

# Group financial highlights

## Results summary

### European Embedded Value (EEV) basis results\*

	2005 £m	2004 £m
UK insurance operations	426	486
M&G	163	136
Egg	44	61
UK operations	633	683
US operations	755	368
Asian operations	568	464
Other income and expenditure	(244)	(241)
Operating profit from continuing operations based on longer-term investment returns	1,712	1,274
Goodwill impairment charge	(120)	–
Short-term fluctuations in investment returns	1,001	570
Shareholders' share of actuarial and other gains and losses of defined benefit pension schemes	(47)	(12)
Effect of changes in economic assumptions and time value of cost of options and guarantees	(302)	(48)
Profit from continuing operations before tax	2,244	1,784
Operating earnings per share from continuing operations after related tax and minority interests*	56.6p	43.2p
Basic earnings per share	66.9p	53.7p
Shareholders' funds, excluding minority interests	£10.3bn	£8.6bn

### International Financial Reporting Standards (IFRS) basis results\*\*

#### Statutory IFRS basis results

	2005	2004
Profit after tax attributable to equity holders of the Company	£748m	£517m
Basic earnings per share	31.6p	24.4p
Shareholders' funds, excluding minority interests	£5.2bn	£4.5bn

#### Supplementary IFRS basis information

	Based on statutory IFRS basis results 2005	Based on pro forma IFRS results 2004
Operating profit from continuing operations based on longer-term investment returns	£957m	£699m
Profit after tax attributable to equity holders of the Company	£748m	£602m
Operating earnings per share from continuing operations after related tax and minority interests**	32.2p	22.7p
Basic earnings per share	31.6p	28.4p
Shareholders' funds, excluding minority interests	£5.2bn	£4.7bn

#### Dividends per share declared and paid in reporting period

#### Dividends per share relating to reporting period

#### Funds under management

	2005	2004
Dividends per share declared and paid in reporting period	15.95p	15.48p
Dividends per share relating to reporting period	16.32p	15.84p
Funds under management	£234bn	£197bn

#### \* EEV basis 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 and expanded by the Additional Guidance on EEV disclosures published in October 2005. Previously the Group has reported embedded value based supplementary information on the achieved profits basis.

Operating earnings per share is calculated using operating profit from continuing operations based on longer-term investment returns after related tax and minority interests. This profit excludes goodwill impairment charges, the post-tax effects of short-term fluctuations in investment returns, the shareholders' share of actuarial and other gains and losses of defined benefit pension schemes, the effect of changes in economic assumptions, and changes in the time value of cost of options and guarantees. The amounts for these items are included in the calculation of EEV basis basic earnings per share.

#### \*\* IFRS basis results

The basis of preparation reflects the formal adoption of IFRS basis reporting for the 2005 results. This basis of reporting was anticipated in the Company's interim reporting in July 2005 and, on all substantive matters, the basis of measurement and presentation of IFRS basis results included in this Annual Report is the same as applied at that time.

References to 'statutory IFRS basis' results throughout this Annual Report reflect results contained in the statutory basis financial statements for 2005. These statements incorporate changes from the basis of preparation for the 2004 financial statements that were included in determining the interim 2005 results. These changes reflect:

- Measurement changes arising from policies the Group has applied on the adoption of all IFRS standards, other than IAS 32, 'Financial Instruments: Disclosure and Presentation', IAS 39, 'Financial Instruments: Recognition and Measurement' and IFRS 4, 'Insurance Contracts', from 1 January 2004. The 2005 results include the effect of adoption of those three standards from 1 January 2005.
- Changes to the format of the results and other presentational changes that the Group has applied in its 2005 financial statements.
- A discretionary change of policy for the basis of determining longer-term investment returns included in operating profit based on longer-term investment returns.

The pro forma IFRS basis results included in this Annual Report are included as supplementary information and are not results that form part of the Group's financial statements. The pro forma IFRS results reflect the application of the statutory IFRS changes noted above and the estimated effect on the Group's results for 2004 if IAS 32, IAS 39 and IFRS 4 had been applied from 1 January 2004 to the Group's insurance operations.

Operating earnings per share is calculated using operating profit from continuing operations based on longer-term investment returns after related tax and minority interests. This profit excludes goodwill impairment charges, the post-tax effects of short-term fluctuations in investment returns, and the shareholders' share of actuarial and other gains and losses on defined benefit pension schemes. The amounts for these items are included in the calculation of IFRS basis basic earnings per share.