

PRUDENTIAL PLC  
Form 6-K  
March 11, 2015

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER

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

For the month of March, 2015

PRUDENTIAL PUBLIC LIMITED COMPANY

(Translation of registrant's name into English)

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

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

Form 20-F  Form 40-F

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

Yes  No

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

## European Embedded Value (EEV) basis results

## Post-tax operating profit based on longer-term investment returns

## Results analysis by business area

	Note	2014 £m	2013* £m note (iii)
Asia operations			
New business	3	1,162	1,139
Business in force	4	739	753
Long-term business		1,901	1,892
Eastspring Investments		78	64
Development expenses		(1)	(1)
Total		1,978	1,955
US operations			
New business	3	694	706
Business in force	4	834	820
Long-term business		1,528	1,526
Broker-dealer and asset management		6	39
Total		1,534	1,565
UK operations			
New business	3	270	237
Business in force	4	476	595
Long-term business		746	832
General insurance commission		19	22
Total UK insurance operations		765	854
M&G (including Prudential Capital)		386	346
Total		1,151	1,200
Other income and expenditure	note (i)	(531)	(482)
Solvency II and restructuring costs	note (ii)	(36)	(34)
Post-tax operating profit based on longer-term investment returns		4,096	4,204
Analysed as profits (losses) from:			
New business	3	2,126	2,082
Business in force	4	2,049	2,168
Long-term business		4,175	4,250
Asset management		470	449
Other results		(549)	(495)
Total		4,096	4,204

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\* The 2014 EEV results of the Group are presented on a post-tax basis and, accordingly, the 2013 results are shown on a comparable basis. This approach has been adopted throughout this supplementary information.

Notes:

- (i) EEV basis other income and expenditure represents the post-tax IFRS basis result, less the unwind of expected margins on the internal management of the assets of the covered business (as explained in note 16(a)(vii)).
- (ii) Solvency II and restructuring costs comprise the net of tax charge recognised on an IFRS basis and the additional amount recognised on the EEV basis for the shareholders' share incurred by the PAC with-profits fund.
- (iii) The comparative results have been prepared using previously reported average exchange rates for the year. For memorandum disclosure purposes note 2 presents the 2013 results on both actual exchange rates (AER) and constant exchange rates (CER) bases.

Post-tax summarised consolidated income statement

	Note	2014 £m	2013* £m
Post-tax operating profit based on longer-term investment returns			
Asia operations		1,978	1,955
US operations		1,534	1,565
UK operations		1,151	1,200
Other income and expenditure		(531)	(482)
Solvency II and restructuring costs		(36)	(34)
Post-tax operating profit based on longer-term investment returns		4,096	4,204
Short-term fluctuations in investment returns	5	763	(564)
Effect of changes in economic assumptions	6	(369)	629
Mark to market value movements on core borrowings		(187)	152
Gain on sale of PruHealth and PruProtect	7	44	-
Loss attaching to held for sale Japan Life business	8	-	(35)
Costs of domestication of Hong Kong branch	9	(4)	(28)
Total post-tax non-operating profit		247	154
Profit for the year attributable to equity holders of the Company		4,343	4,358

\* The 2014 EEV results of the Group are presented on a post-tax basis and, accordingly, the 2013 results are shown on a comparable basis - see note 1.

Movement in shareholders' equity

	Note	2014 £m	2013* £m
Profit for the year attributable to equity shareholders		4,343	4,358
Items taken directly to equity:			
Exchange movements on foreign operations and net investment hedges		737	(1,077)
Dividends		(895)	(781)
New share capital subscribed		13	6
Shareholders' share of actuarial and other gains and losses on defined benefit pension schemes		(11)	(53)
Reserve movements in respect of share-based payments		106	98
Treasury shares:			
Movement in own shares in respect of share-based payment plans		(48)	(10)
Movement in own shares purchased by unit trusts consolidated under IFRS		(6)	(31)

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Mark to market value movements on Jackson assets backing surplus and required capital		77	(97)
Net increase in shareholders' equity	12	4,316	2,413
Shareholders' equity at beginning of year:			
As previously reported	12	24,856	22,443
Effect of the domestication of Hong Kong branch on 1 January 2014	9	(11)	-
		24,845	22,443
Shareholders' equity at end of year	12	29,161	24,856

\* The 2014 EEV results of the Group are presented on a post-tax basis and, accordingly, the 2013 results are shown on a comparable basis - see note 1.

Comprising:	31 Dec 2014 £m			31 Dec 2013 £m		
	Long-term operations	Asset management and other operations	Total	Long-term operations	Asset management and other operations	Total
	note 12			note 12		
Asia operations	12,545	274	12,819	10,536	255	10,791
US operations	8,379	157	8,536	6,966	134	7,100
UK insurance operations	8,433	19	8,452	7,342	22	7,364
M&G	-	1,646	1,646	-	1,602	1,602
Other operations	-	(2,292)	(2,292)	-	(2,001)	(2,001)
Shareholders' equity at end of year	29,357	(196)	29,161	24,844	12	24,856
Representing:						
Net assets excluding acquired goodwill and holding company net borrowings	29,124	1,542	30,666	24,613	1,155	25,768
Acquired goodwill	233	1,230	1,463	231	1,230	1,461
Holding company net borrowings at market value note 10	-	(2,968)	(2,968)	-	(2,373)	(2,373)
	29,357	(196)	29,161	24,844	12	24,856

Summary statement of financial position

	Note	31 Dec 2014 £m	31 Dec 2013 £m
Total assets less liabilities, before deduction for insurance funds		326,633	288,826
Less insurance funds:*			
Policyholder liabilities (net of reinsurers' share) and unallocated surplus of with-profits funds		(314,822)	(279,176)
Less shareholders' accrued interest in the long-term business		17,350	15,206
		(297,472)	(263,970)
Total net assets	12	29,161	24,856
Share capital		128	128
Share premium		1,908	1,895
IFRS basis shareholders' reserves		9,775	7,627
Total IFRS basis shareholders' equity	12	11,811	9,650
Additional EEV basis retained profit	12	17,350	15,206

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Total EEV basis shareholders' equity (excluding non-controlling interests)	12	29,161	24,856
* Including liabilities in respect of insurance products classified as investment contracts under IFRS 4.			

