

PRUDENTIAL PLC 2007 UNAUDITED INTERIM RESULTS

RESULTS SUMMARY

European Embedded Value (EEV) Basis Results*

	Half Year 2007 £m	Half Year 2006 £m	Full Year 2006 £m
UK Insurance Operations	462	336	686
M&G	140	100	204
UK Operations	602	436	890
US Operations	351	350	718
Asian Operations	520	374	864
Other Income and Expenditure	(147)	(141)	(298)
UK restructuring costs	0	(12)	(41)
Operating profit from continuing operations based on longer-term investment returns*	1,326	1,007	2,133
Short-term fluctuations in investment returns	241	73	738
Mark to market value movements on core borrowings	113	168	85
Shareholders' share of actuarial gains and losses on defined benefit pension schemes	125	246	207
Effect of changes in economic assumptions and time value of cost of options and guarantees	275	(20)	59
Profit from continuing operations before tax	2,080	1,474	3,222
Operating earnings per share from continuing operations after related tax and minority interests*	39.4p	29.3p	62.1p
Basic earnings per share	72.8p	43.8p	91.7p
Shareholders' equity, excluding minority interests	£13.4bn	£10.9bn	£11.9bn

International Financial Reporting Standards (IFRS) Basis Results*

	Half Year 2007	Half Year 2006	Full Year 2006
Statutory IFRS basis results			
Profit after tax attributable to equity holders of the Company	£715m	£449m	£874m
Basic earnings per share	29.3p	18.7p	36.2p
Shareholders' equity, excluding minority interests	£5.9bn	£5.0bn	£5.5bn
Supplementary IFRS basis information			
Operating profit from continuing operations based on longer-term investment returns*	£601m	£498m	£1,050m
Operating earnings per share from continuing operations after related tax and minority interests*	16.3p	14.0p	30.9p
	Half Year 2007	Half Year 2006	Full Year 2006
Dividends per share declared and paid in reporting period	11.72p	11.02p	16.44p
Dividends per share relating to reporting period	5.70p	5.42p	17.14p
Funds under management	£256bn	£238bn	£251bn

* Basis of preparation

Results bases

The EEV basis results have been prepared in accordance with the European Embedded Value Principles issued by the CFO Forum of European Insurance Companies in May 2004. The basis of preparation of the statutory IFRS basis results and supplementary IFRS basis information is consistent with that applied for the 2006 full year results and financial statements.

Operating profit based on longer-term investment returns

Consistent with previous reporting practice, the Group analyses its EEV basis results and provides supplementary analysis of IFRS profit before tax attributable to shareholders, so as to distinguish operating profit based on longer-term investment returns from other constituent elements of total profit. On both the EEV and IFRS bases, operating earnings per share are calculated using operating profits from continuing operations based on longer-term investment returns, after tax and minority interests. These profits exclude short-term fluctuations in investment returns and the shareholders' share of actuarial gains and losses on defined benefit pension schemes. Under the EEV basis, where additional profit and loss effects arise, operating profit based on longer-term investment returns also excludes the mark to market value movements on core borrowings and the effect of changes in economic assumptions and changes in the time value of cost of options and guarantees arising from changes in economic factors. After adjusting for related tax and minority interests, the amounts for these items are included in the calculation of basic earnings per share.

For half year 2007, the EEV basis operating profit from continuing operations based on longer-term investment returns before tax of £1,326m includes a credit of £92m that arises from including the benefits, grossed up for notional tax, of altered corporate tax rates for the UK, Singapore and China. Further details are explained in note 7 to the EEV basis supplementary information.

Discontinued operations

The results for continuing operations shown above and throughout this announcement exclude those in respect of discontinued banking operations. On 1 May 2007, the Company sold Egg Banking plc. Accordingly, the presentation of the comparative results for half year and full year 2006 has been adjusted from those previously published.

EUROPEAN EMBEDDED VALUE (EEV) BASIS RESULTS

SUMMARY CONSOLIDATED INCOME STATEMENT

	Half Year 2007 £m	Half Year 2006 £m	Full Year 2006 £m
UK Insurance Operations	462	336	686
M&G	140	100	204
UK Operations	602	436	890
US Operations	351	350	718
Asian Operations	520	374	864
Other Income and Expenditure	(147)	(141)	(298)
UK restructuring costs	0	(12)	(41)
Operating profit from continuing operations based on longer-term investment returns	1,326	1,007	2,133
Short-term fluctuations in investment returns	241	73	738
Mark to market value movements on core borrowings	113	168	85
Shareholders' share of actuarial gains and losses on defined benefit pension schemes	125	246	207
Effect of changes in economic assumptions and time value of cost of options and guarantees	275	(20)	59
Profit from continuing operations before tax	2,080	1,474	3,222
Shareholder tax	(545)	(387)	(904)
Profit from continuing operations for the period after tax before minority interests	1,535	1,087	2,318
Discontinued operations (net of tax)	241	(34)	(105)
Profit for the period	1,776	1,053	2,213
Attributable to:			
Equity holders of the Company	1,775	1,052	2,212
Minority interests	1	1	1
Profit for the period	1,776	1,053	2,213
Earnings per share (in pence)			
<i>Continuing operations</i>			
From operating profit, based on longer-term investment returns, after related tax and minority interests	39.4p	29.3p	62.1p
Adjustment from post-tax longer-term investment returns to post-tax actual investment returns (after minority interests)	7.0p	1.7p	21.8p
Adjustment for mark to market value movements on core borrowings	4.6p	7.0p	3.5p
Adjustment for post-tax effect of shareholders' share of actuarial gains and losses on defined benefit pension schemes	3.7p	7.2p	6.0p
Adjustment for post-tax effect of changes in economic assumptions and time value of cost of options and guarantees	8.2p	(0.1)p	2.6p
Based on profit from continuing operations after minority interests	62.9p	45.1p	96.0p
<i>Discontinued operations</i>			
Based on profit (loss) from discontinued operations after minority interests	9.9p	(1.3)p	(4.3)p
Based on profit for the period after tax and minority interests	72.8p	43.8p	91.7p
Average number of shares (millions)	2,437	2,403	2,413
Dividends per share (in pence)			
Dividends relating to the reporting period:			
Interim dividend (2007 and 2006)	5.70p	5.42p	5.42p
Final dividend (2006)	-	-	11.72p
Total	5.70p	5.42p	17.14p
Dividends declared and paid in the reporting period:			
Current year interim dividend	-	-	5.42p
Final dividend for prior year	11.72p	11.02p	11.02p
Total	11.72p	11.02p	16.44p

EUROPEAN EMBEDDED VALUE (EEV) BASIS RESULTS

OPERATING PROFIT FROM CONTINUING OPERATIONS BASED ON LONGER-TERM INVESTMENT RETURNS*

	Half Year 2007 £m	Half Year 2006 £m	Full Year 2006 £m
Results Analysis by Business Area			
UK Operations			
New business	108	138	266
Business in force	354	198	420
Long-term business	462	336	686
M&G	140	100	204
Total	602	436	890
US Operations			
New business	144	134	259
Business in force	200	212	449
Long-term business	344	346	708
Broker-dealer and fund management	9	8	18
Curian	(2)	(4)	(8)
Total	351	350	718
Asian Operations			
New business	282	232	514
Business in force	211	127	315
Long-term business	493	359	829
Fund management	33	22	50
Development expenses	(6)	(7)	(15)
Total	520	374	864
Other Income and Expenditure			
Investment return and other income	13	18	8
Interest payable on core structural borrowings	(88)	(89)	(177)
Corporate expenditure:			
Group Head Office	(50)	(46)	(83)
Asia Regional Head Office	(17)	(19)	(36)
Charge for share-based payments for Prudential schemes	(5)	(5)	(10)
Total	(147)	(141)	(298)
UK restructuring costs	0	(12)	(41)
Operating profit from continuing operations based on longer-term investment returns	1,326	1,007	2,133
Analysed as profits (losses) from:			
New business	534	504	1,039
Business in force	765	537	1,184
Long-term business	1,299	1,041	2,223
Asia development expenses	(6)	(7)	(15)
Other operating results	33	(15)	(34)
UK restructuring costs	0	(12)	(41)
Total	1,326	1,007	2,133

* EEV basis operating profit from continuing operations based on longer-term investment returns excludes short-term fluctuations in investment returns, the mark to market value movements on core borrowings, the shareholders' share of actuarial gains and losses on defined benefit pension schemes, the effect of changes in economic assumptions and changes in the time value of cost of options and guarantees arising from changes in economic factors. The amounts for these items are included in total EEV profit. The directors believe that operating profit, as adjusted for these items, better reflects underlying performance. Profit on ordinary activities and basic earnings per share include these items together with actual investment returns. This basis of presentation has been adopted consistently throughout this interim report.

