

# PRUDENTIAL PLC 2001 UNAUDITED RESULTS

<b>Results Summary</b>	<b>2001 £m</b>	<b>2000 £m</b>
<b>Achieved Profits Basis Results</b>		
Operating profit before tax		
UK Insurance Operations:		
Long-term business	<b>620</b>	708
General business	<b>79</b>	33
	<b>699</b>	741
M&G	<b>75</b>	125
Egg	<b>(88)</b>	(155)
UK Operations	<b>686</b>	711
US Operations	<b>319</b>	226
Prudential Asia	<b>415</b>	213
Prudential Europe	<b>8</b>	17
Other income and expenditure (including development expenses)	<b>(178)</b>	(138)
	<b>1,250</b>	1,029
UK re-engineering costs	<b>(64)</b>	-
<b>Operating profit</b> (see note)	<b>1,186</b>	1,029
Amortisation of goodwill	<b>(95)</b>	(84)
Short-term fluctuations in investment returns	<b>(1,402)</b>	(440)
Effect of change of economic assumptions	<b>(482)</b>	-
Merger break fee (net of related expenses)	<b>338</b>	-
Profit on business disposals	<b>-</b>	223
(Loss) profit on ordinary activities before tax	<b>(455)</b>	728
Operating earnings per share	<b>41.9p</b>	38.4p
Shareholders' funds	<b>£8.15bn</b>	£8.8bn
<b>Statutory Basis Results</b>		
Operating profit before tax (see note)	<b>622</b>	840
Operating earnings per share	<b>23.3p</b>	30.2p
<b>Dividend per share</b>	<b>25.4p</b>	24.5p
<b>Insurance and investment funds under management</b>	<b>£163bn</b>	£165bn
<b>Banking deposit balances under management</b>	<b>£6.5bn</b>	£7.6bn

## Note

Operating profit for insurance operations includes investment returns at the expected long-term rate of return. For the purposes of the presentation set out above, to be consistent with the alternative earnings per share, operating profit excludes amortisation of goodwill and the merger break fee, net of related expenses. The directors believe that operating profit, as adjusted for these items, better reflects underlying performance. Total profit includes these items together with actual investment returns and profit on business disposals. This basis of presentation has been adopted consistently throughout this announcement.

## ACHIEVED PROFITS BASIS RESULTS

		Restated
<b>Summarised Consolidated Profit and Loss Account</b>	<b>2001 £m</b>	<b>2000 £m</b>
UK Insurance Operations:		
Long-term business	620	708
General business	79	33
	699	741
M&G	75	125
Egg	(88)	(155)
UK Operations	686	711
US Operations	319	226
Prudential Asia	415	213
Prudential Europe	8	17
Other income and expenditure (including development expenses)	(178)	(138)
	1,250	1,029
UK re-engineering costs	(64)	-
<b>Operating profit before tax</b>	<b>1,186</b>	<b>1,029</b>
Operating profit before amortisation of goodwill		
Continuing operations	1,107	996
Discontinued general business operations	79	33
Amortisation of goodwill	(95)	(84)
Short-term fluctuations in investment returns	(1,402)	(440)
Effect of change of economic assumptions	(482)	-
Merger break fee (net of related expenses)	338	-
Profit on business disposals	-	223
(Loss) profit on ordinary activities before tax	(455)	728
Tax	213	(241)
(Loss) profit for the year before minority interests	(242)	487
Minority interests	25	24
(Loss) profit for the year after minority interests	(217)	511
Dividends	(504)	(484)
Retained (loss) profit for the year	(721)	27

		Restated
<b>Basic Earnings Per Share</b>	<b>2001</b>	<b>2000</b>
Based on operating profit after tax and related minority interests before amortisation of goodwill of £828m (£752m)	41.9p	38.4p
Adjustment for amortisation of goodwill	(4.8)p	(4.3)p
Adjustment from post-tax long-term investment returns to post-tax actual investment returns (after related minority interests)	(48.9)p	(16.5)p
Adjustment for post-tax effect of change of economic assumptions	(16.0)p	-
Adjustment for post-tax merger break fee (net of related expenses)	16.8p	-
Adjustment for post-tax profit on business disposals	-	8.5p
Based on (loss) profit for the year after minority interests of £(217)m (£511m)	(11.0)p	26.1p
Average number of shares	1,978m	1,959m
<b>Dividend Per Share</b>	<b>25.4p</b>	<b>24.5p</b>

### Note

The tax charge, minority interests and earnings per share for 2000 have been restated for minor changes to reflect the implementation of FRS 19 on deferred tax.