Net asset value per share

		31 Dec 2014	31 Dec 2013
Based on EEV basis shareholders' equity of £29,161 million (2013: £24,856 million) (in pence)		1,136p	971p
Number of issued shares at year end (millions)		2,568	2,560
Annualised return on embedded value*		16%	19%
* Annualised return on embedded value is based on EEV post-tax operating profit, as a percentage of opening EEV basis shareholders' equity.			

Notes on the EEV basis results

### 1 Basis of preparation

The EEV basis results have been prepared in accordance with the EEV Principles issued by the European Insurance CFO Forum in May 2004 and subsequently supplemented by Additional Guidance on EEV Disclosure issued in October 2005. Where appropriate, the EEV basis results include the effects of adoption of International Financial Reporting Standards (IFRS). The EEV results are presented on a post-tax basis and, accordingly, the 2013 results are shown on a comparable basis.

The directors are responsible for the preparation of the supplementary information in accordance with the EEV Principles. The auditors have reported on the 2014 EEV basis results supplement to the Company's statutory accounts for 2014. Their report was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006. Except for the change in presentation of EEV results from pre-tax to post-tax, as described in the additional unaudited financial information for the 2013 annual report, the 2013 results have been derived from the EEV basis results supplement to the Company's statutory accounts for 2013. The supplement included an unqualified audit report from the auditors.

A detailed description of the EEV methodology and accounting presentation is provided in note 16.

### 2 Results analysis by business area

The 2013 comparative results are shown below on both actual exchange rates (AER) and constant exchange rates (CER) bases. The 2013 CER comparative results are translated at 2014 average exchange rates.

Annual premium and contribution equivalents (APE) (note 16(a)(ii))

	Note	2014 £m	2013 £m		% change	
			AER	CER	AER	CER
Asia operations		2,237	2,125	1,946	5%	15%
US operations		1,556	1,573	1,494	(1%)	4%
UK operations		857	725	725	18%	18%
Total	3	4,650	4,423	4,165	5%	12%

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Post-tax operating profit

	Note	2014 £m		2013 £m		% change	
				AER	CER	AER	CER
Asia operations							
New business	3	1,162	1,139	1,032	2%	13%	
Business in force	4	739	753	673	(2)%	10%	
Long-term business		1,901	1,892	1,705	0%	11%	
Eastspring investments		78	64	59	22%	32%	
Development costs		(1)	(1)	(1)	0%	0%	
Total		1,978	1,955	1,763	1%	12%	
US operations							
New business	3	694	706	670	(2)%	4%	
Business in force	4	834	820	779	2%	7%	
Long-term business		1,528	1,526	1,449	0%	5%	
Broker-dealer and asset management		6	39	37	(85)%	(84)%	
Total		1,534	1,565	1,486	(2)%	3%	
UK operations							
New business	3	270	237	237	14%	14%	
Business in force	4	476	595	595	(20)%	(20)%	
Long-term business		746	832	832	(10)%	(10)%	
General insurance commission		19	22	22	(14)%	(14)%	
Total UK insurance operations		765	854	854	(10)%	(10)%	
M&G (including Prudential Capital)		386	346	346	12%	12%	
Total		1,151	1,200	1,200	(4)%	(4)%	
Other income and expenditure		(531)	(482)	(482)	(10)%	(10)%	
Solvency II and restructuring costs		(36)	(34)	(34)	(6)%	(6)%	
Post-tax operating profit based on longer-term investment returns		4,096	4,204	3,933	(3)%	4%	
Analysed as profits from:							
New business	3	2,126	2,082	1,939	2%	10%	
Business in force	4	2,049	2,168	2,047	(5)%	0%	
Total long-term business		4,175	4,250	3,986	(2)%	5%	
Asset management		470	449	442	5%	6%	
Other results		(549)	(495)	(495)	(11)%	(11)%	
Post-tax operating profit based on longer-term investment returns		4,096	4,204	3,933	(3)%	4%	

Post-tax profit

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	Note	2014 £m	2013 £m		% change	
			AER	CER	AER	CER
Post-tax operating profit based on longer-term investment returns		4,096	4,204	3,933	(3)%	4%
Short-term fluctuations in investment returns	5	763	(564)	(529)	235%	244%
Effect of changes in economic assumptions	6	(369)	629	623	(159)%	(159)%
Other non-operating profit		(147)	89	94	(265)%	(256)%
Total post-tax non-operating profit		247	154	188	60%	31%
Profit for the year attributable to shareholders		4,343	4,358	4,121	0%	5%

Basic earnings per share (in pence)

	2014		2013		% change	
		AER		CER	AER	CER
Based on post-tax operating profit including longer-term investment returns	160.7p	165.0	p	154.4p	(3%)	4%
Based on post-tax profit	170.4p	171.0	p	161.7p	0%	5%
Average number of shares (millions)	2,549	2,548		2,548		

3 Analysis of new business contribution

(i) Group Summary

	Annual premium and contribution equivalents (APE) note 18 £m	Present value of new business premiums (PVNBP) note 18 £m	2014		New business margin	
			New business contribution (note) £m		APE	PVNBP
					%	%
Asia operations(note ii)	2,237	12,331	1,162		52	9.4
US operations	1,556	15,555	694		45	4.5
UK insurance operations	857	7,471	270		32	3.6
Total	4,650	35,357	2,126		46	6.0
				2013		

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	Annual premium and contribution equivalents (APE) note 18 £m	Present value of new business premiums (PVNBP) note 18 £m	New business contribution* (note) £m	New business margin*	
				APE	PVNBP
				%	%
Asia operations(note ii)	2,125	11,375	1,139	54	10.0
US operations	1,573	15,723	706	45	4.5
UK insurance operations	725	5,978	237	33	4.0
Total	4,423	33,076	2,082	47	6.3

Note:

The increase in new business contribution of £44 million from £2,082 million for 2013 to £2,126 million in 2014 comprises an increase on a CER basis of £187 million, offset by foreign exchange effects of £(143) million. The increase of £187 million on the CER basis comprises a contribution of £277 million reflecting higher sales volumes and the impact of pricing and product actions, offset by a £(90) million adverse effect of reductions in long-term interest rates in the year (analysed as Asia negative £(17) million, US negative £(63) million and UK negative £(10) million).

