

**PRUDENTIAL PLC****SUPPLEMENTARY INFORMATION****2004 Results restated for impact of accounting changes implemented on adoption of IFRS:  
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**Achieved Profits Basis Results - 2004 results restated for impact of accounting changes implemented on adoption of IFRS**

	Half Year 2004					Full Year 2004				
	Schedule cross reference	Previously Published (note 1d) £m	Discretionary change to longer-term investment returns £m	IFRS changes (note 1a) £m	Restated (note 1a) £m	Previously Published (note 1d) £m	Discretionary change to longer-term investment returns £m	IFRS changes (note 1a) £m	Restated (note 1a) £m	
<b>Summary Results</b>										
Operating profit from continuing operations, based on longer-term investment returns	3	587	50	(1)	636	1,144	101	(6)	1,239	
Amortisation of goodwill (note 1c)		(48)		48	0	(94)		94	0	
Short-term fluctuations in investment returns	10	(26)	(50)		(76)	679	(101)	9	587	
Shareholders' share of actuarial gains and losses on defined benefit pension schemes (note 1e)		-	-	67	67	-	-	(12)	(12)	
Effect of changes in economic assumptions	7	21	-	-	21	(100)	-	-	(100)	
Profit from continuing operations before tax attributable to shareholders (including actual investment returns)		534	0	114	648	1,629	0	85	1,714	
Tax attributable to shareholders	11	(197)	-	(18)	(215)	(499)	-	8	(491)	
Profit for continuing operations after tax before minority interests		337	0	96	433	1,130	0	93	1,223	
Discontinued operations, net of tax (note 1b)		(16)	-	1	(15)	(94)	-	0	(94)	
Total Profit for the period		321	0	97	418	1,036	0	93	1,129	
Attributable to:										
Equity holders of the parent company	4	314		97	411	1,046		84	1,130	
Minority interests		7			7	(10)		9	(1)	
Total Profit for the period		321	0	97	418	1,036	0	93	1,129	

**Notes**

- 1a Restated results reflect the impact of adoption of IFRS standards excluding IAS 39 and IFRS 4 which will be adopted as at 1 January 2005. Additional details are shown on Schedule 14.
- 1b The results of discontinued operations are for Egg France, Egg's Funds Direct operation, and Jackson Federal Bank, including losses and profits on closure and disposal respectively of those businesses. An analysis is shown in Schedules 6.1 & 6.2.
- 1c Under IFRS, subject to annual impairment testing, goodwill is not amortised.
- 1d The presentation of previously published results has been altered to be consistent with the IFRS format for discontinued operations.
- 1e The shareholders' share of actuarial gains and losses of defined benefit pension schemes comprises the portion related to shareholder backed operations (as shown on Schedules 15.1 and 15.2) and the shareholders' 10% share on the achieved profits basis.

**Achieved Profits Basis Results - 2004 results restated for impact of accounting changes implemented on adoption of IFRS**

	Half Year 2004				Full Year 2004			
	Previously Published (Pence)	Discretionary change to longer-term investment returns (Pence)	IFRS changes (Pence)	Restated (schedule 6.1) (Pence)	Previously Published (Pence)	Discretionary change to longer-term investment returns (Pence)	IFRS changes (Pence)	Restated (schedule 6.2) (Pence)
<b>Earnings per share</b>								
<u>Continuing operations</u>								
From operating profit based on longer-term investment returns after tax and related minority	19.5	1.4	0.1	21.0	38.5	3.0	-	41.5
Adjustment for amortisation of goodwill	(2.3)	-	2.3	-	(4.4)	-	4.4	-
Adjustment from post-tax long-term investment returns to post-tax actual investment returns	(2.0)	(1.4)	(0.1)	(3.5)	21.5	(3.0)	0.1	18.6
Adjustment for post-tax shareholders' share of actuarial gains and losses on defined benefit pension schemes	-	-	2.3	2.3	-	-	(0.3)	(0.3)
Adjustment for post-tax effect of changes in economic assumptions	0.5	-	-	0.5	(3.4)	-	-	(3.4)
Total continuing operations	15.7	0.0	4.6	20.3	52.2	0.0	4.2	56.4
<u>Discontinued operations</u>								
From operating profit after tax and minority interest	(0.6)	-	0.1	(0.5)	(1.5)	-	-	(1.5)
Adjustment for post-tax profit on business disposals	-	-	-	-	1.4	-	-	1.4
Adjustment for post-tax Egg France closure cost	-	-	-	-	(3.0)	-	-	(3.0)
Total discontinued operations	(0.6)	0.0	0.1	(0.5)	(3.1)	0.0	0.0	(3.1)
Based on profit for the period after minority interests	15.1	0.0	4.7	19.8	49.1	0.0	4.2	53.3
Average number of shares (Note 2a)	2,084m	-	(9)m	2,075m	2,129 m	-	(8)m	2,121 m

**Note**

2a The previously published average number for shares for half year 2004 is 2,084m (previously 2,004m) as a result of the adjustment of 1.04 for the bonus element of the 2004 Rights Issue. Figures shown as previously published for full year 2004 include the effect of the Rights Issue. The average number of shares under IFRS is adjusted for Prudential plc shares held by unit trusts that are newly consolidated under IFRS.

**Achieved Profits Basis Results - 2004 results restated for impact of accounting changes implemented on adoption of IFRS**

	Half Year 2004					Full Year 2004				
	Schedule cross reference	Previously Published £m	Discretionary change to longer-term investment returns £m	IFRS changes £m	Restated £m	Previously Published £m	Discretionary change to longer-term investment returns £m	IFRS changes £m	Restated £m	
<b>Operating profit based on longer-term investments returns from continuing operations</b>										
<b>UK and Europe insurance operations</b>										
Long-term business:										
New business	8	88			88	220				220
Business in force	9	152			152	230				230
		240	0	0	240	450	0	0		450
M&G		79			79	136				136
Egg (excluding Egg France and Funds Direct)		30		1	31	63		(2)		61
Total UK & Europe		349	0	1	350	649	0	(2)		647
<b>US operations</b>										
Long-term business (excluding discontinued banking operation):										
New business	8	82			82	156				156
Business in force	9	84	56		140	161	110			271
		166	56	0	222	317	110	0		427
Broker dealer & fund management		(2)			(2)	(14)				(14)
Total US		164	56	0	220	303	110	0		413
<b>Asian operations</b>										
Long-term business:										
New business	8	135			135	312				312
Business in force	9	40	(6)		34	69	(9)			60
		175	(6)	0	169	381	(9)	0		372
Fund management		10			10	19				19
Development expenses		(10)			(10)	(15)				(15)
Total Asia		175	(6)	0	169	385	(9)	0		376
<b>Other income and expenditure</b>										
Statutory basis	25	(101)		(2)	(103)	(193)		(4)		(197)
Additional charge for pension costs on AP basis				0	0			0		0
Achieved Profits basis		(101)	-	(2)	(103)	(193)	0	(4)		(197)
<b>Total</b>	<b>1</b>	<b>587</b>	<b>50</b>	<b>(1)</b>	<b>636</b>	<b>1,144</b>	<b>101</b>	<b>(6)</b>		<b>1,239</b>

**Note**

3a Operating profits from continuing operations reflect profits (losses) from:

New Business	8	305			305	688				688
Business in force	9	276	50		326	460	101			561
Long-term business		581	50	-	631	1,148	101	0		1,249
Asia development expenses		(10)			(10)	(15)				(15)
Other operating results		16		(1)	15	11		(6)		5
		587	50	(1)	636	1,144	101	(6)		1,239

**Achieved Profits Basis Results - 2004 results restated for impact of accounting changes implemented on adoption of IFRS**

	Schedule cross reference	Half Year 2004			Full Year 2004		
		Previously Published £m	IFRS Change £m	Restated £m	Previously Published £m	IFRS Change £m	Restated £m
<b>Movement in shareholders' capital &amp; reserves attributable to shareholders of parent company</b>							
<b>Consolidated statement of recognised income and expenditure</b>							
Profit for the period after minority interest	1	314	97	411	1,046	84	1,130
Items taken directly to equity:							
Exchange movements		(54)	1	(53)	(241)	1	(240)
Related tax		5		5	12		12
Total recognised income for the period (net of minority interest)		265	98	363	817	85	902
<b>Reconciliation of movement on consolidated shareholders' equity</b>							
Total recognised income for the period (net of minority interest) - as above		265	98	363	817	85	902
Proceeds from rights issue, net of expenses		-	-	-	1,021		1,021
Other new share capital subscribed		61	-	61	119		119
Dividends (note 4a)		(109)	(105)	(214)	(362)	39	(323)
Stock based compensation adjustment - fair value adjustment (net of related tax)			3	3		10	10
Consideration paid for own shares:							
Own shares purchased in respect of stock compensation plans				0	(4)		(4)
Movement on Prudential plc shares purchased by unit trusts newly consolidated under IFRS				0		14	14
Net increase (decrease) in shareholders' capital and reserves		217	(4)	213	1,591	148	1,739
Shareholders' capital and reserves at beginning of period		7,005	18	7,023	7,005	18	7,023
Shareholders' capital and reserves at end of period	5	7,222	14	7,236	8,596	166	8,762

**Note**

4a The altered deduction for dividends reflects the impact of IFRS under which dividends are recognised in the period of declaration.

**Achieved Profits Basis Results - 2004 results restated for impact of accounting changes implemented on adoption of IFRS**

Shareholder's	Schedule cross reference	Half Year 2004			Full Year 2004		
		Previously Published £m	IFRS changes (note 5a) £m	Restated £m	Previously Published £m	IFRS changes (note 5a) £m	Restated £m
UK & Europe operations							
Long-term business		3,581	(1)	3,580	4,051	0	4,051
M&G							
Net assets		341	(8)	333	312	(12)	300
Acquired goodwill			1,153	1,153		1,153	1,153
Egg		350	3	353	269	4	273
	12	4,272	1,147	5,419	4,632	1,145	5,777
US operations	12	2,568	2	2,570	2,596	0	2,596
Asian operations	12						
Net assets		1,486	(4)	1,482	1,738	(2)	1,736
Acquired goodwill			292	292		292	292
Other operations	12						
Goodwill		1,399	(1,399)	0	1,352	(1,352)	0
Other		(2,503)	(24)	(2,527)	(1,722)	83	(1,639)
	4	7,222	14	7,236	8,596	166	8,762

Note

5a The changes shown above are primarily for presentational reallocations of goodwill (to align with the IFRS basis of segmentation), the impact of provisions for pensions costs (to align with the IAS 19 basis), and the altered timing basis of recognition of external dividends. Further details are provided in Schedule 12.

**Achieved Profits basis results****Half year 2004 results restated for impact of accounting changes implemented on adoption of IFRS**

	Restated results						Earnings per share (pence)
	Schedule cross reference	Pre-tax £m	Tax (Schedule 11) £m	Post-tax £m	Minority interests £m	Post-tax and minority interests £m	
<b>Basic earnings per share (note 6.1a)</b>							
<u>Continuing operations</u>							
From operating profit, based on longer-term investment returns, after tax and related minority interests, before exceptional items	3	636	(194)	442	(4)	438	21.0
Adjustment from post-tax long-term investment returns to post-tax actual investment returns	10	(76)	10	(66)	(7)	(73)	(3.5)
Adjustment for post-tax shareholders' share of actuarial gains and losses on defined benefit pension schemes		67	(20)	47	-	47	2.3
Adjustment for post-tax effect of changes in economic assumptions	7	21	(11)	10	-	10	0.5
Total continuing operations		648	(215)	433	(11)	422	20.3
Operating profit from discontinued operations (note 6.1b)		(24)	9	(15)	4	(11)	(0.5)
Based on profit for the financial year after minority interests		624	(206)	418	(7)	411	19.8

Notes

6.1a The average number of shares for half year 2004 is 2,075m - see schedule 2 for derivation.

6.1b Discontinued operations comprise Jackson Federal Bank, Egg France, and Egg's Funds Direct operation.