## NEW BUSINESS BY PRODUCT DISTRIBUTOR

	Single		Regular		Annual Equivalents (Note)	
	2001 £m	2000 £m	2001 £m	2000 £m	2001 £m	2000 £m
<b>UK Insurance Operations</b>						
<b>Prudential Intermediary Business</b>						
Individual pensions	219	196	68	54	90	74
Corporate pensions	82	94	19	15	27	24
Life	2,297	1,660	27	36	257	202
Annuities	1,172	652	-	-	117	65
Department of Social Security rebate business	64	59	-	-	6	6
	3,834	2,661	114	105	497	371
Investment products	70	101	2	3	9	13
Total	3,904	2,762	116	108		
<b>Prudential Financial Services</b>						
Individual pensions	26	30	26	34	29	37
Corporate pensions	469	751	131	93	178	168
Life	226	534	11	28	34	82
Annuities	663	602	-	-	66	60
Department of Social Security rebate business	185	175	-	-	19	18
	1,569	2,092	168	155	326	365
Investment products	15	43	4	12	6	16
Total	1,584	2,135	172	167		
<b>M&amp;G</b>						
Individual life and pensions	-	29	-	2	-	5
Investment products	906	1,050	12	16	103	121
Total	906	1,079	12	18		
Total UK Operations	6,394	5,976	300	293		
<b>US Operations</b>						
Fixed annuities	1,899	1,056	-	-	190	106
Equity linked index annuities	271	409	-	-	27	41
Variable annuities	768	1,709	-	-	77	171
Guaranteed Investment Contracts	170	365	-	-	17	36
GIC - European Medium Term Notes	1,504	1,291	-	-	150	129
Life	-	-	22	25	22	25
Total	4,612	4,830	22	25	483	508
<b>Prudential Asia</b>						
Insurance products	650	275	369	229	434	256
Investment products	9,027	2,259	-	-	903	226
Total	9,677	2,534	369	229		
<b>Prudential Europe</b>						
Insurance products	58	14	20	22	26	23
<b>Group Total</b>						
Insurance products	10,723	9,901	693	538	1,766	1,528
Investment products	10,018	3,453	18	31	1,021	376
Total	20,741	13,354	711	569		

### Note

Annual Equivalents are calculated as the aggregate of regular new business contributions and one tenth of single new business contributions.

Single new business insurance premiums include increments under existing group pension schemes and pensions vested into annuity contracts (at the annuity purchase price). Regular new business contributions are determined on an annualised basis.

	India	Taiwan	Other	Total
	£m	£m	£m	£m
<b>Asia Mutual Funds Under Management</b>				
Funds at 1 January 2001	695	934	20	1,649
Net Flows	352	998	45	1,395
Market movement	24	35	(7)	52
Funds at 31 December 2001	1,071	1,967	58	3,096

