PRUDENTIAL PLC
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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER

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

For the month of August, 2011

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-

Enclosures: Half Yearly Report 2011 - Part 2 - IFRS

STATUTORY BASIS RESULTS

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) BASIS RESULTS

CONDENSED CONSOLIDATED INCOME STATEMENT

	Half year 2011 £m		Half year 2010 £m	Full year 2010 £m
Earned premiums, net of reinsurance	12,930		11,256	24,211
Investment return (note J)	7,750		5,027	21,769
Other income	923		754	1,666
Total revenue, net of reinsurance	21,603		17,037	47,646
Benefits and claims and movement in unallocated surplus of with-profits funds, net of reinsurance (note K)	(17,590)		(13,650)	(40,518)
Acquisition costs and other expenditure (note I)	(2,615)		(2,654)	(4,799)
Finance costs: interest on core structural borrowings of shareholder-financed operations	(140)		(129)	(257)
Total charges, net of reinsurance	(20,345)		(16,433)	(45,574)
Profit before tax (being tax attributable to shareholders' and policyholders' returns)*	1,258		604	2,072
Tax charge attributable to policyholders' returns	(94)		(11)	(611)
Profit before tax attributable to shareholders (note C)	1,164		593	1,461
Tax charge (note L)	(395)		(160)	(636)
Less: tax attributable to policyholders' returns	94		11	611
Tax charge attributable to shareholders' returns** (note L)	(301)		(149)	(25)
Profit for the period***	863		444	1,436
Attributable to:				
Equity holders of the Company	861		442	1,431
Non-controlling interests	2		2	5
Profit for the period	863		444	1,436
Earnings per share (in pence)				
Based on profit attributable to the equity holders of the Company:*** (note M)				
Basic	34.0	p	17.5 p	56.7 p
Diluted	33.9	p	17.5 p	56.6 p

*This measure is the formal profit before tax measure under IFRS but it is not the result attributable to shareholders. The half year 2010 and full year 2010 profit before tax are stated after £377 million of pre-tax costs of the terminated AIA transaction. See note G.

**The full year 2010 tax charge attributable to shareholders' returns included an exceptional tax credit of £158 million which primarily related to the impact of a settlement agreed with the UK tax authorities.
***All profit is from continuing operations.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) BASIS RESULTS

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Half year 2011 £m	Half year 2010 £m	Full year 2010 £m
Profit for the period	863	444	1,436
Other comprehensive income:			
Exchange movements on foreign operations and net investment hedges:			
Exchange movements arising during the period	(70)	315	217
Related tax	(5)	(8)	34
	(75)	307	251
Available-for-sale securities:			
Unrealised valuation movements on securities of US insurance operations classified as available-for-sale:			
Unrealised holding gains arising during the period	287	1,123	1,170
Deduct net (gains) / add back net losses included in the income statement on disposal and impairment	(50)	21	51
Total (note V)	237	1,144	1,221
Related change in amortisation of deferred income and acquisition costs	(97)	(510)	(496)
Related tax	(49)	(215)	(247)
	91	419	478
Other comprehensive income for the period, net of related tax	16	726	729
Total comprehensive income for the period	879	1,170	2,165
Attributable to:			
Equity holders of the Company	877	1,168	2,160
Non-controlling interests	2	2	5
Total comprehensive income for the period	879	1,170	2,165

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) BASIS RESULTS

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Period ended 30 June 2011							
	Share capital	Share premium	Retained earnings	Translation reserve	Available	Shareholders' equity	Non-controlling	Total equity

					-for-sale securities reserve		interests	
	£m	£m	£m	£m	£m	£m	£m	£m
Reserves								
Total comprehensive income for the period	-	-	861	(75)	91	877	2	879
Dividends	-	-	(439)	-	-	(439)	-	(439)
Reserve movements in respect of share-based payments	-	-	25	-	-	25	-	25
Share capital and share premium								
New share capital subscribed	-	15	-	-	-	15	-	15
Treasury shares								
Movement in own shares in respect of share-based payment plans	-	-	(10)	-	-	(10)	-	(10)
Movement in Prudential plc shares purchased by unit trusts consolidated under IFRS	-	-	2	-	-	2		2
Net increase (decrease) in equity	-	15	439	(75)	91	470	2	472
At beginning of period	127	1,856	4,982	454	612	8,031	44	8,075
At end of period	127	1,871	5,421	379	703	8,501	46	8,547

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Period ended 30 June 2010

	Share capital £m	Share premium £m	Retained earnings £m	Translation reserve £m	Available-for-sale securities reserve £m	Shareholders' equity £m	Non-controlling interests £m	Total equity £m
Reserves								
Total comprehensive income for the period	-	-	442	307	419	1,168	2	1,170
Dividends	-	-	(344)	-	-	(344)	-	(344)
Reserve movements in respect of share-based payments	-	-	15	-	-	15	-	15
Change in non-controlling interests arising principally from purchase and sale of property partnerships of the PAC with-profits fund	-	-	-	-	-	-	3	3

and other consolidated investment funds								
Share capital and share premium								
New share capital subscribed (including shares issued in lieu of cash dividends)	-	39	-	-	-	39	-	39
Reserve movements in respect of shares issued in lieu of cash dividends	-	(26)	26	-	-	-	-	-
Treasury shares								
Movement in own shares in respect of share-based payment plans	-	-	8	-	-	8	-	8
Movement in Prudential plc shares purchased by unit trusts consolidated under IFRS	-	-	4	-	-	4	-	4
Net increase in equity	-	13	151	307	419	890	5	895
At beginning of period	127	1,843	3,964	203	134	6,271	32	6,303
At end of period	127	1,856	4,115	510	553	7,161	37	7,198

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Year ended 31 December 2010							
	Share capital £m	Share premium £m	Retained earnings £m	Translation reserve £m	Available -for-sale securities reserve £m	Shareholders' equity £m	Non-controlling interests £m	Total equity £m
Reserves								
Total comprehensive income for the year	-	-	1,431	251	478	2,160	5	2,165
Dividends	-	-	(511)	-	-	(511)	-	(511)
Reserve movements in respect of share-based payments	-	-	37	-	-	37	-	37
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	-	-	-	-	-	-	7	7

Share capital and share premium								
New share capital subscribed (including shares issued in lieu of cash dividends)	-	75	-	-	-	75	-	75
Reserve movements in respect of shares issued in lieu of cash dividends	-	(62)	62	-	-	-	-	-
Treasury shares								
Movement in own shares in respect of share-based payment plans	-	-	(4)	-	-	(4)	-	(4)
Movement in Prudential plc shares purchased by unit trusts consolidated under IFRS	-	-	3	-	-	3	-	3
Net increase in equity	-	13	1,018	251	478	1,760	12	1,772
At beginning of year	127	1,843	3,964	203	134	6,271	32	6,303
At end of year	127	1,856	4,982	454	612	8,031	44	8,075

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) BASIS RESULTS

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30 Jun 2011 £m	30 Jun 2010 £m	31 Dec 2010 £m
Assets			
Intangible assets attributable to shareholders:			
Goodwill(note Q)	1,469	1,465	1,466
Deferred acquisition costs and other intangible assets(note R)	4,773	4,028	4,609
Total	6,242	5,493	6,075
Intangible assets attributable to with-profits funds:			
In respect of acquired subsidiaries for venture fund and other investment purposes	169	124	166
Deferred acquisition costs and other intangible assets	93	110	110
Total	262	234	276
Total	6,504	5,727	6,351
Other non-investment and non-cash assets:			
Property, plant and equipment	761	382	612
Reinsurers' share of insurance contract liabilities	1,334	1,369	1,344
Deferred tax assets (note L)	2,120	2,691	2,188
Current tax recoverable	384	575	555
Accrued investment income	2,460	2,559	2,668
Other debtors	1,638	1,467	903
Total	8,697	9,043	8,270

Investments of long-term business and other operations:			
Investment properties	10,965	11,360	11,247
Investments accounted for using the equity method	71	9	71
Financial investments*:			
Loans (note T)	9,017	9,587	9,261
Equity securities and portfolio holdings in unit trusts	91,037	71,775	86,635
Debt securities (note U)	117,213	113,334	116,352
Other investments	6,121	6,768	5,779
Deposits	10,858	9,766	9,952
Total	245,282	222,599	239,297
Properties held for sale	394	3	257
Cash and cash equivalents	8,589	6,040	6,631
Total assets (note O)	269,466	243,412	260,806

*Included within financial investments are £8,744 million, £9,774 million and £8,708 million of lent securities as at 30 June 2011, 30 June 2010 and 31 December 2010, respectively.

	30 Jun 2011 £m	30 Jun 2010 £m	31 Dec 2010 £m
Equity and liabilities			
Equity			
Shareholders' equity	8,501	7,161	8,031
Non-controlling interests	46	37	44
Total equity	8,547	7,198	8,075
Liabilities			
Policyholder liabilities and unallocated surplus of with-profits funds:			
Contract liabilities (including amounts in respect of contracts classified as investment contracts under IFRS 4)(note Z)	221,432	198,913	214,727
Unallocated surplus of with-profits funds(note Z)	10,872	10,066	10,253
Total	232,304	208,979	224,980
Core structural borrowings of shareholder-financed operations:			
Subordinated debt	3,044	2,767	2,718
Other	954	715	958
Total (note W)	3,998	3,482	3,676
Other borrowings:			
Operational borrowings attributable to shareholder-financed operations (note X)	2,912	3,234	3,004
Borrowings attributable to with-profits operations (note X)	1,440	1,313	1,522
Other non-insurance liabilities:			
Obligations under funding, securities lending and sale and repurchase agreements	4,537	3,222	4,199

	Net asset value attributable to unit holders of consolidated unit trusts and similar funds	3,203	2,667	3,372
	Deferred tax liabilities (note L)	4,194	4,115	4,224
	Current tax liabilities	876	1,272	831
	Accruals and deferred income	585	555	707
	Other creditors	2,599	3,246	2,321
	Provisions	587	641	729
	Derivative liabilities	2,385	2,033	2,037
	Other liabilities	1,299	1,455	1,129
	Total	20,265	19,206	19,549
Total liabilities		260,919	236,214	252,731
Total equity and liabilities (note O)		269,466	243,412	260,806

