

EMBARGO: 0700 hrs, Tuesday 27 July 2004

PRUDENTIAL PLC 2004 INTERIM RESULTS

Strong start to the year across the Group

- Sales up 13 per cent, achieved basis operating profit up 55 per cent and statutory profit up 83 per cent
- Strong performances from all businesses:
 - UK's strengthened distribution and product mix produces 15 per cent sales growth
 - M&G's underlying profits up 55 per cent
 - Jackson National Life delivers profitable growth while focusing on returning cash to the group
 - New business achieved profits in Asia up 23 per cent on the first half of 2003
- Interim dividend of 5.4 pence

Comparisons throughout this release are quoted at constant exchange rates (CER)

Results Summary	2004 H1	2003 H1	
	£m	£m	%
Total Group annual premium equivalent sales	853	757	13
New business achieved profits	305	279	9
Achieved basis operating profit	563	364	55
Modified statutory basis operating profit	304	166	83
Total Group funds under management	170bn	157bn	8
Interim dividend per share	5.4p	5.3p	1.9
Shareholders' funds – achieved profit basis	7.2bn	6.7bn	8

Commenting on the results, Jonathan Bloomer, Prudential's Group Chief Executive said:

"Our businesses across the group are firing on all cylinders and our markets in the UK, US and Asia present great opportunities for us.

"In the first half, we worked hard to build distribution and drive sales and profits. This led to pleasing performances from all our businesses.

"We enter the second half of 2004 with a strong mix of complementary businesses, which are well placed to meet the growing needs of our 16 million customers across the world, and in doing so, deliver improving returns to our shareholders.

UK insurance operations

“The UK business has delivered a strong performance, with sales up by 15 per cent. Margins were lower as we shifted the balance towards writing more unit-linked rather than with-profits business. This led to an overall increase in new business achieved profits of two per cent.

“The work done to strengthen our distribution channels is paying off, with increased sales through intermediaries, business to business and partnerships. In April we were appointed to the Sesame multi-tie panel, which will give us access to around a quarter of all Independent Financial Advisers in the UK. We expect to announce further panel appointments later in the year. We already have partnership agreements with Zurich, Lloyds TSB and Alliance & Leicester, and earlier this month announced a new partnership with Pearl to sell Prudential annuities to their personal pension customers.

“We also continue to introduce new products. We are currently launching an investment bond (PruFund) to IFAs, with the customer launch planned for September. PruFund, backed by the strength of our £57 billion life fund, is rated low to medium risk and is designed to deliver higher returns than deposit accounts. This will be followed by a health insurance product from a joint venture with Discovery, which will aggressively challenge the existing players in the market.

“Uncertainty over the regulatory and economic environment, combined with low consumer confidence led us to be cautious about prospects for the UK in the first half of the year. However, we believe we are now moving into a more positive phase, where the government has provided greater clarity on price caps and distribution, and there are some signs of returning consumer confidence. We are well placed to build on this.

“In particular, the improvements in our distribution and products will ensure that we benefit as the UK moves to a multi-tie model, where distributors will rely increasingly on a few strong providers such as Prudential to meet all their customers’ needs.

M&G

“M&G had a tremendous first half, with underlying profit growing by 55 per cent. This reflects our ability to capture the benefits of higher equity markets, as well as tightly controlled costs and continued development of new business initiatives.

“In our retail businesses, we have increased sales by 31 per cent as a result of M&G’s strong brand, broad distribution and choice of funds across fixed income, equities and, most recently, property.

“The fixed interest business has grown its profits by accessing new markets, such as private finance, and distributing innovative products with high quality earnings streams.

“We believe that M&G will remain a significant contributor of profits and capital to the group.

Egg

“Egg continued to make good progress in the UK, delivering a £35 million profit in the first half, and winning 292,000 new customers, bringing its total number of customers to almost 3.5 million. While the Egg Group made a profit of £1 million in the second quarter, it made a £4 million loss for the period. Earlier this month, Egg announced that it had begun to take the necessary steps to withdraw from the French market and will now focus on its successful UK business. We have been in discussions with various parties about our 79 per cent shareholding in Egg which may or may not lead to a transaction and these discussions continue.

Jackson National Life

“Jackson National Life (JNL) had an excellent first half, with sales up by nine per cent and statutory operating profit up by 50 per cent, reflecting the emphasis it places on profitability as well as volumes.

“The company’s strong product mix, distribution model and IT capability allow us to respond quickly to changing customer needs across the economic cycle. During the first half of 2004, this meant that lower demand for fixed annuity products (as a result of low US interest rates) was offset by a 25 per cent increase in sales of variable annuities and strong growth in institutional products.

“During the first half, JNL also continued to actively and successfully manage its capital position and this, combined with the strong growth in earnings, means that, in addition to financing its own expansion, we expect it to be able to return \$120 million cash to the group this year and in future years.

“JNL is in a strong position to maintain its current level of retail sales throughout the second half of the year.

Prudential Corporation Asia

“Prudential Corporation Asia is a major force across the region. It is the largest European insurer in Asia, with 23 businesses in 12 countries. Our long-term commitment to the region has helped us to achieve the very strong presence we have today. We have a portfolio of licences, which are difficult for others to replicate and a strong multi-channel distribution network.

“In the first half of the year we continued to focus on profitable growth, with new business achieved profit up by 23 per cent on the first half of 2003.

“Insurance sales were up 12 per cent in the first half, driven up by a 21 per cent increase in the second quarter compared with the same period last year. We expect to see this momentum continue through the rest of the year.

“Asia’s results reflect the diversity of our operations across the region. In our newer operations in Korea and India sales were up by around 200 per cent, while in China, where sales in Beijing started this year, sales grew by over 50 per cent. In established markets we have seen a very good performance from Hong Kong, steady progress in Singapore and a good rebound in Malaysia in the second quarter. Meanwhile sales in Taiwan were flat and lower in Japan, as we move our focus towards more profitable products and channels.

"We have now reached a size and maturity in our Asian operations to start reaping the benefits of scale - taking the best of our IT, product and distribution developments and building on them. We are strongly placed to take advantage of Asia's growing market for savings and investment products. The business remains on track to return cash to the group in 2006.