## ACHIEVED PROFITS BASIS RESULTS

### Operating Profit before amortisation of goodwill

Results Analysis by Business Area	2001 £m	2000 £m
<b>UK Operations</b>		
Insurance operations:		
New business	243	230
Business in force	377	478
Long-term business	620	708
General business	79	33
Total UK Insurance Operations	699	741
M&G	75	125
Egg	(88)	(155)
Total	686	711
<b>US Operations</b>		
New business	167	221
Business in force	136	(2)
Long-term business	303	219
Broker dealer and fund management	16	7
Total	319	226
<b>Prudential Asia</b>		
New business	255	153
Business in force	160	60
Long-term business	415	213
Development expenses	(19)	(3)
Total	396	210
<b>Prudential Europe</b>		
New business	8	9
Business in force	0	8
Long-term business	8	17
Development expenses	(29)	(18)
Total	(21)	(1)
<b>Other Income and Expenditure</b>		
Investment return and other income	51	70
Interest payable on core structural borrowings of shareholder financed operations	(118)	(131)
Corporate expenditure:		
Group Head Office	(39)	(42)
Asia Regional Head Office	(24)	(14)
Total	(130)	(117)
	1,250	1,029
UK re-engineering costs	(64)	-
<b>Operating profit before amortisation of goodwill</b>	<b>1,186</b>	<b>1,029</b>
Analysed as profits (losses) from:		
New business	673	613
Business in force	673	544
Long-term business	1,346	1,157
Prudential Asia and Europe development expenses	(48)	(21)
Other operating results	(48)	(107)
UK re-engineering costs	(64)	-
Total	1,186	1,029

## ACHIEVED PROFITS BASIS RESULTS

		Restated
<b>Summarised Consolidated Balance Sheet</b>	<b>2001 £m</b>	<b>2000 £m</b>
Investments in respect of non-linked business:		
Equities	40,948	51,232
Fixed income securities	59,183	48,594
Properties	10,487	10,303
Deposits with credit institutions	4,176	3,875
Other investments (principally mortgages and loans)	5,108	4,507
	119,902	118,511
Assets held to cover linked liabilities	17,453	18,323
Banking business assets	8,972	8,603
Goodwill	1,687	1,611
Holding Company cash	19	38
Core structural borrowings of shareholder financed operations:		
Central funds	(1,980)	(1,568)
Jackson National Life	(172)	(167)
Deferred acquisition costs	3,204	2,952
Dividend payable	(332)	(322)
Obligations of Jackson National Life under sale and repurchase and lending agreements	(3,394)	(2,652)
Borrowings to support short-term fixed income securities reinvestment programme	(1,330)	-
Debenture loan issued by Egg	(124)	-
Deferred tax	(2,005)	(2,924)
Other net (liabilities) assets	(84)	657
	141,816	143,062
Insurance technical provisions (net of reinsurance):		
UK Operations	(85,583)	(82,743)
US Operations	(25,055)	(23,585)
Prudential Asia	(4,941)	(3,269)
Prudential Europe	(634)	(593)
	(116,213)	(110,190)
Fund for future appropriations	(13,202)	(20,724)
Less: shareholders' accrued interest in the long-term business	4,200	4,805
Insurance technical provisions (net of reinsurance) and fund for future appropriations, less shareholders' accrued interest	(125,215)	(126,109)
Banking business liabilities	(8,333)	(8,040)
Minority interests	(118)	(137)
<b>Total net assets</b>	<b>8,150</b>	<b>8,776</b>

		Restated
<b>Shareholders' Capital and Reserves</b>	<b>2001 £m</b>	<b>2000 £m</b>
Share capital	100	99
Share premium	533	458
Statutory basis retained profit	3,317	3,414
Shareholders' capital and reserves - statutory basis	3,950	3,971
Additional reserves on the achieved profits basis	4,200	4,805
Shareholders' capital and reserves - achieved profits basis	8,150	8,776

### Note

Balance sheet comparatives for 2000 have been restated to reflect the implementation of FRS19 on deferred tax. As a consequence, the provision for deferred tax at 31 December 2000 has increased by £2,592m. This increase in provision is matched by reductions of £2,543m in the fund for future appropriations and £57m in shareholders' capital and reserves, less £8m reduction in the shareholders' accrued interest in the long-term business. These adjustments relate almost wholly to deferred tax on unrealised appreciation on investments that it was previously inappropriate to recognise under the partial provisioning method under SSAP 15.

