

Supplementary International Financial Reporting Standards (IFRS) basis results

Additional IFRS basis information to enable consistent comparison of results for Prudential's insurance operations

This information does not form part of the Group's financial statements.

The statutory basis results included on pages 62 to 195 are for the years 2005 and 2004. These results reflect significant changes of accounting policies from those previously applied under UK Generally Accepted Accounting Principles (GAAP). For all except three IFRS standards these changes have been applied consistently in preparing the results for both years. However, as permitted by the IFRS transition rules, and consistent with the approach of groups with significant banking operations, where retrospective application is complex and onerous, the 2005 results include the effects of adoption of the standards IAS 32, IAS 39 and IFRS 4 for the Group's insurance and other operations from 1 January 2005 rather than 1 January 2004. The 2004 comparative results in those statements are therefore prepared on an inconsistent basis.

The 'pro forma IFRS basis' comparative results shown below for 2004, reflect the estimated effect on the Group's 2004 results if IAS 32, IAS 39 and IFRS 4 had been applied from 1 January 2004 to the Group's insurance operations.

The main purpose of providing this pro forma information is to present the operating results for the UK insurance business and short-term fluctuations in investment returns for Jackson National Life (JNL) on a consistent basis. Under IAS 39 and IFRS 4, the assets and liabilities of certain unit-linked and similar contracts of the UK insurance business are subject to remeasurement. For JNL derivatives held for economic hedging purposes are fair valued under IAS 39 with value movements recorded in the income statement giving rise to significant levels of volatility. In addition, debt securities of JNL are fair valued with value movements taken directly to shareholders' reserves through the statement of changes in equity.

	Note	Based on statutory IFRS basis results 2005 £m	Pro forma IFRS basis results 2004 £m
Summary results			
Operating profit from continuing operations based on longer-term investment returns	1	957	699
Goodwill impairment charge		(120)	–
Short-term fluctuations in investment returns	2	211	293
Shareholders' share of actuarial and other gains and losses on defined benefit pension schemes		(50)	(7)
Profit from continuing operations before tax attributable to shareholders (including actual investment returns)		998	985
Tax attributable to shareholders' profits		(241)	(290)
Profit from continuing operations after tax		757	695
Discontinued operations (net of tax)		3	(94)
Profit for the year		760	601
Attributable to:			
Equity holders of the Company		748	602
Minority interests		12	(1)
Profit for the year		760	601
Earnings per share			
Continuing operations			
From operating profit, based on longer-term investment returns after related tax and minority interests of £761m (2004: £481m)		32.2p	22.7p
Adjustment for goodwill impairment charge		(5.1)p	–
Adjustment from post-tax longer-term investment returns to post-tax actual investment returns (after related minority interests)		5.9p	9.0p
Adjustment for post-tax shareholders' share of actuarial and other gains and losses on defined benefit pension schemes		(1.5)p	(0.2)p
Based on profit from continuing operations after related tax and minority interests of £745m (2004: £669m)		31.5p	31.5p
Discontinued operations			
Based on post-tax profit (loss) from discontinued operations (after minority interests)		0.1p	(3.1)p
Based on profit for the year after minority interests of £748m (2004: £602m)		31.6p	28.4p

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	Based on statutory IFRS basis results 2005 £m	Pro forma IFRS basis results 2004 £m
Changes in equity (net of minority interest)		
Reserves		
Profit for the year	748	602
Items recognised directly in equity:		
Exchange movements	268	(191)
Movement on cash flow hedges	(4)	–
Unrealised valuation movements on securities classified as available-for-sale		
Unrealised investment losses, net	(751)	(106)
Related change in amortisation of deferred income and acquisition costs	307	74
Related tax	218	23
Total items recognised directly in equity	38	(200)
Total income and expense for the year	786	402
Cumulative effect of changes in accounting principles on adoption of IAS 32, IAS 39 and IFRS 4, net of applicable taxes, at 1 January 2005:		
Statutory IFRS basis	226	–
Less: pro forma adjustment reflected in adjusted shareholders' equity at 1 January 2005 (as reflected in statement of changes in equity – see below) for impact of adoption of IAS 32, IAS 39 and IFRS 4 for insurance operations	(251)	–
Pro forma IFRS basis (i.e. transition adjustment in respect of banking and other non-insurance operations)	(25)	–
Dividends	(380)	(323)
Reserve movements in respect of share-based payments	15	10
Share capital and share premium		
Proceeds from Rights Issue, net of expenses	–	1,021
Other new share capital subscribed	55	119
Treasury shares		
Movement on own shares purchased in respect of share-based payment plans	0	(2)
Movement on Prudential plc shares purchased by unit trusts consolidated under IFRS	3	14
Net increase in shareholders' equity	454	1,241
Shareholders' equity at beginning of year		
As previously reported under UK GAAP	4,281	3,240
Changes arising from adoption of statutory IFRS	208	53
Statutory IFRS basis	4,489	3,293
Pro forma basis adjustments for estimated impact if IAS 32, IAS 39, and IFRS 4 had been adopted from 1 January 2004 for insurance operations	251	206
Pro forma IFRS basis	4,740	3,499
Shareholders' equity at end of year	5,194	4,740