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) BASIS RESULTS

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Half year 2011 £m	Half year 2010 £m	Full year 2010 £m
Cash flows from operating activities			
Profit before tax (being tax attributable to shareholders' and policyholders' returns)(note (i))	1,258	604	2,072
Changes in operating assets and liabilities (note (ii))	872	516	(136)
Other items (note (iii))	75	167	12
Net cash flows from operating activities	2,205	1,287	1,948
Cash flows from investing activities			
Net cash flows from purchases and disposals of property, plant and equipment	(42)	(22)	(89)
Acquisition of subsidiaries, net of cash balance (note (iv))	(41)	(101)	(145)
Net cash flows from investing activities	(83)	(123)	(234)
Cash flows from financing activities			
Structural borrowings of the Group:			
Shareholder-financed operations (notes (v) and W):			
Issue of subordinated debt, net of costs	340	-	-
Bank loan	-	-	250
Interest paid	(137)	(131)	(251)
With-profits operations (notes (vi) and X):			
Interest paid	(4)	(4)	(9)
Equity capital (note (vii)):			
Issues of ordinary share capital	15	13	13
Dividends paid	(439)	(318)	(449)
Net cash flows from financing activities	(225)	(440)	(446)
Net increase in cash and cash equivalents	1,897	724	1,268
Cash and cash equivalents at beginning of period	6,631	5,307	5,307
Effect of exchange rate changes on cash and cash equivalents	61	9	56
Cash and cash equivalents at end of period	8,589	6,040	6,631

Notes

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

(ii) The adjusting items to profit before tax included within changes in operating assets and liabilities are as follows:

Half year Half year Full year

	2011 £m	2010 £m	2010 £m
Other non-investment and non-cash assets	(872)	(997)	(1,161)
Investments	(6,984)	(5,278)	(24,594)
Policyholder liabilities (including unallocated surplus)	8,530	6,086	24,287
Other liabilities (including operational borrowings)	198	705	1,332
Changes in operating assets and liabilities	872	516	(136)

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

(iv) The acquisition of subsidiaries in half year 2011 related to the PAC with-profits fund's purchase of two venture investments with an outflow of £41m.

The acquisition of United Overseas Bank Life Assurance Limited (UOB) in 2010 resulted in an outflow of cash from investing activities of £133 million in the 12 months ended 31 December 2010 (30 June 2010: £101 million). The remaining outflow of £12 million in full year 2010 related to the PAC with-profits fund's purchase of Meterserve.

(v) Structural borrowings of shareholder-financed operations comprise core debt of the parent company, 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.

(vi) 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.

(vii) Cash movements in respect of equity capital in 2010 exclude scrip dividends. The scrip dividend alternative has been replaced by the Dividend Re-investment Plan (DRIP) from the 2010 final dividend.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) BASIS RESULTS

NOTES ON THE IFRS BASIS RESULTS

A Basis of preparation and audit status

These condensed consolidated interim financial statements for the six months ended 30 June 2011 have been prepared in accordance with IAS 34 'Interim Financial Reporting' as issued by the International Accounting Standards Board (IASB) and as endorsed by the European Union (EU). The Group's policy for preparing this interim financial information is to use the accounting policies adopted by the Group in its last consolidated financial statements, as updated by any changes in accounting policies it intends to make in its next consolidated financial statements as a result of new or amended IFRSs that are applicable or available for early adoption for the next annual financial statements and other policy improvements. 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 30 June 2011, there were no unendorsed standards effective for the period ended 30 June 2011 affecting the condensed consolidated financial statements, 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 IFRS basis results for the 2011 and 2010 half years are unaudited. The 2010 full year IFRS basis results have been derived from the 2010 statutory accounts. The auditors have reported on the 2010 statutory accounts which have been delivered to the Registrar of Companies. The auditors' report was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

The additional information shown in notes 1 to 7 is also unaudited.

B Significant accounting policies

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 2010, except for the adoption of the new accounting pronouncements in 2011 as described below.

Accounting pronouncements adopted in 2011
The Group has adopted the following accounting pronouncements in 2011 but their adoption has had no material impact on the results and financial position of the Group:

- Improvements to IFRSs (2010), which includes minor changes to six IFRSs;
- Amendments to IAS 24, 'Related party disclosures';
- Amendments to IFRIC 14, 'Prepayment of a minimum funding requirement'; and
- IFRIC 19, 'Extinguishing financial liabilities with equity instruments'.

This is not intended to be a complete list of accounting pronouncements effective in 2011 as only those that could have an impact upon the Group's financial statements have been discussed.

C Segment disclosure – income statement

	Half year 2011 £m	Half year 2010 (note (i)) £m	Full year 2010 £m
Asian operations			
Insurance operations (note E(i))	326	262	536
Development expenses	(2)	(3)	(4)
Total Asian insurance operations after development expenses	324	259	532
Asian asset management	43	36	72
Total Asian operations	367	295	604
US operations			
Jackson (US insurance operations) (notes (i) and E(ii))	368	327	833
Broker-dealer and asset management	17	15	22
Total US operations	385	342	855
UK operations			
UK insurance operations:			
Long-term business (note E(iii))	332	307	673
General insurance commission (note (ii))	21	23	46
Total UK insurance operations	353	330	719
M&G	199	143	284
Total UK operations	552	473	1,003
Total segment profit	1,304	1,110	2,462
Other income and expenditure			
Investment return and other income	5	5	30
Interest payable on core structural borrowings	(140)	(129)	(257)
Corporate expenditure(note I)	(116)	(113)	(220)

Charge for share-based payments for Prudential schemes (note (iii))	(2)	(3)	(3)
Total	(253)	(240)	(450)
RPI to CPI inflation measure change on defined benefit pension schemes(note (iv))	42	-	-
Solvency II implementation costs	(27)	(22)	(45)
Restructuring costs (note (v))	(8)	(3)	(26)
Operating profit based on longer-term investment returns (note (i))	1,058	845	1,941
Short-term fluctuations in investment returns on shareholder-backed business (note F)	113	149	(123)
Shareholders' share of actuarial and other gains and losses on defined benefit pension schemes (note (vi))	(7)	(24)	(10)
Costs of terminated AIA transaction (note G)	-	(377)	(377)
Gain on dilution of holding in PruHealth (note H)	-	-	30
Profit from continuing operations before tax attributable to shareholders	1,164	593	1,461

	Half year 2011	Half year 2010	Full year 2010
Basic EPS based on operating profit after tax and non-controlling interests*(note M)	32.2p	25.4p	62.0p
Basic EPS based on total profit after tax and non-controlling interests(note M)	34.0p	17.5p	56.7p

* Excludes exceptional tax in full year 2010 (see note M).

Notes

(i) In the second half of 2010 the Company 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 short-term fluctuations in investment returns. Accordingly, the half year 2010 operating profit has been amended to remove the positive £123 million effect. The effect of this change is explained below.

(ii) 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.

(iii) The charge for share-based payments for Prudential schemes is for the SAYE and Group performance-related schemes.

(iv) During the first half of 2011 the Group altered its inflation measure basis for future statutory increases to pension payments for certain tranches of its UK defined benefit pension schemes. This reflects the UK Government’s decision to replace the basis of indexation from RPI with CPI. This resulted in a credit to the operating profit before tax of £42 million.

(v) Restructuring costs comprise amounts incurred in the UK business defined as covered for EEV reporting purposes.

(vi) The shareholders’ share of actuarial and other gains and losses on defined benefit pension schemes reflects the aggregate of actual less expected returns on scheme assets, experience gains and losses, the effect of changes in assumptions and altered provisions for deficit funding, where relevant.

Determining operating segments and performance measure of operating segments

The Group’s operating segments determined in accordance with IFRS 8, are as follows:

Insurance operations

– Asia
– US (Jackson)
– UK

Asset management operations
– M&G
– Asian asset management
– US broker-dealer and asset management (including Curian)

Prudential Capital 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. 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 2010 this measure excluded costs associated with the terminated AIA transaction and gain arising upon the dilution of the Group's holding in PruHealth. In the second half of 2010 the Company 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 short-term fluctuations in investment returns. Accordingly, the half year 2010 operating profit has been amended to remove the positive £123 million effect. There is no change to total profit for continuing operations before tax attributable to shareholders arising from this altered treatment. 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 (GEC) 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 Asian Regional Head Office.

For the purposes of measuring operating profit, investment returns on shareholder-financed business are based on the expected longer-term rates of return. This 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 for life businesses exclusive of changes in market conditions. In determining profit on this basis, the following key elements are applied to the results of the Group's shareholder-financed operations.

(a) Debt and equity securities

Longer-term investment returns comprise income and longer-term capital returns. For debt securities the longer-term capital returns comprise two elements. These are a risk margin reserve (RMR) based charge for expected defaults, which is determined by reference to the credit quality of the portfolio, and 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. The shareholder-backed operation for which the RMR charge is most significant is Jackson National Life.

Jackson has used the ratings resulting from the regulatory ratings detail issued by the National Association of Insurance Commissioners (NAIC) for mortgage-backed securities (MBS) to determine the average annual RMR. These were developed by external third parties; PIMCO (for RMBS) and from the second half of 2010 BlackRock Solutions (for CMBS), and are considered by management more relevant information for the MBS securities concerned than using ratings by Nationally Recognised Statistical Ratings Organisations (NRSRO). For other securities Jackson uses ratings by NRSRO.

(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;
- Movements in accounts carrying value of GMDB and GMWB "for life" liabilities;
- Fee assessment, and claim payments, in respect of guarantee liabilities; and
- Related changes to amortisation of deferred acquisition costs for each of the above items.

