# Press Release

**18 August 2015**

## Royal London reports surge in Pensions and Protection new business in the first half of 2015

Royal London, the UK's largest mutual life, pensions and investment company, presents its interim financial and new business results for the six months ending 30 June 2015.

**Financial highlights** (figures in brackets show movement compared to H1 2014)

- New life and pensions business (on a PVNBP basis)[1] £3,032 million (+34%) reflecting excellent sales in pensions (due to pension freedoms and auto enrolment) and in protection products. Main product line performance includes:
    - Group Pensions £1,155m (+9%)
    - Individual Pensions £947m (+56%)
    - Drawdown £577m (+61%)
    - Protection Intermediary £231m (+43%)
    - Consumer £83m (+207%)
- Overall margin for new insurance business was 2.0% compared with 1.1% at 30 June 2014
- EEV (European Embedded Value) operating profit before exceptional items £115m (+5%) due to improved new business profits of £65m (+86%) and strong operating performance. EEV operating profit after exceptional items £115m (+135%) reflecting, in addition, last year's group charge cap provision.
- EEV profit before tax £81m (-42%) and IFRS results before tax £30m (-78%) due to lower gains on investments than last year
- Total Group funds under management of £83.4bn at 30 June 2015, up 1% (£82.3bn at December 2014)
- Royal London with profits fund investment performance was 2.1% against benchmark of 1.6% (H1 2014 3.8% against benchmark of 3.7%)
- Surplus regulatory (Insurance Groups Directive) capital £3,425m (+1%)[2]

1 See Editor's Note 2 for an explanation of the PVNBP basis.
2 Regulatory capital surplus includes tier 2 capital.

## Business highlights

Royal London has delivered strong growth in new business volumes and profits year on year and has achieved encouraging growth in operating profit despite lower market interest rates, which have reduced existing business profit figures. Operating profit after exceptional items has seen a significant improvement as there was no need to make provision for the group pensions charge cap this year. By business, the key highlights were:

- **Pension** new business volumes and margins were significantly up following the implementation of the 'pension freedom' reforms in April. The increase in margin to 1.6% from 0.9% at 30 June 2014 is largely attributed to a reduction in acquisition and maintenance costs resulting from the increase in volumes of new business. Sales of the market leading drawdown product 'Income Release' surged by 61% in the first half of the year and sales of personal pensions were 56% ahead on the first half of last year. Group pensions new business continues to grow steadily, with a 9% rise on the same period last year.
- **Protection Intermediary** new business volumes were up 43% (£231m) on the same period last year (£161m) and application levels were 53% above the 2014 levels. Critical Illness Cover was improved to provide practical support to customers from February 2015, when the Helping Hand service was extended to include a second medical opinion.
- **Consumer** new business volumes more than tripled (up 207%) from £27m on 30 June 2014 to £83m on 30 June 2015, reflecting growth in the new range of over 50s life cover, funeral plan and term assurance products. The Royal London Over 50s Life Cover product helps those with low levels of savings who may otherwise be facing funeral poverty and provides a final cash sum that, as of July 2015, is on average 5% higher than the market's leading provider.
- **Royal London Asset Management (RLAM)** continued to perform well, achieving net new external business inflows of £511m (30 June 2014, £1,315m). The business saw significant wholesale net inflows of £388m, predominantly into the UK Equity Income (£135m), Corporate Bond (£135m), Sterling Credit (£49m) and Cash Plus funds (£27m). Institutional net flows amounted to £123m, predominately into Cash and Buy & Maintain strategies, including a new client for the latter, the South Yorkshire Pensions Authority.
- The **Ascentric** wrap platform saw gross sales of £1.19bn on 30 June 2015 (£1.16bn on 30 June 2014) a 3% improvement. The platform has seen strong growth in the

retirement market since the pension freedoms, enjoying a 115% increase in customers transferring into drawdown.