Dividend

"The board is recommending an interim dividend of 5.4 pence per share, an increase of 1.9 per cent on the previous half year. As we said previously, we expect to grow the dividend. The level of growth for the full year will be determined after considering opportunities to invest in those areas of our business offering attractive growth prospects, our financial flexibility and the development of statutory profits over the medium to long-term.

Outlook

"We have outstanding businesses in each of our regions: the UK; Asia and the US; all of which have considerable opportunities to grow.

"In the UK, we stand to be a clear beneficiary as the market concentrates towards those financially strong companies with a broad product range and diversified distribution. In the US, we have a business that is generating high returns, and is able to fund its own expansion, as well as return cash to the group; while in Asia, we are now an established force in one of the fastest growing regions of the world, with the ability to deliver continued strong growth.

"I am confident that we can take advantage of and build on these opportunities around the world."

- ENDS -

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Notes to Editors:

1. There will be a conference call today for wire services at 07:45 hosted by Jonathan Bloomer, Group Chief Executive and Philip Broadley, Group Finance Director. Dial in telephone number: +44 (0) 20 8288 4530. Participants to quote "Prudential" to access the call.
2. A presentation to analysts will take place this morning at 09:30 at Prudential plc, Governor's House, Laurence Pountney Hill, London, EC4R 0HH. An audiocast of the presentation and the presentation slides will be available on the Group's website, www.prudential.co.uk
3. A press conference will take place this morning at 11:45 at Prudential plc, Governor's House, Laurence Pountney Hill, London, EC4R 0HH. If journalists wish to attend, please call the Group Press Office in advance, on 020 7548 3712.

4. There will be a conference call today for investors at 14:30 hosted by Jonathan Bloomer, Group Chief Executive and Philip Broadley, Group Finance Director. Dial in telephone number: +44 (0) 20 7162 0192, US dial-in: +1 334 323 6203. Participants to quote "Prudential" to access the call.

A recording of this call will be available for replay for one week.
Dial in: +44 (0) 20 8288 4459, US dial in: +1 334 323 6222, Passcode: 299252.
5. High resolution photographs are available to the media free of charge at www.newscast.co.uk (+44 (0) 207 608 1000).
6. An interview with Jonathan Bloomer (in video/audio/text) will be available on www.cantos.com and www.prudential.co.uk from 07:00 on 27 July 2004.
7. Annual premium equivalent (APE) sales comprise regular premium sales plus one-tenth of single premium insurance sales.
8. The Free Asset Ratio is a common measure of financial strength in the UK for long-term insurance business. It is the ratio of assets less liabilities (before deduction of the required regulatory minimum solvency margin) to liabilities, and is expressed as a percentage of liabilities.
9. Total number of Prudential plc shares in issue as at 30 June 2004 was 2,022,815,445.

10. Financial Calendar:

2004

Ex-dividend date	Wednesday 18 August
Record date	Friday 20 August
Third quarter New Business Figures	Tuesday 19 October
Payment of 2004 interim dividend	Friday 29 October

2005

Full Year New Business Figures	Wednesday 26 January
2004 Preliminary Results	Wednesday 2 March
First quarter New Business Figures	Wednesday 20 April

11. In addition to the interim financial statements provided with this press release, additional financial schedules are available on the website at www.prudential.co.uk

Forward-Looking Statements

This statement may contain certain "forward-looking statements" with respect to certain of Prudential's plans and its current goals and expectations relating to its future financial condition, performance, results, strategy and objectives. Statements containing the words "believes", "intends", "expects", "plans", "seeks" and "anticipates", and words of similar meaning, are forward-looking. By their nature, all forward-looking statements involve risk and uncertainty because they relate to future events and circumstances which are beyond Prudential's control including among other things, UK domestic and global economic and business conditions, market related risks such as fluctuations in interest rates and exchange rates, and the performance of financial markets generally; the policies and actions of regulatory authorities, the impact of competition, inflation, and deflation; experience in particular with regard to mortality and morbidity trends, lapse rates and policy renewal rates;

the timing, impact and other uncertainties of future acquisitions or combinations within relevant industries; and the impact of changes in capital, solvency or accounting standards, and tax and other legislation and regulations in the jurisdictions in which Prudential and its affiliates operate. This may for example result in changes to assumptions used for determining results of operations or re-estimations of reserves for future policy benefits. As a result, Prudential's actual future financial condition, performance and results may differ materially from the plans, goals, and expectations set forth in Prudential's forward-looking statements. Prudential undertakes no obligation to update the forward-looking statements contained in this statement or any other forward-looking statements it may make.

PRUDENTIAL PLC 2004 UNAUDITED INTERIM RESULTS

	Half Year 2004 £m	Half Year 2003 £m	Full Year 2003 £m
Results Summary			
Achieved Profits Basis Results			
UK and Europe Insurance Operations	240	174	359
M&G	79	38	83
Egg	(4)	(23)	(34)
UK and Europe Operations	315	189	408
US Operations	174	144	216
Asian Operations	185	162	378
Other Income and Expenditure (including Asia development expenses)	(111)	(98)	(208)
Operating profit before amortisation of goodwill and exceptional items	563	397	794
Amortisation of goodwill	(49)	(49)	(98)
Short-term fluctuations in investment returns	(26)	316	682
Effect of changes in economic assumptions	21	(487)	(540)
Profit on ordinary activities before tax	509	177	838
Operating earnings per share	19.8p	13.8p	26.4p
Shareholders' funds	£7.2bn	£7.1bn	£7.0bn
	Half Year 2004 £m	Restated Half Year 2003 £m	Restated Full Year 2003 £m
Statutory Basis Results			
Operating profit before amortisation of goodwill and exceptional items	304	177	357
Profit on ordinary activities before tax	282	200	350
Operating earnings per share	10.6p	6.6p	12.9p
Basic earnings per share	7.8p	7.3p	10.4p
Shareholders' funds	£3.3bn	£3.6bn	£3.2bn
	Half Year 2004	Half Year 2003	Full Year 2003
Dividend Per Share	5.4p	5.3p	16.0p
Insurance and Investment Funds under Management	£170bn	£162bn	£168bn

Operating profit and operating earnings per share include investment returns at the expected long-term rate of return but exclude amortisation of goodwill and exceptional items. The directors believe that operating profit, as adjusted for these items, better reflects underlying performance. Profit on ordinary activities and basic earnings per share include these items together with actual investment returns. This basis of presentation has been adopted consistently throughout this Interim Report.