**Achieved Profits basis results****Full year 2004 results restated for impact of accounting changes implemented on adoption of IFRS**

	Restated results						Earnings per share (pence)
	Schedule cross reference	Pre-tax £m	Tax (Schedule 11) £m	Post-tax £m	Minority interests £m	Post-tax and minority interests £m	
<b>Basic earnings per share (note 6.2a)</b>							
<u>Continuing operations</u>							
From operating profit, based on longer-term investment returns, after tax and related minority interests, before exceptional items	3	1,239	(351)	888	(8)	880	41.5
Adjustment from post-tax long-term investment returns to post-tax actual investment returns	10	587	(174)	413	(18)	395	18.6
Adjustment for post-tax shareholders' share of actuarial gains and losses on defined benefit pension schemes		(12)	5	(7)	-	(7)	(0.3)
Adjustment for post-tax effect of changes in economic assumptions	7	(100)	29	(71)	-	(71)	(3.4)
Total continuing operations		1,714	(491)	1,223	(26)	1,197	56.4
<u>Discontinued operations</u>							
From operating profit		(40)	1	(39)	10	(29)	(1.5)
Adjustment for post-tax profit on business disposals (note 6.2b)		45	(19)	26	-	26	1.4
Adjustment for post-tax Egg France closure and Funds Direct cost (note 6.2b)		(113)	32	(81)	17	(64)	(3.0)
Total discontinued operations		(108)	14	(94)	27	(67)	(3.1)
Based on profit for the financial year after minority interests		1,606	(477)	1,129	1	1,130	53.3

Notes

6.2a The average number of shares for full year 2004 was 2,121m - see Schedule 2 for derivation.

6.2b Discontinued operations comprise Jackson Federal Bank, Egg France and Egg's Funds Direct operation. The total amounts arising in respect of discontinued operations, as shown on Schedule 1 comprise the post-tax amounts for operating results, profit on disposal, and closure costs.



**2004 Results****Achieved Profits basis results****Economic assumptions and sensitivities****(1) Basis of preparation of results for long-term business operations**

The achieved profits basis results have been prepared in accordance with the guidance issued by the Association of British Insurers in December 2001 "Supplementary Reporting for long-term insurance business (the achieved profits method)".

Under this guidance, the basis for setting long-term expected rates of return on investments and risk discount rates are, for countries with developed long-term fixed income securities markets, set by reference to period end rates of return on fixed income securities. This "active" basis of assumption setting has been applied in preparing the results of the Group's UK, Europe and US long-term business operations. For the Group's Asian operations, the active basis is appropriate for business written in Japan and Korea and for US dollar denominated business written in Hong Kong.

For countries where long-term fixed income securities markets are underdeveloped, investment return assumptions and risk discount rates are based on an assessment of long-term economic conditions. Except for the countries listed above, this basis is appropriate to the Group's Asian operations.

The profit and loss account net of tax charge or credit in respect of changes in economic assumptions, which is shown as an item excluded from operating profit, reflects the effect on shareholders' funds at the start of the reporting period. The net of tax effect of changes in operating assumptions, which are included within the analysis of operating profit, also reflect the impact on shareholders' funds at the start of the reporting period.

New business operating profit and the unwind of discount and experience variances included in the analysis of operating profit from business in force are measured using the revised operating and economic assumptions.

The key economic assumptions and sensitivity of the results to changes to those assumptions are described below.

**The basis of determining the achieved profits basis values of new business in force are unaffected by the changes arising on the adoption of IFRS. The Achieved Profits basis results for the group as a whole, as restated for consequential IFRS effects, exclude changes to be adopted as part of the migration to European Embedded Value reporting for Full Year 2005 results.**

**(2) Economic assumptions**

<b><u>UK and Europe Insurance Operations</u></b>	<b><u>As previously published</u></b>	
	<b><u>Half Year 2004</u></b>	<b><u>Full Year 2004</u></b>
Pre-tax expected long-term nominal rate of investment return:		
UK equities	7.6%	7.1%
Overseas equities	7.3% to 8.3%	6.8% to 7.8%
Property	6.8%	6.3%
Gilts	5.1%	4.6%
Corporate bonds	6.1%	5.5%
Assets of PAC with-profits fund (applying the rates listed above to the investments held by the fund)	7.1%	6.5%
Expected long-term rate of inflation	3.1%	2.9%
Post-tax expected long-term nominal rate of return:		
Pension business (where no tax applies)	7.1%	6.5%
Life business	6.2%	5.7%
Risk margin included within the risk discount rate	2.6%	2.6%
Risk discount rate	7.7%	7.2%
<b><u>US Operations (Jackson National Life)</u></b>		
Expected long-term spread between earned rate and rate credited to policyholders	1.75%	1.75%
US 10 year treasury bond rate at end of year	4.6%	4.3%
Risk margin included within the risk discount rate	3.1%	3.1%
Risk discount rate	7.7%	7.4%

**Economic assumptions and sensitivities (continued)****Asian Operations**

	<b>As previously published</b>	
	<b>Half Year 2004</b>	<b>Full Year 2004</b>
Weighted pre-tax expected long-term nominal rate of investment return*	6.8%	6.6%
Weighted expected long-term rate of inflation	3.1%	3.0%
Weighted risk discount rate	9.9%	9.6%

The economic assumptions shown above for Prudential Asia have been determined by weighting each country's economic assumptions by reference to the Achieved Profits basis operating results for new business written in the relevant year.

\* Consistent with prior years, for the Taiwanese operation, the projections include an assumption of phased progression from current rates to the long-term expected rates over a remaining period of 8 years. This takes into account the effect on bond values of rising interest rates.

**(3) Effect of economic assumptions being altered for changes made under the AP methodology (i.e. unrelated to IFRS adoption)**

Pre-tax losses resulting from changes in economic assumptions included within the profit (loss) on ordinary activities before tax arise as follows:

	<b>As previously published</b>	
	<b>Half Year 2004</b>	<b>Full Year 2004</b>
	<b>£m</b>	<b>£m</b>
UK and Europe Insurance Operations	100	(19)
Jackson National Life	(60)	(53)
Asian operations	(19)	(28)
Total	<u>21</u>	<u>(100)</u>

The effects of changes of economic assumption shown above as as previously published and unaffected by the implementation of IFRS.

**(4) 2004 Results: sensitivities**

The estimated increase (decrease) in the 2004 Group results that would arise from the following changes in economic assumptions are:

<b><u>2004 Pre-tax Group operating profit from new business</u></b>	<b>As previously published</b>	
	<b>Half Year 2004</b>	<b>Full Year 2004</b>
	<b>£m</b>	<b>£m</b>
Pre-tax expected long-term nominal rates of investment return:		
Increase in rates of 1%	35	79
Decrease in rates of 1%	(41)	(82)
Risk discount rates:		
Increase in rates of 1%	(40)	(86)
Decrease in rates of 1%	47	102
<b><u>31 December 2004 Group Shareholders' Funds</u></b>		
Pre-tax expected long-term nominal rates of investment return:		
Increase in rates of 1%	916	907
Decrease in rates of 1%	(957)	(984)
Risk discount rates:		
Increase in rates of 1%	(492)	(524)
Decrease in rates of 1%	583	615

The sensitivities shown above are as previously published and unaffected by the implementation of IFRS.

**2004 Results****Achieved Profits basis results**

	<u>As previously published</u>			<u>As previously published</u>		
	Half Year 2004			Full Year 2004		
<b>Operating profit from new long-term insurance business</b>	<b>Pre-tax £m</b>	<b>Tax £m</b>	<b>Post-tax £m</b>	<b>Pre-tax £m</b>	<b>Tax £m</b>	<b>Post-tax £m</b>
UK and Europe Insurance Operations	88	(26)	62	220	(66)	154
Jackson National Life (note 8a)	82	(41)	41	156	(82)	74
Asian operations	135	(36)	99	312	(78)	234
	305	(103)	202	688	(226)	462

**New business profits are unaffected by changes arising on the adoption of IFRS**

Note

8a Jackson National Life net of tax profits

Pre capital charge		51	95
Capital charge (see note 12a on Schedule 12)		(10)	(21)
Post capital charge		<u>41</u>	<u>74</u>

**2004 Results restated for impact of accounting changes implemented on adoption of IFRS****Achieved Profits basis results**

	Schedule cross reference	Half year 2004 restated (note 9a) £m	Full year 2004 restated (note 9a) £m
<b>Operating profit from business in force of continuing operations</b>			
<b>UK and Europe Insurance Operations</b>			
Unwind of discount (notes 9b)		187	330
Cost of strengthened persistency assumption (note 9c)		-	(66)
Other items (note 9c)		(35)	(34)
	3	152	230
<b>Jackson National Life</b>			
Unwind of discount		70	139
Return on surplus assets (over target surplus)		19	36
Experience variances:			
Spread (notes 9d and 9e)		4	43
Persistency		5	(6)
Expenses		(1)	(4)
Amortisation of interest related realised gains and losses (note 9f)		30	54
Loss from strengthening operating assumptions		(3)	(3)
Other		16	12
	3	140	271
<b>Asian operations</b>			
Unwind of discount		59	113
Change in operating assumptions (note 9g)		(29)	(56)
Experience variances and other items		4	3
	3	34	60
<b>Total</b>		<b>326</b>	<b>561</b>

**Notes**

9a The results shown above have been restated for the realised gains and losses of Jackson National Life (see note 9f) and the Group's Asian operations, and for half year 2004, the exclusion of the results from the discontinued Jackson Federal Bank.

9b UK and Europe Insurance Operations - smoothing of asset values

The unwind of discount for UK and Europe long-term business operations represents the unwind of discount on the value of in force business at the beginning of the year (adjusted for the effect of current year assumption changes), the expected return on smoothed surplus assets retained within the PAC with-profits fund, and the expected return on shareholders' assets held in other UK and Europe long-term business operations. Surplus assets retained within the PAC with-profits fund are smoothed for this purpose to remove the effects of short term volatility of investment values (See Schedule 12 - note 12c).

9c UK and Europe Insurance Operations - cost of strengthened persistency assumption and other items

The £66m cost of strengthened persistency assumption for full year 2004 relates to the closed book of personal pensions policies sold by the now discontinued direct sales force. The £34m charge for other items in 2004 includes £21m of costs associated with complying with new regulatory requirements and restructuring, and £13m of negative experience variances.

9d Jackson National Life spread variance - inclusion of default assumption

The charge for the default assumption is calculated using a weighted risk margin (RMR) approach. An RMR charge is individually assigned to asset classes based on credit ratings and, where necessary, credit analysis. This is then weighted to the carrying value of the investments.

The spread variance comprises :

	<u>Half year 2004</u>	<u>Full year 2004</u>
	£m	£m
Variance excluding long-term default assumption	32	100
Less: long-term default assumption (note 9f)	(28)	(57)
As reported above	<u>4</u>	<u>43</u>

9e Jackson National Life - spread variance - longer-term returns on equity based investments

The spread variance shown above has been determined after including longer-term returns on equity based investments. This treatment is consistent with the inclusion of longer-term investment returns within operating profits. Short-term fluctuations in investment returns, including those for equity based investments, are excluded from operating profit but included within the total profit or loss for the reporting period. An analysis of the short-term fluctuations in investment returns is shown in Schedule 10.

**2004 Results restated for impact of accounting changes implemented on adoption of IFRS****Achieved Profits basis results****Operating profit from business in force of continuing operations (continued)**

9f Jackson National Life - Amortisation of interest related realised gains and losses on fixed income securities

Previously reported basis

Previously the operating profits from business in force of Jackson National Life included an amount for 5 year averaged realised gains and losses on fixed income securities. These realised gains and losses arise from defaults and interest rate movements between date of purchase and sale. The amount compared to the long-term default assumption for fixed income securities was presented as part of the spread variance. The excess of averaged losses over the default assumption was presented as a separate component of the analysis of operating profits from business in force.

New basis

Under the new basis of determining operating profits, provision continues to be made for the expected long-term level of defaults as part of the spread variance. The basis of recognition of interest related realised gains and losses has been refined so as to amortise such gains and losses to operating results over the period to when the bonds would have otherwise matured.