**Phil Loney, Group Chief Executive of Royal London, said:**

*"We are pleased to be reporting a strong set of new business results and robust operating profits for the first half of 2015. The protection division has made strong improvements, with new business figures up 43% compared to the same period last year. This demonstrates that our strategy of refining the intermediary protection proposition to meet the real needs of customers and investing in technology is beginning to pay off.*

*The biggest story of the first half of the year was, of course, the arrival of pension freedoms in April. The way that these reforms were introduced with a Budget day announcement in 2014, but scant detail and a year to implement, created pent-up demand in the market. We set out to offer all the pension freedoms to all our customers, not just those introduced by advisers. This involved a huge allocation of time and resources to make the changes by the deadline and our strong pension sales performance shows that this investment has worked. Royal London is one of the beneficiaries of the pension freedoms, given that we have virtually no exposure to the annuity market and already had a strong drawdown proposition.*

*It is now clear that April's deadline for the introduction of pension freedoms was far from the end of the Government's pension reform agenda. We have been calling for a properly considered review of the incentives to save in a pension for some time. It is important that we have a settlement that is lasting, and one that that savers understand and have confidence in.*

*Since launching the review last month there has been much speculation about changing the current system, where pension contributions receive tax relief, to one where contributions are made from taxed income, but are paid tax free on withdrawal. This so called 'ISA-style' tax treatment of pension contributions is a fundamental and far-reaching change to the principles of pension savings, which could pose considerable risk to the Government's aim of creating a savings culture in the UK. There is no evidence that the promise of tax free income, 25-30 years into the future, would be believed by the public given the volume of changes to the pensions system over the last 25 years. Consequently, there is a real risk of a significant fall in savings, which are already too low in the UK. It would also create a parallel system which is wholly incompatible with people's existing pension arrangements, would take years to develop and would increase the overall cost of pensions. We believe that* *it is vital to reform the current tax relief system to make long term saving fiscally neutral for all. The incentives need to focus on those with lower incomes, to create a more realistic and lower risk way forward. This could also enable the abolition of the lifetime allowance."*

-ENDS-

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**Editor's notes:**

1) Royal London is the largest mutual life, pensions and investment company in the UK, with Group funds under management of £83.4 billion. Group businesses serve around 5.3 million policyholders and employ 2,922 people. (Figures quoted are as at 30 June 2015).

The Group is currently moving all of its UK and Ireland life, pension and investment businesses under a new version of the Royal London brand. The Group's independent wrap platform will remain branded Ascentric.

2) Present value of new business premiums is the total of new single premium sales received in the year plus the discounted value, at the point of sale, of the regular premiums the Group expects to receive over the term of the new contracts sold in the year.

3) Financial Calendar

| | |
|---|---|
| 4 November 2015 | Interim management statement and third quarter new business results |
| 30 November 2015 | RL Finance Bonds No 2 plc Subordinated debt interest payment date |
| 15 December 2015 | RL Finance Bonds plc Subordinated debt interest payment date |

Royal London will hold an investor conference call to present its 2015 interim financial results on Tuesday 18 August 2015 at 09:30. Interested parties can register at:
https://cossprereg.btci.com/prereg/key.process?key=PNAJAQHHL

4) Forward looking statement

This document may contain forward-looking statements with respect to certain of Royal London's plans, its current goals and expectations relating to its future financial position. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances which are beyond Royal London's control. These include, among others, UK economic and business conditions, market-related risks such as fluctuations in interest rates, the policies and actions of governmental and regulatory authorities, the impact of competition, the timing, impact and other uncertainties of future mergers or combinations within relevant industries.

As a result, Royal London's actual future financial condition, performance and results may differ materially from the plans, goals and expectations set forth in Royal London's forward-looking statements. Royal London undertakes no obligation to update the forward-looking statements.

## 1. Financial Review

### Intermediary

| | PVNBP | | New business contribution[3] | | New business margin | |
|---|---|---|---|---|---|---|
| | **30 Jun 2015** | **30 Jun 2014** | **30 Jun 2015** | **30 Jun 2014** | **30 Jun 2015** | **30 Jun 2014** |
| | **£m** | **£m** | **£m** | **£m** | **%** | **%** |
| Intermediary | | | | | | |
| Pensions | **2,718** | 2,077 | **43.8** | 19.1 | **1.6** | 0.9 |
| Protection | **231** | 161 | **22.5** | 5.9 | **9.7** | 3.6 |

### Consumer

| | PVNBP | | New business contribution[3] | | New business margin | |
|---|---|---|---|---|---|---|
| | **30 Jun 2015** | **30 Jun 2014** | **30 Jun 2015** | **30 Jun 2014** | **30 Jun 2015** | **30 Jun 2014** |
| | **£m** | **£m** | **£m** | **£m** | **%** | **%** |
| | | | | | | |
| Consumer | **83** | 27 | **(6.1)** | 0.5 | **(7.3)** | 1.9 |

