Group overview

Results highlights

		CER		RER[4]	
	Half year 2007 £m	Half year 2006 £m	Percentage change	Half year 2006 £m	Percentage change
Annual premium equivalent (APE) sales[1]	**1,334**	1,196	12%	1,255	6%
Present value of new business premiums (PVNBP)[1]	**9,681**	9,300	4%	9,761	(1)%
Net investment flows	**5,047**	5,198	(3)%	5,304	(5)%
External funds under management	**63,222**	50,376	26%	51,070	24%
New business profit (NBP)[1]	**534**	476	12%	504	6%
NBP margin (% APE)[1]	**40%**	40%		40%	
NBP margin (% PVNBP)[1]	**5.5%**	5.1%		5.2%	
EEV basis operating profit from long-term business from continuing operations[2, 3]	**1,293**	979	32%	1,034	25%
Total EEV basis operating profit from continuing operations[3, 5]	**1,326**	952	39%	1,007	32%
Total IFRS operating profit from continuing operations[3, 5]	**601**	473	27%	498	21%
EEV basis shareholders' funds	**13,412**	10,726	25%	10,932	23%
IFRS shareholders' funds	**5,905**	4,915	20%	5,049	17%
Holding company cash flow	**34**	(94)	136%	(94)	136%

(1) The details shown include the effect of the bulk annuity transfer from the Scottish Amicable Insurance Fund (SAIF) to Prudential Retirement Income Limited in the first half of 2006, a shareholder-owned subsidiary of the Group. SAIF is a closed ring-fenced sub-fund of the PAC long-term fund established by a court approved scheme of arrangement in September 1997, whose results are solely for the benefit of SAIF policyholders.

(2) Long-term business profits after deducting Asia development expenses and before restructuring costs.

(3) Based on longer term investment returns from continuing operations, as explained in the basis of preparation section shown below.

(4) Reported exchange rate (RER).

(5) The restructuring costs and operating loss for Egg for 2006 and the period of ownership in 2007, together with the profit on disposal, are included within discontinued operations.

In the operating and financial review (OFR), year-on-year comparisons of financial performance are on a constant exchange rate (CER) basis, unless otherwise stated.

Impact of currency movements

Prudential has a diverse international mix of businesses with a significant proportion of its profit generated outside the UK. In the first half of 2007, 64 per cent of the Group's total EEV operating profit came from outside the UK. In preparing the Group's consolidated accounts, results of overseas operations are converted at rates of exchange based on the average of the year to date, whilst shareholders' funds are converted at period-end rates of exchange.

Changes in exchange rates from year to year have an impact on the Group's results when these are converted into pounds sterling for reporting purposes. In some cases, these exchange rate fluctuations can have a significant effect on reported results.

Consequently, the Board has for a number of years reviewed and reported the Group's international performance on a CER basis. This basis eliminates the impact from exchange translation.

In the operating and financial review (OFR), period-on-period comparisons of financial performance are on a CER basis, unless otherwise stated.

Basis of preparation of results

The European Union (EU) requires that all listed European groups prepare their financial statements in accordance with EU approved IFRS. Since 1 January 2005, Prudential has been reporting its primary results on an IFRS basis and 2007 represents the third year in which the Group's financial statements have been prepared under IFRS.

In addition, as a signatory to the European Chief Financial Officers' (CFO) Forum's EEV Principles, Prudential has also been reporting supplementary results on an EEV basis for the Group's long-term business since 2005. These results are combined with the IFRS basis results of the Group's other businesses to provide a supplementary operating profit under EEV. Reference to operating profit relates to profit based on long-term investment returns. On both the EEV and IFRS bases, operating profits from continuing operations based on longer-term investment returns exclude short-term fluctuations in investment returns and shareholders' share of actuarial gains and losses on defined benefit pension schemes. Under the EEV basis, where additional profit and loss effects arise, operating profits based on longer-term investment returns also exclude the mark to market value movement on core borrowings and the effect of changes in economic assumptions and changes in the time value of the cost of options and guarantees arising from changes in economic factors.

In broad terms, IFRS profits for long-term business contracts reflect the aggregate of statutory transfers from with-profits funds and profits on a traditional accounting basis for other long-term business. Although the statutory transfers from with-profits funds are closely aligned with cash flow generation, the pattern of IFRS profits over time from shareholder-backed long-term businesses will generally differ from the cash flow pattern. Over the life of a contract, however, aggregate IFRS profits will be the same as aggregate cash flow.

