

SUMMARY OF STATUTORY AND SUPPLEMENTARY IFRS AND EEV BASIS RESULTS YEAR ENDED 31 DECEMBER 2010

The following tables and referenced disclosure notes show the results reported in the statutory financial statements on pages 153 to 352 and 375 to 386 and supplementary EEV basis results on pages 389 to 433. This page does not form part of the statutory financial statements.

International Financial Reporting Standards (IFRS) basis results

Statutory IFRS basis results

	Primary statement or note reference	Page	2010	2009
Profit after tax attributable to equity holders of the Company	IFRS income statement	153	£1,431m	£676m
Basic earnings per share	IFRS income statement	153	56.7p	27.0p
Dividends per share declared and paid in reporting period	IFRS note B3	188	20.17p	19.20p
Shareholders' equity, excluding non-controlling interest	IFRS statement of financial position	158	£8,031m	£6,271m

Supplementary IFRS basis information

	Primary statement or note reference	Page	2010	2009 ⁱ
Operating profit based on longer-term investment returns	IFRS note B1	182	£1,941m	£1,564m
Short-term fluctuations in investment returns		182	£(123)m	£(123)m
Shareholders' share of actuarial and other gains and losses on defined benefit pension schemes		182	£(10)m	£(74)m
Costs of terminated AIA transaction		182	£(377)m	–
Gain on dilution of holding in PruHealth		182	£30m	–
Loss on sale and results for Taiwan agency business		182	–	£(621)m
Profit from continuing operations before tax attributable to shareholders (including actual investment returns)	IFRS note B1	182	£1,461m	£746m
Operating earnings per share after related tax and non-controlling interests (excluding exceptional tax credit)	IFRS note B2	186	62.0p	47.5p
Operating earnings per share after related tax and non-controlling interests (including exceptional tax credit)	IFRS note B2	186	68.3p	47.5p
Dividends per share in respect of the reporting period (including interim dividend of 6.61p (2009: 6.29p) and final dividend of 17.24p (2009: second interim dividend of 13.56p) declared after the end of the reporting period)	IFRS note B3	188	23.85p	19.85p

Supplementary European Embedded Value (EEV) basis results

	Primary statement or note reference	Page	2010	2009
Operating profit based on longer-term investment returns	EEV income statement	389	£3,696m	£3,090m
Short-term fluctuations in investment returns		391	£(30)m	£351m
Mark to market value movements on core borrowings		391	£(164)m	£(795)m
Shareholders' share of actuarial and other gains and losses on defined benefit pension schemes		391	£(11)m	£(84)m
Effect of changes in economic assumptions		391	£(10)m	£(910)m
Costs of terminated AIA transaction		391	£(377)m	–
Gain on dilution of holding in PruHealth		391	£3m	–
Profit on sale and results for Taiwan agency business		391	–	£91m
Profit from continuing operations before tax (including actual investment returns)		391	£3,107m	£1,743m
Operating earnings per share after related tax and non-controlling interests (excluding exceptional tax credit)	EEV note 12	417	106.9p	88.8p
Operating earnings per share after related tax and non-controlling interests (including exceptional tax credit)	EEV note 12	417	113.2p	88.8p
Basic earnings per share	EEV earnings per share	392	101.9p	49.8p
Shareholders' equity, excluding non-controlling interests	EEV statement of financial position	394	£18,207m	£15,273m

Note

- ⁱ The Company has amended the presentation of IFRS operating profit for its US operations to remove the net equity hedge accounting effect (incorporating related amortisation of deferred acquisition costs) and include it in the supplementary analysis of profit in short-term fluctuations in investment returns. The 2009 amounts have been amended accordingly.

Notes

Basis of preparation

Results bases

With the exception of the adoption of IFRS 3 (Revised) on business combinations and associated amendments to other standards and the altered basis of presentation of Jackson's IFRS operating profit based on longer-term investment returns referred to below, the basis of preparation of the statutory IFRS basis results and supplementary IFRS basis information is consistent with that applied for the 2009 results and financial statements.

The EEV basis results have been prepared in accordance with the European Embedded Value Principles issued by the CFO Forum of European Insurance Companies in May 2004. Life insurance products are, by their nature, long-term and the profit on this business is generated over a significant number of years. Accounting under IFRS alone does not, in Prudential's opinion, fully reflect the value of future profit streams. Prudential considers that embedded value reporting provides investors with a measure of the future profit streams of the Group's in-force long-term businesses and is a valuable supplement to statutory accounts. With the exception of the presentation of the new business results of the Japan life operation which ceased writing new business in February 2010 there has been no other change to the basis of presentation of the EEV results from the 2009 results and financial statements.

Operating profit based on longer-term investment returns

Consistent with previous reporting practice, the Group provides supplementary analysis of IFRS profit before tax attributable to shareholders and analyses its EEV basis results, so as to distinguish operating profit based on longer-term investment returns from other elements of total profit. On both the IFRS and EEV bases, operating earnings per share are calculated using operating profits based on longer-term investment returns, after related tax and non-controlling interests.

These profits exclude short-term fluctuations in investment returns and the shareholders' share of actuarial and other gains and losses on defined benefit pension schemes. The operating profit based on longer-term investment returns for 2010 also excludes the costs associated with the terminated AIA transaction and the gain arising upon the dilution of the Group's holding in PruHealth. Consistent with prior presentation, the effect of disposal and the results of the Taiwan agency business are shown separately from operating profit based on longer-term investment returns for 2009.

In 2010 the Company amended its presentation of IFRS operating profit for its US insurance operations to exclude the net equity hedge accounting effect of negative £367 million (2009: negative £159 million) relating principally to its variable annuity business and reclassified it in the supplementary analysis of profit as a short-term fluctuation in investment returns. Prior year comparatives have been amended accordingly. This is a presentational change and it has no impact on the IFRS profit before tax or the IFRS shareholders' funds. The change also has no impact on the Group's EEV financial statements.

Under the EEV basis, where additional profit and loss effects arise, operating profit based on longer-term investment returns also excludes the mark to market value movements on core borrowings and the effect of changes in economic assumptions.

After adjusting for related tax and non-controlling interests, the amounts excluded from operating profit based on longer-term investment returns are included in the calculation of basic earnings per share.