The basis of determination of realised gains and losses between interest related and default related losses is consistent with that applied for regulatory purposes

Actual default losses and interest related gains and losses arising in a reporting period are recognised in total profit and loss. The difference between actual gains and losses and the aggregate of the default assumptions and amortisation of interest related realised gains and losses is recorded within short-term fluctuations in investment returns.

Comparison of previously reported and new basis

<u>Previously reported basis</u>	Half year 2004		Full year 2004	
	\$m	£m	\$m	£m
<u>Longer-term gains and losses included in operating profit</u>				
Total realised gains and losses arising in year for fixed maturity securities				
2000	(90)		(90)	
2001	(532)		(532)	
2002	(435)		(435)	
2003	(65)		(65)	
Four year total	(1,122)	(615)	(1,122)	(612)
Half of four year total	(561)	(308)		
Half year and full year 2004	68	38	88	48
Five year total	(493)	(270)	(1,034)	(564)
Five year averaged included in operating result	(99)	(54)	(207)	(113)
Representing:				
Long-term default assumption	(58)	(32)	(104)	(57)
Averaged losses in excess of the long-term default assumption	(41)	(22)	(103)	(56)
	(99)	(54)	(207)	(113)

Short-term fluctuations in investment returns

Actual less averaged losses	167	92	295	161
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Actual realised gains included in total profit

Realised gains arising in the year (as above)	68	38	88	48
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New basisLonger-term gains and losses included in operating profit

Long-term default assumption (allocated to spread variance see note 9d)	(51)	(28)	(104)	(57)
Amortisation of interest related realised gains and losses	55	30	99	54
	4	2	(5)	(3)

Short-term fluctuations in investment returns

Excess of actual gains and losses arising in period over amounts included in operating profit (see schedule 10)	64	36	93	51
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Actual realised gains included in total profit

Realised gains arising in the year (as above)	68	38	88	48
---	----	----	----	----

9g Asia - changes in operating assumptions

The 2004 £56m charge for changes in operating assumptions primarily relates to Singapore (£24m), mainly for persistency, and a strengthening of renewal expense assumptions in Vietnam (£15m).

**2004 Results restated for impact of accounting changes implemented in adoption of IFRS****Achieved Profits basis results**

<b>Short-term fluctuations in investment returns</b>	<b>Half year 2004 Restated £m</b>	<b>Full year 2004 Restated £m</b>
Long-term business:		
UK and Europe Insurance Operations (note 10a)	(51)	402
Jackson National Life (note 10b)	13	97
Asian operations (note 10d)	(38)	57
Share of investment return of funds managed by PPM America, that are consolidated into the Group results, but attributable to external investors	7	9
Share of profits of venture investment companies and property partnerships of the PAC with-profits fund that are consolidated into the Group results but are attributable to external investors	0	9
Other operations	(7)	13
Total (note 10e)	(76)	587

**Notes**

## 10a UK and Europe Operations

Short-term fluctuations in investment returns represent the difference between total investment returns in the year attributable to shareholders on the achieved profits basis and the return included within operating profit as described on Schedule 7.

## 10b Jackson National Life - Summary

	<b>Half year Restated 2004 £m</b>	<b>Full year Restated 2004 £m</b>
Short-term fluctuations comprise:		
Actual investment return on investments less long-term returns included within operating profit (note 10c)	36	73
Investment return related gain due primarily to changed expectation of profits on in force variable annuity business in future periods based on current period equity returns	(23)	24
	13	97

## 10c Jackson National Life - Actual investment return on investments less long-term returns

	<b>Half year Restated 2004 £m</b>	<b>Full year Restated 2004 £m</b>
This comprises:		
Actual realised gains less default assumption and amortisation of interest related realised gains and losses for fixed maturity securities (see schedule 9)	36	51
Actual less long-term return on equity based investments and other items	0	22
	36	73

## 10d Asian operations

Short-term fluctuations for Asian operations for 2004 of £57m primarily reflect bond value movements and rising equity markets.

## 10e Reconciliation of restated and previously published short-term fluctuations in investment returns

	<b>Half year Restated 2004 £m</b>	<b>Full year Restated 2004 £m</b>
As previously reported	(26)	679
Discretionary change for longer-term investment returns:		
Jackson National Life	(56)	(110)
Asian operations	6	9
Share of profits of venture investment companies and property partnerships of the PAC with-profits fund that are consolidated into the Group results but are attributable to external investors	0	9
	(76)	587

**2004 Results restated for impact of accounting changes implemented on adoption of IFRS****Achieved Profits basis results**

	Schedule cross reference	Half year 2004 Restated £m	Full year 2004 Restated £m
<b>Tax charge attributable to shareholders</b>			
<b><u>Continuing operations</u></b>			
<u>Tax charge (credit) on operating profit (loss) based on longer-term investment returns (note 11a)</u>			
Long-term business:			
UK and Europe Insurance Operations		72	134
Jackson National Life (note 11b)		82	135
Asian operations (note 11c)		43	96
		197	365
Other operations		(3)	(14)
<b>Total tax on operating profit of continuing operations</b>	<b>6.1, 6.2</b>	<b>194</b>	<b>351</b>
<u>Tax charge (credit) on items not included in operating profit</u>			
Tax charge on short-term fluctuations in investment returns (note 11d)	6.1, 6.2	(10)	174
Tax charge on actuarial gains and losses of defined benefit pension schemes	6.1, 6.2	20	(5)
Tax charge on loss from changes in economic assumptions	6.1, 6.2	11	(29)
<b>Total tax charge (credit) on items not included in operating profit of continuing operations</b>		<b>21</b>	<b>140</b>
<b>Tax charge on total profit from continuing operations</b>		<b>215</b>	<b>491</b>

## Notes

11a Tax on operating profit based on longer-term investment returns.

11b Jackson National Life - tax charge on operating result

	Half year 2004 £m	Full year 2004 £m
Previously published (adjusted for tax on results of discontinued banking operation)	62	97
Tax attaching to change to longer-term returns included in operating result (see note 9f on Schedule 9)	20	38
<b>As restated</b>	<b>82</b>	<b>135</b>

11c Including tax relief on development expenses.

11d Tax charge on short-term fluctuations in investment returns

Previously published	10	212
Tax attaching to change to longer-term returns included in JNL operating result (see note 9f on Schedule 9)	(20)	(38)
<b>As restated</b>	<b>(10)</b>	<b>174</b>

**2004 Results restated for impact of implemented on adoption of IFRS****Achieved Profits basis results**

<b>Shareholders' funds summary (note 12a)</b>	<b>Half year 2004 Restated £m</b>	<b>Full year 2004 Restated £m</b>
<b>UK and Europe Operations (note 12b)</b>		
Long-term business operations		
Smoothed shareholders' funds (note 12c)	3,647	3,894
Actual shareholders' funds less smoothed shareholders' funds	(67)	157
Achieved Profits basis shareholders' funds	3,580	4,051
<b>M&amp;G (note 12i)</b>		
Net assets of operations	333	300
Acquired goodwill	1,153	1,153
<b>Egg (note 12i)</b>		
	353	273
	<u>5,419</u>	<u>5,777</u>
<b>US Operations</b>		
Jackson National Life net of surplus note borrowings (note 12g)		
Before capital charge		
Excluding assets in excess of target surplus	1,742	1,749
Assets in excess of target surplus	931	949
Capital charge (note 12d)	2,673	2,698
After capital charge (note 12d) - achieved profits basis shareholders' funds	(176)	(166)
Other US operations (note 12e)	2,497	2,532
	73	64
	<u>2,570</u>	<u>2,596</u>
<b>Asian operations</b>		
Long-term business		
Net assets of operations - achieved profits basis shareholders' funds	1,419	1,670
Acquired goodwill (note 12i)	231	231
Fund management (note 12i)		
Net assets of operations	63	66
Acquired goodwill	61	61
	<u>1,774</u>	<u>2,028</u>
<b>Other operations (note 12i)</b>		
Holding company net borrowings (note 12g)	(2,055)	(1,106)
Pension scheme deficits (net of tax) attributable to shareholders	(98)	(152)
Other net liabilities	(374)	(381)
	<u>(2,527)</u>	<u>(1,639)</u>
<b>Total (note 12h)</b>	<u>7,236</u>	<u>8,762</u>

**Notes**

- 12a A charge is deducted from the annual result and balance sheet value for the cost of capital supporting solvency requirements for the Group's long-term business operations. The cost is the difference between the nominal value of solvency capital and the present value, at risk discount rates, of the projected release of this capital and the investment earnings on the capital. Where solvency capital is held within a with-profits long-term fund, the value placed on surplus assets in the fund is already discounted to reflect its release over time and no further adjustment is necessary in respect of solvency capital.
- 12b The proportion of surplus allocated to shareholders from the UK with-profits business has been based on the present level of 10%. Future bonus rates have been set at levels which would fully utilise the assets of the with-profits fund over the lifetime of the business in force.
- 12c UK long-term business smoothed shareholders' funds reflect an adjustment to PAC life fund assets, for the purposes of determining the unwind of discount included in operating profits, to remove the effects of short-term volatility in market values of assets. Shareholders funds in the balance sheet are determined on an unsmoothed basis.
- 12d In determining the cost of capital of Jackson National Life, it has been assumed that an amount equal to 200 per cent of the risk based capital required by the National Association of Insurance Commissioners (NAIC) at the Company Action level must be retained. The impact of the related capital charge is to reduce Jackson National Life's shareholders' funds at 31 December 2004 by £166m.
- 12e Relates to broker dealer and fund management operations.
- 12f Goodwill
- Under IFRS, subject to impairment testing, goodwill is no longer amortised from the date of adoption ie 1 January 2004.
- Goodwill attaching to venture fund investment subsidiaries of the PAC with-profit fund that are consolidated under IFRS are not included in the table above as the goodwill attaching to these companies is not relevant to the analysis of shareholders' funds.
- 12g Net core structural borrowings of shareholder financed operations comprise:
- |  | <b>As previously published</b> |                          |
|--|--------------------------------|--------------------------|
|  | <b>Half Year 2004 £m</b>       | <b>Full Year 2004 £m</b> |
| Holding company cash and short-term investments                | 403                            | 1,561                    |
| Core structural borrowings of shareholder financed operations: |                                |                          |
| Holding Company  | (2,458)                        | (2,667)                  |
| Jackson National Life surplus notes                            | (138)                          | (130)                    |
|  | <u>(2,193)</u>                 | <u>(1,236)</u>           |
- 12h If the economic assumptions applied for 2004 had been in place at 31 December 2004, the achieved profits basis shareholders funds at that date would have been lower by £72m. This represents a pre-tax loss of £100m less related tax credit of £29m (as analysed by business operation in Schedule 13) and an adjustment for exchange effects to reflect rates at 31 December 2003 of £(1)m.
- 12i With the exception of the share of pension scheme deficits attributable to the PAC with-profit fund the amounts shown for the items in the table above that are referenced to this note have been determined on the statutory IFRS basis (see schedule 14). The deficit for the defined benefit pension scheme reflects the statutory net of tax IFRS provision augmented by £30m (half year 2004) and £47m (full year 2004) for the shareholders' share (on the achieved profits basis) of the net of tax deficit attributable to the PAC with-profit fund.