### Wealth

| | PVNBP | | New business contribution[3] | | New business margin | |
|---|---|---|---|---|---|---|
| | **30 Jun 2015** | **30 Jun 2014** | **30 Jun 2015** | **30 Jun 2014** | **30 Jun 2015** | **30 Jun 2014** |
| | **£m** | **£m** | **£m** | **£m** | **%** | **%** |
| Wealth | | | | | | |
| RLAM | **1,870** | 1,855 | **13.8** | 14.0 | **0.7** | 0.8 |

| | **30 Jun 2015 £m** | 30 Jun 2014 £m | Change % |
|---|---|---|---|
| **RLAM**<br>Net new business, excluding external cash mandates: | | | |
| Inflows | **1,870** | 1,855 | +1% |
| Outflows | **(1,359)** | (540) | -152% |
| Net | **511** | 1,315 | -61% |

| | | | |
|---|---|---|---|
| **Ascentric** | | | |
| Net new assets under administration | **565** | 651 | -13% |
| Gross sales | **1.19bn** | 1.16bn | +3% |

3 The new business contribution in the tables above represents the new business contribution grossed up for tax at 20% (2014: 21%). This is to aid comparability with proprietary companies which typically pay tax at the main corporate tax rate of 20% (2014: 21%).

## 2. Group performance overview

We have delivered a strong operating performance in the first half of 2015, with good underlying operating profits and strong new business results, particularly in our pensions and protection business.

On the EEV basis, our operating profit after exceptional items increased by 135% to £115m (30 June 2014: £49m). The 2014 result included the £61m cost for the pension charge cap. In 2015 operating profit before exceptional items increased by 5% on the prior period. This result reflects strong contribution from new business, especially in the intermediary pensions and protection markets. This increase in operating profit is net of the impact of the reduction of the discount rate on existing business.

Our total EEV operating profit before tax was impacted by market performance and deflated yields reducing investment returns.

After reflecting these exceptional items and economic variances, our EEV profit before tax was £81m (30 June 2014: £139m).

Our asset management and administration businesses have continued to grow. Total Group funds under management increased from £82.3bn as at 31 December 2014 to £83.4bn at 30 June 2015. Ascentric, our wrap platform administrator, has achieved strong levels of new business growth and has increased its assets under administration by 8% during the first half of 2015 to £9.6bn (31 December 2014: £8.9bn)

**EEV operating profit before exceptional items**

- In 2015 the Group achieved an EEV operating profit before exceptional items of £115m (30 June 2014: £110m). This result reflects good contribution from new business and lower strategic and developments costs.
- Our 2015 EEV operating profit includes:
  - £65m profits from continuing new business (30 June 2014: £35m)
  - £36m favourable operating variances (30 June 2014: £67m)
  - £4m of strategic development costs and other items (30 June 2014: £28m) which support initiatives that we believe are important for our future competitiveness and we expect will deliver good returns in the future.

**EEV profit before tax**

- After reflecting the impact of economic variances, our EEV profit before tax was £81m (30 June 2014: £139m). The decrease on the prior year is due to economic variances and assumption changes in 2015 which in total were lower than the large favourable variances and assumption changes experienced in 2014 reflecting the historically low yields on government bonds at the end of 2014. In addition, the surplus in the Royal London Group Pension Scheme also decreased.

## IFRS results

- The main financial basis we use for assessing our results is the EEV basis. However, we have also calculated our IFRS Operating Profit for the purpose of assessing the amount of our IFRS result attributable to our operating activities. Our IFRS Operating Profit before exceptional items was £65m (30 June 2014 £87m).
- Our IFRS result before tax from continuing operations for the period was £30m (June 2014 £136m). This result reflects many of the features described above within the EEV results. However, there are some differences which include the recognition of certain expense items in IFRS and the increase in value of subordinated debt recognised in EEV but not IFRS.
- As a result of our performance in the year, the Unallocated Divisible Surplus has increased from £3,139m at 31 December 2014 to £3,145m at 30 June 2015.