For half year 2007, the EEV basis operating profit from continuing operations based on longer-term investment returns before tax of £1,326m includes a credit of £92m that arises from including the benefits, grossed up for notional tax, of altered corporate tax rates for the UK, Singapore and China. Further details are explained in note 7 to the EEV basis supplementary information.

The results for continuing operations shown above exclude those in respect of discontinued banking operations. On 1 May 2007, the Company sold Egg Banking plc. Accordingly, the presentation of the comparative results for half year and full year 2006 has been adjusted from those previously published.

EUROPEAN EMBEDDED VALUE (EEV) BASIS RESULTS

MOVEMENT IN SHAREHOLDERS' EQUITY (excluding minority interests)

	Half Year 2007 £m	Half Year 2006 £m	Full Year 2006 £m
Profit for the period attributable to equity holders of the Company	1,775	1,052	2,212
Items taken directly to equity:			
Exchange movements	(65)	(217)	(359)
Unrealised valuation movements on Egg securities classified as available-for-sale	(2)	(4)	(2)
Movement on cash flow hedges	(3)	4	7
Related tax	(11)	(39)	(74)
Dividends	(288)	(267)	(399)
Acquisition of Egg minority interests	-	(167)	(167)
New share capital subscribed	117	253	336
Reserve movements in respect of share-based payments	9	6	15
Treasury shares:			
Movement in own shares in respect of share-based payment plans	11	9	6
Movement on Prudential plc shares purchased by unit trusts consolidated under IFRS	1	1	0
Mark to market value movement on Jackson assets backing surplus and required capital*	(15)	-	7
Net increase in shareholders' equity	1,529	631	1,582
Shareholders' equity at beginning of period (excluding minority interests)	11,883	10,301	10,301
Shareholders' equity at end of period (excluding minority interests)	13,412	10,932	11,883
Comprising:			
UK Operations:			
Long-term business	6,308	5,370	5,813
M&G:			
Net assets	287	273	230
Acquired goodwill	1,153	1,153	1,153
Egg	-	360	292
	7,748	7,156	7,488
US Operations	3,544	3,379	3,360
Asian Operations:			
Net assets	3,012	2,159	2,637
Acquired goodwill	172	172	172
Holding company net borrowings (at market value)	(811)	(1,558)	(1,542)
Other net liabilities	(253)	(376)	(232)
Shareholders' equity at end of period (excluding minority interests)	13,412	10,932	11,883
Representing shareholders' equity for:			
Long-term business operations	12,690	10,756	11,664
Other operations	722	176	219
	13,412	10,932	11,883

* The mark to market value movement on Jackson assets backing surplus and required capital for full year 2006 represents the cumulative adjustment as at 31 December 2006.

EUROPEAN EMBEDDED VALUE (EEV) BASIS RESULTS

SUMMARISED CONSOLIDATED BALANCE SHEET

	30 Jun 2007 £m	30 Jun 2006 £m	31 Dec 2006 £m
Total assets less liabilities, excluding insurance funds	189,436	175,456	183,130
Less insurance funds:*			
Policyholder liabilities (net of reinsurers' share) and unallocated surplus of with-profits funds	(183,531)	(170,407)	(177,642)
Less shareholders' accrued interest in the long-term business	7,507	5,883	6,395
	(176,024)	(164,524)	(171,247)
Total net assets	13,412	10,932	11,883
Share capital	123	121	122
Share premium	1,823	1,808	1,822
IFRS basis shareholders' reserves	3,959	3,120	3,544
Total IFRS basis shareholders' equity	5,905	5,049	5,488
Additional EEV basis retained profit	7,507	5,883	6,395
Shareholders' equity (excluding minority interests)	13,412	10,932	11,883
*Including liabilities in respect of insurance products classified as investment contracts under IFRS 4.			
Net asset value per share (in pence)			
Based on EEV basis shareholders' equity of £13,412m (£10,932m, £11,883m)	545p	450p	486p
Number of issued shares at end of reporting period (millions)	2,460	2,430	2,444

EUROPEAN EMBEDDED VALUE (EEV) BASIS RESULTS

NOTES ON THE UNAUDITED EEV BASIS RESULTS

(1) Basis of preparation of results

The EEV basis results have been prepared in accordance with the EEV Principles issued by the CFO Forum of European Insurance Companies in May 2004. Where appropriate the EEV basis results include the effects of adoption of International Financial Reporting Standards (IFRS).

The EEV results for the Group are prepared for 'covered business', as defined by the EEV Principles. Covered business represents the Group's long-term insurance business for which the value of new and in-force contracts is attributable to shareholders. The EEV basis results for the Group's covered business are then combined with the IFRS basis results for the Group's other operations.

The definition of long-term business operations is consistent with previous practice and comprises those contracts falling under the definition of long-term insurance business for regulatory purposes together with, for US Operations, contracts that are in substance the same as guaranteed investment contracts (GICs) but do not fall within the technical definition. Under the EEV Principles, the results for covered business incorporate the projected margins of attaching internal fund management.

With two principal exceptions, covered business comprises the Group's long-term business operations. The principal exceptions are for the closed Scottish Amicable Insurance Fund (SAIF) and for the presentational treatment of the financial position of two of the Group's defined benefit pension schemes. A very small amount of UK group pensions business is also not modelled for EEV reporting purposes.

SAIF is a ring-fenced sub-fund of the Prudential Assurance Company (PAC) long-term fund, established by a Court approved Scheme of Arrangement in October 1997. SAIF is closed to new business and the assets and liabilities of the fund are wholly attributable to the policyholders of the fund. In 2006, a bulk annuity arrangement between SAIF and Prudential Retirement Income Limited (PRIL), a shareholder-owned subsidiary, took place as explained in the notes to the schedule of new business within this announcement. Reflecting the altered economic interest for SAIF policyholders and Prudential shareholders, this arrangement represents a transfer from long-term business of the Group that is not 'covered' to business that is 'covered' with consequential effect on the EEV basis results.

As regards the Group's defined benefit pension schemes, the surplus or deficit attaching to the Prudential Staff Pension Scheme (PSPS) and Scottish Amicable Pension scheme are excluded from the EEV value of UK Operations and included in the total for Other Operations. The surplus and deficit amounts are partially attributable to the PAC with-profits fund and shareholder-backed long-term business and partially to other parts of the Group. In addition to the IFRS surplus or deficit, the shareholders' 10 per cent share of the PAC with-profits sub-fund's interest in the movement on the financial position of the schemes is recognised for EEV reporting purposes.

The directors are responsible for the preparation of the supplementary information in accordance with the EEV Principles.

The EEV basis results for the 2007 and 2006 half years are unaudited. The 2006 full year results have been derived from the EEV basis results supplement to the Company's statutory accounts for 2006. The supplement included an unqualified audit report from the auditors.

(2) Economic assumptions

(a) Deterministic assumptions

In most countries, the long-term expected rates of return on investments and risk discount rates are set by reference to period end rates of return on cash or fixed interest securities. This 'active' basis of assumption setting has been applied in preparing the results of all the Group's UK and US long-term business operations. For the Group's Asian operations, the active basis is appropriate for business written in Japan, Korea and US dollar denominated business written in Hong Kong.

An exception to this general rule is that for countries where long-term fixed interest markets are less established, investment return assumptions and risk discount rates are based on an assessment of longer-term economic conditions. Except for the countries listed above, this basis is appropriate for the Group's Asian Operations.

Expected returns on equity and property asset classes are derived by adding a risk premium, also based on the long-term view of Prudential's economists in respect of each territory, to the risk-free rate. In the UK and the US, the equity risk premium is 4.0 per cent above risk-free rates for all periods for which results are prepared in this report. In Asia, equity risk premiums range from 3.0 per cent to 5.8 per cent for all periods for which results are prepared in this report. Best estimate assumptions for other asset classes, such as corporate bond spreads, are set consistently.

Assumed investment returns reflect the expected future returns on the assets held and allocated to the covered business at the valuation date.

