings per share	Diluted earnings per share
		note C	note I				
		£m	£m	£m	£m	Pence	Pence
Based on operating profit based on longer-term investment returns		2,533	(582)	-	1,951	76.8 p	76.7 p
Short-term fluctuations in investment returns on shareholder-backed business	F	204	(26)	-	178	7.0 p	7.0 p
Shareholders' share of actuarial and other gains and losses on defined benefit pension schemes	V	50	(12)	-	38	1.5 p	1.5 p
Gain on dilution of Group's holdings	G	42	-	-	42	1.7 p	1.7 p
Amortisation of acquisition accounting adjustments arising on the purchase of REALIC	Z	(19)	7	-	(12)	(0.5)p	(0.5)p
Based on profit for the year		2,810	(613)	-	2,197	86.5 p	86.4 p

		2011*					
	Note	Before tax	Tax	Non-controlling interests	Net of tax and non-controlling interests	Basic earnings per share	Diluted earnings per share
		note C	note I				
		£m	£m	£m	£m	Pence	Pence
Based on operating profit based on longer-term investment returns		2,027	(433)	(4)	1,590	62.8 p	62.7 p
	F	(220)	29	-	(191)	(7.6)p	(7.6)p

Short-term fluctuations in investment returns on shareholder-backed business							
Shareholders' share of actuarial and other gains and losses on defined benefit pension schemes	V	21	(5)	-	16	0.6 p	0.6 p
Based on profit for the year		1,828	(409)	(4)	1,415	55.8 p	55.7 p

* The 2011 comparative results have been adjusted from those previously published for the retrospective application of the change in accounting policy described in note B.

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:

	2012 (in millions)	2011 (in millions)
Weighted average number of shares for calculation of:		
Basic earnings per share	2,541	2,533
Diluted earnings per share	2,544	2,538

K Dividend

Dividends per share (in pence)	2012	2011
Dividends relating to reporting year:		
Interim dividend	8.40 p	7.95 p
Final dividend	20.79 p	17.24 p
Total	29.19 p	25.19 p
Dividends declared and paid in reporting year:		
Current year interim dividend	8.40 p	7.95 p
Final dividend for prior year	17.24 p	17.24 p
Total	25.64 p	25.19 p

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 2011 of 17.24 pence per ordinary share was paid to eligible shareholders on 24 May 2012 and the 2012 interim dividend of 8.4 pence per ordinary share was paid to eligible shareholders on 27 September 2012.

The Board has decided to rebase the full year dividend upwards by 4 pence, reflecting the strong progress made in both the earnings and free surplus generation of the business and in the delivery of our financial objectives. In line with this, the directors recommend a final dividend of 20.79 pence per share (2011: 17.24 pence), which brings the total dividend for the year to 29.19 pence (2011: 25.19 pence), representing an increase of 15.9 per cent over 2011.

The 2012 final dividend of 20.79 pence per ordinary share will be paid on 23 May 2013 in sterling to shareholders on the principal register and the Irish branch register at 6.00pm BST on Monday, 2 April 2013 (Record Date), and in Hong Kong dollars to shareholders on the Hong Kong branch register at 4.30pm Hong Kong time on the Record Date (HK Shareholders). Holders of US American Depositary Receipts (US Shareholders) will be paid their dividends in

US dollars on or about 3 June 2013. The final dividend will be paid on or about 30 May 2013 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 12 March 2013. The exchange rate at which the dividend payable to the SG Shareholders will be translated into SG$, will be determined by CDP. The dividend will distribute an estimated £532 million of shareholders' funds.

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

L Statement of financial position - analysis of Group position by segment and business type

i Group statement of financial position analysis

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.

	Insurance operations								
	UK	US	Asia	Total insurance operations	Asset management operations	Unallocated to a segment (central operations)	Intra -group eliminations	31 Dec 2012 Group total	31 Dec 2011* Group total
By operating segment	£m	£m	£m	£m	£m	£m	£m	£m	£m
Assets									
Intangible assets attributable to shareholders:									
Goodwill note N	-	-	239	239	1,230	-	-	1,469	1,465
Deferred acquisition costs and other intangible assets note O	105	3,222	908	4,235	14	18	-	4,267	4,234
Total	105	3,222	1,147	4,474	1,244	18	-	5,736	5,699
Intangible assets attributable to with-profits funds:									
In respect of acquired subsidiaries for venture fund and other investment purposes	178	-	-	178	-	-	-	178	178
Deferred acquisition costs and other intangible assets	6	-	72	78	-	-	-	78	89
Total	184	-	72	256	-	-	-	256	267
Total	289	3,222	1,219	4,730	1,244	18	-	5,992	5,966
	183	1,889	83	2,155	107	52	-	2,314	2,276

Deferred tax assets note I									
Other non-investment and non-cash assets note (i)	5,424	6,792	1,117	13,333	1,051	3,766	(6,113)	12,037	6,638
Investments of long-term business and other operations:									
Investment properties	10,852	24	4	10,880	-	-	-	10,880	10,757
Associate investments accounted for using the equity method	72	-	-	72	41	-	-	113	70
Financial investments:									
Loans note Q	3,373	6,235	1,014	10,622	1,199	-	-	11,821	9,714
Equity securities and portfolio holdings in unit trusts	36,027	49,551	14,310	99,888	70	-	-	99,958	87,349
Debt securities note R	83,862	32,993	21,402	138,257	1,846	-	-	140,103	124,498
Other investments	4,576	2,296	957	7,829	44	27	-	7,900	7,509
Deposits	11,131	211	1,227	12,569	84	-	-	12,653	10,708
Total investments	149,893	91,310	38,914	280,117	3,284	27	-	283,428	250,605
Properties held for sale	98	-	-	98	-	-	-	98	3
Cash and cash equivalents	2,638	513	1,668	4,819	1,083	482	-	6,384	7,257
Total assets	158,525	103,726	43,001	305,252	6,769	4,345	(6,113)	310,253	272,745

* The 2011 comparative results have been adjusted from those previously published for the retrospective application of the change in accounting policy described in note B.