As noted above the results for the six months ended 30 June 2010 have been amended to adopt this new presentation relating to value movements for Jackson's variable and fixed index annuity business. The new presentation was adopted to remove accounting volatility caused by a mismatch in the accounting treatment of derivative assets versus embedded derivative insurance liabilities, that was not representative of the underlying economic result of Jackson. For previous reporting of the half year 2010 results, all of the above items were included in operating profit based on longer-term investment returns with two exceptions. The exceptions were for the effect of GMIB reinsurance and movements in carrying values of free standing derivatives and embedded derivatives arising from changes in the level of observed implied equity volatility and changes in the discount rate applied from year to year. Previously, for the purposes of determining operating profit based on longer-term investment returns, the charge for these features was determined using historical longer-term equity volatility levels and long-term average AA corporate bond rate curves with the movement relating to the change in difference in longer-term and current rates being included in short-term fluctuations. No changes have been made in respect of these exceptions and both remain in short-term fluctuations in investment returns.

The change to the results for half year 2010 reflects management's IFRS 8 segment measure. Within the supplementary analysis of profit, the change is presentational only. It has no impact on profit before tax or shareholders' equity. The impact of this change to the results for half year 2010 is as follows:

	Half year ended 30 June 2010		
	Previous basis	Change	Revised basis
	£m	£m	£m
Operating profit based on longer-term investment returns			
Jackson	450	(123)	327
Rest of Group	518	-	518
Total	968	(123)	845
Short-term fluctuations in investment returns on shareholder-backed business	26	123	149
Shareholders' share of actuarial and other gains and loss on defined benefit pension schemes	(24)	-	(24)
Costs of terminated AIA transaction	(377)	-	(377)
Profit from continuing operations before tax attributable to shareholders	593	-	593

US operations – Embedded derivatives for variable annuity guarantee features

The Guaranteed Minimum Income Benefit (GMIB) liability, which is fully reinsured, subject to a deductible and annual claim limits, is accounted for under IFRS using 'grandfathered' US GAAP in accordance with FASB ASC Subtopic 944-80 Financial Services – Insurance – Separate Accounts (formerly SOP 03-1). As the corresponding reinsurance asset is net settled, it is considered to be a derivative under IAS 39 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 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) and product liabilities (for which US GAAP accounting as grandfathered under IFRS 4 does not reflect the economic features being hedged).

Value movements for Jackson's equity-based derivatives and variable and fixed index annuity product embedded derivatives were in prior periods included in operating profits based on longer-term investment returns. These value movements, which are variable in nature, have been included in short-term fluctuations and half year 2010 comparatives have been adjusted accordingly.

There are two exceptions to the basis described above in sections (a) to (c) for determining operating results based on longer-term investment returns. These are for:

- Unit-linked and US variable annuity business. For such business the policyholder unit liabilities are directly reflective of the asset value movements. Accordingly all asset value movements are recorded in the operating results based on longer-term investment returns.

- Assets covering non participating business liabilities that are interest rate sensitive. 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.

(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 (i.e. after allocated investment return and change for policyholder benefits) the operating result reflects longer-term market returns.

Examples where such bifurcation is necessary are:

(i) Asia

- Vietnamese participating business

For the participating business in Vietnam the liabilities include policyholders' interest in investment appreciation and other surplus. Bonuses paid in a reporting period and accrued policyholders' interest in investment appreciation and other surpluses primarily reflect the level of realised investment gains above contract specific hurdle levels. For this business, operating profit based on longer-term investment returns includes the aggregate of longer-term returns on the relevant investments, a credit or charge equal to movements on the liability for the policyholders' interest in realised investment gains (net of any recovery of prior deficits on the participating pool), less amortisation over five years of current and prior movements on such credits or charges.

The overall purpose of these adjustments is to ensure that investment returns included in operating results equal longer-term returns but that in any one reporting period movements on liabilities to policyholders caused by investment returns are substantially matched in the presentation of the supplementary analysis of profit before tax attributable to policyholders.

- Non-participating business

Bifurcation for the effect of determining the movement in the carrying value of liabilities to be included in operating results based on longer-term investment returns, and the residual element for the effect of using year end rates is included in short-term fluctuations and in the income statement.

- 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.

(ii) UK shareholder-backed annuity business

With one exception, the operating result based on longer-term investment returns reflects the impact of all value movements on policyholder liabilities for annuity business in PRIL and the PAC non-profit sub-fund.

The exception is for the impact on credit risk provisioning of actual downgrades during the period. As this feature arises due to short-term market conditions, the effect of downgrades, if any, in a particular period, on the overall provisions for credit risk is included in the category of short-term fluctuations in investment returns.

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.

Additional segmental analysis of revenue

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

	Half year 2011				
	Asia	US	UK	Intragroup	Total
	£m	£m	£m	£m	£m
Revenue from external customers:					
Insurance operations	3,568	6,664	2,872	(10)	13,094
Asset management	129	332	448	(152)	757
Unallocated corporate	-	-	2	-	2
	(41)	(35)	(86)	162	-

Intragroup revenue eliminated on consolidation					
Total revenue from external customers	3,656	6,961	3,236	-	13,853

	Half year 2010				
	Asia	US	UK	Intragroup	Total
	£m	£m	£m	£m	£m
Revenue from external customers:					
Insurance operations	3,009	5,676	2,733	(6)	11,412
Asset management	120	295	322	(146)	591
Unallocated corporate	-	-	7	-	7
Intragroup revenue eliminated on consolidation	(36)	(32)	(84)	152	-
Total revenue from external customers	3,093	5,939	2,978	-	12,010

	Full year 2010				
	Asia	US	UK	Intragroup	Total
	£m	£m	£m	£m	£m
Revenue from external customers:					
Insurance operations	6,373	11,710	6,476	(10)	24,549
Asset management	248	597	768	(314)	1,299
Unallocated corporate	-	-	29	-	29
Intragroup revenue eliminated on consolidation	(77)	(72)	(175)	324	-
Total revenue from external customers	6,544	12,235	7,098	-	25,877

Revenue from external customers is made up of the following:

	Half year 2011	Half year 2010	Full year 2010
	£m	£m	£m
Earned premiums, net of reinsurance	12,930	11,256	24,211
Fee income from investment contract business and asset management (presented as ‘Other income’)	923	754	1,666
Total revenue from external customers	13,853	12,010	25,877

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

	Half year 2011	Half year 2010	Full year 2010
	£m	£m	£m

Intragroup revenue generated by:			
M&G	76	78	165
Asia	41	36	77
US broker-dealer and asset management (including Curian)	35	32	72
Total intragroup fees included within asset management segment	152	146	314

In 2011, the remaining £10 million (half year 2010: £6 million; full year 2010: £10 million) of intragroup revenue was recognised by UK insurance operations. These services are typically charged as a percentage of funds under management.

Revenue from external customers of Asian, US and UK insurance operations shown above are net of outwards reinsurance premiums of £79 million, £37 million, and £62 million respectively (half year 2010: £73 million, £42 million and £62 million respectively; full year 2010: £146 million, £83 million and £128 million respectively).

D Profit before tax – Asset management operations

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

	M&G	US	Asia(note(v))	Half year 2011	Half year 2010	Full year 2010
	£m	£m	£m	£m	£m	£m
Revenue, (excluding revenue of consolidated investment funds and NPH broker-dealer fees)	546	125	131	802	573	1,423
Revenue of consolidated investment funds(note (i))	18	-	-	18	26	11
NPH broker-dealer fees(note (ii))	-	207	-	207	185	369
Gross revenue	564	332	131	1,027	784	1,803
Charges, (excluding charges of consolidated investment funds and NPH broker-dealer fees)	(338)	(108)	(88)	(534)	(383)	(1,003)
Charges of consolidated investment funds(note (i))	(18)	-	-	(18)	(26)	(11)
NPH broker-dealer fees(note (ii))	-	(207)	-	(207)	(185)	(369)
Gross charges	(356)	(315)	(88)	(759)	(594)	(1,383)
Profit before tax	208	17	43	268	190	420
Comprising:						
Operating profit based on longer-term investment returns(note (iii))	199	17	43	259	194	378
Short-term fluctuations in investment returns (note (iv))	13	-	-	13	12	47
Shareholder's share of actuarial gains and losses on defined benefit pension schemes	(4)	-	-	(4)	(16)	(5)
Profit before tax	208	17	43	268	190	420

Notes

(i) The investment funds are managed on behalf of third-parties and are consolidated under IFRS in recognition of the control arrangements for the funds. The gains (losses) in respect of the investment funds are non-recourse to M&G and the Group and are added back through charges and consequently there is no impact on the profit before tax.

(ii) NPH broker-dealer fees represents commissions received, which are then paid on to the writing broker on sales of investment products.

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

	Half year 2011 £m	Half year 2010 £m	Full year 2010 £m
Asset management fee income	350	298	612
Other income	1	1	3
Staff costs	(133)	(122)	(263)
Other costs	(61)	(58)	(123)
Underlying profit before performance-related fees	157	119	229
Performance-related fees	15	3	17
Operating profit from asset management operations	172	122	246
Operating profit from Prudential Capital	27	21	38
Total M&G operating profit based on longer-term investment returns	199	143	284

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 total revenue of Prudential Capital (including short-term fluctuations) of £71 million (half year 2010: £55 million; full year 2010: £136 million) and commissions which have been netted off in arriving at the fee income of £350 million (half year 2010: £298 million; full year 2010: £612 million) in the table above. The difference in the presentation of commission is aligned with how management reviews the business.

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

(v) Included within Asian asset management revenue and charges are £30 million of commissions (half year 2010: £29 million; full year 2010: £60 million).

E Key assumptions, estimates and bases used to measure insurance assets and liabilities

(i) Asian insurance operations

In half year 2011, IFRS operating profit based on longer-term investment returns for Asian insurance operations included a net £25 million credit arising from a small number of items that are not anticipated to reoccur in future periods.

In 2010, one-off changes were made in the first six months to reserving assumptions which resulted in a release from liabilities of £19 million.

(ii) US insurance operations

Accelerated amortisation of deferred acquisition costs

Jackson National Life has consistently applied its basis of amortising deferred acquisition costs. The basis involves a mean reversion technique for dampening the effects of short-term market movements on expected gross profits, against which deferred acquisition costs are amortised. To the extent that the mean reversion methodology does not fully dampen the effects of market returns there is a charge or credit for accelerated or decelerated amortisation. For half year 2011 there was a charge for accelerated amortisation of £82 million (half year 2010: £67 million; full year 2010: £11 million). Further details are explained in note R.