(ii) Asia operations

	2014 £m	2013* £m	
		AER	CER
China	27	28	26
Hong Kong	405	283	269
India	12	15	14
Indonesia	296	359	301
Korea	11	25	25
Taiwan	29	31	29
Other	382	398	368
Total Asia operations	1,162	1,139	1,032

\* The 2014 EEV results of the Group are presented on a post-tax basis and, accordingly, the 2013 results are shown on a comparable basis - see note 1.

4 Operating profit from business in force

(i) Group Summary

	2014 £m			Total (note)
	Asia operations note (ii)	US operations note (iii)	UK insurance operations note (iv)	
Unwind of discount and other expected returns	648	382	410	1,440
Effect of changes in operating assumptions	52	86	-	138
Experience variances and other items	39	366	66	471
Total	739	834	476	2,049



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	2013* £m			Total (note)
	Asia operations note (ii)	US operations note (iii)	UK insurance operations note (iv)	
Unwind of discount and other expected returns	668	395	437	1,500
Effect of changes in operating assumptions	5	76	98	179
Experience variances and other items	80	349	60	489
Total	753	820	595	2,168

\* The 2014 EEV results of the Group are presented on a post-tax basis and, accordingly, the 2013 results are shown on a comparable basis - see note 1.

Note:

The movements in operating profit from business in force of £(119) million from £2,168 million in 2013 to £2,049 million for 2014 comprises:

	2014 £m
Reduction in unwind of discount and other expected returns:	
Foreign exchange effects	(80)
Effect of changes in interest rates	(187)
Effect of growth in opening value and other items	207
	(60)
Non-recurrent benefit in 2013 of reduction in UK corporate tax rates	(98)
Year on year change in effects of other operating assumptions, experience variances and other items	39
Net decrease in operating profit from business in force	(119)

(ii) Asia operations

	2014 £m	2013* £m
Unwind of discount and other expected returnsnote (a)	648	668
Effect of changes in operating assumptions:		
Mortality and morbiditynote (b)	27	19
Persistency and withdrawalsnote (c)	(17)	(23)
Expense	(5)	(6)
Othernote (d)	47	15
	52	5
Experience variances and other items:		
Mortality and morbiditynote (e)	23	33
Persistency and withdrawalsnote (f)	44	36
Expensenote (g)	(27)	(17)
Other	(1)	28
	39	80
Total Asia operations	739	753

\* The 2014 EEV results of the Group are presented on a post-tax basis and, accordingly, the 2013 results are shown on a comparable basis - see note 1.

Notes:

- (a) The decrease in unwind of discount and other expected returns of £(20) million from £668 million for 2013 to £648 million for 2014 is impacted by the effect of lower interest rates of £(55) million, and a £(61) million adverse foreign currency translation effect, partially offset by £96 million mainly for the increase in the opening in-force value.
- (b) In 2014 the credit of £27 million for mortality and morbidity assumption changes reflects a number of offsetting items, including the effect of reduced projected mortality rates for Hong Kong. In 2013 the credit of £19 million mainly reflected the beneficial effect arising from the renegotiation of a reinsurance agreement in Indonesia.
- (c) In 2014 the charge of £(17) million for persistency assumptions mainly reflects increased partial withdrawal assumptions on unit-linked business in Korea. For 2013 the charge of £(23) million reflected a number of offsetting items including the effect of strengthening lapse and premium holiday assumptions in Korea.
- (d) In 2014 the credit of £47 million for other assumption changes reflects a number of offsetting items, including the effects of modelling improvements and those arising from asset allocation changes in Hong Kong.
- (e) The favourable effect of mortality and morbidity experience in 2014 of £23 million (2013: £33 million) reflects better than expected experience in Indonesia and Hong Kong, offset by higher claims in Malaysia on medical reimbursement products.
- (f) The positive persistency and withdrawals experience variance in 2014 of £44 million (2013: £36 million) reflects favourable experience principally in Hong Kong across all product groups.
- (g) The expense experience variance at 2014 is negative £(27) million (2013: negative £(17) million). The variance arises in operations which are currently sub-scale (China, Malaysia Takaful and Taiwan), and from short-term overruns in India and Korea.

(iii) US operations

	2014 £m	2013* £m
Unwind of discount and other expected returnsnote (a)	382	395
Effect of changes in operating assumptions:		
Persistencynote (b)	55	47
Othernote (c)	31	29
	86	76
Experience variances and other items:		
Spread experience variancernote (d)	192	217
Amortisation of interest-related realised gains and lossesnote (e)	56	58
Othernote (f)	118	74
	366	349
Total US operations	834	820

\* The 2014 EEV results of the Group are presented on a post-tax basis and, accordingly, the 2013 results are shown on a comparable basis - see note 1.

Notes:

(a) The decrease in unwind of discount and other expected returns of £(13) million from £395 million for 2013 to £382 million for 2014 reflects a £(73) million adverse effect of the 90 basis points reduction in the US 10-year Treasury rate and a £(19) million adverse foreign currency effect, partially offset by a £79 million effect mainly for the underlying growth in the in-force book.

(b) The credit in 2014 of £55 million (2013: £47 million) for persistency assumption changes principally relates to revised assumptions for variable annuity business to more closely reflect recent experience.

(c) The effect of other changes in operating assumptions of £31 million reflects a number of offsetting items and includes the capitalised effect of changes in projected policyholder variable annuity fees of £46 million (2013: £33 million) which vary depending on the size and mix of variable annuity funds.

(d) The spread assumption for Jackson is determined on a longer-term basis, net of provision for defaults (see note 17 (ii)). The spread experience variance in 2014 of £192 million (2013: £217 million) includes the positive effect of transactions undertaken to more closely match the overall asset and liability duration.

(e) The amortisation of interest-related gains and losses reflects the fact that when bonds that are neither impaired nor deteriorating are sold and reinvested there will be a consequent change in the investment yield.