The table below summarises the principal financial assumptions:

	30 Jun 2007	30 Jun 2006	31 Dec 2006
	%	%	%
UK Insurance Operations			
Risk discount rate:			
New business	8.7	8.0	7.8
In force	8.6	8.2	8.0
Pre-tax expected long-term nominal rates of investment return:			
UK equities	9.3	8.7	8.6
Overseas equities	9.6 to 10.6	8.7 to 9.4	8.6 to 9.3
Property	7.8	7.2	7.1
Gilts	5.3	4.7	4.6
Corporate bonds	6.0	5.4	5.3
Expected long-term rate of inflation	3.1	3.0	3.1
Post-tax expected long-term nominal rate of return for the with-profits fund:			
Pension business (where no tax applies)	8.3	7.7	7.5
Life business	7.4	6.85	6.6
US Operations (Jackson)			
Risk discount rate:			
New business (note)	7.9	8.0	7.6
In force (note)	7.3	7.1	6.7
Expected long-term spread between earned rate and rate credited to policyholders for single premium deferred annuity business	1.75	1.75	1.75
US 10 year treasury bond rate at end of period	5.1	5.2	4.8
Pre-tax expected long-term nominal rate of return for US equities	9.1	9.2	8.8
Expected long-term rate of inflation	2.4	2.7	2.5

Note:

US Operations - risk discount rates

The risk discount rates at 30 June 2007 for new business and business in force for US Operations reflect weighted rates based on underlying rates of 8.8% for variable annuity business and 5.9% for other business. The increase in the weighted discount rate for business in force from 31 December 2006 of 6.7% to 30 June 2007 of 7.3% reflects the increase in the US 10-year treasury bond rate and the increasing proportion of variable annuity business.

EUROPEAN EMBEDDED VALUE (EEV) BASIS RESULTS

Economic assumptions (continued)

Asian Operations

	China	Hong Kong (notes iii,iv,v)	India	Indonesia	Japan	Korea	Malaysia (notes iv,v)	Philippines	Singapore (notes iv,v)	Taiwan (notes ii,v)	Thailand	Vietnam
30 Jun 2007	%	%	%	%	%	%	%	%	%	%	%	%
Risk discount rate:												
New business	12.0	6.5	16.5	17.5	5.3	10.1	9.7	16.5	7.1	8.6	13.75	16.5
In force	12.0	6.7	16.5	17.5	5.3	10.1	9.3	16.5	6.3	9.3	13.75	16.5
Expected long-term rate of inflation	4.0	2.25	5.5	6.5	0.0	2.75	3.0	5.5	1.75	2.25	3.75	5.5
Government bond yield	9.0	5.1	10.5	11.5	2.2	5.6	7.0	10.5	4.5	5.5	7.75	10.5

	China	Hong Kong (notes iii,iv,v)	India	Indonesia	Japan	Korea	Malaysia (notes iv,v)	Philippines	Singapore (notes iv,v)	Taiwan (notes ii,v)	Thailand	Vietnam
30 Jun 2006	%	%	%	%	%	%	%	%	%	%	%	%
Risk discount rate:												
New business	12.0	6.6	16.5	17.5	5.3	9.7	9.5	16.5	6.7	8.9	13.75	16.5
In force	12.0	6.9	16.5	17.5	5.3	9.7	9.1	16.5	6.8	9.5	13.75	16.5
Expected long-term rate of inflation	4.0	2.25	5.5	6.5	0.0	2.75	3.0	5.5	1.75	2.25	3.75	5.5
Government bond yield	9.0	5.3	10.5	11.5	2.1	5.2	7.0	10.5	4.5	5.5	7.75	10.5

	China	Hong Kong (notes iii,iv,v)	India	Indonesia	Japan	Korea	Malaysia (notes iv,v)	Philippines	Singapore (notes iv,v)	Taiwan (notes ii,v)	Thailand	Vietnam
31 Dec 2006	%	%	%	%	%	%	%	%	%	%	%	%
Risk discount rate:												
New business	12.0	6.6	16.5	17.5	5.3	9.5	9.5	16.5	6.9	8.8	13.75	16.5
In force	12.0	6.8	16.5	17.5	5.3	9.5	9.2	16.5	6.9	9.3	13.75	16.5
Expected long-term rate of inflation	4.0	2.25	5.5	6.5	0.0	2.75	3.0	5.5	1.75	2.25	3.75	5.5
Government bond yield	9.0	4.7	10.5	11.5	2.1	5.0	7.0	10.5	4.5	5.5	7.75	10.5

		Asia total	Asia total	Asia total
	30 Jun 2007	30 Jun 2006	31 Dec 2006	
	%	%	%	
Weighted risk discount rate (note i)				
New business	10.1	9.9	9.8	
In force	8.7	8.9	8.8	

Notes:

Asian Operations - economic assumptions

(i) The weighted risk discount rates for the Asian operations shown above have been determined by weighting each country's risk discount rates by reference to the EEV basis operating result for new business and the closing value of in-force business.

(ii) For traditional business in Taiwan, the economic scenarios used to calculate the half year 2007 EEV basis results continue to reflect the assumption of a phased progression of the bond yields from the current rates applying to the assets held to the long-term expected rates. The projections assume that in the average scenario, the current bond yields of around 2.5 per cent trend towards 5.5 per cent at 31 December 2013 (half year 2006: 2 per cent towards 5.5 per cent at 31 December 2012, full year 2006: 2 per cent towards 5.5 per cent at 31 December 2013).

The projections for the Fund Earned Rate reflect the same approach as applied for the full year 2006 results with allowance made for the mix of assets in the fund, future investment strategy and further market depreciation of bonds held as a result of assumed future yield increases. The projections for the Fund Earned Rate alter for changes to these factors and the effects of movements in interest rates from period to period.

After taking into account current bond yields, the assumption of the phased progression in bond yields and the factors described above, the average assumed Fund Earned Rate remains below 1.2 per cent until 2010 (due to the depreciation of bond values as yields rise) and fluctuates around a target of 5.9 per cent after 2013.

Consistent with EEV methodology, a constant discount rate has been applied to the projected cash flows.

(iii) The assumptions shown are for US dollar denominated business which comprises the largest proportion of the in-force Hong Kong business.

(iv) Assumed equity returns

The mean equity return assumptions for the most significant equity holdings in the Asian Operations were:

	30 Jun 2007	30 Jun 2006	31 Dec 2006
	%	%	%
Hong Kong	9.1	9.2	8.7
Malaysia	12.8	12.8	12.8
Singapore	9.3	9.3	9.3

To obtain the mean, an average over all simulations of the accumulated return at the end of the projection period is calculated. The annual average return is then calculated by taking the root of the average accumulated return minus 1.

(v) For Hong Kong, Malaysia, Singapore and Taiwan, bond yields have been used in setting the risk discount rates for half year 2007 reporting. For half year and full year 2006, cash rates were used in setting the risk discount rates for these operations.

(b) Stochastic assumptions

The economic assumptions used for the stochastic calculations are consistent with those used for the deterministic calculations described above. Assumptions specific to the stochastic calculations such as the volatilities of asset returns reflect local market conditions and are based on a combination of actual market data, historic market data and an assessment of longer-term economic conditions. Common principles have been adopted across the Group for the stochastic asset models, for example, separate modelling of individual asset classes but with allowance for correlation between the various asset classes.

Details are given below of the key characteristics and calibrations of each model.

UK Insurance Operations

- Interest rates are projected using a two-factor model calibrated to actual market data;

- The risk premium on equity assets is assumed to follow a log-normal distribution;

- The corporate bond return is calculated as the return on a zero-coupon bond plus a spread. The spread process is a mean reverting stochastic process; and

- Property returns are modelled in a similar fashion to corporate bonds, namely as the return on a riskless bond, plus a risk premium, plus a process representative of the change in residual values and the change in value of the call option on rents.

EUROPEAN EMBEDDED VALUE (EEV) BASIS RESULTS

Economic assumptions (continued)

The rates to which the model has been calibrated are set out below.

Mean returns have been derived as the annualised arithmetic average return across all simulations and durations.

Standard deviations have been calculated by taking the annualised variance of the returns over all the simulations, taking the square root and averaging over all durations in the projection. For bonds the standard deviations relate to the yields on bonds of the average portfolio duration. For equity and property, they relate to the total return on these assets. The standard deviations applied to all periods presented in these statements are as follows:

	%
Government bond yield	2.0
Corporate bond yield	5.5
Equities:	
UK	18.0
Overseas	16.0
Property	15.0

US Operations (Jackson)

- Interest rates are projected using a log-normal generator calibrated to actual market data;
- Corporate bond returns are based on Treasury securities plus a spread that has been calibrated to current market conditions and varies by credit quality; and
- Variable annuity equity and bond returns have been stochastically generated using a regime-switching log-normal model with parameters determined by reference to historical data. The volatility of equity fund returns ranges from 19.2 per cent to 28.6 per cent, (half year 2006 and full year 2006: 18.6 per cent to 28.1 per cent) depending on risk class, and the volatility of bond funds ranges from 1.4 per cent to 2.0 per cent for all periods presented in this report.