(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 is calculated as the long-term expected defaults and a long-term credit risk premium. This long-term credit risk is supplemented by a short-term allowance to allow for the concern that credit ratings applied by the rating agencies may be downgraded and defaults in the short-term might be higher than the long-term assumptions.

The weighted components of the bond spread over swap rates for shareholder-backed fixed and linked annuity business for PRIL at 30 June 2011, 30 June 2010 and 31 December 2010, based on the asset mix at the relevant balance sheet date are shown below.

30 June 2011	Pillar 1 regulatory basis (bps)	Adjustment from regulatory to IFRS basis (bps)	IFRS (bps)
Bond spread over swap rates (note (i))	151	-	151
Credit risk allowance			
Long-term expected defaults (note (ii))	16	-	16
Long-term credit risk premium (note (iii))	10	-	10
Short-term allowance for credit risk (note (iv))	41	(25)	16
Total credit risk allowance	67	(25)	42
Liquidity premium	84	25	109

30 June 2010	Pillar 1 regulatory basis (bps)	Adjustment from regulatory to IFRS basis (bps)	IFRS (bps)
Bond spread over swap rates (note (i))	173	-	173

Credit risk allowance			
Long-term expected defaults (note (ii))	17	-	17
Long-term credit risk premium (note (iii))	11	-	11
Short-term allowance for credit risk (note (iv))	39	(25)	14
Total credit risk allowance	67	(25)	42
Liquidity premium	106	25	131

31 December 2010	Pillar 1 regulatory basis (bps)	Adjustment from regulatory to IFRS basis (bps)	IFRS (bps)
Bond spread over swap rates (note (i))	160	-	160
Credit risk allowance			
Long-term expected defaults (note (ii))	16	-	16
Long-term credit risk premium (note (iii))	10	-	10
Short-term allowance for credit risk (note (iv))	42	(26)	16
Total credit risk allowance	68	(26)	42
Liquidity premium	92	26	118

Notes

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

(ii) For the valuations prior to 31 December 2010, long-term expected defaults were derived by applying Moody's data from 1970 to 2004 uplifted by between 100 per cent (B) and 200 per cent (AAA) according to credit rating on the annuity asset portfolio. The credit rating assigned to each asset held was based on external credit rating and for this purpose the credit rating assigned to each asset held was the lowest credit rating published by Moody's, Standard and Poor's and Fitch.

From the 31 December 2010 valuation onwards, long-term expected defaults are derived by applying Moody's data from 1970 to 2009 and the definition of the credit rating used has been revised from the lowest credit rating to the second highest credit rating published by Moody's, Standard and Poor's and Fitch.

(iii) For the valuations prior to 31 December 2010, the long-term credit risk premium provides compensation against the risk of potential volatility in the level of defaults and is derived by applying the 95th percentile from Moody's data from 1970 to 2004 to the annuity asset portfolio. From the 31 December 2010 valuation onwards, the long-term credit risk premium is derived from Moody's data from 1970 to 2009.

The combined effect of this change and the changes described in (ii) above as at 31 December 2010 was neutral on the long-term credit risk allowance for PRIL.

(iv) The movements in the short-term allowance for credit risk assumed in the Pillar 1 solvency valuations reflected events in the period, namely the impact of credit migration, the decision not to release favourable default experience, new business and asset trading amongst other items. This is demonstrated by the analyses below.

The very prudent Pillar 1 regulatory basis reflects the overriding objective of ensuring 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'. IFRS default assumptions are therefore set between the EEV and Pillar I assumptions.

Movement in the credit risk allowance for PRIL in the six months ended 30 June 2011

The movement in the first half of 2011 of the average basis points allowance for PRIL on IFRS basis is as follows:

	IFRS (bps)		
	Long term	Short term	Total
Total allowance for credit risk at 31 December 2010	26	16	42
Credit downgrades	1	(1)	-
Retention of surplus from favourable default experience	-	1	1
Asset trading	(1)	(1)	(2)
New business	-	-	-
Other	-	1	1
Total allowance for credit risk at 30 June 2011	26	16	42

The reserves for credit risk allowance at 30 June 2011 for the UK shareholder annuity fund were as follows:

	Pillar 1 Regulatory basis			IFRS		
	Long term £bn	Short term £bn	Total £bn	Long term £bn	Short term £bn	Total £bn
PRIL	0.6	1.0	1.6	0.6	0.4	1.0
PAC non-profit sub-fund	0.1	0.1	0.2	0.1	0.0	0.1
Total	0.7	1.1	1.8	0.7	0.4	1.1

Mortality and other assumption changes

Half year 2011 and half year 2010
There were no changes in mortality and other assumptions that had a material impact on the half year 2011 and half year 2010 results of the UK Insurance operations

Full year 2010
Prior to 31 December 2010, Prudential's annuity business liabilities were determined using the Continuous Mortality Investigation ('CMI') medium cohort projections with a floor. In November 2009 a new mortality projection model was released by the CMI.

The new model was applied in determining the 31 December 2010 valuation results with calibration to reflect an appropriate view of future mortality improvement. In recognition of the trend in assumed mortality improvements the Company had in previous years included margins in its annuity liabilities. In determining the results for the year ended 31 December 2010 the appropriate level of these margins was reassessed.

The net effect of applying the new model, releases of margins, and changes to other related mortality assumption for shareholder-backed business was a credit of £8 million in the full year 2010 results. With a £38 million benefit from altered expense assumptions the overall credit for shareholder-backed business in full year 2010 was £46 million.

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

	Half year 2011	Half year 2010*	Full year 2010

		£m	£m	£m
Insurance operations:				
	Asia (note (ii))	14	41	114
	US (note (iii))	27	3	(378)
	UK (notes (iv))	44	93	116
Other operations				
	– Other (note (v))	28	12	25
Total(note (i))		113	149	(123)

* In the second half of 2010 the Company 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 short-term fluctuations in investment returns. Accordingly, the half year 2010 operating profit has been amended to remove the positive £123 million effect. Note C explains the effect of the change.

Notes

(i) General overview of defaults

The Group did not experience any defaults on its shareholder-backed debt securities portfolio in half year 2011 (2010: none).

(ii) Asian insurance operations

The fluctuations for Asian insurance operations of positive £14 million in half year 2011 (half year 2010: £41 million; full year 2010: £114 million) include a £26 million unrealised gain (half year 2010: £4 million; full year 2010: £30 million) on the Group's 8.66 per cent stake in China Life Insurance Company of Taiwan.

(iii) US insurance operations

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

		Half year 2011 £m	Half year 2010* £m	Full year 2010 £m
Short-term fluctuations relating to debt securities:				
Charges in the period(note (a))				
	Defaults	-	-	-
	Losses on sales of impaired and deteriorating bonds	(2)	(100)	(99)
	Bond write downs	(14)	(64)	(124)
	Recoveries / reversals	3	3	10
	Total charges in the period(note (a))	(13)	(161)	(213)
Less: Risk margin charge included in operating profit based on longer-term investment returns(note (b))		35	36	73
		22	(125)	(140)
Interest related realised gains (losses):				
	Arising in the period	92	169	224
	Less: Amortisation of gains and losses arising in current and prior years to operating profit based on longer-term investment returns	(43)	(47)	(82)
		49	122	142
Related change to amortisation of deferred acquisition costs		(11)	(2)	(3)
Total short-term fluctuations related to debt securities		60	(5)	(1)
Derivatives (other than equity related): market value movement (net of related change to amortisation of deferred acquisition costs) (note (c))		25	111	(15)
Net equity hedge results (net of related change to amortisation of deferred acquisition costs) (note (d))		(79)	(115)	(365)
		27	1	3

Equity type investments: actual less longer-term return (net of related change to amortisation of deferred acquisition costs) (note (e))			
Other items (net of related change to amortisation of deferred acquisition costs)	(6)	11	-
Total	27	3	(378)

* In the second half of 2010 the Company 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 short-term fluctuations in investment returns. Accordingly, the half year 2010 operating profit has been amended to remove the positive £123 million effect. Note C explains the effect of the change.

Notes

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

	Defaults £m	Bond write downs £m	Losses on sale of impaired and deteriorating bonds £m	Recoveries/ reversals £m	Total Half year 2011 £m	Total Half year 2010 £m	Total Full year 2010 £m
Residential mortgage-backed securities:							
Prime (including agency)	-	10	-	-	10	42	56
Alt-A	-	1	-	-	1	46	54
Sub-prime	-	-	-	-	-	5	13
Total residential mortgage-backed securities	-	11	-	-	11	93	123
Corporate debt securities	-	-	2	-	2	38	37
Other	-	3	-	(3)	-	30	53
Total	-	14	2	(3)	13	161	213

(b) The risk margin reserve (RMR) charge for longer-term credit-related losses included in operating profit based on longer-term investment returns for 2011 is based on an average annual RMR of 25 basis points (half year 2010: 25 basis points; full year 2010: 26 basis points) on average book values of US$44.5 billion (half year 2010: US$ 43.7 billion; full year 2010: US$ 44.2 billion) as shown below:

Moody's rating category (or equivalent under NAIC ratings of MBS)	Half year 2011 Average book value US$m	RMR %	Annual expected loss US$m	£m	Half year 2010 Average book value US$m	RMR %	Annual expected loss US$m	£m	Full year 2010 Average book value US$m	RMR %	Annual expected loss US$m	£m

A3 or higher	21,283	0.08	(16)	(10)	20,142	0.06	(11)	(7)	20,622	0.06	(12)	(8)
Baa1, 2 or 3	20,729	0.27	(55)	(34)	20,747	0.25	(51)	(33)	20,785	0.26	(53)	(34)
Ba1, 2 or 3	1,826	1.02	(19)	(12)	2,016	1.04	(21)	(14)	1,935	1.04	(20)	(13)
B1, 2 or 3	425	3.01	(13)	(8)	505	2.97	(15)	(10)	500	2.99	(15)	(10)
Below B3	221	3.87	(9)	(6)	339	3.87	(13)	(8)	321	3.88	(13)	(8)
Total	44,484	0.25	(112)	(70)	43,749	0.25	(111)	(72)	44,163	0.26	(113)	(73)
Related change to amortisation of deferred acquisition costs (see below)			27	17			28	18			28	18
Risk margin reserve charge to operating profit for longer-term credit related losses			(85)	(53)			(83)	(54)			(85)	(55)

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 £25 million (half year 2010: gain of £111 million; full year 2010: loss of £15 million) is for the value movement of non-equity freestanding derivatives held to manage the fixed annuity and other general account business. 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 fixed annuity and other 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 £(79)million (half year 2010: £(115)million; full year 2010: £(365) 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.