The realised gain or loss is amortised into the result over the year when the bonds would have otherwise matured to better reflect the long-term returns included in operating profits.

(f) The effect of £118 million in 2014 for other experience variances and other items includes the effect of favourable persistency, mortality and tax experience variances, the most significant item arising from the continued positive persistency experience for annuity business of £59 million (2013: £40 million).

(iv) UK insurance operations

	2014 £m	2013* £m
Unwind of discount and other expected returnsnote (a)	410	437
Effect of change in UK corporate tax ratenote (b)	-	98
Other itemsnote (c)	66	60
Total UK insurance operations	476	595

\* The 2014 EEV results of the Group are presented on a post-tax basis and, accordingly, the 2013 results are shown on a comparable basis - see note 1.

Notes:

(a) The decrease in unwind of discount and other expected returns of £(27) million from £437 million for 2013 to £410 million for 2014 reflects a £(59) million adverse impact of the 130 basis point reduction in gilt yields partially offset by £32 million mainly for the underlying growth in the in-force book.

(b) For 2013, the positive contribution from the change in UK corporate tax rates of £98 million reflected the combined effect of the reductions in corporate rates from 23 per cent to 21 per cent from April 2014 and 21 per cent to 20 per cent from April 2015.

(c) Other items of £66 million for 2014 (2013: £60 million) principally reflect the positive effects of rebalancing the investment portfolio backing annuity business (see note 16(b)(ii)).

5 Short-term fluctuations in investment returns

Short-term fluctuations in investment returns included in profit for the year arise as follows:

(i) Group Summary

	2014 £m	2013* £m
Insurance operations:		
Asianote (ii)	439	(308)
USnote (iii)	(166)	(280)
UKnote (iv)	583	28
	856	(560)
Other operationsnote (v)	(93)	(4)
Total	763	(564)

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\* The 2014 EEV results of the Group are presented on a post-tax basis and, accordingly, the 2013 results are shown on a comparable basis - see note 1.

(ii) Asia operations

The short-term fluctuations in investment returns for Asia operations comprise amounts in respect of:

	2014 £m	2013* £m
Hong Kong	178	(178)
Indonesia	35	(44)
Singapore	92	(80)
Other	134	(6)
Total Asia operations	439	(308)

\* The 2014 EEV results of the Group are presented on a post-tax basis and, accordingly, the 2013 results are shown on a comparable basis - see note 1.

These fluctuations mainly arise from decreases (2014) and increases (2013) in long-term interest rates as they affect the value of bonds in the portfolios backing liabilities and related capital. The £134 million credit for other operations in 2014 principally arises in Taiwan of £23 million and in Thailand of £49 million for unrealised gains on bonds.

(iii) US operations

The short-term fluctuations in investment returns for US operations comprise:

	2014 £m	2013* £m
Investment return related experience on fixed income securitiesnote (a)	31	13
Investment return related impact due to changed expectation of profits on in-force variable annuity business in future periods based on current period separate account return, net of related hedging activitynote (b)	(187)	(377)
Other items including actual less long-term return on equity based investmentsnote (c)	(10)	84
Total US operations	(166)	(280)

\* The 2014 EEV results of the Group are presented on a post-tax basis and, accordingly, the 2013 results are shown on a comparable basis - see note 1.

Notes:

- (a) The credit relating to fixed income securities comprises the following elements:
- the excess of actual realised gains and losses over the amortisation of interest related realised gains and losses recorded in the profit and loss account;
  - credit loss experience (versus the longer-term assumption); and
  - the impact of changes in the asset portfolio.
- (b) This item reflects the net impact of:
- variances in projected future fees and future benefit costs arising from the effect of market fluctuations on the growth in separate account asset values in the current reporting period; and
  - related hedging activity arising from realised and unrealised gains and losses on equity related hedges and interest rate options.
- (c) For 2013, other items of £84 million primarily reflected a beneficial impact of the excess of actual over assumed return from investments in limited partnerships.

(iv) UK insurance operations

The short-term fluctuations in investment returns for UK insurance operations comprise:

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	2014 £m	2013* £m
Shareholder-backed annuitynote (a)	310	(58)
With-profits, Unit-linked and othernote (b)	273	86
	583	28

\* The 2014 EEV results of the Group are presented on a post-tax basis and, accordingly, the 2013 results are shown on a comparable basis - see note 1.

Notes:

- (a) Short-term fluctuations in investment returns for shareholder-backed annuity business comprise:
- gains/(losses) on surplus assets compared to the expected long-term rate of return reflecting reductions/(increases) in corporate bond and gilt yields;
    - the difference between actual and expected default experience; and
  - the effect of mismatching for assets and liabilities of different durations and other short-term fluctuations in investment returns.
- (b) The short-term fluctuations in investment returns for with-profits, unit-linked and other business primarily arise from the excess of actual over expected returns for with-profits business, reflecting a total pre-tax return on the fund (including unallocated surplus) in 2014 of 9.5 per cent compared to an assumed rate of return of 5.0 per cent (2013: 8.0 per cent total return compared to assumed rate of 6.0 per cent). In addition, the amount includes the effect of a partial hedge of future shareholder transfers expected to emerge from the UK's with-profits sub-fund taken out during 2013. This hedge reduces the risks arising from equity market declines.

(v) Other operations

Short-term fluctuations in investment returns of other operations were negative £(93) million (2013: negative £(4) million) representing unrealised value movements on investments and foreign exchange items.

6 Effect of changes in economic assumptions

The effects of changes in economic assumptions for in-force business included in profit for the year, arise as follows:

(i) Group Summary

	2014 £m	2013* £m
Asia operationsnote (ii)	(269)	255
US operationsnote (iii)	(77)	242
UK insurance operationsnote (iv)	(23)	132
Total	(369)	629

\* The 2014 EEV results of the Group are presented on a post-tax basis and, accordingly, the 2013 results are shown on a comparable basis - see note 1.

(ii) Asia operations

The effect of changes in economic assumptions for Asia operations comprises:

	2014 £m	2013* £m
Hong Kong	(121)	289
Malaysia	11	(62)
Indonesia	25	(176)
Singapore	(42)	90
Taiwan	(21)	92

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Other	(121)	22
Total Asia operations	(269)	255

\* The 2014 EEV results of the Group are presented on a post-tax basis and, accordingly, the 2013 results are shown on a comparable basis - see note 1.