## 2004 Results restated for impact of accounting changes implemented on adoption of IFRS

**Achieved Profits basis results**

	Long-term business operations						Group total £m
	Schedule Cross Reference	UK and Europe Insurance Operations £m	Jackson National Life Operations £m	Asian Operations £m	Total Long-term business operations £m	Other operations £m	
<b>Reconciliation of movement in restated shareholders funds</b>							
<b>Operating profit (including investment return based on long-term rates of returns)</b>							
Long-term business							
New business	8	220	156	312	688		688
Business in force	9	230	271	60	561		561
		450	427	372	1,249	0	1,249
Asia development expenses				(15)	(15)		(15)
M&G					0	136	136
Egg					0	61	61
Asian Fund Management Operations					0	19	19
US broker dealer and fund management					0	(14)	(14)
Other income and expenditure					0	(197)	(197)
<b>Operating profit from continuing operations</b>		450	427	357	1,234	5	1,239
Short-term fluctuations in investment returns	10	402	97	57	556	31	587
Actuarial gains and losses on defined benefit pension schemes				2	2	(14)	(12)
Effect of changes in economic assumptions	7	(19)	(53)	(28)	(100)		(100)
<b>Profit on ordinary activities before tax</b>		833	471	388	1,692	22	1,714
Tax on profits of continuing operations							
Tax on operating profit		(134)	(135)	(96)	(365)	14	(351)
Tax on short-term fluctuations in investment returns		(121)	(35)	(12)	(168)	(6)	(174)
Tax on actuarial gains and losses of defined benefit pension schemes					0	5	5
Tax on effect of changes in economic assumptions		6	19	4	29		29
Total tax charge	11	(249)	(151)	(104)	(504)	13	(491)
Discontinued operations (net of tax)			33		33	(127)	(94)
Minority interests					0	1	1
<b>Profit (loss) for the financial year</b>		584	353	284	1,221	(91)	1,130
Exchange movements net of related tax (note 13a)			(177)	(73)	(250)	22	(228)
Development costs included above (net of tax) borne centrally				2	2	(2)	0
Intragroup dividends (including statutory transfer)		(130)	(66)	(44)	(240)	240	0
External dividends					0	(323)	(323)
Stock based compensation - fair value adjustment (net of tax)					0	10	10
Investment in operations (note 13b)		173	15	147	335	(335)	0
Adjustment for net of tax losses of Curian subsidiary owned by JNL			(12)		(12)	12	0
Consideration paid for own shares	4				0	(4)	(4)
Movement on Prudential plc shares purchased by unit trusts newly consolidated under IFRS						14	14
Proceeds from issues of share capital by parent company, net of expenses						1,140	1,140
Net increase in shareholders' capital and reserves		627	113	316	1,056	683	1,739
Shareholders' capital and reserves at 1 January 2004:							
As previously reported		3,424	2,419	1,358	7,201	(196)	7,005
Change				(4)	(4)	22	18
As restated		3,424	2,419	1,354	7,197	(174)	7,023
<b>Shareholders' capital and reserves at 31 December 2004</b>		<b>4,051</b>	<b>2,532</b>	<b>1,670 *</b>	<b>8,253</b>	<b>509</b>	<b>8,762</b>

**Notes**

13a Profits are translated at average exchange rates, consistent with the method applied for statutory IFRS basis results. The amounts recorded above for exchange rate movements reflect the difference between year end 2004 and 2003 exchange rates as applied to shareholders' funds at 1 January 2004 and the difference between year end and average 2004 rates for profits.

13b Investment in operations reflects increases in share capital. This includes certain non cash items as a result of timing differences.

\* For the purposes of the table above, goodwill relating to Asian long-term operations (as shown on Schedule 12) is included in 'Other operations'

## 2004 Results restated for impact of accounting changes implemented on adoption of IFRS

### Achieved Profits basis results

#### 1. Basis of preparation

The achieved profits basis results include the results of the Group's long-term business operations on the achieved profits basis. These results are combined with the statutory basis results of the Group's other operations including banking and fund management business. The restated achieved profits basis results for long term business for half year 2004 and full year 2004 have been prepared in accordance with the guidance issued by the Association of British Insurers in December 2001 'Supplementary reporting for Long-Term, Insurance Business (the Achieved Profits Method)'. The information is supplementary to the statutory (IFRS) basis results included in Schedules 15 to 35. With the exception of the changes described in section 2 below, the results have been prepared on the same basis as previously published.

#### 2. Policy changes on adoption of IFRS

##### a) Long-term business

The achieved profits basis is a value based method. The shareholders' funds on an achieved profits basis, at a given point in time, is the value of future cash flows expected to arise from the current book of long-term insurance business plus the net worth of the company. Accordingly changes of policy arising from the adoption of IFRS will not generally affect the Achieved Profits basis shareholders' funds.

The results of long-term business operations are altered significantly only for the altered basis of determining longer-term returns credited to operating results:

The Group's policy is to present its Achieved Profits basis results so that operating profits based on longer-term investment returns are distinguished from short-term fluctuations in investment returns. These items, together with any exceptional gains or losses, comprised the total profit for the period. These items are summarised in Schedule 1.

Previously, the longer-term returns have been determined after including 5 year averaged realised gains and losses on fixed income securities of shareholder backed non-participating business.

As a discretionary change of policy, i.e. not required by IFRS, the Group has altered its policy so as to determine longer-term returns for fixed income securities by applying a charge for default assumptions and to amortise interest related realised gains and losses to operating profits over the period to when the sold bonds would have otherwise matured. In practice, for 2004, the change of policy is of particular significance only for Jackson National Life.

Total profit is unaffected by the change of policy. Details of the change are explained in Schedule 9.

##### b) Non-insurance operations

The changes of policy on adoption of IFRS for the Group's non-insurance operations are described in the "Basis of preparation and significant accounting policies" document posted to the Prudential plc web-site with the results announcement and this supplementary information. The principal changes that affect shareholders' results and funds for 2004 are for:

- > Pensions costs (as described in note (c) below)
- > Timing basis of recognition of external dividend
- > Stock based compensation, and
- > Altered measurement of acquisition costs and front end fees of fund management business, where appropriate.

These changes reflect the adoption of all IFRS standards other than IAS 32 and IAS 39 (financial instruments) and IFRS 4 (insurance contracts).

##### (c) Accounting for defined benefit pension schemes

Under statutory (IFRS) basis results, the excess of liabilities determined on an IAS 19 basis over the market value of the schemes assets is provided for as a liability. After deduction of appropriate deferred tax, the proportion of the deficit that relates to with-profits long-term business is deducted from unallocated surplus. The proportions of the deficit that relates to shareholder backed long-term business and the Group's other non-insurance operations is deducted from statutory (IFRS) basis shareholders' funds. On adoption of IFRS the impact of IAS 19 is reported as a change of policy within shareholder's funds at the date of adoption.

For Achieved Profits basis results, the profits from new business written in the reporting period and the value of in-force business at the balance sheet date have been determined after incorporating projections of expenses. These expenses include projections of attributable pension costs based on the current contribution formulae, in particular, the contributions to the main UK pension scheme, the Prudential Staff Pension Scheme, continue at 12.5% of payroll costs. The payments reflect the assessed level of appropriate contributions based on the last triennial valuation in 2002 when, on the actuarial basis of calculation (as opposed to FRS 17 and IAS 19), the scheme was 110% funded.

The next triennial valuation will be as at 5 April 2005 and is expected to be completed in the third or fourth quarter of 2005. Following this valuation the contribution basis will be reassessed.

To be consistent with the IFRS basis, the restated 2004 Achieved Profits basis shareholders' funds include provision for the deficit attributable to shareholders. This provision comprises the amount allocated to shareholder backed long-term business and the Group's other non-insurance operations (as for the statutory (IFRS) basis) and the company's economic exposure through the 10% participation in the surpluses distributed from the PAC with-profit fund. The same methodology has also been applied for the company's 2004 results on the European Embedded Value basis.

**2004 Results**IFRS basis resultsHalf year 2004 summary results restated for impact of accounting changes implemented on adoption of IFRS

	Schedule cross reference	Previously Published (note 15.1d) £m	Discretionary change to longer-term investment returns £m	Change to statutory IFRS £m	Statutory IFRS £m	Change to proforma IFRS (note 15.1c) £m	Proforma IFRS (note 15.1c) £m
<b>Summary results</b>							
Operating profit from continuing operations, based on longer-term investment returns	17.1	328	45	(1)	372	1	373
Amortisation of goodwill		(48)		48	0		0
Short-term fluctuations in investment returns	18, 31	27	(45)	(9)	(27)	92	65
Shareholders' share of actuarial gains and losses on defined benefit pension schemes		-		48	48		48
Profit from continuing operations before tax attributable to shareholders (including actual investment returns)		307	0	86	393	93	486
Tax attributable to shareholders (note 15.1a)		(128)		(10)	(138)	(32)	(170)
Profit from continuing operations after shareholder tax		179	0	76	255	61	316
Discontinued operations, net of tax (note 15.1b & d)		(16)		1	(15)		(15)
Total profit for the period		163	0	77	240	61	301
Attributable to:							
Equity holders of the parent company	26.1	156		77	233	61	294
Minority interest		7			7		7
Total profit for the period		163	0	77	240	61	301

Notes

15.1a Tax attributable to shareholders excludes tax borne by with-profits funds and unit linked policyholders on policyholder returns which is not attributable to shareholders. The proforma IFRS tax charge is analysed on Schedule 32.

15.1b The results of discontinued operations are for Jackson Federal Bank, Egg France and Egg's Funds Direct operation.

15.1c The Proforma half year 2004 IFRS basis results include the impact of IAS 39 (financial instruments) and IFRS 4 (insurance contracts) for long-term business operations. The Group will formally adopt these standards on 1 January 2005.

15.1d The presentation of previously published results has been altered to correspond to the IFRS basis of presentation of continuing and discontinued operations.

**2004 Results****IFRS basis results****Full year 2004 summary results restated for impact of accounting changes implemented on adoption of IFRS**

<b>Summary results</b>	<b>Schedule cross reference</b>	<b>Previously Published (note 15.2d) £m</b>	<b>Discretionary change to longer-term investment returns £m</b>	<b>Change to statutory IFRS £m</b>	<b>Statutory IFRS £m</b>	<b>Change to proforma IFRS (note 15.2c) £m</b>	<b>Proforma IFRS (note 15.2c) £m</b>
Operating profit from continuing operations, based on longer-term investment returns	17.2	623	91	(6)	708	(9)	699
Amortisation of goodwill		(94)		94	0		0
Short-term fluctuations in investment returns	18, 31	229	(91)	11	149	144	293
Shareholders' share of actuarial gains and losses on defined benefit pension schemes		-		(7)	(7)		(7)
Profit from continuing operations before tax attributable to shareholders (including actual investment returns)		758	0	92	850	135	985
Tax attributable to shareholders (note 15.2a)		(246)		6	(240)	(50)	(290)
Profit from continuing operations after shareholder tax		512	0	98	610	85	695
Discontinued operations, net of tax (note 15.2b & d)		(94)			(94)		(94)
Total profit for the year		418	0	98	516	85	601
Attributable to:							
Equity holders of the parent company	26.2	428		89	517	85	602
Minority interest		(10)		9	(1)		(1)
Total profit for the year		418	0	98	516	85	601

**Notes**

15.2a Tax attributable to shareholders excludes tax borne by with-profits funds and unit linked policyholders on policyholder returns which is not attributable to shareholders. The proforma IFRS tax charge is analysed on Schedule 32.

15.2b The results of discontinued operations are for Jackson Federal Bank, Egg France and Egg's Funds Direct operation including losses and profits on closure and disposal respectively of those businesses. An analysis is shown on schedule 28.2.

15.2c The proforma full year 2004 IFRS basis results include the impact of IAS 39 (financial instruments) and IFRS 4 (insurance contracts) for long-term business operations. The Group will formally adopt these standards on 1 January 2005

15.2d The presentation of previously published results has been altered to correspond to the IFRS basis of presentation of continuing and discontinued operations.

**2004 Results****IFRS basis results**

	Previously Published (pence)	Discretionary change to longer- term investment returns (pence)	Change to statutory IFRS (pence)	Statutory IFRS (pence)	Change to proforma IFRS (note 16.1b) (pence)	Proforma IFRS (note 16.1b) (pence)
<b>Earnings per share - Half year 2004</b>						
Based on operating profit after tax and related minority interest before amortisation of goodwill and exceptional from continuing operations	10.7	2.2	0.0	12.9	0.1	13.0
Adjustment for amortisation of goodwill	(2.3)		2.3			
Adjustment from post-tax long-term investment returns to post-tax actual investment returns	(0.3)	(2.2)	(0.3)	(2.8)	2.9	0.1
Adjustment for post-tax shareholders' share of actuarial gains and losses on defined benefit pension schemes			1.6	1.6		1.6
Based on profit from continuing operations after minority interest	8.1	0.0	3.6	11.7	3.0	14.7
Adjustment for post-tax operating results of discontinued operations	(0.6)		0.1	(0.5)		(0.5)
Based on profit for the period after minority interests	7.5	0.0	3.7	11.2	3.0	14.2
Average number of shares (note 16.1a)	2,084 m		(9) m	2,075 m		2,075 m

Notes

16.1a The restated average number of shares for half year 2004 was 2,084m (previously 2,004m) as a result of the adjustment of 1.04 for the bonus element of the 2004 Rights Issue. The average number of shares under IFRS is adjusted for Prudential plc shares held by unit trusts that are newly consolidated under IFRS.