Asian Operations

The same asset return model, as used in the UK, appropriately calibrated, has been used for the Asian Operations.

The stochastic cost of guarantees are only of significance for the Hong Kong, Malaysia, Singapore and Taiwan operations.

The mean stochastic returns are consistent with the mean deterministic returns for each country. The volatility of equity returns ranges from 18 per cent to 25 per cent, (half year 2006: 18 per cent to 26 per cent, full year 2006: 18 per cent to 25 per cent) and the volatility of government bond yields ranges from 1.4 per cent to 2.5 per cent (half year 2006: 1.2 per cent to 2.2 per cent, full year 2006: 1.4 per cent to 2.5 per cent).

(3) Level of encumbered capital

In adopting the EEV Principles, the Company has based encumbered capital on its internal targets for economic capital subject to it being at least the local statutory minimum requirements. Economic capital is assessed using internal models, but when applying EEV Principles, no credit is taken for the significant diversification benefits that exist within the Group. For with-profits business written in a segregated life fund, as is the case in the UK and Asia, the capital available in the fund is sufficient to meet the encumbered capital requirements.

The table below summarises the level of encumbered capital as a percentage of the relevant statutory requirement.

	Capital as a percentage of relevant statutory requirement
UK Insurance Operations	100% of EU Minimum
Jackson	235% of Company Action Level
Asian Operations	100% of Financial Conglomerates Directive requirement

(4) Margins on new business premiums

	New Business Premiums		Annual premium equivalent	Present value of New Business Premiums	Pre-Tax New Business Contribution	New Business Margin	
	Single	Regular	(APE)	(PVNBPP)		(APE)	(PVNBPP)
	£m	£m	£m	£m	£m	%	%
Half year 2007							
UK Insurance Operations	2,441	119	363	2,905	108	30	3.7
US Operations	3,425	9	352	3,490	144	41	4.1
Asian Operations	784	541	619	3,286	282	46	8.6
Total	6,650	669	1,334	9,681	534	40	5.5

	New Business Premiums		Annual premium equivalent	Present value of New Business Premiums	Pre-Tax New Business Contribution	New Business Margin	
	Single	Regular	(APE)	(PVNBPP)		(APE)	(PVNBPP)
	£m	£m	£m	£m	£m	%	%
Half year 2006							
UK Insurance Operations	3,890	95	484	4,224	138	29	3.3
US Operations	3,146	8	323	3,209	134	41	4.2
Asian Operations	519	396	448	2,328	232	52	10.0
Total	7,555	499	1,255	9,761	504	40	5.2

	New Business Premiums		Annual premium equivalent	Present value of New Business Premiums	Pre-Tax New Business Contribution	New Business Margin	
	Single	Regular	(APE)	(PVNBPP)		(APE)	(PVNBPP)
	£m	£m	£m	£m	£m	%	%
Full year 2006							
UK Insurance Operations	6,991	201	900	7,712	266	30	3.4
US Operations	5,964	17	614	6,103	259	42	4.2
Asian Operations	1,072	849	956	5,132	514	54	10.0
Total	14,027	1,067	2,470	18,947	1,039	42	5.5

EUROPEAN EMBEDDED VALUE (EEV) BASIS RESULTS

(4) Margins on new business premiums (continued)

New business margins are shown on two bases, namely the margins by reference to Annual Premium Equivalents (APE) and the Present Value of New Business Premiums (PVNBP). APEs are calculated as the aggregate of regular new business premiums on an annualised basis and one-tenth of single new business premiums. PVNBPs are calculated as equalling single premiums plus the present value of expected premiums of new regular premium business allowing for lapses and other assumptions made in determining the EEV new business contribution.

In determining the EEV basis value of new business written in the period the policies incept, premiums are included in projected cash flows on the same basis of distinguishing annual and single premium business as set out for statutory basis reporting.

New business contributions represent profits determined by applying the economic and non-economic assumptions applying at the end of the reporting period.

(5) UK Insurance Operations expense assumptions

The half year 2006 EEV basis financial statements included note disclosure which explained that in determining the appropriate expense assumptions account had been taken of the cost synergies that were expected to arise with some certainty from the initiative announced in December 2005 from UK Insurance Operations working more closely with Egg and M&G, and the effect of the end to end review of the UK business which was underway at the time. The disclosure noted that the half year 2006 basis results had been prepared on the same basis as the 2005 full year statements which had disclosed that without the anticipation of the cost synergies there would have been a charge for altered expense assumptions of approximately £55m.

On 29 January 2007 the Company announced the agreement to sell Egg Banking plc to Citi. On 15 March 2007 the Company announced the actions necessary to implement the reassessed plans in light of this transaction and additional initiatives. In preparing the 2006 full year results, account was also taken of the effect of expense savings that were expected to arise with some certainty. Without this factor the effect on the full year 2006 results would have been a charge of £44m for the net effect of revised assumptions in line with 2006 unit costs.

The half year 2007 results have been prepared using the same approach. Without the anticipation of expense savings there would have been an additional charge of £28m for the net effect of revised assumptions in line with half year 2007 unit costs.

(6) Taiwan - effect of altered economic assumptions and sensitivity of results to future market conditions

For the half year 2007 results, as explained in note 2 (a), the expected long-term bond yield has been maintained at 5.5 per cent to be achieved by 31 December 2013.

The sensitivity of the embedded value at 30 June 2007 of the Taiwan operation to altered economic assumptions and future market conditions to:

(a) a 1 per cent increase or decrease in the projected long-term bond yield, (including all consequential changes to investment returns for all classes, market values of fixed interest assets and risk discount rates), is £83m and £(134)m respectively; and

(b) a 1 per cent increase or decrease in the starting bond rate for the progression to the assumed long-term rate is £92m and £(100)m respectively.

If it had been assumed in preparing the half year 2007 results that interest rates remained at the current level of around 2.5% until 31 December 2008 and the progression period in bond yields was delayed by a year so as to end on 31 December 2014, there would have been a reduction in the Taiwan embedded value of £90m.

(7) Effect of changes in corporate tax rates

At 30 June 2007, a change to reduce the UK corporate tax rate from 30 per cent to 28 per cent in 2008 had been substantively enacted in the legislative process. Accordingly, the half year 2007 results incorporate the effects of this change in projecting the tax cash flows attaching to in-force business. Under the convention applied for EEV basis reporting, profits are generally determined on a post-tax basis and then grossed up at the prevailing corporate tax rates to derive pre-tax results. The effect of the change in the UK rate is to give rise to a benefit to the value of business in force at 1 January 2007 of £48m. After grossing up this amount for notional tax, the effect on the pre-tax operating results based on longer-term investment returns for UK Insurance Operations for half year 2007 is a credit of £67m.

Similar considerations apply to corporate tax rate changes in Singapore and China giving rise to a benefit to the value of in-force business at 1 January 2007 of £20m. After grossing up this amount for notional tax, the effect on the pre-tax operating results based on longer-term investment returns for Asian Operations for half year 2007 is a credit of £25m.

(8) Short-term fluctuations in investment returns for half year 2006 comparative results

The analysis of the half year 2006 EEV basis results in this announcement incorporates a reallocation of £41m from the amount shown for the effect of changes in economic assumptions and time value of cost of options and guarantees to the credit for short-term fluctuations in investment returns. The change, which has no effect on operating profit or profit before tax relates to asset related gains for Jackson and has been made to align with the full year 2006 and current presentation.