The negative effect of £(269) million in 2014 principally reflected the overall impact of the reduction in fund earned rates for participating business in Hong Kong, Singapore and Taiwan, driven by the decrease in long-term interest rates. A negative effect has been reported on non-participating business in Korea (adverse £(38) million) and Thailand (adverse £(34) million) for similar reasons. These amounts were partially offset by the positive effect of valuing future health and protection profits at lower discount rates in Indonesia and Malaysia.

The positive impact in 2013 of £255 million reflected the overall impact of an increase in fund earned rates for participating business, principally arising in Hong Kong, Singapore and Taiwan, mainly due to the increase in long-term interest rates. There were partial offsets arising in Indonesia and Malaysia, valuing the negative impact of future health and protection profits at a higher discount rate.

(iii) US operations

The effect of changes in economic assumptions for US operations comprises:

	2014 £m	2013* £m
Effect of changes in 10-year treasury rates:		
Fixed annuity and other general account business note (a)	151	(244)
Variable annuity businessnote (b)	(228)	382
Decrease in additional allowance for credit risknote (c)	-	104
Totalnote (d)	(77)	242

\* The 2014 EEV results of the Group are presented on a post-tax basis and, accordingly, the 2013 results are shown on a comparable basis - see note 1.

Notes:

- (a) For fixed annuity and other general account business, the credit of £151 million in 2014 principally arises from the effect on the future projected spread income of applying a lower discount rate on the opening value of the in-force book, arising from the 90 basis points reduction in the 10-year treasury rates (2013: charge of £(244) million reflecting the 130 basis points increase).
- (b) In 2014 there was a 90 basis points decline in 10-year treasury rates. For variable annuity business the charge of £(228) million principally reflects the net effect of the consequent decrease in the assumed future rate of return on the underlying separate account assets, resulting in lower projected fee income and an increase in projected benefit costs, partially offset by the decrease in the risk discount rate. The credit of £382 million in 2013 reflected an increase in the risk free rate of 130 basis points.
- (c) For 2013 the £104 million effect of the decrease in the additional allowance for credit risk within the risk discount rate reflected the reduction in credit spreads (50 basis points for spread business and 10 basis points for variable annuity business).
- (d) The overall credit in 2013 of £242 million included a charge of £(13) million for the effect of a change in required capital on the EEV basis from 235 per cent to 250 per cent of risk-based capital.

(iv) UK insurance operations

The effect of changes in economic assumptions for UK insurance operations comprises the following:

	2014 £m	2013* £m
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Effect of changes in expected long-term rates of return, risk discount rates and other changes:

	Shareholder-backed annuity businessnote (a)	352	(56)
	With-profits and other businessnote (b)	(375)	188
<b>Total</b>		<b>(23)</b>	<b>132</b>

\* The 2014 EEV results of the Group are presented on a post-tax basis and, accordingly, the 2013 results are shown on a comparable basis - see note 1.

### Notes:

(a) For shareholder-backed annuity business the overall positive effect reflects the effect on the present value of projected spread income arising from the reduction in expected long-term rates of return and risk discount rates, following the swap rate decline in 2014.

(b) For with-profits and other business the total charge in 2014 of £(375) million (2013: credit of £188 million) includes the net effect of the reduction in fund earned rates and risk discount rates (as shown in note 17(iii)), arising from the 130 basis points decrease (2013: increase of 120 basis points) in the 15-year government bond rate and portfolio changes.

### 7 Sale of PruHealth and PruProtect business

On 10 November 2014, the Prudential Assurance Company Limited announced an agreement to sell its 25 per cent equity stake in the PruHealth and PruProtect businesses to Discovery Group Europe Limited. The sale was completed on 14 November 2014. This transaction gave rise to a gain on disposal of £44 million.

### 8 Held for sale Japan Life business

On 5 February 2015, the Group announced that it had completed the sale of its closed book life insurance business in Japan, PCA Life Insurance Company Limited to SBI Holdings, Inc. following regulatory approvals. The loss of Japan Life business in the 2013 results includes the reduction in EEV carrying value to reflect the completion of sale.

### 9 Domestication of the Hong Kong branch business

On 1 January 2014, following consultation with policyholders of PAC and regulators and court approval, the Hong Kong branch of PAC was transferred to separate subsidiaries established in Hong Kong. The 2014 EEV basis results includes opening adjustments arising from the transfer of capital that was previously held within the UK business in respect of the Hong Kong branch operations and additional capital requirements that arise from the newly established subsidiaries as follows:

	2014 £m				
Adjustment to shareholders' equity at 1 January 2014	Free surplus	Required capital	Total net worth	Value of in-force business	Total long-term business operations
Asia operations	(104)	104	-	(40)	(40)
UK insurance operations	69	(69)	-	29	29
Opening adjustment	(35)	35	-	(11)	(11)

The net EEV basis effect of £(11) million represents the cost of holding higher required capital levels in the stand-alone Hong Kong shareholder-backed long-term insurance business. The post-tax costs incurred to enable the domestication in 2014 were £4 million (2013: £28 million).

### 10 Net core structural borrowings of shareholder-financed operations

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	31 Dec 2014 £m			31 Dec 2013 £m		
	IFRS basis	Mark to market value adjustment	EEV basis at market value	IFRS basis	Mark to market value adjustment	EEV basis at market value
Holding company* cash and short-term investments	(1,480)	-	(1,480)	(2,230)	-	(2,230)
Core structural borrowings - central funds	3,869	579	4,448	4,211	392	4,603
Holding company net borrowings	2,389	579	2,968	1,981	392	2,373
Core structural borrowings - Prudential Capital	275	-	275	275	-	275
Core structural borrowings - Jackson	160	42	202	150	38	188
Net core structural borrowings of shareholder-financed operations	2,824	621	3,445	2,406	430	2,836

\* Including central finance subsidiaries.