16.1b The proforma IFRS basis EPS includes the effect of IAS 39 (financial instruments) and IFRS 4 (insurance contracts) as if these standards had been adopted at 1 January 2004 by the Group's insurance operations. The Group formally adopted these standards on 1 January 2005. The proforma IFRS EPS figures are analysed on Schedule 28.1.

**2004 Results****IFRS basis results**

	Previously Published (pence)	Discretionary change to longer- term investment returns (pence)	Change to statutory IFRS (pence)	Statutory IFRS (pence)	Change to proforma IFRS (note 16.2b) (pence)	Proforma IFRS (note 16.2b) (pence)
<b>Earnings per share - Full year 2004</b>						
<u>Continuing operations</u>						
Based on operating profit after tax and related minority interest before amortisation of goodwill and exceptional items from continuing operations	20.5	4.3	(0.1)	24.7	(0.5)	24.2
Adjustment for amortisation of goodwill	(4.4)		4.4			
Adjustment from post-tax long-term investment returns to post-tax actual investment returns	7.1	(4.3)	0.2	3.0	4.5	7.5
Adjustment for post-tax shareholders' share of actuarial gains and losses on defined benefit pension schemes			(0.2)	(0.2)		(0.2)
<b>Total continuing operations</b>	<b>23.2</b>	<b>0.0</b>	<b>4.3</b>	<b>27.5</b>	<b>4.0</b>	<b>31.5</b>
<u>Discontinued operations</u>						
From operating profits after tax and minority interest	(1.5)		0.0	(1.5)		(1.5)
Adjustment for post-tax profit on business disposals	1.4			1.4		1.4
Adjustment for post-tax Egg France closure cost	(3.0)			(3.0)		(3.0)
<b>Total discontinued operations</b>	<b>(3.1)</b>		<b>0.0</b>	<b>(3.1)</b>	<b>0.0</b>	<b>(3.1)</b>
Based on profit for the financial year after minority interests	20.1	0.0	4.3	24.4	4.0	28.4
Average number of shares (note 16.2a)	2,129 m		(8) m	2,121 m		2,121 m

**Notes**

16.2a The average number of shares for full year 2004 is as previously published and includes the effect of the 2004 Rights Issue. The average number of shares under IFRS is adjusted for Prudential plc shares held by unit trusts that are newly consolidated under IFRS.

16.2b The proforma IFRS basis EPS includes the effect of IAS 39 (financial instruments) and IFRS 4 (insurance contracts) as if these standards had been adopted at 1 January 2004 by the Group's insurance operations. The Group formally adopted these standards on 1 January 2005. The proforma IFRS EPS figures are analysed on Schedule 28.2.

**2004 results****IFRS basis results**

	Schedule cross reference	As previously published £m	Discretionary change to longer- term investment returns £m	Change to statutory IFRS £m	Statutory IFRS £m	Change to proforma IFRS (note 17.1a) £m	Proforma IFRS (note 17.1a) £m
<b>Half year 2004 operating profit, based on longer-term investment returns, from continuing operations</b>							
<b>UK and Europe operations</b>							
Insurance operations	19	152			152	1	153
M&G	20	79			79		79
Egg	21	30		1	31		31
Total		261	0	1	262	1	263
<b>US operations</b>							
Jackson National Life	22	106	51		157		157
Broker dealer and fund management		(2)			(2)		(2)
Total		104	51	0	155	0	155
<b>Asian operations</b>							
Long-term business		64	(6)		58		58
Fund management		10			10		10
Development costs		(10)			(10)		(10)
Total	24	64	(6)	0	58	0	58
<b>Other income and expenditure</b>	25	(101)		(2)	(103)		(103)
<b>Operating profit, based on longer-term investment returns, from continuing operations</b>	15.1	328	45	(1)	372	1	373

**Notes**

17.1a The proforma IFRS basis results include the effects of IAS 39 (financial instruments) and IFRS 4 (insurance contracts) as if these standards had been adopted at 1 January 2004 by the Group's insurance operations. The Group formally adopted these standards on 1 January 2005.

**2004 results****IFRS basis results**

Full year 2004 operating profit, based on longer-term investment returns, from continuing operations before exceptional items	Schedule cross reference	As previously published £m	Discretionary change to longer-term investment returns £m	Change to statutory IFRS £m	Statutory IFRS £m	Change to proforma IFRS (note 17.2a) £m	Proforma IFRS (note 17.2a) £m
<b>UK and Europe operations</b>							
Insurance operations	19	305			305	(9)	296
M&G	20	136			136		136
Egg	21	63		(2)	61		61
<b>Total</b>		504	0	(2)	502	(9)	493
<b>US operations</b>							
Jackson National Life	22	196	100		296		296
Broker dealer and fund management		(14)			(14)		(14)
<b>Total</b>		182	100	0	282	0	282
<b>Asian operations</b>							
Long-term business		126	(9)		117		117
Fund management		19			19		19
Development costs		(15)			(15)		(15)
<b>Total</b>	24	130	(9)	0	121	0	121
<b>Other income and expenditure</b>	25	(193)		(4)	(197)		(197)
<b>Operating profit, based on longer-term investment returns, from continuing operations</b>	15.2	623	91	(6)	708	(9)	699

**Notes**

17.2a The proforma IFRS basis results include the effects of IAS 39 (financial instruments) and IFRS 4 (insurance contracts) as if these standards had been adopted at 1 January 2004 by the Group's insurance operations. The Group formally adopted these standards on 1 January 2005.



**2004 Results****IFRS basis results****Short-term fluctuations in investment returns**

	Schedule cross reference	As previously published £m	Discretionary change to longer-term returns (note 18a) £m	Change to statutory IFRS (note 18b) £m	Statutory IFRS £m	Change to proforma IFRS (note 18c) £m	Proforma IFRS £m
<b>Half year 2004</b>							
Long-term business:							
Jackson National Life		73	(51)	(9)	13	92	105
Asian operations		(48)	6		(42)		(42)
UK insurance operations		2			2		2
Share of investment return of funds managed by PPM America, that are consolidated into Group results but attributable to external investors.		7			7		7
Share of profits of venture investment companies and property investment companies of the PAC with-profits fund that are consolidated into Group results but are attributable to external investors				0	0		0
Other operations		(7)			(7)		(7)
	15.1	27	(45)	(9)	(27)	92	65

	Schedule cross reference	As previously published £m	Discretionary change to longer-term returns (note 18a) £m	Change to statutory IFRS (note 18b) £m	Statutory IFRS £m	Change to proforma IFRS (note 18c) £m	Proforma IFRS £m
<b>Full year 2004</b>							
Long-term business:							
Jackson National Life		159	(100)	2	61	144	205
Asian operations		28	9		37		37
UK insurance operations		20			20		20
Share of investment return of funds managed by PPM America, that are consolidated into Group results but attributable to external investors.		9			9		9
Share of profits of venture investment companies and property investment companies of the PAC with-profits fund that are consolidated into Group results but are attributable to external investors				9	9		9
Other operations		13			13		13
	15.2	229	(91)	11	149	144	293

**Notes**

18a Changes for longer-term returns reflect the replacement of 5 year averaging of realised gains and losses for fixed income securities of shareholder backed operations.

18b Changes to Statutory IFRS results for Jackson National Life reflect short-term value movements of newly consolidated investment subsidiaries.

18c Changes to Proforma IFRS results reflect value movements on derivative instruments used by Jackson National Life for economic hedging purposes.

**2004 results****IFRS basis results**

	Schedule cross reference	As previously reported £m	Change to statutory IFRS £m	Statutory IFRS £m	Change to proforma IFRS £m	Proforma IFRS £m
<b>UK &amp; Europe Insurance Operations</b>						
<u>Half year 2004</u>						
Gross premiums written (note 19a)		3,926		3,926	(663)	3,263
Operating profit before tax based on longer-term investment returns (note 19b)	17.1	152		152	1	153
Shareholders' funds (note 19b)	27.1	669	(1)	668	(2)	666
<u>Full year 2004</u>						
Gross premiums written (note 19a)		9,186		9,186	(1,381)	7,805
Operating profit before tax based on longer-term investment returns (note 19b)	17.2	305		305	(9)	296
Shareholders' funds (note 19b)	27.2	889	0	889	(12)	877

**Notes**

19a Gross premiums written in the IFRS income statement, after applying IAS 39 and IFRS 4, exclude those arising on those unit-linked contracts that are accounted for as investment contracts. Premiums and withdrawals of investment contracts are accounted for as movements in the balance sheet. The change is presentational only and does not affect profits.

19b Changes to proforma basis operating profit before tax and shareholders' funds reflect altered measurement of assets and liabilities for those unit-linked contracts accounted for as investment contracts under IAS 39 and IFRS 4.

**2004 results****IFRS basis results**

<b>M&amp;G</b>	<b>Schedule cross reference</b>	<b>As previously reported £m</b>	<b>Change to statutory IFRS £m</b>	<b>Statutory IFRS £m</b>
<u>Half year 2004</u>				
Operating profit before tax (note 20a)	17.1	79	0	79
Shareholders' funds (note 20b)				
Goodwill on acquisition		-	1,153	1,153
Pension scheme deficit (net of deferred tax)		-	(5)	(5)
Other net assets		341	(3)	338
<b>Total</b>	<b>27.1</b>	<b>341</b>	<b>1,145</b>	<b>1,486</b>
<u>Full year 2004</u>				
Operating profit before tax (note 20a)	17.2	136	0	136
Shareholders' funds (note 20b)				
Goodwill on acquisition		-	1,153	1,153
Pension scheme deficit (net of deferred tax)		-	(10)	(10)
Other net assets		312	(2)	310
<b>Total</b>	<b>27.2</b>	<b>312</b>	<b>1,141</b>	<b>1,453</b>

**Notes**

20a Changes to operating profit before tax reflect the altered recognition and amortisation of acquisition costs and front end fees, and altered pension costs for the M&G deferred benefit pension scheme. For half year and full year 2004 the net effect of these changes was £nil million.

20b Changes to shareholders' funds primarily reflect:

- (1) The reallocation of goodwill on the acquisition of M&G. Previously goodwill was included segmentally within 'other operations'.
- (2) Altered deferred acquisitions costs and front end fees, net of related deferred tax.
- (3) The recognition of the M&G pension scheme deficit on an IAS 19 basis, net of deferred tax.