(9) Holding company net borrowings (at market value)

Holding company net borrowings at market value comprise:

	30 Jun 2007 £m	30 Jun 2006 £m	31 Dec 2006 £m
Central funds borrowings:			
IFRS basis	(2,289)	(2,520)	(2,485)
Mark to market value adjustment	(68)	(105)	(176)
EEV basis	(2,357)	(2,625)	(2,661)
Holding company* cash and short-term investments	1,546	1,067	1,119
Holding company net borrowings	(811)	(1,558)	(1,542)

* Prudential plc and related finance subsidiaries

TOTAL INSURANCE AND INVESTMENT PRODUCTS NEW BUSINESS

INSURANCE PRODUCTS AND INVESTMENT PRODUCTS*

	Insurance Products *			Investment Products *			Total		
	Half Year 2007 £m	Half Year 2006 £m	Full Year 2006 £m	Half Year 2007 £m	Half Year 2006 £m	Full Year 2006 £m	Half Year 2007 £m	Half Year 2006 £m	Full Year 2006 £m
UK Operations	2,560	3,985	7,192	7,519	6,795	13,486	10,079	10,780	20,678
US Operations	3,434	3,154	5,981	19	-	-	3,453	3,154	5,981
Asian Operations	1,325	915	1,921	17,471	10,027	20,408	18,796	10,942	22,329
Group Total	7,319	8,054	15,094	25,009	16,822	33,894	32,328	24,876	48,988

INSURANCE PRODUCTS - NEW BUSINESS PREMIUMS AND CONTRIBUTIONS *

	Single			Regular			Annual Premium and Contribution			Present Value of New Business		
	Half Year 2007 £m	Half Year 2006 £m	Full Year 2006 £m	Half Year 2007 £m	Half Year 2006 £m	Full Year 2006 £m	Half Year 2007 £m	Half Year 2006 £m	Full Year 2006 £m	Half Year 2007 £m	Half Year 2006 £m	Full Year 2006 £m
UK Operations												
Product Summary												
Internal Vesting annuities	687	615	1,341	-	-	-	69	62	134	687	615	1,341
Direct and Partnership Annuities	431	273	780	-	-	-	43	27	78	431	273	780
Intermediated Annuities	282	247	592	-	-	-	28	25	59	282	247	592
Total Individual Annuities	1,400	1,135	2,713	-	-	-	140	114	271	1,400	1,135	2,713
Equity Release	67	30	89	-	-	-	7	3	9	67	30	89
Individual Pensions	18	10	21	-	-	-	2	1	2	20	10	21
Corporate Pensions	107	35	318	42	32	66	53	36	98	296	124	490
Unit Linked Bonds	138	213	388	-	-	-	14	21	39	138	213	388
With-Profit Bonds	114	54	139	-	-	-	11	5	14	114	54	139
Protection	-	2	11	2	6	9	2	6	10	14	21	63
Offshore Products	205	361	540	2	-	-	22	36	54	215	361	540
Total Retail Retirement	2,049	1,840	4,219	46	38	75	251	222	497	2,264	1,948	4,443
Corporate Pensions	110	165	261	60	44	100	71	61	126	314	350	643
Other Products	100	134	232	13	13	26	23	26	49	145	175	347
DWP Rebates	129	161	161	-	-	-	13	16	16	129	161	161
Total Mature Life and Pensions	339	460	654	73	57	126	107	103	191	588	686	1,151
Total Retail	2,388	2,300	4,873	119	95	201	358	325	688	2,852	2,634	5,594
Wholesale Annuities	38	1,278	1,431	-	-	-	4	128	143	38	1,278	1,431
Credit Life	15	312	687	-	-	-	1	31	69	15	312	687
Total UK Operations	2,441	3,890	6,991	119	95	201	363	484	900	2,905	4,224	7,712
Channel Summary												
Direct and Partnership	1,151	993	2,543	106	81	174	221	180	428	1,567	1,288	3,133
Intermediated	1,108	1,146	2,169	13	14	27	124	129	244	1,156	1,185	2,300
Wholesale	53	1,590	2,118	-	-	-	5	159	212	53	1,590	2,118
Sub-Total	2,312	3,729	6,830	119	95	201	350	468	884	2,776	4,063	7,551
DWP Rebates	129	161	161	-	-	-	13	16	16	129	161	161
Total UK Operations	2,441	3,890	6,991	119	95	201	363	484	900	2,905	4,224	7,712
US Operations												
Fixed annuities	291	313	688	-	-	-	29	31	69	291	313	688
Fixed index annuities	220	293	554	-	-	-	22	29	55	220	293	554
Variable annuities	2,243	1,888	3,819	-	-	-	224	189	382	2,243	1,888	3,819
Life	3	4	8	9	8	17	10	9	18	68	67	147
Guaranteed Investment Contracts	133	310	458	-	-	-	13	31	46	133	310	458
GIC - Medium Term Notes	535	338	437	-	-	-	54	34	44	535	338	437
Total US Operations	3,425	3,146	5,964	9	8	17	352	323	614	3,490	3,209	6,103
Asian Operations												
China	19	17	27	20	13	36	22	15	39	112	88	198
Hong Kong	199	139	355	54	42	103	74	56	139	493	360	933
India (Group's 26% interest)	16	11	20	81	55	105	83	56	107	340	177	411
Indonesia	35	11	31	43	31	71	46	32	74	178	117	269
Japan	52	23	68	11	1	7	16	3	14	97	30	97
Korea	72	58	103	113	103	208	120	109	218	608	492	1,130
Malaysia	9	2	4	32	31	72	33	31	72	186	185	418
Singapore	306	205	357	30	29	72	61	49	108	484	391	803
Taiwan	63	47	92	136	74	139	142	79	148	711	421	743
Other	13	6	15	21	17	36	22	18	37	77	67	130
Total Asian Operations	784	519	1,072	541	396	849	619	448	956	3,286	2,328	5,132
Group Total	6,650	7,555	14,027	669	499	1,067	1,334	1,255	2,470	9,681	9,761	18,947

INVESTMENT PRODUCTS - FUNDS UNDER MANAGEMENT *

	1 Jan 2007 £m	Gross Inflows £m	Redemptions £m	Market and other Movements £m	30 June 2007 £m
UK Operations	44,946	7,519	(4,152)	311	48,624
US Operations	-	19	(1)	-	18
Asian Operations	12,253	17,471	(15,809)	665	14,580
Group Total	57,199	25,009	(19,962)	976	63,222

* The tables shown above are provided as an indicative volume measure of transactions undertaken in the reporting period that have the potential to generate profits for shareholders. The amounts shown are not, and not intended to be, reflective of premium income recorded in the IFRS income statement.

Annual premium and contribution equivalents are calculated as the aggregate of regular new business amounts and one tenth of single new business amounts. New business premiums for regular premium products are shown on an annualised basis. Department of Work and Pensions rebate business is classified as single recurrent business. Internal vesting business is classified as new business where the contracts include an open market option.

The format of the tables shown above is consistent with the distinction between insurance and investment products as applied for previous financial reporting periods. Products categorised as "insurance" refer to those classified as contracts of long-term insurance business for regulatory reporting purposes, i.e. falling within one of the classes of insurance specified in part II of Schedule 1 to the Regulated Activities Order under FSA regulations.

The details shown above for insurance products include contributions for contracts that are classified under IFRS 4 "Insurance Contracts" as not containing significant insurance risk. These products are described as investment contracts or other financial instruments under IFRS. Contracts included in this category are primarily certain unit-linked and similar contracts written in UK Insurance Operations and Guaranteed Investment Contracts and similar funding agreements written in US Operations.

Investment products referred to in the table for funds under management above are unit trust, mutual funds and similar types of retail fund management arrangements. These are unrelated to insurance products that are classified as "investment contracts" under IFRS 4, as described in the preceding paragraph, although similar IFRS recognition and measurement principles apply to the acquisition costs and fees attaching to this type of business.

The premiums for half year and full year 2006 for wholesale annuities for UK Operations include £592m and £560m for a bulk annuity transaction with the Scottish Amicable Insurance Fund (SAIF). SAIF is a closed ring-fenced sub-fund of the PAC long-term fund established by a Court approved Scheme of Arrangement in October 1997, which is solely for the benefit of SAIF policyholders. Shareholders have no interest in the profits of this fund, although they are entitled to investment management fees on this business. The full year 2006 amount is £32m different from the half year 2006 estimate due to refinements to calculations under the reinsurance arrangement between the internal funds.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) BASIS RESULTS

SUMMARY CONSOLIDATED INCOME STATEMENT

	Half Year 2007 £m
Earned premiums, net of reinsurance	7,903
Investment income	8,250
Other income	1,094
Total revenue, net of reinsurance (note C)	17,247
Benefits and claims and movement in unallocated surplus of with-profits funds	(14,315)
Acquisition costs and other operating expenditure	(2,118)
Finance costs: Interest on core structural borrowings of shareholder-financed operations	(88)
Total charges (note C)	(16,521)
Profit before tax* (note C)	726
Tax attributable to policyholders' returns	2
Profit before tax attributable to shareholders (note D)	728
Tax expense (note E)	(251)
Less: Tax attributable to policyholders returns	(2)
Tax attributable to shareholders' profits (note E)	(253)
Profit from continuing operations after tax	475
Discontinued operations (net of tax) (note M)	241
Profit for the period	716
Attributable to:	
Equity holders of the Company	715
Minority interests	1
Profit for the period	716
Earnings per share (in pence)	
Basic (based on 2,437m, 2,403m and 2,413m shares respectively):	
Based on profit from continuing operations attributable to the equity holders of the Company (note F)	19.4p
Based on profit (loss) from discontinued operations attributable to the equity holders of the Company	9.9p
	29.3p
Diluted (based on 2,440m, 2,406m and 2,416m shares respectively):	
Based on profit from continuing operations attributable to the equity holders of the Company (note F)	19.4p
Based on profit (loss) from discontinued operations attributable to the equity holders of the Company	9.9p
	29.3p
Dividends per share (in pence)	
Dividends relating to reporting period:	
Interim dividend (2007 and 2006) (note G)	5.70p
Final dividend (2006)	-
Total	5.70p
Dividends declared and paid in reporting period:	
Current year interim dividend	-
Final dividend for prior year	11.72p
Total	11.72p

* Profit before tax represents income net of post-tax transfers to unallocated surplus of with-profits funds, before tax attributable to surplus of with-profits funds, unit-linked policies and shareholders' profits.