## ACHIEVED PROFITS BASIS RESULTS

		Restated
<b>Movement in Shareholders' Capital and Reserves</b>	<b>2001 £m</b>	<b>2000 £m</b>
(Loss) profit for the year after minority interests	(217)	511
Exchange movements	53	187
Goodwill on sale of holding in associate company	-	90
New share capital subscribed	42	184
Dividends	(504)	(484)
<b>Net (decrease) increase in shareholders' capital and reserves</b>	<b>(626)</b>	<b>488</b>
Shareholders' capital and reserves at beginning of year		
As originally reported	8,833	8,342
Prior year adjustments on implementation of FRS 19 on deferred tax	(57)	(54)
As restated	8,776	8,288
<b>Shareholders' capital and reserves at end of year</b>	<b>8,150</b>	<b>8,776</b>

		Restated
<b>Comprising</b>	<b>2001 £m</b>	<b>2000 £m</b>
UK Operations:		
Long-term business	3,656	4,227
General business	-	135
M&G	329	341
Egg	380	426
	4,365	5,129
US Operations	2,817	2,756
Prudential Asia	1,089	793
Prudential Europe	90	82
Other operations (including central goodwill and borrowings)	(211)	16
	8,150	8,776

## ACHIEVED PROFITS BASIS RESULTS

### Economic Assumptions and Sensitivities

#### (1) Basis of preparation of results

The achieved profits basis results for 2001 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)". Previously the achieved profits basis results were prepared in accordance with the guidance issued in July 1995. Comparative results for the year 2000 have not been restated for the change of guidance. Restatements of prior year figures relate solely to the implementation of FRS19 on deferred tax.

One of the key differences between the current and previous guidance relates to the basis for setting long-term expected rates of return on investments and risk discount rates.

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

An exception to this general rule is that for countries where longer-term fixed interest markets are underdeveloped, investment return assumptions and risk discount rates should be 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.

For 2000 and earlier years, the achieved profits basis results for all of the Group's operations were calculated by using expected longer-term equilibrium rates of return and discount rates.

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

#### (2) Economic assumptions

##### UK operations

	2001	2000
Pre-tax expected long-term nominal rates of investment return		
UK equities	7.5%	8.0%
Overseas equities	7.5% to 7.8%	8.0%
Property	7.5%	8.0%
Gilts	5.0%	6.0%
Corporate bonds	6.0%	7.0%
PAC with-profits fund assets [applying the rates listed above to the investments held by the fund]	7.1%	8.0%
Expected long-term rate of inflation	2.6%	2.5%
Post-tax expected long-term nominal rate of return		
Pension business (where no tax applies)	7.1%	8.0%
Life business	6.3%	7.4%
Risk discount rate	7.7%	8.5%

##### US operations (Jackson National Life)

Expected long-term spread between earned rate and rate credited to policyholders	1.75%	1.9%
Risk discount rate	7.7%	8.5%

##### Prudential Europe

Risk discount rate	7.7%	8.5%
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## ACHIEVED PROFITS BASIS RESULTS

### Economic Assumptions and Sensitivities (continued)

#### (2) Economic assumptions (continued)

	2001	2000
<u>Prudential Asia</u>		
Weighted pre-tax expected long-term nominal rates of investment return	7.3%	8.0%
Weighted expected long-term rate of inflation	3.0%	3.2%
Weighted risk discount rate	10.1%	10.4%

The Prudential Asia economic returns have been determined by weighting each country's economic assumptions by reference to the Achieved Profits basis operating results for new business written in 2001.

#### (3) 2001 Results : Impact of altered economic assumptions

	2001 £m	2000 £m
Pre-tax (losses) profits on changes of economic assumptions included within the (loss) profit on ordinary activities before tax arise as follows:		
UK long-term business operations	(426)	-
Jackson National Life (including altered spread assumption)	1	-
Prudential Asia	(57)	-
Total	(482)	-

#### (4) 2001 Results sensitivities

The estimated increase (decrease) in the 2001 Group results that would arise from the following changes in economic assumptions are:

	Group Total £m
<u>2001 Pre-tax operating profits from new business</u>	
Pre-tax expected long-term nominal rates of investment return	
Increase in rates of 1%	105
Decrease in rates of 1%	(99)
Risk discount rates	
Increase in rates of 1%	(72)
Decrease in rates of 1%	83

#### 31 December 2001 shareholders' funds

Pre-tax expected long-term nominal rates of investment return	
Increase in rates of 1%	824
Decrease in rates of 1%	(779)
Risk discount rates	
Increase in rates of 1%	(494)
Decrease in rates of 1%	592



## ACHIEVED PROFITS BASIS RESULTS

### Additional Notes on the Unaudited Achieved Profits Basis Results

- (1) The achieved profits basis results for 2001 are unaudited. The unaudited results for 2000 have been derived from the achieved profits basis supplement to the Company's statutory accounts for that year and then restated for the implementation of FRS 19 on deferred tax. The supplement included an unqualified review report from the auditors.
- (2) The achieved profits basis results include the results of the Group's long-term insurance operations on the achieved profits basis. The operating profit from new business represents the profitability of new long-term insurance business written in the year. The operating profit from business in force represents the profitability of business in force at the start of the year with, for Asia, the statutory basis results of non-insurance operations. These results are combined with the statutory basis results of the Group's other operations, including unit trusts, mutual funds and other non-insurance investment management business. In the directors' opinion the achieved profits basis provides a more realistic reflection of the performance of the Group's long-term insurance operations than results under the statutory basis.
- (3) 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.
- (4) During 2001 the Company acquired Orico Life Insurance Company of Japan and YoungPoong Life in Korea. The total cost of purchase of these and other minor operations (including acquisition costs) was £182m. The fair value of the net assets including business in force was £11m. Goodwill arising on these transactions of £171m is being amortised over 20 years.
- (5) In February 2001 the Company announced the restructuring of the direct sales force and customer service channels of its UK Insurance Operations. In November 2001 the Company announced further details of changes to the future structure of those operations, in particular the intention to pursue a single brand strategy for life and pensions business including the integration of the Scottish Amicable operation under the Prudential brand. The changes also included a simplification of the organisational structure and plans for a significant reduction in operating costs. The total cost in 2001 of this restructuring, including amounts borne by the main with-profits fund, is £200m. After including amounts borne by the fund but attributed to shareholders, the cost recognised on the achieved profits basis is £64m.
- (6) In March 2001 the Company entered into a merger agreement with American General Corporation, a US investment, life insurance and consumer finance group. On 11 May, following the termination of the merger and in accordance with the terms of the agreemer a fee of \$600m (£423m) was paid to the Company by American General. After deducting employment costs incurred as a consequence of the proposed merger for the Company's US operations, adviser costs, and other directly related expenses, of £85m, an exceptional item of £338m before tax has been accounted for within the Group's results.
- (7) In November 2001, the Company agreed to transfer its UK general business operations to Winterthur Insurance and Churchill group its UK subsidiary. On 31 December 2001 the insurance liabilities of the business were almost wholly reassured, with related cash transfer, to Winterthur. The sale of the business was completed on 4 January 2002 for a consideration of £353m. After allowing for the costs of the sale and other related items, it is anticipated that the profit on sale recorded in the 2002 results will be approximately £360m before tax.
- (8) The Company has adopted FRS 19 on deferred tax in its 2001 financial statements with restated comparative results for 2000. The principal impact of the change from the accounting policy applied under SSAP 15 is to provide additional deferred tax on unrealised appreciation on investments. The additional deferred tax provision is reflected in the fund for future appropriations for with-profits business and in the profit and loss reserve for shareholder backed business. Consistent with previous practice and the achieved profits methodology, expected future tax cash flows related to inforce and new business effectively continue to be discounted. For the purpose of its modified statutory basis statements, the Company has chosen not to adopt the discounting option for its deferred tax provisions.
- (9) The final dividend of 16.7p per share will be paid on 29 May 2002 to shareholders on the register at the close of business on 22 March 2002. A scrip dividend alternative will be offered to shareholders. The total dividend for the year, including the interim dividend of 8.7p per share paid in 2001, amounts to 25.4p per share and the total cost of the dividend declared in respect of 2001 is £504m.