**2004 results****Statutory basis (IFRS) results**

<b>Egg</b>	<b>Schedule cross reference</b>	<b>As previously reported £m</b>	<b>Change to statutory IFRS £m</b>	<b>Statutory IFRS £m</b>
<b><u>Half year 2004 results</u></b>				
Operating profit from continuing operations	17.1	30	1	31
Tax charge		(12)		(12)
Operating profit, net of tax		18	1	19
Discontinued operations				
Operating result (net of tax credit of £13m)		(21)		(21)
Total		(3)	1	(2)
Minority Interest in Egg post tax result				
Continuing operations		(4)		(4)
Discontinued operations		4		4
Profit (loss) for the financial period attributable to Prudential Group		(3)	1	(2)
<b><u>Half year 2004 Shareholders' Equity</u></b>				
Shareholders' funds of Egg Group		439	3	442
Minority Share		(89)	0	(89)
Prudential Group share of Egg shareholders' funds	27.1	350	3	353

**Full year 2004 results**

Operating profit from continuing operations	17.2	63	(2)	61
Tax charge		(25)		(25)
Operating profit, net of tax		38	(2)	36
Discontinued operations				
Operating result (net of tax credit of £7m)		(50)		(50)
Closure costs (net of tax credit of £32m)		(81)		(81)
Total		(93)	(2)	(95)
Minority Interest in Egg post-tax result				
Continuing operations		(8)	0	(8)
Discontinued operations		27	0	27
Profit (loss) for the financial year attributable to Prudential Group		(74)	(2)	(76)
<b><u>Full year 2004 Shareholders' Equity</u></b>				
Shareholders' funds of Egg Group		339	4	343
Minority Share		(70)	0	(70)
Prudential Group share of Egg shareholders' funds	27.2	269	4	273

**2004 results****IFRS basis results**

	Schedule cross reference	As previously reported £m	Discretionary change to longer-term investment returns £m	Change to statutory IFRS £m	Statutory IFRS £m	Change to proforma IFRS £m	Proforma IFRS £m
<b>US Operations</b>							
<b>Half year 2004</b>							
Gross premiums written (note 22a)		2,505			2,505	(612)	1,893
Operating profit (loss) before tax and amortisation of goodwill of continuing operations:							
Jackson National Life (Note 22b)	23.1	106	51		157		157
Broker dealer and fund management		(2)			(2)		(2)
Total		104	51	0	155	0	155
Short-term fluctuations in investment returns (notes 22b and 22c)	23.1	73	(51)	(9)	13	92	105
Total profit of continuing operations		177	0	(9)	168	92	260
Tax		(61)		3	(58)	(32)	(90)
Profit after tax from continuing operations		116	0	(6)	110	60	170
Discontinued operations (net of tax)		4			4		4
Total profit for the period		120	0	(6)	114	60	174
Shareholders' funds (note 22d)	27.1	2,417		(10)	2,407	85	2,492
<b>Full year 2004</b>							
Gross premiums written (note 22a)		4,717			4,717	(873)	3,844
Operating profit (loss) before tax and amortisation of goodwill of continuing operations:							
Jackson National Life (Note 22b)	23.2	196	100		296		296
Broker dealer and fund management		(14)			(14)		(14)
Total		182	100	0	282	0	282
Short-term fluctuations in investment returns (notes 22b and 22c)	23.2	159	(100)	2	61	144	205
Total profit of continuing operations		341	0	2	343	144	487
Tax		(120)		0	(120)	(50)	(170)
Profit after tax from continuing operations		221	0	2	223	94	317
Discontinued operations (net of tax)		33			33		33
Total profit for the year		254	0	2	256	94	350
Shareholders' funds (note 22d)	27.2	2,362		(3)	2,359	273	2,632

**Notes**

- 22a Gross premiums written, as presented in the IFRS income statement after applying IAS 39 and IFRS 4, exclude those premiums arising on contracts (principally Guaranteed Investment Contracts) that are accounted for as investment contracts. The change is presentational only and does not affect profits.
- 22b Changes to operating profit before tax and short-term fluctuations in investment returns in the column headed 'discretionary change to longer-term investment returns' reflect the altered basis of recognising longer-term investment returns - see schedule 23.1 and 23.2.
- 22c Changes to short-term fluctuations in the column headed 'change to Statutory IFRS' reflect short-term value movements on the assets of newly consolidated investment subsidiaries. The 'change to proforma IFRS' reflects value movements in derivatives used for economic hedging purposes.
- 22d Changes in shareholders' funds reflect the difference between the fair values of derivatives and fixed income securities under proforma IFRS, and the previous cost basis carrying value under UK GAAP. The impact on shareholders' funds shown above is net of related 'shadow' change to deferred acquisition costs and deferred tax.

**2004 results****IFRS basis results**

	Schedule cross reference	As previously published	Discretionary change to basis of determining longer-term investment returns	Change to statutory IFRS	Statutory IFRS	Change to proforma IFRS	Proforma IFRS
		£m	£m	£m	£m	£m	£m
<b>Jackson National Life - Operating profit based on longer-term investment returns from continuing operations</b>							
<b><u>Half year 2004</u></b>							
Operating profit based on longer-term investment returns from continuing operations excluding longer-term gains		138			138		138
Longer-term gains and losses:							
Equity type		17			17		17
5 Year averaged realised gains & losses on fixed income securities		(49)	49		0		0
RMR charge on fixed income securities (net of related change to amortisation of acquisition costs) (note 23.1a)			(23)		(23)		(23)
Amortisation of interest related realised gains and losses on fixed income securities (net of related change to amortisation of acquisition costs) (note 23.1b)			25		25		25
<b>Total</b>	<b>22</b>	<b>106</b>	<b>51</b>	<b>0</b>	<b>157</b>	<b>0</b>	<b>157</b>
<b>Short-term fluctuations in investment returns</b>							
Excess of actual over longer-term gains and losses:							
Equity type		(8)			(8)		(8)
Fixed income securities		81	(51)		30		30
Short-term value movements of assets of investment subsidiaries				(9)	(9)		(9)
Movement in value of derivatives (note 23.1c)					0	92	92
<b>Total</b>	<b>22, 31</b>	<b>73</b>	<b>(51)</b>	<b>(9)</b>	<b>13</b>	<b>92</b>	<b>105</b>
<b>Total profit before tax from continuing operations</b>		<b>179</b>	<b>0</b>	<b>(9)</b>	<b>170</b>	<b>92</b>	<b>262</b>

**Notes**

23.1a The RMR charge reflects a default allowance based on the credit quality of JNL's fixed income securities.

23.1b The amortisation of interest related realised gains and losses on fixed income securities has been determined by amortising realised gains and losses made in both prior years, and the current period, to the maturity date of the sold bonds.

23.1c The Group has chosen not to seek to hedge account for movements in JNL's derivatives.

## 2004 results

IFRS basis results

	Schedule cross reference	As previously published	Discretionary change to basis of determining longer- term investment returns	Change to statutory IFRS	Statutory IFRS	Change to proforma IFRS	Proforma IFRS
		£m	£m	£m	£m	£m	£m
<b>Jackson National Life - Operating profit based on longer-term investment returns from continuing operations</b>							
<b>Full year 2004</b>							
Operating profit based on longer-term investment returns from continuing operations excluding longer-term gains		267			267		267
Longer-term gains and losses:							
Equity type		31			31		31
5 Year averaged realised gains & losses on fixed income securities		(102)	102				0
RMR charge on fixed income securities (net of related change to amortisation of acquisition costs) (note 23.2a)			(47)		(47)		(47)
Amortisation of interest related realised gains and losses on fixed income securities (net of related change to amortisation of acquisition costs) (note 23.2b)			45		45		45
Total	22	196	100	0	296	0	296
<b>Short-term fluctuations in investment returns</b>							
Excess of actual over longer-term gains and losses:							
Equity type		18			18		18
Fixed income securities		141	(100)		41		41
Short-term value movements of assets of investment subsidiaries				2	2		2
Movement in value of derivatives (note 23.2c)					0	144	144
Total	22, 31	159	(100)	2	61	144	205
Total profit before tax from continuing operations		355	0	2	357	144	501

Notes

23.2a The RMR charge reflects a default allowance based on the credit quality of JNL's fixed income securities. Additional details are shown on Schedule 31.

23.2b The amortisation of interest related realised gains and losses on fixed income securities has been determined by amortising realised gains and losses made in both prior years, and the current period, to the maturity date of the sold bonds.

23.2c The Group has chosen not to seek to hedge account for movements in JNL's derivatives.

**2004 results****IFRS basis results**

<b>Asian Operations</b>	<b>Schedule cross reference</b>	<b>As previously reported £m</b>	<b>Discretionary change to basis of determining longer- term investment returns £m</b>	<b>Change to statutory IFRS £m</b>	<b>Statutory IFRS £m</b>	<b>Change to proforma IFRS £m</b>	<b>Proforma IFRS £m</b>
<b><u>Half year 2004</u></b>							
Gross premiums written (note 24a)		1,095			1,095	(2)	1,093
Operating profit before tax based on longer-term investment returns	17.1	64	(6)		58		58
Shareholders' funds:							
Goodwill on acquisitions (note 24b)				292	292		292
Other net assets		647		(4)	643		643
<b>Total shareholders' funds</b>	<b>27.1</b>	<b>647</b>	<b>0</b>	<b>288</b>	<b>935</b>	<b>0</b>	<b>935</b>

<b><u>Full year 2004</u></b>							
Gross premiums written (note 24a)		2,452			2,452	(5)	2,447
Operating profit before tax based on longer-term investment returns	17.2	130	(9)		121		121
Shareholders' funds:							
Goodwill on acquisitions (note 24b)				292	292		292
Other net assets		819		(3)	816		816
<b>Total shareholders' funds</b>	<b>27.2</b>	<b>819</b>	<b>0</b>	<b>289</b>	<b>1,108</b>	<b>0</b>	<b>1,108</b>

**Notes**

24a Gross premiums written, as presented in the IFRS income statement after applying IAS 39 and IFRS 4, exclude those premiums arising on contracts that are accounted for as investment contracts under IAS 39 and IFRS 4. The change is presentational only and does not itself affect profits.

24b The goodwill on acquisitions shown above reflects the reallocation of goodwill on acquisitions of Asian operations. Previously the goodwill was included segmentally within 'other operations'.



**2004 results****IFRS basis results**

	Schedule cross reference	As previously reported £m	Change to Statutory IFRS £m	Statutory and Proforma IFRS £m
<b>Other operations</b>				
<b><u>Half year 2004</u></b>				
<b>Operating profit before tax</b>				
Investment return and other income		16		16
Interest payable on core structural borrowings		(74)		(74)
Corporate expenditure				
Group Head Office		(25)		(25)
Asia regional Head Office		(18)		(18)
Other items (note 25a)			(2)	(2)
<b>Total</b>	<b>17.1</b>	<b>(101)</b>	<b>(2)</b>	<b>(103)</b>
<b>Shareholders' funds</b>				
Goodwill (note 25b)		1,399	(1,399)	0
Holding company net borrowings		(2,055)		(2,055)
Shareholders' share of pension scheme deficit (net of deferred tax)		-	(68)	(68)
Interim dividend payable (note 25c)		(109)	109	0
Other net liabilities		(339)	(35)	(374)
<b>Total</b>	<b>27.1</b>	<b>(1,104)</b>	<b>(1,393)</b>	<b>(2,497)</b>
<b><u>Full year 2004</u></b>				
<b>Operating profit before tax</b>				
Investment return and other income		44		44
Interest payable on core structural borrowings		(154)		(154)
Corporate expenditure				
Group Head Office		(54)		(54)
Asia regional Head Office		(29)		(29)
Other items (note 25a)			(4)	(4)
<b>Total</b>	<b>17.2</b>	<b>(193)</b>	<b>(4)</b>	<b>(197)</b>
<b>Shareholders' funds</b>				
Goodwill (note 25b)		1,352	(1,352)	0
Holding company net borrowings		(1,106)		(1,106)
Shareholders' share of pension scheme deficit (net of deferred tax)		-	(105)	(105)
Interim dividend payable (note 25c)		(253)	253	0
Other net liabilities		(363)	(18)	(381)
<b>Total</b>	<b>27.2</b>	<b>(370)</b>	<b>(1,222)</b>	<b>(1,592)</b>

**Notes**

- 25a Other items comprises additional costs recognised under IFRS for the Group as a whole for pension costs of the Prudential Staff and Scottish Amicable Pension Schemes, and stock based compensation in respect of Prudential plc shares.
- 25b Goodwill has been reallocated to the appropriate business units so as to align with the segmental basis of presentation under IFRS.
- 25c Under IFRS dividends are recognised in the period of declaration.