Consistent with the change in policy to implement the revised ABI SORP for 2003 Full Year reporting, the statutory basis results for the 2003 Half Year have been restated. In addition, the achieved profits and statutory basis shareholders' funds shown above including those for the 2003 Half Year and the 2003 Full Year include the minor impact of the implementation of UITF Abstract 38 on Accounting for ESOP Trusts.

BUSINESS REVIEW

UK and EUROPE INSURANCE OPERATIONS

Prudential UK's sales of £361million on an annual premium equivalent (APE) basis were 15 per cent higher than the comparative period in 2003. In the second quarter of 2004, APE sales of £174 million were 23 per cent up on the second quarter of 2003. This increase reflects record sales of individual annuities and corporate pension sales and a doubling of unit-linked bond sales which more than offset lower sales of with-profits bonds.

Achieved basis operating profit of £240 million was up 38 per cent on the prior year and modified statutory basis (MSB) profit of £152 million was up 10 per cent. New business achieved profit (NBAP) of £88 million was up two per cent on the first half of 2003. Increased sales were offset by lower new business margins of 25 per cent (27 per cent for the first half of 2003). This is a consequence of the switch to unit-linked business from with-profits. As we build the book and gain scale, we expect margins will be affected in the short-term. APE individual annuity sales increased by 14 per cent with single premium sales reaching almost £1 billion in the first half of the year.

Prudential UK operates through four different distribution channels: the intermediaries channel where the focus is on distribution of a wide range of medium to long-term savings products through retail IFAs; the business to business channel which distributes corporate pensions through work-site marketing using Prudential's strong links with consulting actuaries and benefit advisers; the partnerships channel which has responsibility for developing relationships with banks and other distributors; and the direct to customer channel which focuses on the in-force customer base.

APE sales through the intermediaries channel were £141 million, 22 per cent higher (20 per cent higher excluding DWP rebates) than the equivalent period in 2003. This reflected the continued strong growth in unit-linked and offshore investment sales which were more than double the level recorded in the comparative period of 2003 and result from the continued success of Prudential's unit-linked Flexible Investment Plan.

The business to business channel continued to grow, with sales in the first half of the year up eight per cent on the same period in 2003. APE sales of bulk annuities were £21 million, up 31 per cent on the same period last year and comprised 37 transactions. APE sales of corporate pensions were up five per cent on the first half of 2003, and second quarter sales were up 40 per cent on the first quarter of 2004.

APE sales through partnership agreements were £40 million, 150 per cent higher than in the same period of 2003. This excellent performance reflects, in particular, strong sales of annuities through our partnership with Zurich and protection products through our partnerships with Lloyds TSB and Alliance & Leicester. On 19 July, Prudential UK announced a five-year partnership agreement with Pearl to offer Pearl's personal pension customers (expected to be around 5000 per year) Prudential-branded annuities when their pensions mature.

APE sales through the direct to customer channel were £63 million, down 14 per cent on the prior year. The focus of this channel is primarily on selling annuities to vesting individual pensions, an increasing proportion of which are being transacted through IFAs.

As distributors seek to maximise the value of their distribution franchise by contracting with a small number of producers with a wide range of products, Prudential has extended its product range to include unit-linked bonds, protection and equity release. Prudential is developing an innovative new investment bond which will be launched in the second half of 2004 and subsequently will launch its health insurance product range through a joint venture with Discovery of South Africa.

At the end of June 2004, the free asset ratio of the Prudential Assurance Company long-term fund was approximately 10.7 per cent on the statutory basis without taking account of future profits or implicit items (compared with 10.5 per cent at the end of 2003). Prudential's long-term with-profits fund earned an investment return of 3.0 per cent in the six months to the end of June 2004 in a period of flat equity markets, compared with an expected long-term return of 3.5 per cent.

Prudential UK is building powerful underlying growth and is benefiting as the market in the UK continues to concentrate towards those financially strong companies with a strong brand, broad product range and diversified distribution.

M&G

M&G's total operating profit including performance related fees for the first six months of 2004 was £79 million, more than double the profits generated in the same period last year. Included in this total operating profit is a figure of £19 million relating to M&G's share of carried interest generated by PPM Ventures. This reflects several exceptional realisations by PPM Ventures during the first half of the year that are not expected to recur.

M&G's operating profit excluding performance fees was £59 million, an increase of 55 per cent on the previous year. This increase reflects the many measures M&G has taken over the past few years to control its cost base, combined with higher market levels and successful new business initiatives. Included within M&G's operating profit are £7 million of one-off items.

M&G recorded gross retail fund inflows of £799 million in the first six months of 2004, an increase of 31 per cent on the same period last year. Net retail fund inflows were £74 million. In the UK, M&G has continued to maintain solid fund inflows as a result of its strong retail brand, good fund performance and diversified product offering in fixed income, equities and, most recently, property. The success of M&G's focused expansion into European markets has been reflected in a significant increase in sales in this area during the first half of the year.

M&G continued to develop its position as a leading innovator in fixed income and private finance during 2004. An example of this is the successful launch of Leopard II, M&G's second leveraged loan Collateralised Loan Obligation (CLO), which, due to investor demand, increased at closing from €300 million to €375 million. M&G's strategy in this area remains primarily focused on earning management fees.

Gross institutional fund inflows were £1.4 billion in the first half of the year, on a par with 2003. While fund inflows into both segregated and pooled funds have remained strong, M&G's net fund flows during the half year were affected by a single large redemption by a segregated fixed income client during the first quarter. As a result, net institutional fund outflows for the first six months were £164 million. However, second quarter net fund inflows were much stronger at £716 million, due to several large mandate wins, further inflows from existing clients and the success of the Leopard II CLO.

EGG

Egg announced its interims on 22 July. Egg is an innovative financial services company, providing a range of banking and financial services products through its internet site. Egg's loss of £4 million reduced from £23 million at 2003 half year.

Egg's UK Banking operation delivered a £35 million profit in the first half of 2004 despite increased competition and rising interest rates. In the first half of 2004 Egg grew its customer base by 292,000 to almost 3.5 million. Revenues have grown steadily quarter on quarter and were up 19 per cent for the half year on 2003.