**Investment performance**

- We measure our investment returns against benchmarks that we have constructed from market indices weighted to reflect the asset mix of each sub-fund. At June 2015 the investments backing the asset shares of the Royal London Open Fund achieved a return of 2.1%, which was ahead of our benchmark of 1.6%.
- The Royal London with-profits investment performance for UK equities was 3.3% (benchmark 3.0%), overseas equities returned 3.1% (benchmark 2.9%), returns from corporate bonds were -0.1% (benchmark -0.8%), government bonds achieved a return of -2.3% (benchmark -2.5%) and our property portfolio returned 6.1% (benchmark 6.6%).

## Capital strength

- The Group's capital strength has continued to improve in 2015 as a result of the contribution from new business and improving investment markets.
- Our regulatory (Insurance Group Directive) capital position is summarised as follows:

| £m | 30 Jun 2015 Open Fund | 30 Jun 2015 Closed Funds | 30 Jun 2015 Total | 31 Dec 2014 Open Fund | 31 Dec 2014 Closed Funds | 31 Dec 2014 Total |
|---|---|---|---|---|---|---|
| Available capital (including tier 2 capital) | **3,892** | **9,591** | **13,483** | 3,917 | 9,449 | 13,366 |
| Capital required | **(467)** | **(775)** | **(1,242)** | (527) | (814) | (1,341) |
| **Surplus** | **3,425** | **8,816** | **12,241** | 3,390 | 8,635 | 12,025 |
| Restriction on surplus of closed funds | **-** | **(8,816)** | **(8,816)** | - | (8,635) | (8,635) |
| **Excess capital** | **3,425** | **-** | **3,425** | 3,390 | - | 3,390 |
| **Capital cover** | **833%** | **100%** | **134%** | 744% | 100% | 134% |

- Our total Group available regulatory capital increased from £13,366m at 31 December 2014 to £13,483m at 30 June 2015. The Group has maintained a strong regulatory capital cover of 134% (31 December 2014 134%).
- The available capital of the closed sub-funds is retained within those funds, as it is ultimately for the benefit of the closed sub-fund policyholders. Therefore only the surplus of the open fund counts towards our Group capital position. The excess regulatory capital of the Royal London Open Fund increased by 1% from £3,390m to £3,425m. The IGD capital cover for the Royal London Open Fund of 833%, an increase on 2014 (744%).
- Our realistic capital position is summarised as follows:

| £m | 30 Jun 2015 Open Fund | 30 Jun 2015 Closed Funds | 30 Jun 2015 Total | 31 Dec 2014 Open Fund | 31 Dec 2014 Closed Funds | 31 Dec 2014 Total |
|---|---|---|---|---|---|---|
| Available capital (including tier 2 capital) | **3,440** | **3,078** | **6,518** | 3,407 | 3,052 | 6,459 |
| Capital required | **-** | **-** | **-** | (15) | - | (15) |
| **Surplus** | **3,440** | **3,078** | **6,518** | 3,392 | 3,052 | 6,444 |
| Closed fund transfer commitments | **-** | **(3,078)** | **(3,078)** | - | (3,052) | (3,052) |
| **Excess capital** | **3,440** | **-** | **3,440** | 3,392 | - | 3,392 |

- Our excess realistic capital (the excess of assets over liabilities, as measured by the PRA's realistic reporting requirements) has increased from £3,392m to £3,440m.

**Ratings agencies**

Our capital strength and financial stability are reflected in our financial ratings from external ratings agencies. Our credit ratings remain unchanged in 2015 at 'A stable outlook' from Standard and Poor's and 'A2 - Good Financial Security' from Moody's. Standard and Poor's affirmed our rating at July 2015.

## Outlook

**Impact of Solvency II**

Solvency II is a major European Union directive that will transform how we manage and report risk and capital. It will be implemented from 1 January 2016. We are making good progress implementing the new systems and processes to meet the new requirements. Royal London will use the Solvency II standard formula approach initially and will consider seeking approval for its internal capital model in due course. We expect to meet the new Capital requirements without material adverse impact on policyholders but there are significant details which remain to be clarified about the new regime. It is possible the outcome from Solvency II will require insurance companies to hold more regulatory capital than is currently required. If Royal London was required to hold significantly increased capital, then the levels of Royal London Profit Share we are able to allocate to our participating members may need to be restricted.

**Project Chrysalis and mutuality**

We continue to engage positively with our regulators the FCA and PRA in relation to their review of the application of conduct of business rules to mutual with profit life insurers.