## STATUTORY BASIS RESULTS

		Restated
<b>Summarised Consolidated Profit and Loss Account</b>	<b>2001 £m</b>	<b>2000 £m</b>
Operating profit before amortisation of goodwill		
Continuing operations	<b>543</b>	807
Discontinued general business operations	<b>79</b>	33
	<b>622</b>	840
Amortisation of goodwill	<b>(95)</b>	(84)
Short-term fluctuations in investment returns	<b>(480)</b>	(48)
Merger break fee (net of related expenses)	<b>338</b>	-
Profit on business disposals	<b>-</b>	239
Profit on ordinary activities before tax (including actual investment returns)	<b>385</b>	947
Tax	<b>(21)</b>	(314)
Profit for the year before minority interests	<b>364</b>	633
Minority interests	<b>25</b>	24
Profit for the year after minority interests	<b>389</b>	657
Dividends	<b>(504)</b>	(484)
Retained (loss) profit for the year	<b>(115)</b>	173

		Restated
<b>Basic Earnings Per Share</b>	<b>2001</b>	<b>2000</b>
Based on operating profit after tax and related minority interests before amortisation of goodwill of £460m (£591m)	<b>23.3p</b>	30.2p
Adjustment for amortisation of goodwill	<b>(4.8)p</b>	(4.3)p
Adjustment from post-tax long-term investment returns to post-tax actual investment returns (after related minority interests)	<b>(15.6)p</b>	(1.7)p
Adjustment for post-tax merger break fee (net of related expenses)	<b>16.8p</b>	-
Adjustment for post-tax profit on business disposals	<b>-</b>	9.3p
Based on profit for the year after minority interests of £389m (£657m)	<b>19.7p</b>	33.5p
Average number of shares	<b>1,978m</b>	1,959m

<b>Diluted Earnings Per Share</b>		
Based on profit for the year after minority interests of £389m (£657m)	<b>19.6p</b>	33.4p
Average number of shares	<b>1,982m</b>	1,968m

<b>Dividend Per Share</b>	<b>25.4p</b>	24.5p
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		Restated
<b>Movement in Shareholders' Capital and Reserves</b>	<b>2001 £m</b>	<b>2000 £m</b>
Profit for the year after minority interests	<b>389</b>	657
Exchange movements	<b>52</b>	120
Goodwill on sale of holding in associate company	<b>-</b>	90
New share capital subscribed	<b>42</b>	184
Dividends	<b>(504)</b>	(484)
Net (decrease) increase in shareholders' capital and reserves	<b>(21)</b>	567
Shareholders' capital and reserves at beginning of year		
As originally reported	<b>4,020</b>	3,424
Prior year adjustments on implementation of FRS 19 on deferred tax	<b>(49)</b>	(20)
As restated	<b>3,971</b>	3,404
<b>Shareholders' capital and reserves at end of year</b>	<b>3,950</b>	3,971

### Note

The tax charge, minority interests, earnings per share and movement in shareholders' capital and reserves for 2000 have been restated for the implementation of FRS 19 on deferred tax.

## STATUTORY BASIS RESULTS

### Operating Profit before amortisation of goodwill

Results Analysis by Business Area	2001 £m	2000 £m
<b>UK Operations</b>		
Long-term business	435	468
General business	79	33
UK Insurance Operations	514	501
M&G	75	125
Egg	(88)	(155)
Total	501	471
<b>US Operations</b>		
Jackson National Life	282	459
Broker dealer and fund management	16	7
Total	298	466
<b>Prudential Asia</b>		
Long-term business and investment products	44	39
Development expenses	(19)	(3)
Total	25	36
<b>Prudential Europe</b>		
Long-term business	5	8
Development expenses	(29)	(18)
Total	(24)	(10)
<b>Other Income and Expenditure</b>		
Investment return and other income	51	64
Interest payable on core structural borrowings of shareholder financed operations	(118)	(131)
Corporate expenditure:		
Group Head Office	(39)	(42)
Asia Regional Head Office	(24)	(14)
Total	(130)	(123)
	670	840
UK re-engineering costs	(48)	-
<b>Operating profit before amortisation of goodwill</b>	<b>622</b>	<b>840</b>

