

Financial highlights

Results summary

European Embedded Value (EEV) basis results*	2007	2006
Asian operations	£1,103m	£864m
US operations	£635m	£718m
UK operations:		
UK insurance operations	£859m	£686m
M&G	£254m	£204m
Other income and expenditure	£1,113m	£890m
Restructuring costs	£(289)m	£(298)m
Operating profit from continuing operations based on longer-term investment returns*	£(20)m	£(41)m
Short-term fluctuations in investment returns	£2,542m	£2,133m
Mark to market value movements on core borrowings	£174m	£738m
Shareholders' share of actuarial gains and losses on defined benefit pension schemes	£223m	£85m
Effect of changes in economic assumptions and time value of cost of options and guarantees	£116m	£207m
Profit from continuing operations before tax (including actual investment returns)	£748m	£59m
Operating earnings per share from continuing operations after related tax and minority interests*	£3,803m	£3,222m
Basic earnings per share	74.9p	62.1p
Shareholders' equity, excluding minority interests	125.2p	91.7p
	£14.8bn	£11.9bn

International Financial Reporting Standards (IFRS) basis results*

Statutory IFRS basis results	2007	2006
Profit after tax attributable to equity holders of the Company	£1,022m	£874m
Basic earnings per share	41.8p	36.2p
Shareholders' equity, excluding minority interests	£6.2bn	£5.5bn
Supplementary IFRS basis information		
Operating profit from continuing operations based on longer-term investment returns*	£1,213m	£1,050m
Operating earnings per share from continuing operations after related tax and minority interests*	33.8p	30.9p
Dividends per share declared and paid in reporting period	17.42p	16.44p
Dividends per share relating to reporting period	18.00p	17.14p
Funds under management	£267bn	£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 and expanded by the Additional Guidance on EEV disclosures published in October 2005. The basis of preparation of statutory IFRS basis results and supplementary IFRS basis information is consistent with that applied for the 2006 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 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 related 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.

Discontinued operations

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