# Appendix 1 and Appendix 2 include the Group's IFRS and EEV primary financial statements and basis of preparation notes.
# Appendix 1

## Consolidated income statement – EEV basis

| | **30 Jun 15** | 30 Jun 14 | 31 Dec 14 |
|---|---|---|---|
| | **£m** | £m | £m |
| **Operating activities** | | | |
| Contribution from new business | **65** | 35 | 85 |
| Profit from existing business | | | |
| – Expected return | **38** | 45 | 91 |
| – Operating experience variances | **(2)** | 22 | 56 |
| – Operating assumption changes | **(1)** | 8 | 12 |
| Expected return on opening net worth | **14** | 24 | 42 |
| Profit on uncovered business | **5** | 4 | 7 |
| Strategic development costs and other items | **(4)** | (28) | (73) |
| **Operating profit before tax and exceptional items** | **115** | 110 | 220 |
| Exceptional cost arising from regulatory change | **-** | (61) | (61) |
| **Total operating profit before tax** | **115** | 49 | 159 |
| Economic experience variances | **(17)** | 104 | 325 |
| Economic assumption changes | **11** | (17) | (143) |
| Movement in Royal London Group Pension Scheme pension scheme surplus | **(8)** | 23 | (42) |
| Financing costs | **(20)** | (20) | (40) |
| Profit Share | **-** | - | (64) |
| **EEV profit before tax** | **81** | 139 | 195 |
| Attributed tax charge | **(10)** | (12) | (35) |
| **Total EEV profit after tax** | **71** | 127 | 160 |

## Consolidated Balance Sheet - EEV basis

| | **30 Jun 15 £m** | 30 Jun 14 £m | 31 Dec 14 £m |
|---|---|---|---|
| **Assets** | | | |
| Assets held in closed funds | **31,882** | 9,481 | 32,927 |
| Assets backing non-participating liabilities | **22,998** | 20,075 | 21,938 |
| Reinsurance assets | **7,553** | 2,580 | 7,576 |
| Assets backing participating liabilities and net worth | | | |
| – UK equities | **1,893** | 1,945 | 1,781 |
| – Overseas equities | **720** | 648 | 687 |
| – Land and buildings | **839** | 712 | 776 |
| – Approved fixed interest securities | **2,138** | 1,669 | 2,313 |
| – Other fixed interest securities | **1,345** | 1,404 | 1,332 |
| – Other assets | **661** | 949 | 669 |
| Value of in-force business | **1,880** | 1,706 | 1,838 |
| Royal London Group Pension scheme surplus | **40** | 113 | 48 |
| **Total** | **71,949** | 41,282 | 71,885 |
| | | | |
| **Liabilities** | | | |
| Liabilities in closed funds | **31,882** | 9,481 | 32,927 |
| Non-participating liabilities | **22,998** | 20,075 | 21,938 |
| Reinsured liabilities | **7,553** | 2,580 | 7,576 |
| Participating liabilities | **5,377** | 5,083 | 5,438 |
| Current liabilities | **1,082** | 1,110 | 1,020 |
| **Total** | **68,892** | 38,329 | 68,899 |
| **Embedded Value** | | | |
| Net worth | **1,137** | 1,134 | 1,100 |
| Value of in-force business | **1,880** | 1,706 | 1,838 |
| Royal London Group Pension scheme surplus | **40** | 113 | 48 |
| **Total** | **3,057** | 2,953 | 2,986 |

## Value of in-force business - EEV basis

| | **30 Jun 15 £m** | 30 Jun 14 £m | 31 Dec 14 £m |
|---|---|---|---|
| Value of in-force business before allowance for burn-through and capital costs | **1,922** | 1,747 | 1,881 |
| Burn-through cost | **(9)** | (2) | (9) |
| Cost of capital | **(33)** | (39) | (34) |
| Value of in-force business | **1,880** | 1,706 | 1,838 |

## (a) Basis of preparation

The EEV results presented in this document have been prepared in accordance with the EEV Principles and the Additional Guidance issued in 2005 by the CFO Forum. They provide supplementary information for the 6 months ended 30 June 2015 and should be read in conjunction with the Group's IFRS results. These contain information regarding the Group's financial statements referred to in appendix 2.