Personal loan sales of £1.1 billion were up 60 per cent on 2003 and unsecured lending balances grew by £559 million in the first half of the year taking balances to almost £5.4 billion, up 12 per cent on 2003 year end. Credit quality remains strong and benchmarks continue to show Egg's card portfolio significantly outperforms industry norms.

Egg is intent on helping people understand and manage their money more effectively through innovative technology. Egg Money Manager, Egg's account aggregation service, now has 250,000 registered users, making it the largest aggregation provider in Europe.

In France the operating loss was £32 million compared with £49 million in 2003. Egg announced on 13 July that it had began to take necessary steps to withdraw from the market. The closure costs are expected to be €170 million (£113 million) pre-tax.

JACKSON NATIONAL LIFE

Jackson National Life delivered an excellent performance in the first half of 2004, as it continued to focus on profit over top line growth and on its core strengths in product design and distribution. At constant exchange rates (CER), total sales for the first half of 2004 were eight per cent up on prior year, new business achieved profits were down one per cent and MSB operating profit was up 50 per cent. During 2003 JNL actively and successfully managed its capital position, and these strong results further strengthen that position.

The ongoing improvement in its capital position has allowed JNL to concentrate on building its retail sales, and in addition, re-enter the institutional market. Within the retail sales area JNL's focus is on the long-term growth of variable annuities which will benefit its capital position and further diversify its revenues. As at 31 March 2004, JNL had variable annuity net assets of \$11 billion, and held the 20th largest variable annuity book by net assets (source: The VARDS Report).

In 2004, the eight per cent growth in total sales to £2.3 billion at CER was driven by strong sales of variable annuities and institutional products. Total retail sales for the first half of 2004 of £1.7 billion were in line with prior year at CER. Variable annuity sales of £1 billion were up 25 per cent on 2003 at CER, reflecting the recovery in equity markets in the second half of 2003 and JNL's strong product offering. JNL's innovative unbundled variable annuity "Perspective II" was the seventh best selling contract in the market place in the first quarter of 2004. The rate of take up of the fixed account option remained low, with 26 per cent of variable annuity premium going into fixed accounts for the first half of 2004 compared with 57 per cent for the first half of 2003, further benefiting the capital position. This strong sales level has been achieved despite the repricing of the guaranteed minimum death benefit feature in the second half of 2003, and a 10 basis points increase in charges in May 2004 together

with an increase in commissions. In the same month JNL also launched a proprietary variable annuity sold through Fifth Third Bank.

Fixed annuity sales of £573 million were down 32 per cent on prior year at CER, reflecting the continued low interest rate environment in the US and resulting lower crediting rates, which limited demand for this product. Despite the fall in volumes, JNL ranked fourth in total individual fixed annuity sales for the first quarter of 2004, up one position from the previous quarter (source: LIMRA International).

Institutional sales for the first half of 2004 were £601 million, up 46 per cent on prior year at CER. While the tight spread environment constrains the opportunities for sales of institutional products, JNL took advantage of several attractive issuance opportunities during the first half of 2004. JNL's focus for the rest of 2004 will be primarily on the retail market, and it is anticipated that growth in total retail sales in the second half of 2004 will continue to build on the strong performance delivered in the first half of the year. Sales of institutional products in the second half of 2004 are anticipated to be in the region of £225 million.

In 2003 JNL revised its life insurance offer to enhance its position through the launch of revised term and universal life products and the recruitment of a specialist life wholesaling team. In March 2004 JNL launched its first variable universal life product. Although life sales are small relative to annuity sales, in 2004 life sales were up 49 per cent at CER.

At constant exchange rates, new business achieved profit fell one per cent to £82 million, reflecting a nine per cent increase in APE sales and a fall in margin from 37 per cent in 2003 to 34 per cent in 2004. The fall in margin was primarily due to the net impact of economic assumption changes, together with the effect of certain targeted commission reductions effective in April and May 2003 not repeated in 2004. JNL has made revisions to the products to improve profitability, although prudently not all of these pricing improvements are yet reflected in the new business margins. The positive net impact of the revisions to variable annuity pricing introduced in May 2004 will be seen in the second half of the year.

The strong growth in the MSB operating profit reflects JNL's clear focus and ability to deliver improving returns. The first half of 2004 showed an increase in spread income over prior year, and higher variable annuity sales increased the fee income from this line of business. For the first time in four years there are net investment gains on bonds reflecting the improving credit cycle and JNL's tight management of credit risk.

As a consequence of this growth in earnings, the improved capital position and the strength of the business, JNL will be increasing its remittances to the group during 2004 from the current level of \$83 million to \$120 million. This level of remittances is expected to continue in future years.

In July 2004 JNL entered into an agreement to sell its subsidiary, Jackson Federal Bank ("JFB"), to Union Bank of California, N.A. (UBOC) for a consideration of £168 million. The consideration receivable by JNL is £92 million in cash and £76 million in shares of UnionBanCal Corporation, the parent company of UBOC, resulting in an internal rate of return on investment of 17 per cent. The sale is conditional upon, among other things, regulatory approvals, and is expected to complete in the fourth quarter of 2004. The capital received as a result of the sale will be redeployed mainly to support further growth of JNL's business.

The results for the first half of 2004 clearly demonstrate that, following careful management, JNL has emerged successfully from a period of recession and significant capital market turbulence in the US. JNL is in a strong position and is well placed as markets in the US continue to recover.

PRUDENTIAL CORPORATION ASIA

Prudential's Asian operations demonstrated their focus on profitability during the first half of 2004 with strong growth in achieved and MSB profits while still continuing to deliver strong new business volumes.

Sales of insurance products on an APE basis for the second quarter were up 21 per cent on 2003 (at CER) resulting in a first half increase of 12 per cent (at CER). This reflects very strong, triple digit growth from our newer operations in Korea and India, the successful launch of our Beijing Life operation in the third quarter of 2003 and continuing success in Hong Kong, particularly through the bancassurance channel.

Our Indonesian operation was up 28 per cent (at CER) from the first half of 2003 despite the bankruptcy claim which impacted on the second quarter. Malaysia reported an excellent second quarter, up 31 per cent (at CER) on the same quarter last year and 50 per cent (at CER) up on the first quarter this year. Sales in the 'other' category have slowed during 2004 compared with the same period in 2003 due to a steadying of the Vietnamese market on the back of four years explosive growth following liberalisation of the market.