## 11 Analysis of movement in free surplus

Free surplus is the excess of the regulatory basis net assets for EEV reporting purposes (net worth) over the capital required to support the covered business. Where appropriate, adjustments are made to the net worth so that backing assets are included at fair value rather than cost so as to comply with the EEV Principles.

### (i) Underlying free surplus generated

The 2013 comparative results are shown below on both actual exchange rates (AER) and constant exchange rates (CER) bases. The 2013 CER comparative results are translated at 2014 average exchange rates.

	2014 £m	2013 £m		*	% change	
		AER	CER		AER	CER
Asia operations						
Underlying free surplus generated from in-force						
life business	860	819	742		5%	16%
Investment in new businessnotes (ii)(a), (ii)(g)	(346)	(310)	(285)		(12)%	(21)%
Long-term business	514	509	457		1%	12%
Eastspring Investmentsnote (ii)(b)	78	64	59		22%	32%
Total	592	573	516		3%	15%
US operations						
Underlying free surplus generated from in-force						
life business	1,191	1,129	1,072		5%	11%
Investment in new businessnote (ii)(a)	(187)	(298)	(283)		37%	34%
Long-term business	1,004	831	789		21%	27%
Broker-dealer and asset managementnote (ii)(b)	6	39	37		(85)%	(84)%
Total	1,010	870	826		16%	22%
UK insurance operations	645	680	680		(5)%	(5)%



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Underlying free surplus generated from in-force life business					
Investment in new businessnote (ii)(a)	(73)	(29)	(29)	(152)%	(152)%
Long-term business	572	651	651	(12)%	(12)%
General insurance commissionnote (ii)(b)	19	22	22	(14)%	(14)%
Total	591	673	673	(12)%	(12)%
M&G (including Prudential Capital)note (ii)(b)	386	346	346	12%	12%
Underlying free surplus generated	2,579	2,462	2,361	5%	9%

Representing:

Long-term business:

Expected in-force cashflows (including expected return on net assets)	2,382	2,150	2,037	11%	17%
Effects of changes in operating assumptions, operating experience variances and other operating items	314	478	457	(34)%	(31)%
Underlying free surplus generated from in-force life business	2,696	2,628	2,494	3%	8%
Investment in new businessnotes (ii)(a), (ii)(g)	(606)	(637)	(597)	5%	(2)%
Total long-term business	2,090	1,991	1,897	5%	10%
Asset managementnote (ii)(b)	489	471	464	4%	5%
Underlying free surplus generated	2,579	2,462	2,361	5%	9%

(ii) Movement in Free surplus

Long-term business and asset management operations

	2014 £m		2013 £m	
	Long-term business note 13	Asset management and UK general insurance commission note (b)	Free surplus of long-term business, asset management and UK general insurance commission	Free surplus of long-term business, asset management and UK general insurance commission
Underlying movement:				
Investment in new businessnotes (a), (g)	(606)	-	(606)	(637)
Business in force:				
Expected in-force cash flows (including expected return on net assets)	2,382	489	2,871	2,621
Effects of changes in operating assumptions, operating experience variances and other operating items	314	-	314	478
	2,090	489	2,579	2,462

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Increase in EEV assumed level of required capital	-	-	-	(58)
Loss attaching to held for sale Japan Life businessnote 8	-	-	-	(40)
Gain on sale of PruHealth and PruProtect notes 7, 13	130	-	130	-
Other non-operating itemsnote (c)	(252)	(14)	(266)	(722)
	1,968	475	2,443	1,642
Net cash flows to parent companynote (d)	(1,170)	(312)	(1,482)	(1,341)
Bancassurance agreement and purchase of Thanachart Life	-	-	-	365
Exchange movements, timing differences and other itemsnote (e)	210	(80)	130	(352)
Net movement in free surplus	1,008	83	1,091	314
Balance at beginning of year:				
As previously reported	3,220	783	4,003	3,689
Effect of domestication of Hong Kong branch on 1 January 2014note 9	(35)	-	(35)	-
Balance at 1 January	3,185	783	3,968	3,689
Balance at 31 December 2014 / 31 December 2013note (g)	4,193	866	5,059	4,003
Representing:				
Asia operations	1,347	213	1,560	1,379
US operations	1,416	141	1,557	1,074
UK operations	1,430	512	1,942	1,550
	4,193	866	5,059	4,003
Balance at beginning of year:				
Asia operations	1,185	194	1,379	1,181
US operations	956	118	1,074	1,319
UK operations	1,079	471	1,550	1,189
	3,220	783	4,003	3,689

Notes:

- (a) Free surplus invested in new business represents amounts set aside for required capital and acquisition costs.
- (b) For the purposes of this analysis, free surplus for asset management operations and the UK general insurance commission is taken to be IFRS basis post-tax earnings and shareholders' equity.
- (c) Non-operating items are principally short-term fluctuations in investment returns and the effect of changes in economic assumptions for long-term business operations.
- (d) Net cash flows to parent company for long-term business operations reflect the flows as included in the holding company cash flow at transaction rates.

(e) Exchange movements, timing differences and other items represent:

	2014 £m		
	Long-term business	Asset management and UK general insurance commission	Total
Exchange movementsnote 13	134	11	145
Mark to market value movements on Jackson assets backing surplus and required capitalnote 12	77	-	77
Shareholders' share of actuarial and other gains and losses on defined	(17)	(1)	(18)

benefit pension schemes			
Other note (f)	16	(90)	(74)
	210	(80)	130

(f) Other primarily reflects the effect of intra-group loans, contingent loan funding as shown in note 13(i), timing differences and other non-cash items.

(g) Investment in new business includes the annual amortisation charge of amounts incurred to secure exclusive distribution rights through our bancassurance partners at a rate that reflects the pattern in which the future economic benefits are expected to be consumed by reference to new business levels. Included within the overall free surplus balance of our Asian life entities is £304 million representing unamortised amounts incurred to secure exclusive distribution rights through bancassurance partners. These amounts exclude £883 million of Asia distribution rights intangibles that are financed by loan arrangements from central companies, the costs of which are allocated to the Asia life segment as the amortisation cost is incurred.