The presentation of the half year and full year 2006 comparative results has been adjusted to show Egg as a discontinued operation.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) BASIS RESULTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Period ended 30 June 2007							Shareholders' equity	Minority interests	Total equity
	Share capital	Share premium	Retained earnings	Translation reserve	Available-for-sale securities reserve	Hedging reserve				
	£m	£m	£m	£m	£m	£m		£m	£m	£m
Reserves										
Profit for the period			715					715	1	716
Items recognised directly in equity:										
Exchange movements				(21)				(21)		(21)
Movement on cash flow hedges						(3)		(3)		(3)
Unrealised valuation movements on securities classified as available-for-sale:										
Unrealised holding losses arising during the period					(289)			(289)		(289)
Less gains included in the income statement					(3)			(3)		(3)
					(292)			(292)		(292)
Related change in amortisation of deferred income and acquisition costs					120			120		120
Related tax				(12)	59	1		48		48
Total items of income and expense recognised directly in equity				(33)	(113)	(2)		(148)		(148)
Total income and expense for the period			715	(33)	(113)	(2)		567	1	568
Dividends			(288)					(288)		(288)
Reserve movements in respect of share-based payments			9					9		9
Change in minority interests arising principally from purchase and sale of venture investment companies and property partnerships of the PAC with-profits fund and other consolidated investment funds									(38)	(38)
Share capital and share premium										
New share capital subscribed	1	116						117		117
Transfer to retained earnings in respect of shares issued in lieu of cash dividends		(115)	115							
Treasury shares										
Movement in own shares in respect of share-based payment plans			11					11		11
Movement on Prudential plc shares purchased by unit trusts consolidated under IFRS			1					1		1
Net increase (decrease) in equity	1	1	563	(33)	(113)	(2)		417	(37)	380
At beginning of period	122	1,822	3,640	(125)	27	2		5,488	132	5,620
At end of period	123	1,823	4,203	(158)	(86)	0		5,905	95	6,000

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) BASIS RESULTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

	Period ended 30 June 2006								
	Share capital £m	Share premium £m	Retained earnings £m	Translation reserve £m	Available-for-sale securities reserve £m	Hedging reserve £m	Shareholders' equity £m	Minority interests £m	Total equity £m
Reserves									
Profit for the period			449				449	1	450
Items recognised directly in equity:									
Exchange movements				(134)			(134)		(134)
Movement on cash flow hedges						4	4		4
Unrealised valuation movements on securities classified as available-for-sale:									
Unrealised holding losses arising during the period					(707)		(707)		(707)
Less gains included in the income statement					(3)		(3)		(3)
					(710)		(710)		(710)
Related change in amortisation of deferred income and acquisition costs					311		311		311
Related tax				(39)	140	(1)	100		100
Total items of income and expenses recognised directly in equity				(173)	(259)	3	(429)		(429)
Total income and expense for the period			449	(173)	(259)	3	20	1	21
Dividends			(267)				(267)		(267)
Reserve movements in respect of share-based payments			6				6		6
Change in minority interests arising principally from purchase and sale of venture investment companies and property partnerships of the PAC with-profits fund								7	7
Acquisition of Egg minority interests (note K)			(167)				(167)	(84)	(251)
Share capital and share premium									
New share capital subscribed	2	251					253		253
Transfer to retained earnings in respect of shares issued in lieu of cash dividends		(7)	7						
Treasury shares									
Movement in own shares in respect of share-based payment plans			9				9		9
Movement on Prudential plc shares purchased by unit trusts consolidated under IFRS			1				1		1
Net increase (decrease) in equity	2	244	38	(173)	(259)	3	(145)	(76)	(221)
At beginning of period	119	1,564	3,236	173	105	(3)	5,194	172	5,366
At end of period	121	1,808	3,274	0	(154)	0	5,049	96	5,145

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) BASIS RESULTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

Year ended 31 December 2006									
	Share capital £m	Share premium £m	Retained earnings £m	Translation reserve £m	Available-for-sale securities reserve £m	Hedging reserve £m	Shareholders' equity £m	Minority interests £m	Total equity £m
Reserves									
Profit for the year			874				874	1	875
Items recognised directly in equity:									
Exchange movements				(224)			(224)		(224)
Movement on cash flow hedges						7	7		7
Unrealised valuation movements on securities classified as available-for-sale:									
Unrealised holding losses arising during the year					(210)		(210)		(210)
Less losses included in the income statement					7		7		7
					(203)		(203)		(203)
Related change in amortisation of deferred income and acquisition costs					75		75		75
Related tax				(74)	50	(2)	(26)		(26)
Total items of income and expense recognised directly in equity				(298)	(78)	5	(371)		(371)
Total income and expense for the year			874	(298)	(78)	5	503	1	504
Dividends			(399)				(399)		(399)
Reserve movements in respect of share-based payments			15				15		15
Change in minority interests arising principally from purchase and sale of venture investment companies and property partnerships of the PAC with-profits fund and other consolidated investment funds								43	43
Acquisition of Egg minority interests (note K)			(167)				(167)	(84)	(251)
Share capital and share premium									
New share capital subscribed	3	333					336		336
Transfer to retained earnings in respect of shares issued in lieu of cash dividends		(75)	75						
Treasury shares									
Movement in own shares in respect of share-based payment plans			6				6		6
Movement on Prudential plc shares purchased by unit trusts consolidated under IFRS			0				0		0
Net increase (decrease) in equity	3	258	404	(298)	(78)	5	294	(40)	254
At beginning of year	119	1,564	3,236	173	105	(3)	5,194	172	5,366
At end of year	122	1,822	3,640	(125)	27	2	5,488	132	5,620

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) BASIS RESULTS

SUMMARY CONSOLIDATED BALANCE SHEET

	30 Jun 2007 £m	30 Jun 2006 £m	31 Dec 2006 £m
Assets			
Intangible assets attributable to shareholders:			
Goodwill	1,341	1,341	1,341
Deferred acquisition costs and acquired in-force value of long-term business contracts	2,693	2,697	2,497
	4,034	4,038	3,838
Intangible assets attributable to PAC with-profits fund			
In respect of acquired subsidiaries for venture fund and other investment purposes	1,145	978	830
Deferred acquisition costs	40	32	31
	1,185	1,010	861
Total	5,219	5,048	4,699
Other non-investment and non-cash assets:			
Property, plant and equipment	1,107	1,018	1,133
Reinsurers' share of policyholder liabilities	1,092	1,141	945
Deferred tax assets	675	423	1,012
Current tax recoverable	332	315	404
Accrued investment income	1,980	1,891	1,900
Other debtors	2,268	2,297	1,052
Total	7,454	7,085	6,446
Investments of long-term business, banking and other operations:			
Investment properties	14,149	13,682	14,491
Investments accounted for using the equity method	14	5	6
Financial investments:			
Loans and receivables	5,441	12,795	11,573
Equity securities and portfolio holdings in unit trusts	83,819	75,534	78,892
Debt securities	80,211	78,090	81,719
Other investments	6,737	3,930	5,401
Deposits	7,519	7,422	7,759
Total	197,890	191,458	199,841
Held for sale assets	286	94	463
Cash and cash equivalents	4,500	3,665	5,071
Total assets	215,349	207,350	216,520
Equity and liabilities			
Equity			
Shareholders' equity (note H)	5,905	5,049	5,488
Minority interests	95	96	132
Total equity	6,000	5,145	5,620
Liabilities			
Banking customer accounts	-	5,545	5,554
Policyholder liabilities and unallocated surplus of with-profits funds:			
Contract liabilities (including amounts in respect of contracts classified as investment contracts under IFRS 4)	169,895	158,127	164,988
Unallocated surplus of with-profits funds	14,728	13,421	13,599
Total insurance liabilities	184,623	171,548	178,587
Core structural borrowings of shareholder-financed operations:			
Subordinated debt (other than Egg)	1,492	1,573	1,538
Other	921	1,082	1,074
	2,413	2,655	2,612
Egg subordinated debt	-	451	451
Total (note I)	2,413	3,106	3,063
Other borrowings:			
Operational borrowings attributable to shareholder-financed operations (note J)	2,605	5,994	5,609
Borrowings attributable to with-profits funds (note J)	2,122	2,042	1,776
Other non-insurance liabilities:			
Obligations under funding, securities lending and sale and repurchase agreements	4,381	3,860	4,232
Net asset value attributable to unit holders of consolidated unit trusts and similar funds	3,406	1,495	2,476
Current tax liabilities	1,033	1,168	1,303
Deferred tax liabilities	3,624	2,714	3,882
Accruals and deferred income	477	476	517
Other creditors	2,029	2,216	1,398
Provisions	376	383	464
Other liabilities	2,260	1,658	1,652
Held for sale liabilities	-	-	387
Total	17,586	13,970	16,311
Total liabilities	209,349	202,205	210,900
Total equity and liabilities	215,349	207,350	216,520