In Taiwan, APE for the half year 2004 equalled 2003 levels (at CER) following our strategy not to pursue high volume, low margin business. We have focussed on profitability by shifting to higher margin unit linked products which comprised 39 per cent for the first half of 2004 compared with 14 per cent for the same period last year.

In the third quarter 2003 we implemented our strategy in Japan to focus on more profitable product lines and on building a high quality financial adviser channel combined with developing bank distribution relationships. While there has been steady progress in this strategy, cutting the less profitable lines has had a negative impact on headline APE growth from our Asian operations which would have been up 22 per cent (at CER) if these old product lines and distribution channels were excluded from the comparative. As expected, there has been a positive impact on the average NBAP margin and the MSB profit from these changes.

While tied agency distribution still predominates in Asia, we continue to diversify our distribution with the proportion of sales from non-agency channels increasing from 23 per cent for the first half of 2003 to 27 per cent for the first half of 2004. This includes great success in Korea where we have pioneered direct selling via cable television. During the first half of 2004 we also commenced bancassurance distribution with E.Sun bank in Taiwan and on 22 July 2004 announced an additional distribution agreement in Singapore with Maybank.

Overall we anticipate continued good momentum through the remainder of 2004.

The impact of our focus on profitability in Asia is clear with NBAP up 23 per cent on the first half of 2003 (at CER) to £135 million. This compares very favourably to the three per cent increase we reported this time last year. The average new business margin has increased to 54 per cent compared with 50 per cent at the same time last year (at CER).

Total retail mutual funds under management in Asia at 30 June 2004 were £6.9 billion, up 20 per cent on the first half of 2003. This reflects continuing strength in our established Taiwanese and Indian operations, very positive results especially relative to the market in Korea and great success in establishing what is now the fifth largest mutual fund operation in Malaysia from a green-field launch three years ago.

In-force achieved profits in Asia of £40 million represent a 29 per cent increase over 2003 (at CER) reflecting the net impact of an increase in unwind of discount as the in-force book continues to grow combined with a reduction in adverse experience variances, partially offset by an operating assumption change of negative £29 million.

MSB profits of £64 million (including profits from our Asian fund management operations and Asia development costs) also represent a material increase over 2003. While this includes some one-off investment gains and a reduction in costs in Japan, it does demonstrate the increasing scale and maturity of our businesses, including the fund management operations where MSB profits for the first half of 2004 are £10 million compared with £2 million for the same period last year.

Our strategy in Asia remains firmly on track and the focus continues to be on securing long term, profitable and sustainable growth.

FINANCIAL REVIEW

Insurance and Investment Products New Business

Prudential continued to benefit from the strength of its international operations with total new business flows reaching £17.3 billion, 20 per cent ahead of the comparative last year at constant exchange rates (CER). At reported exchange rates, total new business inflows were up 13 per cent.

Total sales of new insurance and investment products outside the UK represented 72 per cent of the group total of £17.3 billion.

Total insurance sales were £5.6 billion, up 20 per cent at CER while sales on an annual premium equivalent basis (APE) were up 13 per cent at CER to £853 million. At reported exchange rates, total insurance sales were up 12 per cent and APE insurance sales were up six per cent. Total insurance sales outside the UK were 52 per cent of the group's total.

Total investment products funds under management increased by two per cent at reported exchange rates in the six months to £31.5 billion, with net investment flows of £587 million and net market and other movements of £159 million. Gross investment flows increased 13 per cent to £11.8 billion.

Achieved Basis Operating Profit

Total achieved basis operating profit of £563 million was up 55 per cent at constant exchange rates and at reported exchange rates (RER) was up 42 per cent.

	Half Year 2004 £m	Half Year CER 2003 £m	Half Year RER 2003 £m
New business (NBAP)	305	279	303
Business in force	286	164	176
Long-term business	591	443	479
Asia development expenses	(10)	(11)	(12)
Other operating results	(18)	(68)	(70)
Total	563	364	397

Group NBAP from long-term business of £305 million was up nine per cent on prior year at CER, reflecting strong growth in our Asian operations, which were up 23 per cent on 2003. The group's average new business margin fell from 37 per cent in the first half of 2003 to 36 per cent. At reported exchange rates, NBAP was in line with 2003.

During the first half of 2004, over 70 per cent of the group's NBAP was generated from its overseas operations.

Total in-force achieved profit of £286 million was up 74 per cent on 2003 at CER. At reported exchange rates, in-force achieved profit was up 63 per cent. This resulted from strong growth in the UK and Europe Insurance Operations and the US Operations.

UK and Europe Insurance Operations

Achieved operating profit of £240 million was up 38 per cent on 2003.

New business achieved profit of £88 million was up two per cent on the first half of 2003, reflecting a 15 per cent increase in APE sales, offset by lower new business margins of 25 per cent compared with 27 per cent for the first half of 2003.

The decline in the margin reflects: a further decline in the sale of with-profits products; rapid growth in the sale of unit linked products; lower annuity yields compared with the first half of 2003; and the adverse effect of economic assumption changes as interest rates have risen; partially offset by a higher proportion of shareholder backed annuities.

Annuity margins continue to remain high reflecting the increasing volume of business being written in Prudential Retirement Income Limited (PRIL), Prudential's shareholder backed annuity company owned by the Prudential Assurance Company's (PAC) shareholder fund. In the first half of the year, new business achieved profit from annuities accounted for more than half of the total UK new business achieved profit. At present, Prudential writes 97 per cent of bulk annuities and 57 per cent of individual annuities in PRIL. The remainder are written in Prudential Annuities Limited, which is owned by the PAC with-profits fund.

In-force profit of £152 million was 73 per cent higher than the first half of 2003 reflecting an increase in the unwind of discount of £31 million together with the absence of operating assumption changes of £50 million in 2003 in respect of persistency. In 2004, there is a £15 million adverse persistency experience variance which arose from higher than expected surrenders of Prudence Bond following the increase in market value reductions free withdrawals from £10,000 to £25,000 in February, and also from personal pension policies previously sold through the now closed direct sales force. We are taking active steps to manage and improve the conservation of in-force business and continue to monitor actual experience closely.