(e) The longer-term rates of return for equity-type investments are currently based on spreads over 10 year US treasury rates of 400 to 600 basis points. The longer-term rates of return for equity-type investments ranged from 7.1 per cent to 7.5 per cent at 30 June 2011, 7.0 per cent to 9.9 per cent at 30 June 2010 and 6.5 per cent to 7.9 per cent at 31 December 2010 depending on the type of investments.

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 £237 million (half year 2010: £1,144 million; full year 2010: £1,221 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 V.

(iv) UK insurance operations

The short-term fluctuations gain for UK insurance operations of £44 million (half year 2010: £93 million; full year 2010: £116 million) reflected principally asset value movements for shareholder-backed annuity business.

(v) Other

Short-term fluctuations of other operations arise from:

	Half year 2011 £m	Half year 2010 £m	Full year 2010 £m
Unrealised value movements on swaps held centrally to manage Group assets and liabilities	20	-	(25)
Unrealised value movements on Prudential Capital bond portfolio	16	12	48
Unrealised value movements on investments held by other operations	(8)	-	2
	28	12	25

G Costs of terminated AIA transaction in 2010

The following costs were incurred in the first six months of 2010 in relation to the proposed, and subsequently terminated, transaction to purchase AIA Group Limited and related rights issue.

	2010 £m
AIG termination break fee	153
Underwriting fees	58
Costs associated with foreign exchange hedging	100
Adviser fees and other	66
Total costs before tax	377
Associated tax relief	(93)
Total costs after tax	284

Of the £377 million total costs before tax, the £100 million associated with foreign exchange hedging has been recorded within 'Investment return' and the other £277 million has been recorded as 'Other expenditure' within 'Acquisition costs and other expenditure' in the condensed consolidated income statement.

H Change to the Group’s holding in PruHealth in 2010

On 1 August 2010, Discovery Holdings of South Africa, the Group’s joint venture partner in its investment in PruHealth, completed the acquisition of the entire share capital of Standard Life Healthcare, a wholly-owned subsidiary of the Standard Life Group, for £138 million. Discovery funded the purchase of the Standard Life Healthcare transaction, and contributed Standard Life Healthcare to PruHealth as a capital investment on completion. As a result of the transaction, Discovery increased their shareholding in PruHealth from the previous level of 50 per cent to 75 per cent, and Prudential’s shareholding was reduced from 50 per cent of the previous joint venture structure to 25 per cent of the new structure with the much enlarged business.

As a result of this dilution in holding and the consequential loss of control, PruHealth was reclassified from a joint venture to an associate and the entity is no longer proportionally consolidated from the date of the transaction. In accordance with IAS 31 ‘Interests in joint ventures’ a gain of £30 million was recognised in 2010 upon the dilution, representing the difference between the fair value of the enlarged 25 per cent investment still held and the book value of the original 50 per cent investment holding.

I Acquisition costs and other expenditure

	Half year 2011 £m	Half year 2010 £m	Full year 2010 £m

Acquisition costs incurred	1,106	971	2,024
Acquisition costs deferred less amortisation of acquisition costs	(268)	(170)	(918)
Administration costs and other expenditure	1,764	1,839	3,496
Movements in amounts attributable to external unit holders	13	14	197
Total acquisition costs and other expenditure	2,615	2,654	4,799

The acquisition costs as shown on the table above relate to policy acquisition costs. Acquisition costs from business combinations are included within other expenditure.

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:

		Half year 2011 £m	Half year 2010 £m	Full year 2010 £m
Group head office				
	Regular and project costs	74	72	147
	Provision for property leases and other non-recurrent items	12	14	25
		86	86	172
Asia regional office				
	Gross costs	48	39	90
	Recharges to Asia operations	(18)	(12)	(42)
		30	27	48
Total		116	113	220

Included within total acquisition costs and other expenditure is depreciation of £45 million (half year 2010: £41 million; full year 2010: £70 million).

J Allocation of investment return between policyholders and shareholders

Investment return is attributable to policyholders and shareholders. A key feature of the accounting policies under IFRS is that the investment return included in the income statement relates to all investment assets of the Group, irrespective of whether the return is attributable to shareholders, to policyholders or to the unallocated surplus of with-profits funds, the latter two of which have no net impact on shareholders' profit. The table below provides a breakdown of the investment return for each regional operation attributable to each type of business.

			Half Year 2011 £m	Half Year 2010 £m	Full year 2010 £m
Asian operations					
	Policyholders' returns				
		Assets backing unit-linked liabilities	208	(4)	1,279
		With-profits business	404	34	1,039
			612	30	2,318
Shareholders' returns			178	209	429
Total			790	239	2,747
US operations					
	Policyholders ' returns				
			1,530	(981)	3,520

		Assets held to back (separate account) unit-linked liabilities			
	Shareholders' returns				
		Realised gains and losses (including impairment losses on available-for-sale bonds)	81	14	21
		Value movements on derivative hedging programme for general account business	93	149	20
		Interest/dividend income and value movements on other financial instruments for which fair value movements are booked in the income statement	570	787	1,016
			744	950	1,057
Total			2,274	(31)	4,577
UK operations					
	Policyholders' returns				
		Scottish Amicable Insurance Fund (SAIF)	303	304	1,075
		Assets held to back unit-linked liabilities	657	423	2,119
		With-profits fund (excluding SAIF)	2,808	2,576	8,815
			3,768	3,303	12,009
	Shareholders' returns				
		Prudential Retirement Income Limited (PRIL)	555	1,150	1,717
		Other business	342	463	834
			897	1,613	2,551
Total			4,665	4,916	14,560
Unallocated corporate					
		Shareholders' returns	21	(97)	(115)
Group Total					
		Policyholders' returns	5,910	2,352	17,847
		Shareholders' returns	1,840	2,675	3,922
Total			7,750	5,027	21,769

The returns as shown in the table above are delineated between those returns allocated to policyholders and those allocated to shareholders. In making this distinction, returns allocated to policyholders are those from investments in which shareholders have no direct economic interest, namely:

- Unit-linked business in the UK, Asia and SAIF in the UK, for which the investment return is wholly attributable to policyholders;
- Separate account business of US operations, the investment return of which is also wholly attributable to policyholders; and
- With-profits business (excluding SAIF) in the UK and Asia (in which the shareholders’ economic interest, and the basis of recognising IFRS basis profits, is restricted to a share of the actuarially determined surplus for distribution (in the UK ten per cent)). Except for this surplus the investment return of the with-profit funds is attributable to policyholders (through the asset-share liabilities) or the unallocated surplus, which is accounted for as a liability under IFRS 4.

The investment return related to the types of business above does not impact shareholders’ profits directly. However there is an indirect impact, for example, investment-related fees or the effect of investment return on the shareholders’ share of the cost of bonuses of with-profits funds.

Investment returns for unit-linked and similar products have reciprocal impact on benefits and claims, with a decrease in market returns on the attached pool of assets affecting policyholder benefits on these products. Similarly for with-profits funds there is a close correlation between increases or decreases in investment returns and the level of combined charge for policyholder benefits and movement on unallocated surplus that arises from such returns.

Shareholder returns

For shareholder-backed non-participating business of the UK (comprising PRIL and other non-linked non-participating business) and of the Asian operations, the investment return is not directly attributable to policyholders and therefore does impact shareholders' profit directly. However, it should be noted that for UK shareholder-backed annuity business, principally PRIL, where the durations of asset and liability cash flows are closely matched, the discount rate applied to measure liabilities to policyholders (under 'grandfathered' UK GAAP and under IFRS 4) reflects movements in asset yields (after allowances for the future defaults) of the backing portfolios. Therefore, the net impact on the shareholders' profits of the investment return of the assets backing liabilities of the UK shareholder-backed annuity business is after taking into account the consequential effect on the movement in policyholder liabilities.

The shareholder investment return for US operations also includes the fair value movement of the derivatives and the movement on the related liabilities of the variable annuity guarantees under Jackson's dynamic hedging programme. Changes in shareholder investment returns for US operations reflect primarily movements in the investment income, movements in the value of the derivative instruments held to manage the general account assets and liability portfolio, and realised gains and losses. However, separately, reflecting Jackson's types of business, an allocation is made to policyholders through the application of crediting rates.

The majority of the investments held to back the US non-participating business are debt securities for which the available-for-sale designation is applied for IFRS basis reporting. Under this designation the return included in the income statement reflects the aggregate of investment income and realised gains and losses (including impairment losses). However, movements in unrealised appreciation or depreciation are recognised in other comprehensive income. The return on these assets is attributable to shareholders.

K Benefits and claims and movements in unallocated surplus of with-profits funds, net of reinsurance

Benefits and claims represent payments, including final bonuses, to policyholders in respect of maturities, surrenders and deaths plus the change in technical provisions (which primarily represents the movement in amounts owed to policyholders). Benefits and claims are amounts attributable to policyholders. The movement in unallocated surplus of with-profits funds represents the transfer to (from) the unallocated surplus each year through a (charge) credit to the income statement of the annual excess (shortfall) of income over expenditure of the with-profits funds, after declaration and attribution of the cost of bonuses to policyholders and shareholders.