## 12 Reconciliation of movement in shareholders' equity

	2014 £m					
	Asia operations note (i)	US operations	UK insurance operations	Total long-term business operations	Other operations note (i)	Group Total
Post-tax operating profit (based on longer-term investment returns)						
Long-term business:						
New business note 3	1,162	694	270	2,126	-	2,126
Business in force note 4	739	834	476	2,049	-	2,049
	1,901	1,528	746	4,175	-	4,175
Asset management	-	-	-	-	470	470
Other results	(1)	-	(20)	(21)	(528)	(549)
Post-tax operating profit based on longer-term investment returns	1,900	1,528	726	4,154	(58)	4,096
Total post-tax non-operating profit	170	(245)	600	525	(278)	247
Profit for the year	2,070	1,283	1,326	4,679	(336)	4,343
Other items taken directly to equity						
Exchange movements on foreign operations and net investment hedges	375	483	-	858	(121)	737
Intra-group dividends (including statutory transfers) note (ii)	(410)	(413)	(200)	(1,023)	1,023	-
Investment in operations note (iii)	3	-	-	3	(3)	-
External dividends	-	-	-	-	(895)	(895)
Other movements note (iv)	9	(17)	(64)	(72)	126	54

Mark to market value movements on Jackson assets backing surplus and required capital	-	77	-	77	-	77
Net increase in shareholders' equity	2,047	1,413	1,062	4,522	(206)	4,316
Shareholders' equity at beginning of year:						
As previously reported	10,305	6,966	7,342	24,613	243	24,856
Effect of domestication of Hong Kong branch on 1 January 2014 <sup>note 9</sup>	(40)	-	29	(11)	-	(11)
Shareholders' equity at 31 December 2014 <sup>note (i)</sup>	12,312	8,379	8,433	29,124	37	29,161
Representing:						
Statutory IFRS basis shareholders' equity:						
Net assets	3,315	4,067	3,785	11,167	(819)	10,348
Goodwill	-	-	-	-	1,463	1,463
Total IFRS basis shareholders' equity	3,315	4,067	3,785	11,167	644	11,811
Additional retained profit (loss) on an EEV basis <sup>note (v)</sup>	8,997	4,312	4,648	17,957	(607)	17,350
EEV basis shareholders' equity Balance at 31 December 2013	12,312	8,379	8,433	29,124	37	29,161
Representing:						
Statutory IFRS basis shareholders' equity:						
Net assets	2,564	3,446	2,976	8,986	(797)	8,189
Goodwill	-	-	-	-	1,461	1,461
Total IFRS basis shareholders' equity	2,564	3,446	2,976	8,986	664	9,650
Additional retained profit (loss) on an EEV basis <sup>note (v)</sup>	7,741	3,520	4,366	15,627	(421)	15,206
EEV basis shareholders' equity	10,305	6,966	7,342	24,613	243	24,856

## Notes:

(i) For the purposes of the table above, goodwill of £233 million (2013: £231 million) related to Asia long-term operations is included in Other operations.

(ii) Intra-group dividends (including statutory transfers) represent dividends that have been declared in the year and amounts accrued in respect of statutory transfers. The amounts included in note 11 for these items are as per the holding company cashflow at transaction rates. The difference primarily relates to intra-group loans, timing differences arising on statutory transfers, and other non-cash items.

(iii) Investment in operations reflects increases in share capital.

(iv) Included in other movements there was a charge of £(11) million (2013: £(53) million) for the shareholders' share of actuarial and other gains and losses on the defined benefit schemes.

(v) The additional retained loss on an EEV basis for Other operations primarily represents the mark to market value adjustment for holding company net borrowings of a charge of £(579) million (2013: £(392) million), as shown in note 10.

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13 Reconciliation of movement in net worth and value of in-force for long-term business

	2014 £m				
	Free Surplus	Required capital	Total net worth	Value of in-force business note (iii)	Total long-term business operations
Group	note 11				
Shareholders' equity at beginning of year:					
As previously reported	3,220	3,954	7,174	17,439	24,613
Effect of domestication of Hong Kong branch on 1 January 2014 note 9	(35)	35	-	(11)	(11)
	3,185	3,989	7,174	17,428	24,602
New business contribution notes (ii) and 3	(606)	453	(153)	2,279	2,126
Existing business - transfer to net worth	2,276	(316)	1,960	(1,960)	-
Expected return on existing business note 4	106	81	187	1,253	1,440
Changes in operating assumptions and experience variances note 4	335	36	371	238	609
Development expenses, solvency II and restructuring costs	(21)	-	(21)	-	(21)
Post-tax operating profit based on longer-term investment returns	2,090	254	2,344	1,810	4,154
Gain on sale of PruHealth and PruProtect note 7	130	(32)	98	(54)	44
Other non-operating items	(252)	220	(32)	513	481
Post-tax profit from long-term business	1,968	442	2,410	2,269	4,679
Exchange movements on foreign operations and net investment hedges	134	125	259	599	858
Intra-group dividends (including statutory transfers) and investment in operations note (i)	(1,099)	-	(1,099)	79	(1,020)
Other movements	5	-	5	-	5
Shareholders' equity at 31 December 2014	4,193	4,556	8,749	20,375	29,124
Representing:					
Asia operations					
Shareholders' equity at beginning of year:					
As previously reported	1,185	977	2,162	8,143	10,305
Effect of domestication of Hong Kong branch on 1 January 2014 note 9	(104)	104	-	(40)	(40)
	1,081	1,081	2,162	8,103	10,265
New business contribution notes (ii) and 3	(346)	130	(216)	1,378	1,162
Existing business - transfer to net worth	828	(23)	805	(805)	-
Expected return on existing business note 4	62	-	62	586	648
Changes in operating assumptions and experience variances note 4	(29)	44	15	76	91
Development expenses	(1)	-	(1)	-	(1)
Post-tax operating profit based on longer-term investment returns	514	151	665	1,235	1,900
Other non-operating items	118	70	188	(18)	170
Post-tax profit from long-term business	632	221	853	1,217	2,070

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Exchange movements on foreign operations and net investment hedges	56	25	81	294	375
Intra-group dividends and investment in operations	(407)	-	(407)	-	(407)
Other movements	(15)	-	(15)	24	9
Shareholders' equity at 31 December 2014	1,347	1,327	2,674	9,638	12,312