US Operations

In the US, achieved operating profit from long-term operations was £176 million, up 38 per cent at CER and up 21 per cent at reported exchange rates.

At CER, new business achieved profit fell one per cent to £82 million, reflecting a nine per cent increase in APE sales and a fall in margin from 37 per cent in 2003 to 34 per cent in 2004. At reported exchange rates, NBAP was down 13 per cent. The fall in margin was primarily due to the net impact of economic assumption changes, together with the effect of certain targeted commission reductions effective in April and May 2003 not repeated in 2004. The economic assumption changes included an increase in the risk discount rate from 6.6 per cent to 7.7 per cent reflecting the 1.1 per cent increase in the 10 year treasury rate, reductions in the projected fund earned rates and crediting rates and an increase in the separate account return assumption for variable annuity business. The new business spread for fixed annuities was 155 basis points trending to 175 basis points over five years, unchanged from 2003. JNL have made revisions to the products to improve profitability, although prudently not all of these pricing improvements are yet reflected in the new business margins. The positive net impact of the revisions to variable annuity pricing introduced in May 2004 will be seen in the second half of the year.

At CER, the in-force profit in 2004 increased significantly from £45 million to £94 million. At reported exchange rates in-force profit increased from £51 million to £94 million, primarily due to the improvement in net experience variances, including a £21 million improvement in spread variance, together with a £9 million improvement in other items. Included within other items in 2004 is a favourable legal settlement, which partially offsets market value adjustment (MVA) benefits on fixed annuities paid out in 2004. The increase in MVA benefits in 2004 is due to the low interest rate environment resulting in unrealised gains on bonds, a portion of which is paid to policyholders when they surrender their policies. Jackson Federal Bank's profit in 2004 was £11 million in line with prior year.

In 2004, actual net gains on bonds of £38 million compared with net losses in 2003 of £57 million. Net gains and losses on bonds, including defaults and impairments, are included within the operating results on a five-year averaged basis with a charge in 2004 of £54 million compared with £77 million in 2003. In the presentation of the results this £54 million charge is compared with the long-term default assumption (the risk margin reserve (RMR)) of £32 million, resulting in a negative variance of £22 million. The spread variance is then reported against the gross spread before the RMR. The £92 million positive difference between the actual net gain on bonds of £38 million for half year 2004 and the £54 million charge within operating profit is reported within the short-term fluctuations in investment returns.

Asian Operations

In Asia, achieved operating profit from long-term operations (excluding development costs) was £175 million, up 24 per cent at CER and up nine per cent at reported exchange rates.

NBAP of £135 million for the first half of 2004 was up 23 per cent at CER. This reflected a 12 per cent increase in APE sales combined with a four per cent increase in new business achieved profit margin (at CER) to 54 per cent. The increase in margin reflected the net impact of changes in product and country mix combined with changes to economic and operating assumptions. This includes favourable movements of three per cent relating to a change in country mix and six per cent relating to a change in product mix in Taiwan. This was partially offset by other product mix effects combined with a revision to a number of operating and economic assumptions around the region (net negative five per cent). At reported exchange rates, NBAP was up 10 per cent.

At CER, in-force profit (before development costs) was 29 per cent ahead of prior year, from £31 million to £40 million. At reported exchange rates, in-force profit increased by eight per cent. This increase reflected a £10 million increase in the unwind of discount and a net reduction in experience variances from negative £18 million in 2003 to positive £4 million. This was partially offset by negative £29 million operating assumption changes which included a £14 million expense assumption change for Vietnam relating to higher infrastructure costs combined with lower sales volumes and a £7 million persistency assumption change in Singapore.

Non-insurance Operations

M&G

M&G more than doubled its total operating profit to £79 million for the first half of 2004. This includes £19 million of carried interest generated by PPM Ventures after several exceptional realisations during the first half of the year, which are not expected to recur. M&G's operating profit, excluding performance fees but including £7 million of one-off items, increased to £59 million from £38 million. This growth reflects the benefits of higher equity markets in the first half of the year (the FTSE All-Share Index averaged 20 per cent more in the first half of 2004 than in the same period in 2003) combined with successful new business initiatives. Moreover, the many measures taken by M&G over the past few years to control its cost base have continued, allowing increased revenues to flow through to operating profit.

Egg

Egg's UK Banking operation generated a profit of £35 million in the first half of 2004 and acquired 292,000 customers, giving it a total customer base of almost 3.5 million. Revenue has grown steadily in each quarter and increased by 19 per cent on the same period last year. The operating loss in France was £32 million compared to £49 million in 2003. The total loss for the first six months was £4 million versus a £23 million loss in the first half of 2003. Egg's results were presented in their own report issued on 22 July. On 13 July, Egg announced that it intended to take the necessary steps to withdraw from the French market at an expected pre-tax cost of €170 million (£113 million) to be provided in the second half of 2004.

Other

In the US, National Planning Holdings and PPM America earned profits of £9 million. Curian delivered a loss of £11 million, which reflects losses in its investment phase as funds under management continue to grow. JNL anticipates a similar loss in the second half of 2004. Together, these businesses delivered a loss of £2 million compared with a loss of £1 million in 2003.

Profit from our Asian fund management operations was £10 million, up from £2 million in the first half of 2003 reflecting their increased scale.

Asia development expenses (excluding the regional head office expenses) were £10 million compared with £12 million in the first half of 2003 and reflect the continued expansion of the business.

Other net expenditure was £101 million compared with £86 million in 2003. Investment and other income of £16 million was up £4 million on prior year. Interest expenditure during 2004 was £74 million compared with £67 million in 2003. Corporate head office costs were £25 million compared with £19 million in 2003 and Asian regional head office costs were £18 million compared with £12 million in 2003. The increase in the corporate head office costs reflects the substantial work being undertaken for the implementation of International Financial Reporting Standards and regulatory changes.

Achieved Profits – Profit Before Tax

Total achieved profits before tax and minority interests was £509 million compared with £177 million for the first half of 2003. This reflects an increase in operating profit from £397 million to £563 million together with a favourable movement of £508 million due to changes in economic assumptions, offset by a £342 million net negative movement in short-term fluctuations in investment returns, from positive £316 million to negative £26 million.

The UK component of short-term fluctuations in investment returns was negative £51 million and largely relates to the PAC Life Fund, reflecting the difference between the actual rate of return of positive 3.0 per cent and the long-term assumed rate of return of 3.5 per cent for the half year.