Benefits and claims and movements in unallocated surplus of with-profits funds net of reinsurance can be further analysed as follows:

	Half year 2011			
	Asia	US	UK	Total
	£m	£m	£m	£m
Claims incurred	(1,460)	(2,647)	(4,838)	(8,945)
(Increase) / Decrease in policyholder liabilities	(1,827)	(5,465)	(713)	(8,005)
Movement in unallocated surplus of with-profits funds	52	-	(692)	(640)
	(3,235)	(8,112)	(6,243)	(17,590)

	Half year 2010			
	Asia	US	UK	Total

	£m	£m	£m	£m
Claims incurred	(1,202)	(2,296)	(5,000)	(8,498)
Increase in policyholder liabilities	(876)	(2,556)	(1,860)	(5,292)
Movement in unallocated surplus of with-profits funds	(92)	–	232	140
	(2,170)	(4,852)	(6,628)	(13,650)

	Full year 2010			
	Asia	US	UK	Total
	£m	£m	£m	£m
Claims incurred	(2,595)	(4,348)	(9,941)	(16,884)
Increase in policyholder liabilities	(3,824)	(11,075)	(8,490)	(23,389)
Movement in unallocated surplus of with-profits funds	(315)	-	70	(245)
	(6,734)	(15,423)	(18,361)	(40,518)

L Tax

(i) Tax charge

The total tax charge comprises:

Tax charge	Half year 2011 £m	Half year 2010 £m	Full year 2010 £m
UK tax	(85)	6	(313)
Overseas tax	(310)	(166)	(323)
Total tax charge*	(395)	(160)	(636)

An analysis of the total tax expense attributable to continuing operations recognised in the income statement by nature of expense is as follows:

	Half year 2011 £m	Half year 2010 £m	Full year 2010 £m
Current tax	(440)	(157)	(91)
Deferred tax	45	(3)	(545)
Total tax charge*	(395)	(160)	(636)

*The full year 2010 tax charge attributable to shareholders' returns included an exceptional tax credit of £158 million which primarily related to the impact of a settlement agreed with the UK tax authorities.

The current tax charge of £395 million includes £8 million for 2011 (half year 2010: charge of £5 million; full year 2010: charge of £13 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) five per cent of the net insurance premium or (ii) the estimated assessable profits, depending on the nature of the business written.

The total tax charge comprises tax attributable to policyholders and unallocated surplus of with-profits funds, unit-linked policies and shareholders. The tax charge attributable to shareholders of £301 million for half year 2011 (half year 2010: £149 million; full year 2010: £25 million) comprises:

	Half Year	Half Year	Full Year
	2011	2010	2010

Tax charge attributable to shareholders	£m	£m	£m
UK tax	(80)	10	187
Overseas tax	(221)	(159)	(212)
Total tax charge	(301)	(149)	(25)

(ii) Deferred tax

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

	30 June 2011		30 June 2010		31 December 2010	
	Deferred tax assets £m	Deferred tax liabilities £m	Deferred tax assets £m	Deferred tax liabilities £m	Deferred tax assets £m	Deferred tax liabilities £m
Unrealised gains and losses on investments	319	(1,654)	982	(2,041)	449	(1,678)
Balances relating to investment and insurance contracts	17	(1,003)	16	(848)	11	(1,057)
Short-term timing differences	1,374	(1,524)	1,414	(1,216)	1,152	(1,477)
Capital allowances	18	(13)	17	(10)	16	(12)
Unused tax losses	392	-	262	–	560	–
Total	2,120	(4,194)	2,691	(4,115)	2,188	(4,224)

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 2011 half year results and financial position at 30 June 2011, the possible tax benefit of approximately £106 million (30 June 2010: £ 267 million; 31 December 2010: £143 million), which may arise from capital losses valued at approximately £0.5 billion (30 June 2010: £1.2 billion; 31 December 2010: £0.5 billion), is sufficiently uncertain that it has not been recognised. In addition, a potential deferred tax asset of £241 million (30 June 2010: £ 361 million; 31 December 2010: £298 million), which may arise from tax losses and other potential temporary differences totalling £1.0 billion (30 June 2010: £1.4 billion; 31 December 2010: £1.2 billion) is sufficiently uncertain that it has not been recognised. Forecasts as to when these tax losses and other temporary differences are likely to be utilised indicate that they may not be utilised in the short term.

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.

As part of Finance (No.2) Act 2010, the UK government enacted a tax rate change to 27 per cent which was due to be effective from 1 April 2011. However in March 2011, the government announced a revised tax rate change to 26 per cent which was effective from 1 April 2011 after being substantively enacted on 29 March 2011. Additionally, the reduction in the UK corporation tax rate to 25 per cent from 1 April 2012 was substantively enacted on 5 July 2011 in the 2011 Finance Bill, however this has no effect on half year 2011 financial results.

The subsequent revised rate changes proposed to 23 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 30 June 2011 by £57 million.

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

Half year 2011	Asian insurance operations	US insurance operations	UK insurance operations	Other operations	Total
	£m (except for tax rates)				
Profit before tax attributable to shareholders:					
Operating profit based on longer-term investment returns (note (iii))	324	368	353	13	1,058
Short-term fluctuations in investment returns	14	27	44	28	113
Shareholders' share of actuarial and other gains and losses on defined benefit pension schemes	-	-	(2)	(5)	(7)
Total	338	395	395	36	1,164
Expected tax rate:(note (i))					
Operating profit based on longer-term investment returns (note (iii))	24%	35%	26.5%	26.5%	29%
Short-term fluctuations in investment returns	22%	35%	26.5%	26.5%	27%
Shareholders' share of actuarial and other gains and losses on defined benefit pension schemes	-	-	26.5%	26.5%	26.5%
Expected tax (charge) credit based on expected tax rates:					
Operating profit based on longer-term investment returns (note (iii))	(78)	(129)	(94)	(3)	(304)
Short-term fluctuations in investment returns	(3)	(9)	(12)	(7)	(31)
Shareholders' share of actuarial and other gains and losses on defined benefit pension schemes	-	-	1	1	2
Total	(81)	(138)	(105)	(9)	(333)
Variance from expected tax charge: (note (ii))					
Operating profit based on longer-term investment returns (note (iii))	39	19	5	1	64
Short-term fluctuations in investment returns	(33)	-	1	-	(32)
Total	6	19	6	1	32
Actual tax (charge) credit:					
Operating profit based on longer-term investment returns(note (iii))	(39)	(110)	(89)	(2)	(240)
Short-term fluctuations in investment returns	(36)	(9)	(11)	(7)	(63)
Shareholders' share of actuarial and other gains and losses on defined benefit pension schemes	-	-	1	1	2

Total	(75)	(119)	(99)	(8)	(301)
Actual tax rate:					
Operating profit based on longer-term investment returns	12%	30%	25%	15%	23%
Total profit	22%	30%	25%	22%	26%

Half year 2010*	Asian insurance operations	US insurance operations	UK insurance operations	Other operations	Total
	£m (except for tax rates)				
Profit (loss) before tax attributable to shareholders:					
Operating profit based on longer-term investment returns (note (iii))	259	327	330	(71)	845
Short-term fluctuations in investment returns	41	3	93	12	149
Shareholders' share of actuarial and other gains and losses on defined benefit pension schemes	–	–	(8)	(16)	(24)
Costs of terminated AIA transaction	–	–	–	(377)	(377)
Total	300	330	415	(452)	593
Expected tax rate:(note (i))					
Operating profit based on longer-term investment returns (note (iii))	26%	35%	28%	28%	31%
Short-term fluctuations in investment returns	26%	35%	28%	28%	28%
Shareholders' share of actuarial and other gains and losses on defined benefit pension schemes	–	–	28%	28%	25%
Costs of terminated AIA transaction	–	–	–	28%	28%
Expected tax (charge) credit based on expected tax rates:					
Operating profit based on longer-term investment returns (note (iii))	(67)	(115)	(92)	20	(254)
Short-term fluctuations in investment returns	(11)	(1)	(26)	(3)	(41)
Shareholders' share of actuarial and other gains and losses on defined benefit pension schemes	–	–	2	4	6
Costs of terminated AIA transaction	–	–	–	106	106
Total	(78)	(116)	(116)	127	(183)
Variance from expected tax charge: (note (ii))					
Operating profit based on longer-term investment returns (note (iii))	28	27	(3)	–	52
Short-term fluctuations in investment returns	5	(5)	(1)	(4)	(5)
Shareholders' share of actuarial and other gains and losses on defined benefit pension schemes	–	–	–	–	–
Costs of terminated AIA transaction	–	–	–	(13)	(13)
Total	33	22	(4)	(17)	34

Actual tax (charge) credit:					
Operating profit based on longer-term investment returns(note (iii))	(39)	(88)	(95)	20	(202)
Short-term fluctuations in investment returns	(6)	(6)	(27)	(7)	(46)
Shareholders' share of actuarial and other gains and losses on defined benefit pension schemes	–	–	2	4	6
Costs of terminated AIA transaction	–	–	–	93	93
Total	(45)	(94)	(120)	110	(149)
Actual tax rate:					
Operating profit based on longer-term investment returns	15%	27%	29%	28%	24%
Total profit	15%	29%	29%	24%	25%

* In the second half of 2010 the Company 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 short-term fluctuations in investment returns. Accordingly, the half year 2010 operating profit has been amended to remove the positive £123 million effect. Note C explains the effect of the change.