US operations

Shareholders' equity at 1 January 2014	956	1,607	2,563	4,403	6,966
New business contribution notes (ii) and 3	(187)	216	29	665	694
Existing business - transfer to net worth	883	(210)	673	(673)	-
Expected return on existing business note 4	30	48	78	304	382
Changes in operating assumptions and experience variances note 4	278	4	282	170	452
Post-tax operating profit based on longer-term investment returns	1,004	58	1,062	466	1,528
Other non-operating items	(269)	(55)	(324)	79	(245)
Post-tax profit from long-term business	735	3	738	545	1,283
Exchange movements on foreign operations and net investment hedges	78	100	178	305	483
Intra-group dividends	(413)	-	(413)	-	(413)
Other movements	60	-	60	-	60
Shareholders' equity at 31 December 2014	1,416	1,710	3,126	5,253	8,379

UK insurance operations

Shareholders' equity at beginning of year:						
As previously reported		1,079	1,370	2,449	4,893	7,342
Effect of domestication of Hong Kong branch on 1 January 2014 note 9		69	(69)	-	29	29
		1,148	1,301	2,449	4,922	7,371
New business contribution notes (ii) and 3		(73)	107	34	236	270
Existing business - transfer to net worth		565	(83)	482	(482)	-
Expected return on existing business note 4		14	33	47	363	410
Changes in operating assumptions and experience variances note 4		86	(12)	74	(8)	66
Solvency II and restructuring costs		(20)	-	(20)	-	(20)
Post-tax operating profit based on longer-term investment returns		572	45	617	109	726
Gain on sale of PruHealth and PruProtect note 7		130	(32)	98	(54)	44
Other non-operating items		(101)	205	104	452	556
Post-tax profit from long-term business		601	218	819	507	1,326
Intra-group dividends (including statutory transfers) note (i)		(279)	-	(279)	79	(200)
Other movements		(40)	-	(40)	(24)	(64)
Shareholders' equity at 31 December 2014		1,430	1,519	2,949	5,484	8,433

Notes:

(i) The amounts shown in respect of free surplus and the value of in-force business for UK insurance operations for intra-group dividends (including statutory transfers) include the repayment of contingent loan funding. Contingent loan funding represents amounts whose repayment to the lender is contingent upon future surpluses emerging from certain contracts specified under the arrangement. If insufficient surplus emerges on those contracts, there is no recourse to other assets of the Group and the liability is not payable to the degree of shortfall.

(ii) New business contribution per £1 million of free surplus invested:

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	2014 £m				2013 £m			
	Asia operations	US operations	UK insurance operations	Total long-term business operations	Asia operations	US operations	UK insurance operations	Total long-term business operations
Post-tax new business contribution <sup>note 3</sup>	1,162	694	270	2,126	1,139	706	237	2,082
Free surplus invested in new business	(346)	(187)	(73)	(606)	(310)	(298)	(29)	(637)
Post-tax new business contribution £1 million of free surplus invested	3.4	3.7	3.7	3.5	3.7	2.4	8.2	3.3

(iii) The value of in-force business comprises the value of future margins from current in-force business less the cost of holding required capital as shown below:

	31 Dec 2014 £m				31 Dec 2013 £m			
	Asia operations	US operations	UK insurance operations	Total long-term business operations	Asia operations	US operations	UK insurance operations	Total long-term business operations
Value of in-force business before deduction of cost of capital and time value of guarantees	10,168	5,914	5,756	21,838	8,540	4,769	5,135	18,444
Cost of capital	(417)	(199)	(272)	(888)	(347)	(220)	(242)	(809)
Cost of time value of guarantees <sup>note (iv)</sup>	(113)	(462)	-	(575)	(50)	(146)	-	(196)
Net value of in-force business	9,638	5,253	5,484	20,375	8,143	4,403	4,893	17,439

(iv) The increase in the cost of time value of guarantees for US operations from £(146) million at 2013 to £(462) million at 2014 primarily relates to variable annuity business. It mainly arises from the decrease in the expected long-term separate account rate of return following the 90 basis points decline in the US 10-year treasury bond rate and the impact from new business written in the year, partly offset by the level of equity performance.

#### 14 Expected transfer of value of in-force business to free surplus

The discounted value of in-force business and required capital can be reconciled to the 2014 and 2013 totals in the tables below for the emergence of free surplus as follows:

	2014 £m	2013 £m
Required capital <sup>note 13</sup>	4,556	3,954
Value of in-force (VIF) <sup>note 13</sup>	20,375	17,439
Add back: deduction for cost of time value of guarantees <sup>note 13</sup>	575	196
Expected cashflow from sale of Japan Life business	(23)	(25)
Other items <sup>note</sup>	(1,382)	(1,157)
Total	24,101	20,407

Note:

'Other items' represent amounts incorporated into VIF where there is no definitive timeframe for when the payments will be made or receipts received. In particular, other items includes the deduction of the value of the shareholders' interest in the estate, the value of which is derived by increasing final bonus rates so as to exhaust the estate over the lifetime of the in-force with-profits business. This is an assumption to give an appropriate valuation. To be conservative this item is excluded from the expected free surplus generation profile below.

Cash flows are projected on a deterministic basis and are discounted at the appropriate risk discount rate. The modelled cash flows use the same methodology underpinning the Group's embedded value reporting and so are subject to the same assumptions and sensitivities.

The table below shows how the VIF generated by the in-force business and the associated required capital is modelled as emerging into free surplus over future years.

	2014 £m						
	Expected period of conversion of future post tax distributable earnings and required capital flows to free surplus						
	2014 Total as shown above	1-5 years	6 -10 years	11-15 years	16 -20 years	21-40 years	40+ years
Asia operations*	10,859	3,660	2,289	1,553	1,026	1,874	457
US operations	7,471	3,867	2,298	873	334	99	-
UK insurance operations	5,771	2,111	1,464	973	606	604	13
Total	24,101	9,638	6,051	3,399	1,966	2,577	470
	100%	40%	25%	14%	8%	11%	2%

2013 £m