The US component of positive £69 million included a positive £92 million in respect of the difference between actual net bond gains and the five-year average amount included in operating profit, offset by a negative £23 million in relation to changed expectations of future profitability on variable annuity business in-force due to the actual separate account return being lower than the long-term return reported within operating profit.

The Asian component of negative £44 million was primarily due to the reduced market value of bonds, as yields improved in the first half of 2004.

Favourable economic assumption changes of £21 million in 2004, compared with adverse economic assumption changes of £487 million in 2003, reflect changes in assumptions for future investment returns, risk discount rates and similar items. Over the last year long-term expected rates of return and risk discount rates have increased. Economic assumption changes in 2004 comprised positive £100 million for UK and Europe, negative £60 million for the US and negative £19 million for the Asian operations.

The UK component reflects increases in the risk discount rate of 0.7 per cent and in the investment return assumption of 0.7 per cent following an increase in gilt yields in the last 12 months.

The US component primarily reflects the increase in the risk discount rate following 10 year treasury bond rate rises, a reduction in the spread assumption for Equity Linked Indexed Annuities business in-force prior to 2002 and reductions in the projected fund earned and crediting rates on in-force business.

The Asian component principally reflects a change to the fund earned rate in Taiwan, reflecting the increased proportion of assets now being held in government bonds.

Achieved Profits – Profit After Tax

Profit after tax and minority interests was £314 million. The tax charge of £188 million compares with a tax charge of £106 million in the first half of 2003. Minority interests in the group results were negative £7 million.

The effective tax rate at an operating profit level was 30 per cent. This compares with effective rates on operating profits for the 2003 half year and full year of 32 and 34 per cent respectively. The effective tax rate at a total achieved profit level of 37 per cent was higher than the 30 per cent effective rate on operating profits primarily due to the absence of tax relief on the amortisation of goodwill, and the impact of short-term

fluctuations in investment returns and changes in economic assumptions not all of which are tax affected.

Modified Statutory Basis – Operating Profit

Total operating profit before tax on the modified statutory basis (MSB) was £304 million, £138 million up on the £166 million for the first half in 2003 at CER. At reported exchange rates, operating profit was up £127 million.

UK and Europe Insurance Operations' operating profit in 2004 was £152 million, £14 million above the restated 2003 half year figure. The increase primarily reflected higher profits from PRIL, offset by lower profits from the PAC with-profits fund, primarily due to lower annual and terminal bonuses (as announced in February 2004). The 2003 half year result has been restated for a £5 million positive adjustment in respect of the financing element of certain reinsurance contracts. This is required by changes to the Statement of Recommended Practice (SORP) for accounting for insurance business that was issued by the Association of British Insurers in November 2003.

The US Operations' result, which is based on US GAAP adjusted where necessary to comply with UK GAAP, of £114 million was up 50 per cent on 2003 at CER. At reported exchange rates, operating profit was 33 per cent higher than 2003.

The increase in profits primarily reflected higher spread income, higher fee and other income and lower average realised bond losses, offset by the related increased deferred acquisition cost amortisation and a lower level of capitalised costs. In addition, the operating result includes two one-off items, a receipt of a legal settlement and an accounting adjustment arising from the adoption of SOP 03-01 "Accounting and Reporting by Insurance Enterprises for Certain Non-traditional Long Duration Contracts and for Separate Accounts", which covers a number of requirements including Guaranteed Minimum Death Benefits (GMDB) provisioning. The required changes to GMDB provisioning were, however, implemented early and included in the results for the full year 2002. These items have increased operating profit by £19 million and £8 million respectively.

The Asian Operations' operating profit (before development expenses) was £74 million up £42 million on 2003 at CER. At reported exchange rates, operating profit was up £38 million on 2003. The three largest established operations (Singapore, Hong Kong and Malaysia) saw their combined MSB operating profit increase by 31 per cent to £53 million. This was offset by expected losses in newer Asian operations, such as Japan, India and Korea as they continue to build scale and fund new business strain. The first half result benefited from a number of one-off items (including investment gains) totalling £7 million.

Modified Statutory Basis – Profit After Tax

MSB profit after tax and minority interests was £156 million reflecting a tax charge of £119 million and a £7 million charge in respect of minority interests. Tax on operating profit was 30 per cent, whereas the effective rate of tax on total profit in 2004 was 42 per cent, compared with 30 per cent in the first half 2003 and 41 per cent at the 2003 full year. The increase in the effective rate of tax on total profit is due to the impact of short-term fluctuations in investment returns, not all of which are tax affected.

It is anticipated that the effective rate of tax on operating profit for the full year will increase reflecting the higher proportion of profit from our US Operation which is subject to a higher tax rate.

Earnings and Dividend Per Share

Earnings per share based on achieved basis operating profit after tax and related minority interests but before amortisation of goodwill were 19.8 pence, up 6.0 pence on 2003. Earnings per share on an MSB operating profit basis were 10.6 pence, up 4.0 pence on 2003.

The interim dividend per share of 5.4 pence represents 1.9 per cent increase on 2003 interim dividend and will be paid on 29 October 2004.

Post Balance Sheet Events

On 1 July, the sale of Prudential Assurance Company's 15 per cent interest in Life Assurance Holding Corporation Limited to Swiss Re was announced. The sale is expected to complete in August 2004 subject to regulatory approvals. Prudential's share of the consideration, net of retentions, is expected to be £35 million and generate an £8 million profit on disposal.

On 2 July, Prudential announced the sale by Jackson National Life of Jackson Federal Bank, its wholly owned subsidiary, to Union Bank of California for £168 million. The sale is conditional upon regulatory approvals and is expected to complete in the fourth quarter of 2004. Prudential anticipates recording a £38 million profit on disposal.

On 13 July, Egg announced that it intended to take the necessary steps to withdraw from the French market at an expected cost of €170 million (£113 million) to be provided in the second half of 2004.

At the full year it is expected that the operating results of the Jackson Federal Bank and Egg France businesses will be classified as discontinued operations.

Cash Flow

The table below shows the group holding company cash flow. Prudential believes that this format gives a clearer presentation of the use of the group's resources than the FRS 1 statement required in the financial statements.