**2004 results****IFRS basis results**

	Schedule cross reference	As previously published £m	Change to statutory IFRS £m	Statutory IFRS £m	Change to proforma IFRS £m	Proforma IFRS £m
<b>Half year 2004 movement on shareholders' equity attributable to shareholders of parent company</b>						
<b><u>Statement of Recognised Income and Expenditure</u></b>						
Profit for the period after minority interests	15.1	156	77	233	61	294
Items taken directly to equity:						
Exchange movements		(33)	1	(32)	(5)	(37)
Unrealised valuation movements on securities classified as available-for-sale (note 26.1a):						
Gross change				0	(562)	(562)
Related change to amortisation of deferred acquisition costs				0	265	265
Related tax		5		5	108	113
Total recognised income (loss) for the period		128	78	206	(133)	73
<b><u>Reconciliation of movement on consolidated shareholders' equity (excluding minority interest)</u></b>						
Total recognised income for the period (as above)		128	78	206	(133)	73
New share capital subscribed		61		61		61
Dividends (note 26.1b)		(109)	(105)	(214)		(214)
Stock based compensation - fair value adjustment (net of tax)			3	3		3
Consideration paid for own shares:						
Own shares purchased in respect of stock compensation plans				0		0
Prudential plc shares purchased by unit trusts newly consolidated under IFRS				0		0
Net increase (decrease) in shareholders' equity		80	(24)	56	(133)	(77)
Shareholders' equity at 1 January 2004		3,240	56	3,296	216	3,512
Shareholders' equity at 30 June 2004	27.1, 33	3,320	32	3,352	83	3,435

**Notes**

26.1a Unrealised valuation movements on securities classified as available-for-sale refer to the fixed income securities of Jackson National Life that were previously carried at amortised cost, unless impaired.

26.1b Dividends under Statutory and Proforma IFRS bases reflect the final 2003 dividend declared in the period.

**2004 results****IFRS basis results**

	Schedule cross reference	As previously published £m	Change to statutory IFRS £m	Statutory IFRS £m	Change to proforma IFRS £m	Proforma IFRS £m
<b>Full year 2004 movement on shareholders' equity attributable to shareholders of parent company</b>						
<b><u>Statement of Recognised Income and Expenditure</u></b>						
Profit for the financial year after minority interests	15.2	428	89	517	85	602
Items taken directly to equity:						
Exchange movements		(173)	1	(172)	(19)	(191)
Unrealised valuation movements on securities classified as available-for-sale (note 26.2a):						
Gross change				0	(106)	(106)
Related change to amortisation of deferred acquisition costs				0	74	74
Related tax		12		12	11	23
Total recognised income for the year		267	90	357	45	402
<b><u>Reconciliation of movement on consolidated shareholders' equity (excluding minority interest)</u></b>						
Total recognised income for the period (as above)		267	90	357	45	402
Proceeds from Rights Issue, net of expenses		1,021		1,021		1,021
Other new share capital subscribed		119		119		119
Dividends (note 26.2b)		(362)	39	(323)		(323)
Stock based compensation - fair value adjustment (net of tax)		-	10	10		10
Consideration paid for own shares						
Consideration paid for own shares purchased in respect of stock compensation plans		(4)		(4)		(4)
Prudential plc shares purchased by unit trusts newly consolidated under IFRS			14	14		14
Net increase in shareholders' equity		1,041	153	1,194	45	1,239
Shareholders' equity at 1 January 2004		3,240	56	3,296	216	3,512
Shareholders' equity at 31 December 2004	27.2, 33	4,281	209	4,490	261	4,751

**Notes**

26.2a Unrealised valuation movements on securities classified as available-for-sale refer to the fixed income securities of Jackson National Life that were previously carried at amortised cost, unless impaired.

26.2b Dividends under Statutory and Proforma IFRS bases reflect the final 2003 dividend and interim 2004 dividend declared in the year.

**2004 results****IFRS basis results**

	Schedule cross reference	As previously published £m	Change to statutory IFRS £m	Statutory IFRS £m	Change to proforma IFRS £m	Proforma IFRS £m
<b>Shareholders' equity at 30 June 2004 - analysis by business unit</b>						
<b>UK and Europe</b>						
Long-term business operations	19	669	(1)	668	(2)	666
M&G	20					
Net assets of operation		341	(8)	333		333
Acquired goodwill			1,153	1,153		1,153
Egg	21	350	3	353		353
Total		1,360	1,147	2,507	(2)	2,505
<b>US operations</b>						
Jackson National Life						
Shareholders' funds		2,482	(10)	2,472	85	2,557
Surplus note borrowings		(138)		(138)		(138)
Shareholders' funds net of surplus note borrowings		2,344	(10)	2,334	85	2,419
Broker dealer and fund management		73		73		73
Total	22	2,417	(10)	2,407	85	2,492
<b>Asian operations</b>						
Long-term business						
Net assets of operation		584	(4)	580		580
Acquired goodwill			231	231		231
Fund management						
Net assets of operation		63		63		63
Acquired goodwill			61	61		61
Total	24	647	288	935	0	935
<b>Other operations</b>						
Goodwill		1,399	(1,399)	0		0
Holding company net borrowings		(2,055)		(2,055)		(2,055)
Interim dividend payable		(109)	109	0		0
Shareholders' share of deficits on defined benefit pension schemes (net of tax)			(68)	(68)		(68)
Other net liabilities		(339)	(35)	(374)		(374)
Total	25	(1,104)	(1,393)	(2,497)	0	(2,497)
<b>Total</b>	<b>26.1, 33</b>	<b>3,320</b>	<b>32</b>	<b>3,352</b>	<b>83</b>	<b>3,435</b>

**2004 results****IFRS basis results**

	Schedule cross reference	As previously published £m	Change to statutory IFRS £m	Statutory IFRS £m	Change to proforma IFRS £m	Proforma IFRS £m
<b>Shareholders' equity at 31 December 2004 - analysis by business unit</b>						
<b>UK and Europe</b>						
Long-term business operations	19	889		889	(12)	877
M&G	20					
Net assets of operation		312	(12)	300		300
Acquired goodwill		-	1,153	1,153		1,153
Egg	21	269	4	273		273
<b>Total</b>		<b>1,470</b>	<b>1,145</b>	<b>2,615</b>	<b>(12)</b>	<b>2,603</b>
<b>US operations</b>						
Jackson National Life						
Shareholders' funds		2,428	(3)	2,425	273	2,698
Surplus note borrowings		(130)		(130)		(130)
Shareholders' funds net of surplus note borrowings		2,298	(3)	2,295	273	2,568
Broker dealer and fund management		64		64		64
<b>Total</b>	<b>22</b>	<b>2,362</b>	<b>(3)</b>	<b>2,359</b>	<b>273</b>	<b>2,632</b>
<b>Asian operations</b>						
Long-term business						
Net assets of operation		753	(3)	750		750
Acquired goodwill		-	231	231		231
Fund management						
Net assets of operation		66		66		66
Acquired goodwill		-	61	61		61
<b>Total</b>	<b>24</b>	<b>819</b>	<b>289</b>	<b>1,108</b>	<b>0</b>	<b>1,108</b>
<b>Other operations</b>						
Goodwill		1,352	(1,352)	0		0
Holding company net borrowings		(1,106)		(1,106)		(1,106)
Final dividend payable		(253)	253	0		0
Shareholders' share of deficits on defined benefit pension schemes (net of tax)	34	-	(105)	(105)		(105)
Other net liabilities		(363)	(18)	(381)		(381)
<b>Total</b>	<b>25</b>	<b>(370)</b>	<b>(1,222)</b>	<b>(1,592)</b>	<b>0</b>	<b>(1,592)</b>
<b>Total</b>	<b>26.2, 33</b>	<b>4,281</b>	<b>209</b>	<b>4,490</b>	<b>261</b>	<b>4,751</b>

**2004 Results****IFRS basis results****Half year 2004 results restated for impact of accounting changes implemented on adoption of IFRS**

	Schedule Cross reference	Proforma IFRS results (note 28.1b)					Earnings per share (pence)
		Pre-tax £m	Tax (schedule 32) £m	Post-tax £m	Minority interests £m	Post-tax and minority interests £m	
<b>Basic earnings per share (note 28.1a)</b>							
<u>Continuing operations</u>							
Based on operating profit, based on longer-term investment returns, after tax and related minority interests	17.1	373	(99)	274	(4)	270	13.0
Adjustment from post-tax long-term investment returns to post-tax actual investment returns	18	65	(57)	8	(7)	1	0.1
Adjustment for post-tax shareholders' share of actuarial gains and losses on defined benefit pension schemes		48	(14)	34		34	1.6
Total continuing operations		486	(170)	316	(11)	305	14.7
Adjustment for post-tax operating results of discontinued operations (note 28.1c)		(24)	9	(15)	4	(11)	(0.5)
Based on profit for the period after minority interests		462	(161)	301	(7)	294	14.2

Notes

- 28.1a The average restated number of shares for half year 2004 was 2,075m (previously 2,004m) as a result of the adjustment of 1.04 for the bonus element of the 2004 Rights Issue less changes to the average number of shares as a result of the consolidation of funds which hold Prudential shares.
- 28.1b References to 'proforma IFRS' reflect the impact of the application of IAS 39 (financial instruments) and IFRS 4 (insurance contracts), in addition to the other required IFRS changes, for 2004 comparative results for insurance operations. The Group adopted IAS 39 and IFRS 4 for insurance and other operations on 1 January 2005.
- 28.1c Discontinued operations comprise Jackson Federal Bank, Egg France, and Egg's Funds Direct operation.

**2004 Results****IFRS basis results****Full year 2004 results restated for impact of accounting changes implemented on adoption of IFRS**

	Schedule Cross reference	Proforma IFRS results (note 28.2b)					Earnings per share (pence)
		Pre-tax £m	Tax (schedule 32) £m	Post-tax £m	Minority interests £m	Post-tax and minority interests £m	
<b>Basic earnings per share (note 28.2a)</b>							
<u>Continuing operations</u>							
Based on operating profit, based on longer-term investment returns, after tax and related minority interests	17.2	699	(175)	524	(8)	516	24.2
Adjustment from post-tax long-term investment returns to post-tax actual investment returns	18	293	(117)	176	(18)	158	7.5
Adjustment for post-tax shareholders' share of actuarial gains and losses on defined benefit pension schemes		(7)	2	(5)		(5)	(0.2)
<b>Total continuing operations</b>		<b>985</b>	<b>(290)</b>	<b>695</b>	<b>(26)</b>	<b>669</b>	<b>31.5</b>
<u>Discontinued operations</u>							
From operating profit after tax and minority interest (note 28.2c)		(40)	1	(39)	10	(29)	(1.5)
Adjustment for post-tax profit on business disposals		45	(19)	26		26	1.4
Adjustment for post-tax Egg France closure cost		(113)	32	(81)	17	(64)	(3.0)
<b>Total discontinued operations</b>		<b>(108)</b>	<b>14</b>	<b>(94)</b>	<b>27</b>	<b>(67)</b>	<b>(3.1)</b>
<b>Based on profit for the financial year after minority interests</b>		<b>877</b>	<b>(276)</b>	<b>601</b>	<b>1</b>	<b>602</b>	<b>28.4</b>

**Notes**

- 28.2a The average number of shares for 2004 was 2,121m (previously 2,129m) as a result of the consolidation of funds which hold Prudential shares.
- 28.2b References to 'proforma IFRS' reflect the impact of the application of IAS 39 (financial instruments) and IFRS 4 (insurance contracts) for insurance operations, in addition to the other required IFRS changes, for 2004 comparative results. The Group will formally adopt IAS 39 and IFRS 4 for insurance and other operations on 1 January 2005.
- 28.2c Discontinued operations comprise Jackson Federal Bank, Egg France, and Egg's Funds Direct operation. The total amounts arising in respect of discontinued operations, shown on schedule 15.2 comprise the post-tax amounts for operating results, profits on disposal, and closure costs.

**2004 Results****IFRS basis results****2004 results restated for impact of accounting changes implemented on adoption of IFRS**

	Proforma IFRS			
	Full year 2004 US\$m	Half year 2004 US\$m	Full year 2004 £m	Half year 2004 £m
<b>US Operations - Summary of operating results</b>				
IFRS operating result for continuing operations (note 29a)				
Jackson National Life (note 29b)	542	287	296	157
Broker Dealer and Fund Management result	(26)	(4)	(14)	(2)
Operating profit from continuing operations before tax	516	283	282	155
Average exchange rates			1.83	1.82

**Notes**

29a The result of Jackson Federal Bank, which was sold in 2004, has been excluded from the above analysis and included within the results of discontinued operations.