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) BASIS RESULTS

SUMMARY CONSOLIDATED CASH FLOW STATEMENT

	Half Year 2007 £m	Half Year 2006 £m
Cash flows from operating activities		
Profit before tax from continuing operations (note i)	726	899
Profit (loss) before tax from discontinued operations (including profit on sale) (note M)	222	(45)
Total profit before tax	948	854
Changes in operating assets and liabilities (note ii)	283	73
Other items (note ii)	(767)	(241)
Net cash flows from operating activities	464	686
Cash flows from investing activities		
Net cash flows from purchases and disposals of property and equipment	(137)	(280)
Costs incurred on purchase of Egg minority interests (note K)	-	(6)
Acquisition of subsidiaries, net of cash balances (note iii)	(77)	15
Disposal of Egg, net of cash balances (notes iv and K)	(538)	-
Disposal of other subsidiaries, net of cash balances (note iii)	157	80
Net cash flows from investing activities	(595)	(191)
Cash flows from financing activities		
Structural borrowings of the Group:		
Shareholder-financed operations (note v):		
Redemption	(150)	(1)
Interest paid	(104)	(104)
With-profits operations (note vi):		
Interest paid	-	(9)
Equity capital (note vii):		
Issues of ordinary share capital	1	1
Dividends paid	(171)	(260)
Net cash flows from financing activities	(424)	(373)
Net (decrease) increase in cash and cash equivalents	(555)	122
Cash and cash equivalents at beginning of period	5,071	3,586
Effect of exchange rate changes on cash and cash equivalents	(16)	(43)
Cash and cash equivalents at end of period (note viii)	4,500	3,665

Notes

- (i) Profit before tax represents income net of post-tax transfers to unallocated surplus of with-profits funds before tax attributable to policyholders and surplus of with-profits funds, unit-linked policies and shareholders' profits. It does not represent profit before tax attributable to shareholders.
- (ii) The adjusting items to profit before tax include changes in operating assets and liabilities and other items comprising adjustments in respect of including operational interest receipts and payments, dividend receipts and tax paid. The figure of £(767)m for other items at half year 2007 in respect of the profit on sale of Egg, which is included in the cash flows from investing activities in this statement, and tax paid of £(361)m. The elements of the adjusting items within changes in operating assets and liabilities are as follows:

	Half Year 2007 £m	Half Year 2006 £m
Deferred acquisition costs (excluding changes taken directly to equity)	(277)	(462)
Other non-investment and non-cash assets	(884)	(873)
Investments	(7,189)	(2,618)
Policyholder liabilities (including unallocated surplus)	7,181	4,105
Other liabilities (including operational borrowings)	1,452	(79)
Changes in operating assets and liabilities	283	73

- (iii) Acquisitions and disposals of subsidiaries shown above include venture fund and other investment subsidiaries of the PAC with-profits fund, as s
- (iv) The amount of £(538)m in respect of the disposal of Egg, net of cash balances shown above, represents the net sale proceeds of £527m less cash equivalents of £1,065m held by Egg and transferred on disposal.
- (v) Structural borrowings of shareholder-financed operations consist of the core debt of the parent company and related finance subsidiaries, Jacks and, in 2006, Egg debenture loans. Following the sale of Egg in May 2007, these loans no longer form part of the Group's borrowings. Cash borrowings to support short-term fixed income securities programmes and non-recourse borrowings of investment subsidiaries of shareholder-financed operations are included within cash flows from operating activities. In June 2007, borrowings of £150m were repaid.
- (vi) Structural borrowings of with-profits operations relate solely to the £100m 8.5 per cent undated subordinated guaranteed bonds which contribute to the base of the Scottish Amicable Insurance Fund (SAIF), a ring-fenced sub-fund of the PAC with-profits fund. Cash flows on other borrowings of the Group, which principally relate to venture fund investment subsidiaries and other consolidated investment vehicles, are categorised as operating activities in the presentation above.
- (vii) Cash movements in equity capital exclude scrip dividends and share capital issued in respect of the acquisition of Egg minority interests in 2006.
- (viii) Of the cash and cash equivalents amounts reported above, £377m (half year 2006: £388m; full year 2006: £437m) represents cash and cash equivalents of the parent company and related finance subsidiaries.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) BASIS RESULTS

NOTES ON THE UNAUDITED IFRS BASIS RESULTS

A Basis of preparation and audit status

The Group's policy for preparing this interim financial information is to use the accounting policies adopted by the Group in its last consolidated financial statements, as updated by any changes in accounting policies it intends to make in its next consolidated financial statements as a result of new or changed IFRS that are already endorsed by the European Union (EU) and that are applicable or available for early adoption for the next annual financial statements.

The IFRS basis results for the 2007 and 2006 half years are unaudited. The 2006 full year IFRS basis results have been derived from the 2006 statutory accounts. The auditors have reported on the 2006 statutory accounts which have been delivered to the Registrar of Companies. The auditors' report was (i) unqualified, (ii) did not include reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 237(2) or (3) of the Companies Act 1985.

B Significant accounting policies

The accounting policies applied by the Group in these condensed consolidated financial statements are the same as those previously applied in the Group's consolidated financial statements for the year ended 31 December 2006.

C Segment disclosure

	Half Year 2007 £m	Half Year 2006 £m	Full Year 2006 £m
Revenue			
Long-term business	16,616	13,565	34,197
Broker-dealer and fund management	682	518	1,080
Unallocated corporate	90	71	38
Intra-group revenue eliminated on consolidation	(141)	(138)	(284)
Total revenue per income statement	17,247	14,016	35,031
Charges (before income tax attributable to policyholders and unallocated surplus of long-term insurance funds)			
Long-term business, including post-tax transfers to unallocated surplus of with-profits funds	(16,076)	(12,881)	(32,162)
Broker-dealer and fund management	(479)	(358)	(797)
Unallocated corporate	(107)	(16)	(135)
Intra-group charges eliminated on consolidation	141	138	284
Total charges per income statement	(16,521)	(13,117)	(32,810)
Revenue less charges (continuing operations)			
Long-term business	540	684	2,035
Broker-dealer and fund management	203	160	283
Unallocated corporate	(17)	55	(97)
Profit before tax*	726	899	2,221
Tax attributable to policyholders' returns	2	(162)	(849)
Profit before tax attributable to shareholders	728	737	1,372
Tax attributable to shareholders' profits	(253)	(253)	(392)
Profit from continuing operations after tax	475	484	980
Discontinued operations (net of tax)			
Banking (note M)	241	(34)	(105)
Profit for the period	716	450	875

* Profit before tax represents income net of post-tax transfers to unallocated surplus of with-profits funds, before tax attributable to policyholders and unallocated surplus of with-profits funds, unit-linked policies and shareholders' profits.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) BASIS RESULTS

NOTES ON THE UNAUDITED IFRS BASIS RESULTS (CONTINUED)

D Supplementary analysis of profit from continuing operations before tax attributable to shareholders

	Half Year 2007 £m	Half Year 2006 £m
Results analysis by business area		
UK Operations		
UK insurance operations	251	205
M&G	140	100
Total	391	305
US Operations		
Jackson	218	223
Broker-dealer and fund management	9	8
Curian	(2)	(4)
Total	225	227
Asian Operations		
Long-term business	76	88
Fund management	33	22
Development expenses	(6)	(7)
Total	103	103
Other income and expenditure		
Investment return and other income	42	33
Interest payable on core structural borrowings	(88)	(89)
Corporate expenditure:		
Group Head Office	(50)	(46)
Asia Regional Head Office	(17)	(19)
Charge for share-based payments for Prudential schemes (note iii)	(5)	(5)
Total	(118)	(126)
UK restructuring costs	0	(11)
Operating profit from continuing operations based on longer-term investment returns (note iv)	601	498
Short-term fluctuations in investment returns on shareholder-backed business (note i)	24	39
Shareholders' share of actuarial gains and losses on defined benefit pension schemes (note ii)	103	200
Profit from continuing operations before tax attributable to shareholders (note iv)	728	737
(i) Short-term fluctuations in investment returns on shareholder-backed business	£m	£m
US Operations:		
Movement in market value of derivatives (other than equity-based) used for economic hedging purposes	36	93
Actual less longer-term investment returns for other items	25	9
Asian Operations	(10)	(36)
Other Operations	(27)	(27)
	24	39
(ii) Shareholders' share of actuarial gains and losses on defined benefit pension schemes	£m	£m
Actual less expected return on scheme assets*	(178)	(57)
Experience (losses) gains on liabilities	(8)	0
Gains on changes of assumptions for scheme liabilities**	462	611
	276	554
Less: amounts attributable to the PAC with-profits fund	(173)	(354)
	103	200

* The expected rate of return applied for half year 2007 was 5.9 per cent. The shortfall of actual investment returns against expected returns in half year 2007 was due to a decrease in the value of corporate and government bonds which more than offset the increase in the value of equity and property holdings of the schemes.