The EEV Principles and Guidance were designed for use by proprietary companies to assess the value of the firm to its shareholders. As a mutual, Royal London has no shareholders. Instead we regard our members as the nearest equivalent to shareholders and have interpreted the EEV Principles and Guidance accordingly. With-profits policies held by members do not generally contribute to the value of in-force business. However, the liabilities associated with these contracts are deducted from total assets to arrive at net worth. Hence, any movement in liabilities not matched by a corresponding movement in assets will change the net worth and flow through the income statement. The reported embedded value provides an estimate of Royal London's value to its members.

EEV Operating profit follows the same principles, in terms of items to include and exclude as Operating profit, with the exception of certain items which are recognised under IFRS but are excluded from EEV. This is a consequence of the basis of preparing the Group EEV results, which is by reference to the Realistic Balance Sheet (RBS). Some items recognised under IFRS are inadmissible in the RBS and are therefore not recognised in our EEV reporting. Most notably, Operating profit includes amortisation of intangibles (and impairment if relevant) whereas in our EEV reporting, we exclude goodwill or other intangible assets arising on the acquisition of a subsidiary or business (other than value of in-force business) because such items are not permitted to be recognised in the RBS.

The RBS is produced at the level of the Parent company. In order to present the EEV balance sheet as a group balance sheet, the RBS is grossed up to include the assets and liabilities of subsidiaries which are included in the RBS at the value of the Parent company's net investment. However, this gross up excludes any assets and liabilities held within the long-term funds of subsidiaries for which the net result is retained wholly within that fund, most notably the long-term fund of Royal London (CIS) Limited at 30 June 2014 (subsequently transferred into the Parent on 30 December 2014).

A further presentation adjustment is made to the EEV balance sheet in respect of reinsurance. The RBS shows reinsured liabilities net of the related reinsurance asset. The EEV balance sheet is grossed up to show the reinsured liabilities and assets separately.

## Appendix 2

### IFRS consolidated statement of comprehensive income

| | **30 Jun 15** | 30 Jun 14 | 31 Dec 14 |
|---|---|---|---|
| | **£m** | £m | £m |
| **Revenues** | | | |
| Gross earned premiums | **563** | 616 | 1,218 |
| Amounts paid to reinsurers | **(132)** | (1,197) | (1,794) |
| Net earned premiums | **431** | (581) | (576) |
| Fee income from investment and fund management contracts | **124** | 130 | 243 |
| Investment return | **812** | 2,287 | 7,796 |
| Other operating income | **24** | 23 | 47 |
| **Total revenues** | **1,391** | 1,859 | 7,510 |
| **Policyholder benefits and claims** | | | |
| Claims paid, before reinsurance | **1,247** | 1,300 | 2,569 |
| Reinsurance recoveries | **(210)** | (200) | (432) |
| Claims paid, after reinsurance | **1,037** | 1,100 | 2,137 |
| (Decrease) / Increase in insurance contract liabilities, before reinsurance | **(851)** | 489 | 3,749 |
| Reinsurance ceded | **225** | (1,023) | (1,515) |
| (Decrease)/Increase in insurance contract liabilities, after reinsurance | **(626)** | (534) | 2,234 |
| (Decrease) / Increase in non-participating value of in-force business | **(51)** | 91 | 3 |
| Increase in investment contract liabilities | **548** | 636 | 1,846 |
| **Total policyholder benefits and claims** | **908** | 1,293 | 6,220 |
| **Operating expenses** | | | |
| Administrative expenses | **211** | 224 | 486 |
| Investment management expenses | **109** | 92 | 190 |
| Amortisation charges and impairment losses on acquired PVIF and other intangible assets | **13** | 22 | 72 |
| Investment return attributable to external unit holders | **45** | 27 | 101 |
| Other operating expenses | **54** | 44 | 42 |
| **Total operating expenses** | **432** | 409 | 891 |
| **Finance costs** | **21** | 21 | 43 |
| **Result before tax and before transfer to unallocated divisible surplus** | **30** | 136 | 356 |
| **Tax charge** | **14** | 65 | 207 |
| **Transfer to the unallocated divisible surplus** | **16** | 71 | 149 |
| **Result for the period** | **-** | - | - |

## IFRS consolidated statement of comprehensive income (continued)

| | **30 Jun 15** | 30 Jun 14 | 31 Dec 14 |
|---|---|---|---|
| | **£m** | £m | £m |
| **Other comprehensive income from continuing operations** | | | |
| **Items that will not be reclassified to profit or loss** | | | |
| Remeasurements of defined benefit pension schemes | **(10)** | 36 | (15) |
| Transfer (from)/to the unallocated divisible surplus | **(10)** | 36 | (15) |
| **Other comprehensive income for the period net of tax from continuing operations** | **-** | - | - |
| **Total comprehensive income for the period** | **-** | - | - |

As a mutual company, all earnings are retained for the benefit of participating policyholders and are carried forward within the unallocated divisible surplus. Accordingly, there is no profit for the year shown in the statement of total comprehensive income.