## FUNDS FLOW

<b>Holding Company Funds Statement</b>	<b>2001 £m</b>	<b>2000 £m</b>
Statutory basis operating profit after tax and related minority interests		
before amortisation of goodwill	460	591
Merger break fee (net of related expenses and tax)	332	-
New share capital subscribed on listing of shares on New York Stock Exchange	-	139
Other new share capital subscribed	42	45
Capital repatriated from businesses	80	123
Proceeds from business disposals	-	173
	914	1,071
New investment in businesses	(699)	(555)
Timing differences and other items	(132)	147
	83	663
Dividends	(504)	(484)
<b>Holding Company net funds movement</b>	<b>(421)</b>	<b>179</b>
<b>Movement in Net Borrowings</b>	<b>2001 £m</b>	<b>2000 £m</b>
Net core structural borrowings at beginning of year	(1,697)	(1,837)
Holding Company net funds movement (as above)	(421)	179
Exchange translation losses	(15)	(39)
Net core structural borrowings at end of year	(2,133)	(1,697)
Represented by:		
Holding Company cash	19	38
Core structural borrowings of shareholder financed operations		
Central funds	(1,980)	(1,568)
Jackson National Life	(172)	(167)
	(2,133)	(1,697)

## GROSS PREMIUMS WRITTEN AND INVESTMENT PRODUCT SALES BY PRODUCT PROVIDER

	Long-term business		Investment products		General business		Total	
	2001 £m	2000 £m	2001 £m	2000 £m	2001 £m	2000 £m	2001 £m	2000 £m
UK Insurance Operations	8,198	7,469	-	-	390	333	8,588	7,802
M&G	-	239	1,084	1,328	-	-	1,084	1,567
Total UK Operations	8,198	7,708	1,084	1,328	390	333	9,672	9,369
US Operations	5,008	5,223	-	-	-	-	5,008	5,223
Prudential Asia	1,793	1,076	9,027	2,259	-	-	10,820	3,335
Prudential Europe	197	166	-	-	-	-	197	166
Group Total	15,196	14,173	10,111	3,587	390	333	25,697	18,093

## BANKING BUSINESS LIABILITIES

	2001 £m	2000 £m
Egg	7,465	7,386
US Operations	868	654
	8,333	8,040
Comprising:		
Banking deposit balances	6,520	7,611
Accruals, deferred income and other liabilities	1,813	429
	8,333	8,040

## Notes on the Unaudited Statutory Basis Results

- (1) The results for 2001 are unaudited and are not the Company's statutory accounts. With the exception of the implementation of FRS 19 on deferred tax, the results for 2001 have been prepared using the same accounting policies as were used in the 2000 statutory accounts. The results for 2000 have been derived from those accounts and then restated for the implementation of FRS 19. The auditors have reported on the 2000 statutory accounts and the accounts have been delivered to the Registrar of Companies. The auditors' report was unqualified and did not contain a statement under section 237 (2) or (3) of the Companies Act 1985.
- (2) In February and November 2001, the Company announced details of changes to its UK Insurance Operations, as set out in note 5 on the achieved profits basis results. The total cost in 2001 of this restructuring, including amounts borne by the main with-profits fund, is £200m. On the statutory basis of reporting, £48m is recognised as the cost to shareholders, reflecting the amounts borne by shareholder financed operations.
- (3) Notes 4 and 6 to 9 on the achieved profits basis results apply equally to the unaudited statutory basis results.
- (4) The statutory tax charge for the year ended 31 December 2001 of £21m (£314m) comprises £63m (£168 m) UK tax and a £42m credit (£146m charge) overseas tax.