	Insurance operations								
						Unallocated		31 Dec	31 Dec
				Total	Asset	to a segment	Intra	2012	2011*
				insurance	management	(central	-group	Group	Group
	UK	US	Asia	operations	operations	operations)	eliminations	total	total
	£m	£m	£m	£m	£m	£m	£m	£m	£m
By operating segment									
Equity and liabilities									
Equity									
Shareholders' equity	3,033	4,343	2,529	9,905	1,937	(1,483)	-	10,359	8,564
	1	-	4	5	-	-	-	5	43

Non-controlling interests									
Total equity	3,034	4,343	2,533	9,910	1,937	(1,483)	-	10,364	8,607
Liabilities									
Policyholder liabilities and unallocated surplus of with-profits funds:									
Insurance contract liabilities	84,266	90,192	34,126	208,584	-	-	-	208,584	180,363
Investment contract liabilities with discretionary participation features	33,464	-	348	33,812	-	-	-	33,812	29,745
Investment contract liabilities without discretionary participation features	16,182	2,069	127	18,378	-	-	-	18,378	16,967
Unallocated surplus of with-profits funds	10,526	-	63	10,589	-	-	-	10,589	9,215
Total policyholder liabilities and unallocated surplus of with-profits funds	144,438	92,261	34,664	271,363	-	-	-	271,363	236,290
Core structural borrowings of shareholder-financed operations:									
Subordinated debt	-	-	-	-	-	2,577	-	2,577	2,652
Other	-	153	-	153	275	549	-	977	959
Total note T	-	153	-	153	275	3,126	-	3,554	3,611
Operational borrowings attributable to shareholder-financed operations note U	127	26	7	160	1	2,084	-	2,245	3,340
Borrowings attributable to with-profits operations note U	1,033	-	-	1,033	-	-	-	1,033	972
Other non-insurance liabilities:									
Obligations under funding,	1,461	920	55	2,436	-	-	-	2,436	3,114

securities lending and sale and repurchase agreements									
Net asset value attributable to unit holders of consolidated unit trusts and similar funds	2,307	25	1,851	4,183	162	-	-	4,345	3,840
Deferred tax liabilities note I	1,185	2,168	588	3,941	13	16	-	3,970	3,929
Current tax liabilities	237	-	49	286	8	151	-	445	930
Accruals and deferred income	429	-	110	539	266	28	-	833	736
Other creditorsnote (ii)	2,766	611	1,601	4,978	3,771	145	(6,113)	2,781	2,544
Provisions	291	20	66	377	149	75	-	601	529
Derivative liabilities	1,007	645	837	2,489	150	190	-	2,829	3,054
Other liabilities	210	2,554	640	3,404	37	13	-	3,454	1,249
Total	9,893	6,943	5,797	22,633	4,556	618	(6,113)	21,694	19,925
Total liabilities	155,491	99,383	40,468	295,342	4,832	5,828	(6,113)	299,889	264,138
Total equity and liabilities	158,525	103,726	43,001	305,252	6,769	4,345	(6,113)	310,253	272,745

* The 2011 comparative results have been adjusted from those previously published for the retrospective application of the change in accounting policy described in note B.

Notes

(i) Within other non-investment and non-cash assets are premiums receivable of £321 million (2011: £265 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.

(ii) Within other non-insurance liabilities are other creditors of £2,781 million (31 December 2011: £2,544 million) of which £2,527 million (31 December 2011: £2,268 million) are due within one year.

Further segmental analysis:

The non-current assets of the Group comprise goodwill, intangible assets other than DAC and present value of acquired in-force business and property, plant and equipment included within 'other non-investment and non-cash assets'. Items defined as financial instruments or related to insurance contracts are excluded. The Group's total non-current assets at 31 December comprise:

	2012 £m	2011 £m
UK including insurance operations, M&G and central operations	1,927	1,906
US	152	144
Asia*	640	681
Total	2,719	2,731

*No individual country in Asia held non-current assets at the end of the year which exceeds 10 per cent of the Group total.

ii Group statement of financial position - additional analysis by business type

	Shareholder-backed business							
	Participating funds £m	Unit-linked and variable annuity £m	Non-linked business £m	Asset management operations £m	Unallocated to a segment (central operations) £m	Intra-group eliminations £m	31 Dec 2012 Group total £m	31 Dec 2011* Group total £m
Assets								
Intangible assets attributable to shareholders:								
Goodwill note N	-	-	239	1,230	-	-	1,469	1,465
Deferred acquisition costs and other intangible assets note O	-	-	4,235	14	18	-	4,267	4,234
Total	-	-	4,474	1,244	18	-	5,736	5,699
Intangible assets attributable to with-profits funds:								
In respect of acquired subsidiaries for venture fund and other investment purposes	178	-	-	-	-	-	178	178
Deferred acquisition costs and other intangible assets	78	-	-	-	-	-	78	89
Total	256	-	-	-	-	-	256	267
Total	256	-	4,474	1,244	18			