## IFRS consolidated balance sheet

### Group

| ASSETS | **30 Jun 15 £m** | 30 Jun 14 £m | 31 Dec 14 £m |
|---|---|---|---|
| **Property, plant and equipment** | **54** | 35 | 46 |
| **Investment property** | **4,990** | 4,471 | 4,727 |
| **Intangible assets** | | | |
| Goodwill | **251** | 251 | 250 |
| Acquired PVIF on investment contracts | **33** | 39 | 34 |
| Acquired PVIF on insurance contracts | **170** | 214 | 177 |
| Deferred acquisition costs on investment contracts | **408** | 447 | 425 |
| Other intangible assets | **36** | 50 | 45 |
| **Reinsurers' share of insurance contract liabilities** | **5,237** | 4,970 | 5,462 |
| **Pension scheme asset** | **112** | 179 | 128 |
| **Deferred tax asset** | **-** | 38 | - |
| **Current tax asset** | **4** | - | - |
| **Financial investments** | **59,124** | 53,154 | 59,492 |
| **Trade and other receivables** | **782** | 864 | 412 |
| **Cash and cash equivalents** | **3,102** | 2,349 | 2,736 |
| **Total assets** | **74,303** | 67,061 | 73,934 |

## IFRS Consolidated Balance Sheet (continued)

### Group

| LIABILITIES | **30 Jun 15 £m** | 30 Jun 14 £m | 31 Dec 14 £m |
|---|---|---|---|
| Participating insurance contract liabilities | **28,890** | 26,813 | 29,607 |
| Participating investment contract liabilities | **2,275** | 2,299 | 2,308 |
| Unallocated divisible surplus | **3,145** | 3,112 | 3,139 |
| Non-participating value of in-force business | **(1,383)** | (1,244) | (1,332) |
| | **32,927** | 30,980 | 33,722 |
| Non-participating insurance contract liabilities | **7,372** | 7,040 | 7,506 |
| Non-participating investment contract liabilities | **23,914** | 20,649 | 22,691 |
| | **31,286** | 27,689 | 30,197 |
| **Subordinated liabilities** | **641** | 640 | 640 |
| **Payables and other financial liabilities** | **5,634** | 4,331 | 5,544 |
| **Provisions** | **215** | 254 | 250 |
| **Other liabilities** | **268** | 300 | 316 |
| **Liability to external unit holders** | **3,245** | 2,798 | 3,122 |
| **Current tax liability** | **-** | 6 | 52 |
| **Deferred tax liability** | **87** | 63 | 91 |
| **Total liabilities** | **74,303** | 67,061 | 73,934 |

## 1. Basis of preparation

The accounting policies adopted are consistent with IFRSs issued by the International Accounting Standards Board as adopted by the European Commission for use in the European Union. The Group has not applied International Accounting Standard 34, 'Interim Financial Reporting' in preparing the 2015 half-year IFRS financial information, as this standard is not mandatory for the Group.

The IFRS financial information for the six months to 30 June 2015 and 2014 is unaudited. The IFRS financial information for the full year 2014 has been taken from the Group's 2014 Annual Report and Accounts as delivered to the Registrar of Companies. The auditors have reported on the 2014 Annual Report and Accounts and their report was unqualified and did not contain a statement under section 498 of the Companies Act 2006.

The IFRS financial information for the period ended 30 June 2015 has been prepared on the basis of the policies that the Group expects to adopt for the 2015 year-end. There are no new IFRS accounting standards applicable in 2015 and the amendments to standards that do apply in 2015 have not had any impact on the Group. The accounting policies adopted are therefore consistent with those set out in the Group's Annual Report and Accounts for the year-ended 31 December 2014, with exception of the relevant disclosure requirements applicable to year end reporting. After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the IFRS financial information.