Full year 2010	Asian insurance operations	US insurance operations	UK insurance operations	Other operations	Total
	£m (except for tax rates)				
Profit (loss) before tax attributable to shareholders:					
Operating profit based on longer-term investment returns (note (iii))	532	833	719	(143)	1,941
Short-term fluctuations in investment returns	114	(378)	116	25	(123)
Shareholders' share of actuarial and other gains and losses on defined benefit pension schemes	-	-	(5)	(5)	(10)
Costs of terminated AIA transaction	-	-	-	(377)	(377)
Gain on dilution of holding in PruHealth	-	-	30	-	30
Total	646	455	860	(500)	1,461
Expected tax rate:(note (i))					
Operating profit based on longer-term investment returns (note (iii))	22%	35%	28%	28%	29%
Short-term fluctuations in investment returns	25%	35%	28%	28%	52%
Shareholders' share of actuarial and other gains and losses on defined benefit pension schemes	-	-	28%	28%	20%
Costs of terminated AIA transaction	-	-	-	28%	28%
Gain on dilution of holding in PruHealth	-	-	28%	-	28%
Expected tax (charge) credit based on expected tax rates:					
Operating profit based on longer-term investment returns (note (iii))	(117)	(292)	(201)	40	(570)
Short-term fluctuations in investment returns	(29)	132	(32)	(7)	64
Shareholders' share of actuarial and other gains and losses on defined benefit pension schemes	-	-	1	1	2

Costs of terminated AIA transaction	-	-	-	106	106
Gain on dilution of holding in PruHealth	-	-	(8)	-	(8)
Total	(146)	(160)	(240)	140	(406)
Variance from expected tax charge: (note (ii))					
Operating profit based on longer-term investment returns (note (iii))	59	43	18	237	357
Short-term fluctuations in investment returns	21	-	-	7	28
Shareholders' share of actuarial and other gains and losses on defined benefit pension schemes	-	-	-	1	1
Costs of terminated AIA transaction	-	-	-	(13)	(13)
Gain on dilution of holding in PruHealth	-	-	8	-	8
Total	80	43	26	232	381
Actual tax (charge) credit:					
Operating profit based on longer-term investment returns, excluding exceptional tax credit(note (iii))	(58)	(249)	(183)	119	(371)
Exceptional tax credit*	-	-	-	158	158
Operating profit based on longer-term investment returns(note (iii))	(58)	(249)	(183)	277	(213)
Short-term fluctuations in investment returns	(8)	132	(32)	-	92
Shareholders' share of actuarial and other gains and losses on defined benefit pension schemes	-	-	1	2	3
Costs of terminated AIA transaction	-	-	-	93	93
Gain on dilution of holding in PruHealth	-	-	-	-	-
Total	(66)	(117)	(214)	372	(25)
Actual tax rate:					
Operating profit based on longer-term investment returns	11%	30%	25%	194%	11%
Total profit	10%	26%	25%	74%	2%
Actual tax rate (excluding exceptional tax credit*):					
Operating profit based on longer-term investment returns	11%	30%	25%	83%	19%
Total profit	10%	26%	25%	43%	13%

*The tax charge attributable to shareholders' return includes an exceptional tax credit of £158 million which primarily relates to the impact of settlement agreed with the UK tax authorities.

Notes

(i) Expected tax rates for profit (loss) attributable to shareholders:

- The expected tax rates shown in the table above reflect the corporation tax rates generally applied to taxable profits of the relevant country jurisdictions.
- For Asian 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 operations, which are taxed at a variety of rates. The rates will fluctuate from year to year dependent on the mix of profits.

(ii) For 2011 and 2010, the principal variances arise from a number of factors, including:

(a) Asian long-term operations

For 2011 and 2010, profits in certain countries which are not taxable along with utilising brought forward tax losses on which no deferred tax assets were previously recognised partly offset by the inability to fully recognise deferred tax assets on losses being carried forward.

(b) Jackson

For half year 2011 and 2010, the benefit of a deduction from taxable income of a proportion of dividends received attributable to the variable annuity business.

(c) UK insurance operations

For half year 2011 the effect of the reduction in UK corporation tax rate on deferred tax liabilities and the different tax bases of UK life business, partially offset by routine revisions to prior period tax returns. For half year and full year 2010, routine revisions to prior period tax returns and different tax bases of UK life business.

(d) Other operations

For half year 2011 the effect of the reduction in UK corporation tax rate on deferred tax assets, partially offset by revisions to prior period. For full year 2010, an exceptional tax credit which primarily relates to the impact of the settlement agreed with the UK tax authorities and the ability to recognise a deferred tax credit on various tax losses which we were previously unable to recognise, partly offset by the inability to fully recognise a tax credit in respect of non deductible capital costs incurred in relation to the terminated AIA transaction. For half year 2010, the inability to fully recognise a tax credit in respect of non-deductible capital costs incurred in relation to the terminated AIA transaction.

(iii) Operating profit based on longer-term investment returns is net of attributable restructuring costs and development expenses. Related tax charges are determined on the basis of current taxation legislation.

M Supplementary analysis of earnings per share

	Half year 2011					
	Before tax (note C) £m	Tax (note L) £m	Non-controlling interests £m	Net of tax and non-controlling interests £m	Basic earnings per share Pence	Diluted earnings per share Pence
Based on operating profit based on longer-term investment returns	1,058	(240)	(2)	816	32.2 p	32.1 p
Short-term fluctuations in investment returns on shareholder-backed business	113	(63)	-	50	2.0 p	2.0 p
Shareholders' share of actuarial and other gains and losses on defined benefit pension schemes	(7)	2	-	(5)	(0.2)p	(0.2)p
Based on profit for the period from continuing operations	1,164	(301)	(2)	861	34.0 p	33.9 p

	Half year 2010 (i)					
	Before tax (note C) £m	Tax (note L) £m	Non-controlling interests £m	Net of tax and non-controlling interests £m	Basic earnings per share Pence	Diluted earnings per share Pence
Based on operating profit based on longer-term investment returns	845	(202)	(2)	641	25.4 p	25.4 p
Short-term fluctuations in investment returns on shareholder-backed business	149	(46)	-	103	4.1 p	4.1 p
Shareholders' share of actuarial and other gains and losses on defined benefit pension schemes	(24)	6	-	(18)	(0.7)p	(0.7)p

Costs of terminated AIA transaction	(377)	93	-	(284)	(11.3)p	(11.3)p
Based on profit for the period from continuing operations	593	(149)	(2)	442	17.5 p	17.5 p

(i) In the second half of 2010 the Company 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 short-term fluctuations in investment returns. Accordingly, the half year 2010 operating profit has been amended to remove the positive £123 million effect. Note C explains the effect of the change.

	Full year 2010					
	Before tax (note C) £m	Tax (note L) £m	Non-controlling interests £m	Net of tax and non-controlling interests £m	Basic earnings per share Pence	Diluted earnings per share Pence
Based on operating profit based on longer-term investment returns, excluding exceptional tax credit	1,941	(371)	(5)	1,565	62.0 p	61.9 p
Exceptional tax credit*	-	158	-	158	6.3 p	6.3 p
Based on operating profit based on longer-term investment returns	1,941	(213)	(5)	1,723	68.3 p	68.2 p
Short-term fluctuations in investment returns on shareholder-backed business	(123)	92	-	(31)	(1.2)p	(1.2)p
Shareholders’ share of actuarial and other gains and losses on defined benefit pension schemes	(10)	3	-	(7)	(0.3)p	(0.3)p
Costs of terminated AIA transaction	(377)	93	-	(284)	(11.3)p	(11.3)p
Gain on dilution of holding in PruHealth	30	-	-	30	1.2 p	1.2 p
Based on profit for the year from continuing operations including exceptional tax credit	1,461	(25)	(5)	1,431	56.7 p	56.6 p

* The tax charge attributable to shareholders' returns in full year 2010 included an exceptional tax credit of £158 million which primarily related to the impact of a settlement agreed with the UK tax authorities.

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:

	30 Jun 2011 (in millions)	30 Jun 2010 (in millions)	31 Dec 2010 (in millions)
Weighted average number of shares for calculation of:			
Basic earnings per share	2,533	2,520	2,524
Diluted earnings per share	2,539	2,524	2,529

N Dividends

Dividends per share (in pence)	Half year	Half year	Full year

	2011	2010	2010
Dividends relating to reporting period:			
Interim dividend (2011 and 2010)	7.95 p	6.61 p	6.61 p
Final dividend (2010)	-	-	17.24 p
Total	7.95 p	6.61 p	23.85 p
Dividends declared and paid in reporting period:			
Current year interim dividend	-	-	6.61 p
Final / second interim dividend for prior year	17.24 p	13.56 p	13.56 p
Total	17.24 p	13.56 p	20.17 p

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 2010 of 17.24 pence per ordinary share was paid to eligible shareholders on 26 May 2011.

The 2011 interim dividend of 7.95 pence per ordinary share will be paid on 22 September 2011 in sterling to shareholders on the principal register and the Irish branch register at 6.00 p.m. BST on Friday, 19 August 2011 (the 'Record Date'), and in Hong Kong dollars to shareholders on the Hong Kong branch register at 4.30 p.m. 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 five days after the payment date of the dividend to shareholders on the principal register. The final dividend will be paid on or about 29 September 2011 in Singapore dollars to shareholders with shares standing to the credit of their securities accounts with The Central Depository (Pte.) Limited ('CDP') at 5.00 p.m. 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 4 August 2011. 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 £203 million of shareholders' funds.

In line with full year 2010, shareholders on the principal register and Irish branch register will be able to participate in a Dividend Reinvestment Plan (DRIP).

O Group statement of financial position analysis

(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.

Position at 30 June 2011:

	Insurance operations					Unallocated to a segment (central operations)				
By operating segment	UK	US	Asia	Total insurance operations	Asset management operations		Intra -group eliminations	30 Jun 2011 Group total	30 Jun 2010 Group total	2010 Grou
	£m	£m	£m	£m	£m	£m	£m	£m	£m	
Assets										
Intangible assets attributable to shareholders:										
Goodwill (note Q)	-	-	239	239	1,230	-	-	1,469	1,465	

Deferred acquisition costs and other intangible assets (note R)	117	3,639	1,008	4,764	9	-	-	4,773	4,028
Total	117	3,639	1,247	5,003	1,239	-	-	6,242	5,493
Intangible assets attributable to with-profits funds:									
In respect of acquired subsidiaries for venture fund and other investment purposes	169	-	-	169	-	-	-	169	124
Deferred acquisition costs and other intangible assets	11	-	82	93	-	-	-	93	110
Total	180	-	82	262	-	-	-	262	234
Total	297	3,639	1,329	5,265	1,239	-	-	6,504	5,727
Deferred tax assets (note L)	198	1,346	94	1,638	113	369	-	2,120	2,691
Other non-investment and non-cash assets (note (i))	3,950	1,168	924	6,042	1,060	4,433	(4,958)	6,577	6,352
Investment of long term business and other operations:									
Investment properties	10,930	25	10	10,965	-	-	-	10,965	11,360
Investments accounted for using the equity method	69	-	2	71	-	-	-	71	9
Financial investments:									
	2,401	4,062	1,283	7,746	1,271	-	-	9,017	9,587