29b IFRS basis operating profits for the year ended 31 December 2004 includes the following longer term investment returns (net of related change to amortisation of deferred acquisition costs)

Longer-term returns on fixed income securities:

	Year ended 31 December 2004	
	US\$m	£m
Amortisation of interest related gains (net of related change to amortisation of acquisition costs)	83	45
Risk margin reserve charge in respect of credit related losses (net of related change to amortisation of acquisition costs) (note 29c)	(86)	(47)
Total	(3)	(2)
Longer-term returns on equity type investments	57	31

29c The risk margin reserve charge for 2004 is comprised as follows:

Credit Quality	Book Value (£bn)	Charge	Year ended 31 December 2004	
			US\$m	£m
A or higher	9.1	0.03%	(6)	(3)
Baa	11.7	0.23%	(49)	(27)
Ba	1.3	1.06%	(26)	(14)
B	0.2	2.73%	(11)	(6)
Below B	0.2	3.79%	(13)	(7)
	22.5	0.25%	(105)	(57)
Related amortisation of acquisition costs				10
Risk margin reserve charge (net of related change to amortisation of acquisition costs)				(47)



## 2004 Results

## IFRS basis results

## Full year 2004 results restated for impact of accounting changes implemented on adoption of IFRS

Reconciliation from JNL 2004 US GAAP basis result to IFRS basis result for US Operations	US GAAP per JNL financial statements US \$m	Other US Subsidiaries US \$m	Longer-term Investment returns and other adjustments (note 30a and 30b) US \$m	Proforma segmental result for IFRS purposes (note 30c) US \$m	£m
<b>Profit and loss account</b>					
Operating profit					
Jackson National Life	788		(246)	542	296
Broker dealer and fund management		11	(37)	(26)	(14)
Realised investment gains (losses), net of related change to amortisation of acquisition costs (US GAAP as published also includes the change in the fair value of hedging instruments)	143		(143)	0	
Short-term fluctuations in investment returns (per Schedule 31)		5	369	374	205
Profit before tax from continuing operations before minority interests	931	16	(57)	890	487
Minority interests (note 30a)	(49)		49		
Profit before tax from continuing operations after minority interests	882	16	(8)	890	487
Income from Discontinued Operations	32			32	17
Gain on sale of Jackson Federal Bank	66		4	70	38
Profit before tax after minority interests	980	16	(4)	992	542
Tax (charge) credit:					
on operating profit	(276)	(4)	163	(117)	(64)
on realised investment gains and losses	(33)		33	0	0
on short-term fluctuations in investment returns			(195)	(195)	(106)
on income from discontinued operations	(11)			(11)	(6)
on disposals	(30)			(30)	(16)
total tax charge	(350)	(4)	1	(353)	(192)
Net income	630	12	(3)	639	350
<b>Movements in shareholders' funds</b>					
Net income (as shown above)	630	12	(3)	639	
Capital contributions	29	6		35	
Net movement in other comprehensive income/statement of recognised income and expense	(69)	26	(9)	(52)	
Dividends paid to intermediate holding company	(120)	(15)		(135)	
Total movement in year	470	29	(12)	487	
Shareholders' funds at beginning of year	4,402	121	43	4,566	
Shareholders' funds at end of year	4,872	150	31	5,053	
			Jackson National Life	2,568	
			Broker dealer and fund management	64	
				2,632	

## Notes

- 30a The IFRS results are determined after adjustment for minority interests. For IFRS reporting purposes the segmental result of Jackson National Life reflects its proportionate interests in the results of two investment funds that are consolidated as quasi subsidiaries.
- 30b Investment returns included in the IFRS operating result are determined on a longer-term basis. These amounts are explained on Schedule 29. The difference between actual investment returns and longer-term returns is included within the profit and loss account as short-term fluctuations in investment returns, as set out on Schedule 31.
- 30c Exchange rates :  
The average rate for 2004 of 1.83 is applied to the profit and loss account.  
The closing rate for 2004 of 1.92 is applied to shareholders' funds.

**2004 Results****IFRS basis results****2004 results restated for impact of accounting changes implemented on adoption of IFRS**

	<u>Proforma IFRS</u>	
	<u>Half year 2004</u>	<u>Full year 2004</u>
<b>Short-term fluctuations in investment returns</b>	<b>£m</b>	<b>£m</b>
Long-term business:		
Jackson National Life (note 31a)	105	205
Prudential Asia (note 31b)	(42)	37
UK Insurance Operations	2	20
Share of investment return of funds managed by PPM America, that are consolidated into Group results but attributable to external investors	7	9
Share of profits of venture investment companies and property investment companies of the PAC with-profits fund that are consolidated into Group results but are attributable to external investors	0	9
Other operations	(7)	13
<b>Total</b>	<b>65</b>	<b>293</b>

**Notes****31a Jackson National Life**

Short-term fluctuations (net of related change to amortisation of acquisition costs) comprise actual investment returns on investments less longer-term returns (net of related change to amortisation of acquisition costs) as follows:

	<u>Half year 2004</u>	<u>Full year 2004</u>
	<u>£m</u>	<u>£m</u>
Actual gains less longer-term return on fixed income securities	30	41
Actual gains less longer-term return on equity type investments	(8)	18
Other	(9)	2
Movement in market value of derivatives used for economic hedging purposes	92	144
	<u>105</u>	<u>205</u>

**31b Prudential Asia**

Short-term fluctuations for Prudential Asia of £37m primarily reflect bond value movements and rising equity markets

**2004 Results****IFRS basis results****2004 results restated for impact of accounting changes implemented on adoption of IFRS**

	<b>Proforma IFRS</b>	
	<b>Half year 2004 £m</b>	<b>Full year 2004 £m</b>
<b>Tax charge attributable to shareholders</b>		
<b><u>Continuing operations</u></b>		
Tax charge (credit) on operating profit (loss)		
Long-term business:		
UK and Europe Insurance operations	50	85
Jackson National Life	35	66
Asian operations	17	38
Other operations	(3)	(14)
<hr/>		
Total tax on operating profit of continuing operations	99	175
Tax charge on short-term fluctuations in investments returns	57	117
Tax charge (credit) on actuarial gains and losses on defined benefit pension schemes	14	(2)
<hr/>		
Total continuing operations	170	290
<hr/>		
<b><u>Discontinued operations</u></b>		
Tax credit on operating loss	(9)	(1)
Tax charge on profit on business disposals		19
Tax credit on Egg France closure costs		(32)
<hr/>		
Total discontinued operations	(9)	(14)
<hr/>		
Total tax charge attributable to shareholders	161	276
<hr/>		

**2004 Results****IFRS basis results****2004 results restated for impact of accounting changes implemented on adoption of IFRS**

	Schedule cross reference	Proforma IFRS	
		Half year 2004 £m	Full year 2004 £m
<b>Shareholders' funds analysis</b>			
<b>UK and Europe</b>			
Long-term business operations	19	666	877
M&G	20	1,486	1,453
Egg	21	353	273
Total		2,505	2,603
<b>US Operations</b>			
Jackson National Life - fixed income securities and derivative instruments on an amortised cost basis		2,334	2,295
Impact of marking fixed income securities and derivative instruments to fair value (net of related DAC and tax)		85	273
Jackson National Life - fixed income securities and derivative instruments on a fair value basis		2,419	2,568
Broker dealer and fund management		73	64
Total	22	2,492	2,632
<b>Asian Operations</b>	24	935	1,108
<b>Other Operations</b>	25	(2,497)	(1,592)
<b>Group shareholders' funds</b>		3,435	4,751

**2004 Results****IFRS basis results****2004 results restated for impact of accounting changes implemented on adoption of IFRS**

	Charge to income statement:				Deficit in schemes at	
	Deficit in schemes at 1 Jan 2004	Operating results (note 34a)	Actuarial gains and losses (note 34b)	Contributions paid	31 Dec 2004 (note 34c)	
	£m	£m	£m	£m	£m	£m
<b>Retirement benefits - summary of financial position of UK defined benefit pension schemes on an IAS 19 basis</b>						
<b><u>Movement in year</u></b>						
Prudential Staff Pension Scheme	(580)				(626)	
Other defined benefit schemes	(58)				(63)	
Total Group position	(638)	(36)	(45)	30	(689)	
Less: amount attributable to PAC with-profits fund (note 34c)	487	21	36	(19)	525	
Shareholders' share of deficit:						
Pre-tax	(151)	(15)	(9)	11	(164)	
Related tax	45	5	2	(3)	49	
Net of shareholders' tax	(106)	(10)	(7)	8	(115)	

**Notes**

34a The components of the charge to operating profits (gross of allocation of the share attributable to the PAC with-profits fund) are as follows:

	£m
Service cost	(67)
Finance (expense) income:	
Interest on pension scheme liabilities	(245)
Expected return on assets	276
Total charge	(36)

34b The components of the charge for actuarial gains and losses (gross of allocation of the share attributable to the PAC with profits fund) are as follows:

	£m
Actual less expected return on assets	114
Experience gains (losses) on liabilities	(28)
Gains (losses) on changes of assumptions	(131)
Total charge	(45)

The charge for actuarial gains and losses is recorded within the income statement but excluded from operating profit based on longer-term investment returns.

34c The net of tax deficit attributable to shareholders comprises £105 million in respect of the Prudential Staff Pension Scheme and the Scottish Amicable Pension Scheme (as shown on Schedules 25 and 27.2) and £10 million in respect of the M&G pension scheme (as shown on Schedule 20). The M&G pension scheme has, at 31 December 2004, invested £125 million in Prudential Group insurance policies. For the purposes of the table above these assets are included as scheme assets for the purposes of demonstrating the economic position of the scheme.

**2004 Results****IFRS basis results****Basis of preparation**

The IFRS basis results have been prepared on two bases, namely "Statutory IFRS" and "Proforma IFRS".

The "Statutory IFRS" basis results reflect those to be included as comparatives in the Group's half year 2005 consolidated financial statements after adjustment for appropriate presentational and format changes, and to be accompanied by additional disclosures required by the relevant IFRS standards and UK listing authority requirements. For the avoidance of doubt the 'statutory IFRS' results included in supplementary schedules 15 to 34 comprise of selected financial information and do not represent the Group's statutory accounts.

The "Statutory IFRS" basis results reflect the application of:

- (i) Measurement changes arising from the adoption of all IFRS standards, other than IAS32, IAS39 and IFRS4, from January 1 2004.
- (ii) Changes to the format of the income statement for discontinued operations and other presentational changes under IFRS in so far as they affect the selected financial information included in schedules 15 to 34, and
- (iii) A discretionary change of policy for the basis of determining longer-term investment returns included in operating profits.

The "Proforma IFRS" basis results are provided as supplementary information and are not results that will form part of the Group's financial statements.

The "Proforma IFRS" basis results reflect the application of the "Statutory IFRS" changes noted above and the estimated effect on the Group's results for 2004 if IAS32, IAS39 and IFRS4 had been applied from 1 January 2004 to the Group's insurance operations.

The "Proforma IFRS" results for 2004 will be provided as additional information with the Group's half year 2005 consolidated financial statements.

**Transition adjustment at 1 January 2005**

On formal adoption of IAS 32, IAS 39 and IFRS 4 at 1 January 2005 the Group's IFRS basis results will incorporate a transitional adjustment to shareholders equity.

The changes are as follows:

	<b>Previously published £m</b>	<b>Statutory IFRS £m</b>	<b>Proforma IFRS £m</b>
Shareholders' equity at 31 December 2004	4,281	4,490	4,751
Transitional adjustments:			
Insurance operations	N/A	261	N/A
	N/A	4,751	4,751
Banking and other non-insurance operations	N/A	(25)	(25)
Shareholders' equity at 1 January 2005	<u>4,281</u>	<u>4,726</u>	<u>4,726</u>