** The gains on changes of assumptions for scheme liabilities primarily reflect movements in yields on good quality corporate bonds. These yields are used to determine projected pension scheme benefit payments.

The discount rates applied for the Group's UK defined benefit schemes, and reflected in the gains and losses shown above, are as follows:

30 June 2007	5.8%
31 December 2006	5.2%
30 June 2006	5.5%
31 December 2005	4.8%

(iii) Share-based payments

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

(iv) Continuing operations - scope

The results for continuing operations shown above exclude those in respect of discontinued banking operations. On 1 May 2007, the Company sold Egg Bank. Accordingly, the presentation of the comparative results for half year and full year 2006 has been adjusted from those previously published. Note M shows the results for the discontinued operations.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) BASIS RESULTS

NOTES ON THE UNAUDITED IFRS BASIS RESULTS (CONTINUED)

E Tax charge

The total tax charge of £251m for the half year 2007 (half year 2006: £415m; full year 2006: £1,241m) comprises £37m (half year 2006: £231m; full year 2006: £214m) (half year 2006: £184m; full year 2006: £543m) overseas tax. This tax charge comprises tax attributable to policyholders and unallocated surplus linked policies and shareholders. The tax charge attributable to shareholders of £253m for the half year 2007 (half year 2006: £253m; full year 2006: £1,066m; full year 2006: £142m) UK tax and £158m (half year 2006: £147m; full year 2006: £250m) overseas tax.

The tax credit related to discontinued operations, which is all attributable to shareholders, amounted to £19m (half year 2006: £11m; full year 2006: £41m).

Amounts for deferred tax are determined using the current rate of tax or, where substantively enacted through the legislative process, the prospective rate. Deferred tax amounts for half year 2007 reflect the prospective change for the main UK corporation tax rate from 30 per cent to 28 per cent which is an effect of the Finance Act 2008, 1 April 2008.

	Half Year 2007 (pence)
F Supplementary analysis of earnings per share from continuing operations	
On operating profit based on longer-term investment returns after related tax and minority interests	16.3p
Adjustment from post-tax longer-term investment returns to post-tax actual investment returns (after related minority interests)	0.1p
Adjustment for post-tax shareholders' share of actuarial and other gains and losses on defined benefit pension schemes	3.0p
On profit from continuing operations after tax and minority interests	19.4p

G Dividend

An interim dividend of 5.70p per share will be paid on 24 September 2007 to shareholders on the register at the close of business on 17 August 2007. The dividend will be offered to shareholders.

	30 Jun 2007 £m
H Shareholders' equity	
Share capital	123
Share premium	1,823
Reserves	3,959
Total	5,905

	30 Jun 2007 £m
I Net core structural borrowings of shareholder-financed operations	
Core structural borrowings of shareholder-financed operations (per consolidated balance sheet):	
Central funds	2,289
Jackson	124
Total	2,413
Less: Holding company** cash and short-term investments (recorded within the consolidated balance sheet)	(1,546)
Net core structural borrowings of shareholder-financed operations	867

* Excluding Egg's borrowings

** Prudential plc and related finance subsidiaries

	30 Jun 2007 £m
J Other borrowings	
Operational borrowings attributable to shareholder-financed operations	
Borrowings in respect of short-term fixed income securities programmes	2,045
Non-recourse borrowings of investment subsidiaries managed by PPM America	544
Borrowings in respect of banking operations	0
Other borrowings	16
Total	2,605
Borrowings attributable to with-profits funds	
Non-recourse borrowings of venture fund investment subsidiaries	1,063
Non-recourse borrowings of consolidated investment vehicles	854
Subordinated debt of the Scottish Amicable Insurance Fund	100
Other borrowings (predominantly obligations under finance leases)	105
Total	2,122

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) BASIS RESULTS

NOTES ON THE UNAUDITED IFRS BASIS RESULTS (CONTINUED)

K Acquisitions and disposals

(i) Shareholder acquisitions and disposals - Egg

In the first half of 2006, the Company acquired the outstanding 21.7 per cent minority interest in Egg, its UK banking business. The Company accounted for the purchase of minority interests using the economic entity method. Accordingly, £167m was charged to retained earnings in 2006 representing the difference between the consideration paid and the share of net assets acquired.

On 29 January 2007, the Company announced that it had entered into a binding agreement to sell Egg Banking plc to Citi. Under the terms of the agreement, the consideration payable to the Company by Citi was £575m cash, subject to adjustments to reflect any change in net asset value between 31 December 2006 and completion.

On 1 May 2007, the Company completed the sale. The consideration, net of expenses, was £527m. The reduction from the £575m noted above primarily reflects Egg's post tax operating loss of £49m for the period from 1 January 2007 to the date of sale, as shown in note M.

Cash and cash equivalents disposed of were £1,065m. Accordingly, the cash outflow for the Group arising from the disposal of Egg, as shown in the summary consolidated cashflow statement, was £538m.

(ii) PAC with-profits fund acquisitions

The PAC with-profits fund acquires a number of venture capital holdings through PPM Capital and M&G in which the Group is deemed to have a controlling interest, in aggregate with, if applicable, other holdings held by, for example, the Prudential Staff Pension Scheme. There were two such acquisitions during the period to 30 June 2007. These were acquisitions for:

- 78 per cent of the voting equity interest of Red Funnel, a ferry company, in June 2007.
- 71 per cent of the voting equity interest of Orizon AG, an employment hiring agency, in March 2007.

The results of the acquisitions have been included in the consolidated financial statements of the Group commencing on the respective dates of acquisition. The earnings contributed by these acquisitions to the income statement are insignificant to the half year 2007 results and are reflected in the change in the unallocated surplus of the with-profits fund. Shareholder results are unaffected. Total consideration of £97m was paid in respect of the acquisitions during the period to 30 June 2007. Cash and cash equivalents of £20m were acquired.

(iii) PAC with-profits fund disposals

As at 31 December 2006, one venture subsidiary was classified as held for sale; Pharmacia Diagnostics. The sale of this venture subsidiary was completed on 18 January 2007. Total cash consideration received was £179m. Goodwill of £138m and cash and cash equivalents of £22m were disposed of. No other venture subsidiaries were sold during the first half of 2007 or classified as held for sale at 30 June 2007.

L 2006 half year comparative balance sheet

Minor presentational adjustments have been made for refinements to the acquisition accounting for intangible assets of venture fund investment subsidiaries of the PAC with-profits fund. These adjustments affect the carrying value of goodwill and other intangible assets, with minor consequential effects on some other balance sheet categories. Shareholders' profit and equity are unaffected by these adjustments.

M Discontinued operations

	Half year 2007 £m	Half year 2006 £m	Full Year 2006 £m
Pre-tax profit (loss) from discontinued operations			
Egg results :			
Operating loss based on longer-term investment returns for the period of ownership	(68)	(45)	(157)
Short-term fluctuations in investment returns	-	-	7
Profit on sale of Egg Banking plc	290	-	-
Total	222	(45)	(150)
Tax			
On Egg results :			
Operating loss based on longer-term investment returns for the period of ownership	19	11	47
Short-term fluctuations in investment returns	-	-	(2)
On profit on sale of Egg Banking plc	0	-	-
Total	19	11	45
Profit (loss) from discontinued operations, net of tax	241	(34)	(105)

Discontinued operations relate entirely to UK banking operations following the sale on 1 May 2007 of Egg Banking plc to Citi. Note K(i) provides details of the sale of Egg.