Loans (note T)									
Equity securities and portfolio holdings in unit trusts	40,470	36,263	14,159	90,892	145	-	-	91,037	71,775
Debt securities (note U)	74,818	25,286	15,357	115,461	1,752	-	-	117,213	113,334
Other investments	4,046	1,352	504	5,902	49	170	-	6,121	6,768
Deposits	9,759	182	827	10,768	90	-	-	10,858	9,766
Total investments	142,493	67,170	32,142	241,805	3,307	170	-	245,282	222,599
Properties held for sale	391	3	-	394	-	-	-	394	3
Cash and cash equivalents	3,815	214	2,075	6,104	2,179	306	-	8,589	6,040
Total assets	151,144	73,540	36,564	261,248	7,898	5,278	(4,958)	269,466	243,412

	Insurance operations					Unallocated to a segment (central operations)				
	UK	US	Asia	Total insurance operations	Asset management operations		Intra -group eliminations	30 Jun 2011 Group total	30 Jun 2010 Group total	31 Dec 2010 Group total
By operating segment	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Equity and liabilities										
Equity										
Shareholders' equity	2,342	3,764	2,269	8,375	1,860	(1,734)	-	8,501	7,161	8,031
Non-controlling interests	38	-	5	43	3	-	-	46	37	44
Total equity	2,380	3,764	2,274	8,418	1,863	(1,734)	-	8,547	7,198	8,075
Liabilities										
Policyholder liabilities and unallocated surplus of with-profits funds:										
Contract liabilities (including amounts in respect of	126,544	64,707	30,181	221,432	-	-	-	221,432	198,913	214,727

contracts classified as investment contracts under IFRS 4)(note Z)										
Unallocated surplus of with-profits funds (reflecting application of 'realistic' basis provisions for UK regulated with-profits funds)(note Z)	10,811	-	61	10,872	-	-	-	10,872	10,066	10,253
Total policyholder liabilities and unallocated surplus of with-profits funds	137,355	64,707	30,242	232,304	-	-	-	232,304	208,979	224,980
Core structural borrowings of shareholder financed operations:										
Subordinated debt	-	-	-	-	-	3,044	-	3,044	2,767	2,718
Other	-	155	-	155	250	549	-	954	715	958
Total (note W)	-	155	-	155	250	3,593	-	3,998	3,482	3,676
Operational borrowings attributable to shareholder financed operations (note X)	102	34	139	275	4	2,633	-	2,912	3,234	3,004
Borrowings attributable to with-profits operations (note X)	1,440	-	-	1,440	-	-	-	1,440	1,313	1,522
	1,626	1,805	525	3,956	5	233	-	4,194	4,115	4,224

Deferred tax liabilities (note L)										
Other non-insurance liabilities(note (ii))	8,241	3,075	3,384	14,700	5,776	553	(4,958)	16,071	15,091	15,325
Total liabilities	148,764	69,776	34,290	252,830	6,035	7,012	(4,958)	260,919	236,214	252,731
Total equity and liabilities	151,144	73,540	36,564	261,248	7,898	5,278	(4,958)	269,466	243,412	260,806

Notes

(i) Within other non-investment and non-cash assets are premiums receivable of £290 million (30 June 2010: £260 million; 31 December 2010: £196 million) which are all due within one year except for a small number of products where charges are levied against premiums in future years.

(ii) Within other non-insurance liabilities are other creditors of £2,599 million (30 June: 2010: £3,246 million; 31 December 2010: £2,321 million) which are due within one year.

(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	30 Jun 2011 Group total £m	30 Jun 2010 Group total £m	31 Dec 2010 Group total £m
Assets									
Intangible assets attributable to shareholders:									
Goodwill (note Q)	-	-	239	1,230	-	-	1,469	1,465	1,466
Deferred acquisition costs and other intangible assets (note R)	-	-	4,764	9	-	-	4,773	4,028	4,609
Total	-	-	5,003	1,239	-	-	6,242	5,493	6,075
Intangible assets attributable to with-profits funds:									
In respect of acquired subsidiaries for venture	169	-	-	-	-	-	169	124	166

fund and other investment purposes									
Deferred acquisition costs and other intangible assets	93	-	-	-	-	-	93	110	110
Total	262	-	-	-	-	-	262	234	276
Total	262	-	5,003	1,239	-	-	6,504	5,727	6,351
Deferred tax assets (note L)	104	-	1,534	113	369	-	2,120	2,691	2,188
Other non-investment and non-cash assets	2,598	741	2,703	1,060	4,433	(4,958)	6,577	6,352	6,082
Investment of long term business and other operations:									
Investment properties	8,664	743	1,558	-	-	-	10,965	11,360	11,247
Investments accounted for using the equity method	-	-	71	-	-	-	71	9	71
Financial investments:									
Loans (note T)	2,157	-	5,589	1,271	-	-	9,017	9,587	9,261
Equity securities and portfolio holdings in unit trusts	30,009	60,145	738	145	-	-	91,037	71,775	86,635
Debt securities (note U)	54,149	8,726	52,586	1,752	-	-	117,213	113,334	116,352
Other investments	4,049	112	1,741	49	170	-	6,121	6,768	5,779
Deposits	8,125	872	1,771	90	-	-	10,858	9,766	9,952
Total investments	107,153	70,598	64,054	3,307	170	-	245,282	222,599	239,297
Properties held for sale	391	-	3	-	-	-	394	3	257

Cash and cash equivalents	2,959	1,523	1,622	2,179	306	-	8,589	6,040	6,631
Total assets	113,467	72,862	74,919	7,898	5,278	(4,958)	269,466	243,412	260,806

	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	30 Jun 2011 Group total £m	30 Jun 2010 Group total £m	31 Dec 2010 Group total £m
Equity and liabilities									
Equity									
Shareholders' equity	-	-	8,375	1,860	(1,734)	-	8,501	7,161	8,031
Non-controlling interests	38	-	5	3	-	-	46	37	44
Total equity	38	-	8,380	1,863	(1,734)	-	8,547	7,198	8,075
Liabilities									
Policyholder liabilities and unallocated surplus of with-profits funds:									
Contract liabilities (including amounts in respect of contracts classified as investment contracts under IFRS 4)(note Z)	92,856	71,531	57,045	-	-	-	221,432	198,913	214,727
Unallocated surplus of with-profits funds (reflecting application of 'realistic' basis provisions for UK regulated with-profits	10,872	-	-	-	-	-	10,872	10,066	10,253

funds) (note Z)									
Total policyholder liabilities and unallocated surplus of with-profits funds	103,728	71,531	57,045	-	-	-	232,304	208,979	224,980
Core structural borrowings of shareholder-financed operations: (note W)									
Subordinated debt	-	-	-	-	3,044	-	3,044	2,767	2,718
Other	-	-	155	250	549	-	954	715	958
Total	-	-	155	250	3,593	-	3,998	3,482	3,676
Operational borrowings attributable to shareholder financed operations (note X)	-	-	275	4	2,633	-	2,912	3,234	3,004
Borrowings attributable to with-profits operations (note X)	1,440	-	-	-	-	-	1,440	1,313	1,522
Deferred tax liabilities	1,534	27	2,395	5	233	-	4,194	4,115	4,224
Other non-insurance liabilities	6,727	1,304	6,669	5,776	553	(4,958)	16,071	15,091	15,325
Total liabilities	113,429	72,862	66,539	6,035	7,012	(4,958)	260,919	236,214	252,731
Total equity and liabilities	113,467	72,862	74,919	7,898	5,278	(4,958)	269,466	243,412	260,806

P Statement of financial position

(i) UK insurance operations

Overview

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In order to reflect the different types of UK business and fund structure, the statement of financial position of the UK insurance operations analyses assets and liabilities between those of the Scottish Amicable Insurance Fund (SAIF), the PAC with-profits sub-fund (WPSF), unit-linked assets and liabilities and annuity (principally PRIL) and other long-term business.

£94.6 billion of the £142.5 billion of investments are held by SAIF and the PAC WPSF. Shareholders are exposed only indirectly to value movements on these assets.

		PAC with-profits fund (note (i))			Other funds and subsidiaries					
	Scottish Amicable Insurance Fund (note (ii))	Excluding Prudential Annuities Limited	Prudential Annuities Limited (note (iii))	Total (note (iv))	Unit-linked assets and liabilities	Annuity and other long-term business	Total	30 Jun 2011 Total	30 Jun 2010 Total	31 Dec 2010 Total
By operating segment	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Assets										
Intangible assets attributable to shareholders:										
Deferred acquisition costs and other intangible assets	-	-	-	-	-	117	117	117	128	118
Total	-	-	-	-	-	117	117	117	128	118
Intangible assets attributable to with-profits funds:										
In respect of acquired subsidiaries for venture fund and other investment purposes	-	169	-	169	-	-	-	169	124	166
Deferred acquisition costs	-	11	-	11	-	-	-	11	8	13
Total	-	180	-	180	-	-	-	180	132	179
Total	-	180	-	180	-	117	117	297	260	297
Deferred tax assets	1	96	7	103	-	94	94	198	253	214
Other non-investment and non-cash assets	402	1,670	253	1,923	632	993	1,625	3,950	4,690	4,633
Investment of long term										

business and other operations:										
Investment properties	633	7,295	736	8,031	743	1,523	2,266	10,930	11,322	11,212
Investments accounted for using the equity method	-	-	-	-	-	69	69	69	4	69
Financial investments:										
Loans (note T)	156	1,034	132	1,166	-	1,079	1,079	2,401	2,214	2,302
Equity securities and portfolio holdings in unit trusts	2,851	23,105	190	23,295	14,293	31	14,324	40,470	34,668	40,519
Debt securities (note U)	4,655	29,231	12,794	42,025	5,713	22,425	28,138	74,818	72,072	74,304
Other investments(note (v))	241	3,273	182	3,455	90	260	350	4,046	4,323	3,998
Deposits	989	6,704	432	7,136	379	1,255	1,634	9,759	8,401	9,022
Total investments	9,525	70,642	14,466	85,108	21,218	26,642	47,860	142,493	133,004	141,426
Properties held for sale	-	391	-	391	-	-	-	391	-	254
Cash and cash equivalents	156	1,931	154	2,085	1,069	505	1,574	3,815	3,128	2,839
Total assets	10,084	74,910	14,880	89,790	22,919	28,351	51,270	151,144	141,335	149,663