	HY 2004 £m	HY 2003 £m
UK life fund transfer*	208	286
Cash remitted by business units	100	66
Total cash remitted to group	308	352
Interest	(79)	(76)
Dividends	(214)	(341)
Cash remittances after interest and dividends	15	(65)
Tax received	-	40
Equity (scrip dividends and share options)	61	21
Corporate activities	(28)	44

Cash flow before investment in businesses	48	40
Capital invested in business units		
Asia	(88)	(82)
UK and Europe	(28)	-
Other	-	(9)
Decrease in cash	(68)	(51)

* In respect of prior year bonus declarations

The group received £308 million in cash remittances from business units in the first half of 2004 (2003: £352 million) comprising the statutory life fund transfer to shareholders of £208 million relating to the 2003 bonus declarations, together with dividends and loans from subsidiaries. Prudential expects the life fund transfer to continue at broadly this level.

Dividends and loans received include £38 million from M&G and £62 million from Asia. In the second half of 2004 a £100 million special dividend is due from the PAC shareholders' funds in respect of profits arising from earlier business disposals. A similar amount will also be distributed from PAC shareholders' funds in 2005. In the second half of 2004 Jackson National Life will pay an increased annual remittance to the group from \$83 million to \$120 million. It is anticipated that the remittance from JNL will then continue at this level.

After dividends and interest paid, there was a net inflow of £15 million (2003: £65 million net outflow). The group paid £28 million in respect of corporate activities, which together with proceeds of £61 million from equity issuance gave rise to a total net surplus of £48 million (2003: £40 million).

During the first half of the year the group invested £116 million (2003: £91 million), including £88 million in its Asian operations. For the full year 2003, £145 million was invested in Asia, and Prudential expects to invest approximately the same amount in 2004 and 2005. Based on current plans Prudential continues to expect that its Asian operation will be a net capital provider to the group in 2006.

In aggregate this gave rise to a decrease in cash of £68 million (2003: £51 million decrease).

Shareholders' Borrowings and Financial Flexibility

Net core structural borrowings at 30 June 2004 were £2.2 billion, £0.1 billion up on the 2003 year end position. This reflects the net cash outflow of £68 million referred to earlier.

Prudential plc enjoys strong debt ratings from both Standard & Poor's and Moody's. Prudential long-term senior debt is rated AA- (negative outlook) and A2 (stable outlook) from Standard & Poor's and Moody's respectively, while short-term ratings are A1+ and P-1.

The group also has access to £1.3 billion committed bank facilities provided by 13 major international banks and a £500 million committed securities lending liquidity facility.

Prudential continues to manage its balance sheet efficiently with regard to both ratings and capital efficiency and targets its interest cover and gearing ratios to AA rating levels.

Prudential continues to manage its balance sheet actively to minimise our cost of capital and improve the regulatory treatment of our capital. Prudential intends to take advantage of currently favourable opportunities in the retail debt markets to raise hybrid debt to pre-finance debt maturing next year.

Funds Under Management

Insurance and investment funds under management across the group at 30 June 2004 totalled £170 billion compared with £168 billion at the end of 2003. The total includes £141 billion of group internal funds under management and £29 billion of external funds under management.

Shareholders' Funds

On the achieved profits basis, which recognises the shareholders' interest in long-term businesses, shareholders' funds at 30 June 2004 were £7.2 billion, an increase of £0.2 billion from the 2003 year end. The increase principally reflects retained earnings in the period.

Statutory basis shareholders' funds at 30 June 2004 were £3.3 billion, up £0.1 billion from the 2003 year end for the same reason.

Statutory basis shareholder's funds at 1 January 2004 have been reduced by £38 million following the implementation of UITF Abstract 38 on Accounting for ESOP Trusts.

Financial Strength of Insurance Operations

United Kingdom Long-Term Fund

A common measure of financial strength in the UK for long-term insurance business is the free asset ratio. The free asset ratio is the ratio of assets less liabilities to liabilities, and is expressed as a percentage of liabilities. On a comparable basis the free asset (or Form 9) ratio of the Prudential Assurance Company long-term fund was approximately 10.7 per cent at the end of June 2004 compared with 10.5 per cent at the end of 2003.

The valuation has been prepared on a conservative basis in accordance with the Financial Services Authority (FSA) valuation rules, and without use of implicit items. No allowance has been taken for the present value of future profits and the PAC long-term fund has not entered into any financial reinsurance contracts, with the exception of certain treaties with a value of approximately £42 million which were transferred from the Scottish Amicable Life linked fund at the end of 2002.

The Prudential Assurance Company long-term fund is very strong, with the inherited estate measured on an essentially deterministic basis of more than £6 billion at the 2003 year end. Prudential estimates that the estate at 30 June 2004 is valued at a similar level. On a realistic basis, with liabilities recorded on a market consistent basis calculated using the approach set out in the ABI guidance for reporting, as used to

report the 2003 year end position, the value of free assets is expected to be at a similar level of around £5 billion.

The size of the inherited estate fluctuates from year to year depending on the investment return and the extent to which it has been required to meet smoothing costs, guarantees and other events. The Company believes that it would be beneficial if there were greater clarity as to the status of the inherited estate and therefore it has discussed with the Financial Services Authority (FSA) the principles that would apply to any re-attribution of the inherited estate. No conclusions have been reached. Furthermore, the Company expects the entire inherited estate will need to be retained within the long-term fund for the foreseeable future to provide working capital and so it has not considered any distribution of the inherited estate to policyholders and shareholders.

The PAC long-term fund is rated AA+ by Standard & Poor's, Aa1 by Moody's and A++ by AM Best Co.

Independent Review Report by KPMG Audit Plc to Prudential plc, extracted from the Interim Report 2004

"Introduction

We have been engaged by the Company to review the financial information set out on page 14 and pages 19 to 23 prepared on a modified statutory basis and the financial information set out on page 13 and pages 15 to 18 prepared on an achieved profits basis and we have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the Listing Rules of the Financial Services Authority. Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusion we have reached.

Directors' Responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where they are to be changed in the next annual accounts in which case any changes, and the reasons for them, are to be disclosed.

Review Work Performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4: Review of interim financial information, issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review is substantially less in scope than an audit performed in accordance with Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

Review Conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2004.

KPMG Audit Plc
Chartered Accountants
London
26 July 2004"