

European Embedded Value (EEV) basis supplementary information

Year ended 31 December 2006

Operating profit from continuing operations based on longer-term investment returns*

Results analysis by business area

	Note	2006 £m	2005 £m
UK operations			
New business	5	266	243
Business in force	6	420	183
Long-term business		686	426
M&G		204	163
Egg		(145)	44
Total		745	633
US operations			
New business	5	259	211
Business in force	6	449	530
Long-term business		708	741
Broker-dealer and fund management		18	24
Curian		(8)	(10)
Total		718	755
Asian operations			
New business	5	514	413
Business in force	6	315	163
Long-term business		829	576
Fund management		50	12
Development expenses		(15)	(20)
Total		864	568
Other income and expenditure			
Investment return and other income	7	8	42
Interest payable on core structural borrowings		(177)	(175)
Corporate expenditure:			
Group Head Office		(83)	(70)
Asia Regional Head Office		(36)	(30)
Charge for share-based payments for Prudential schemes		(10)	(11)
Total		(298)	(244)
UK restructuring costs	8	(53)	–
Operating profit from continuing operations based on longer-term investment returns		1,976	1,712
Analysed as profits (losses) from:			
New business	5	1,039	867
Business in force	6	1,184	876
Long-term business		2,223	1,743
Asia development expenses		(15)	(20)
Other operating results		(179)	(11)
UK restructuring costs	8	(53)	–
Total		1,976	1,712

*EEV basis operating profit from continuing operations based on longer-term investment returns excludes goodwill impairment charges, short-term fluctuations in investment returns, the mark to market value movements on core borrowings, the shareholders' share of actuarial and other 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 caused by 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 supplementary information.

Summarised consolidated income statement – EEV basis

Year ended 31 December 2006

	Note	2006 £m	2005 £m
Operating profit from continuing operations based on longer-term investment returns			
UK insurance operations		686	426
M&G		204	163
Egg		(145)	44
UK operations		745	633
US operations		718	755
Asian operations		864	568
Other income and expenditure		(298)	(244)
UK restructuring costs	8	(53)	–
Operating profit from continuing operations based on longer-term investment returns		1,976	1,712
Goodwill impairment charge		–	(120)
Short-term fluctuations in investment returns	9	745	1,068
Mark to market value movements on core borrowings	10	85	(67)
Shareholders' share of actuarial and other gains and losses on defined benefit pension schemes	11	207	(47)
Effect of changes in economic assumptions and time value of cost of options and guarantees	12	59	(302)
Profit from continuing operations before tax (including actual investment returns)		3,072	2,244
Shareholder tax	13	(859)	(653)
Profit from continuing operations for the financial year after tax before minority interests		2,213	1,591
Discontinued operations (net of tax)		–	3
Profit for the year		2,213	1,594
Attributable to:			
Equity holders of the Company		2,212	1,582
Minority interests		1	12
Profit for the year		2,213	1,594

Earnings per share – EEV basis

Year ended 31 December 2006

	Note	2006	2005
Continuing operations			
From operating profit, based on longer-term investment returns, after related tax and minority interests of £1,390m (2005: £1,339m)	14	57.6p	56.6p
Based on profit from continuing operations after minority interests of £2,212m (2005: £1,579m)	14	91.7p	66.8p
Discontinued operations			
Based on profit from discontinued operations after minority interests		–	0.1p
Total – based on total profit for the financial year after minority interests of £2,212m (2005: £1,582m)		91.7p	66.9p
Average number of shares (millions)		2,413	2,365

Dividends per share

Year ended 31 December 2006

	2006	2005
Dividends relating to the reporting period:		
Interim dividend (2006 and 2005)	5.42p	5.30p
Final dividend (2006 and 2005)	11.72p	11.02p
Total	17.14p	16.32p
Dividends declared and paid in the reporting period:		
Current year interim dividend	5.42p	5.30p
Final dividend for prior year	11.02p	10.65p
Total	16.44p	15.95p

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European Embedded Value (EEV) basis supplementary information continued

Movement in shareholders' capital and reserves (excluding minority interests) – EEV basis

Year ended 31 December 2006

	Note	2006 £m	2005 £m
Profit for the year attributable to equity shareholders of the Company		2,212	1,582
Items taken directly to equity:			
Cumulative effect of changes in accounting policies on the adoption of IAS 32, IAS 39 and IFRS 4, net of related tax, at 1 January 2005		–	(25)
Unrealised valuation movements on Egg securities classified as available-for-sale		(2)	(1)
Movement on cash flow hedges		7	(4)
Exchange movements		(359)	377
Related tax		(74)	65
Acquisition of Egg minority interests		(167)	–
New share capital subscribed		336	55
Dividends		(399)	(380)
Reserve movements in respect of share-based payments		15	15
Treasury shares:			
Movement in own shares in respect of share-based payment plans		6	0
Movement in Prudential plc shares purchased by unit trusts consolidated under IFRS		0	3
Cumulative adjustments at 31 December 2006, net of related tax, for Jackson assets backing surplus and required capital	16(vi)	7	–
Net increase in shareholders' capital and reserves	16	1,582	1,687
Shareholders' capital and reserves at beginning of year (excluding minority interests)		10,301	8,614
Shareholders' capital and reserves at end of year (excluding minority interests)	15, 16	11,883	10,301
Comprising:			
UK operations:			
Long-term business		5,813	5,132
M&G:			
Net assets		230	245
Acquired goodwill		1,153	1,153
Egg		292	303
		7,488	6,833
US operations		3,360	3,418
Asian operations:			
Net assets		2,637	2,070
Acquired goodwill		172	172
Other operations:			
Holding company net borrowings		(1,542)	(1,724)
Other net liabilities		(232)	(468)
Shareholders' capital and reserves at end of year (excluding minority interests)	15, 16	11,883	10,301
Net asset value per share (in pence)			
Based on EEV basis shareholders' funds of £11,883m (2005: £10,301m)		486p	432p
Number of issued shares at year end (millions)		2,444	2,387

Summarised consolidated balance sheet – EEV basis

31 December 2006

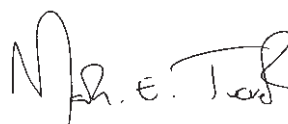
	Note	2006 £m	2005 £m
Total assets less liabilities, excluding insurance funds		183,130	174,231
Less insurance funds*:			
Policyholder liabilities (net of reinsurers' share) and unallocated surplus of with-profits funds		(177,642)	(169,037)
Less shareholders' accrued interest in the long-term business		6,395	5,107
		(171,247)	(163,930)
Total net assets	16	11,883	10,301
Share capital		122	119
Share premium		1,822	1,564
Statutory basis shareholders' reserves		3,544	3,511
Additional EEV basis retained profit		6,395	5,107
Shareholders' capital and reserves (excluding minority interests)	16	11,883	10,301

*Including liabilities in respect of insurance products classified as investment products under IFRS 4.

The supplementary information on pages 252 to 280 was approved by the Board of directors on 14 March 2007.



Sir David Clementi
Chairman



Mark Tucker
Group Chief Executive



Philip Broadley
Group Finance Director

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Parent
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