Life insurance products are, by their nature, long term and the profit on this business is generated over a significant number of years. Accounting under IFRS does not, in Prudential's opinion, properly reflect the inherent value of these future profit streams.

Prudential believes that embedded value reporting provides investors with a better measure of underlying profitability of the Group's long-term businesses and is a valuable supplement to statutory accounts.

Sales and funds under management

Prudential delivered overall sales growth during the first half of 2007 with total new insurance sales up 12 per cent from the first six months of 2006 to £1.3 billion on the annual premium equivalent (APE) basis. At reported exchange rates (RER), APE sales were up six per cent on the same period in 2006. This is equivalent to insurance sales of £9.7 billion on a present value of new business premium basis (PVNBP), an increase of four per cent on 2006 at CER.

Total gross investment sales were £25 billion, up 55 per cent on the first half of 2006 at CER. Net investment sales of £5 billion were down three per cent from net investment sales in 2006 at CER.

Total external funds under management increased by 10 per cent at RER from £57.2 billion at 31 December 2006, to £63.2 billion at 30 June 2007, reflecting net investment flows of £5 billion and net market and other movements of positive £1 billion.

At 30 June 2007, total funds under management were £256 billion, an increase of two per cent from 2006 year end at RER.

EEV basis operating profit from continuing operations

Total EEV basis operating profit from continuing operations based on longer-term investment returns was £1,326 million, up 39 per cent from the first half of 2006 at CER. At RER, the result was up 32 per cent. This result reflects profitable growth in the insurance and funds management businesses, and the benefit of positive operating assumption changes.

Prudential's insurance businesses achieved significant growth, both in terms of NBP and in-force profit, resulting in a 32 per cent increase in long term business profit over the first half of 2006 at CER.

In the first six months of 2007, the Group generated record NBP from insurance business of £534 million, which was 12 per cent above the same period in 2006 at CER, driven by strong sales momentum in the US and Asia, achieved without compromising margins. At RER, NBP was up six per cent. The average Group NBP margin was 40 per cent (HY 2006: 40 per cent) on an APE basis and 5.5 per cent (HY 2006: 5.1 per cent at CER) on a PVNBP basis. In-force profit increased 50 per cent on the first half of 2006 at CER to £765 million. In aggregate, net assumption changes were £95 million positive of which £92 million relates to lower tax rates in the UK and Asia. Experience variances and other items were £53 million positive. At RER, in-force profit was up 42 per cent.

Asia's development expenses (excluding the regional head office expenses) were £6 million, (HY 2006: £7 million at CER).

Results from the fund management business were £180 million (HY 2006: £124 million), up 45 per cent on the first half of 2006 at CER.

Other income and expenditure totalled a net expense of £147 million compared with £141 million in the first half of 2006 at RER. This result includes £17 million of costs for the Asia head office (HY 2006: £19 million at RER); £50 million for the Group head office costs (HY 2006: £46 million); and net interest expense on central borrowings and other items of negative £80 million (HY 2006: £76 million).

		CER		RER	
EEV basis operating profit from continuing operations	**Half year 2007 £m**	Half year 2006 £m	Percentage change	Half year 2006 £m	Percentage change
Insurance business:					
UK	**462**	336	38%	336	38%
US	**344**	316	9%	346	(1)%
Asia	**493**	334	48%	359	37%
Long-term business profit	**1,299**	986	32%	1,041	25%
Asia development expenses	**(6)**	(7)	14%	(7)	14%
Fund management business:					
M&G	**140**	100	40%	100	40%
US broker-dealer and fund management	**9**	7	29%	8	13%
Curian	**(2)**	(3)	33%	(4)	50%
Asia fund management	**33**	20	65%	22	50%
	180	124	45%	126	43%
Other income and expenditure	**(147)**	(139)	(6)%	(141)	(4)%
Total EEV basis operating profit from continuing operations	**1,326**	964	38%	1,019	30%
Restructuring costs	**0**	(12)	100%	(12)	100%
Total EEV basis operating profit from continuing operations after restructuring costs	**1,326**	952	39%	1,007	32%

Group overview continued

EEV basis profit before tax and minority interests from continuing operations

	Half year 2007 £m	RER Half year 2006 £m
Total EEV basis operating profit from continuing operations after restructuring costs	**1,326**	1,007
Short term fluctuations in investment returns:	**241**	73
UK	**98**	37
US	**69**	55
Asia	**54**	(34)
Other	**20**	15
Actuarial gains and losses on defined benefit pension schemes	**125**	246
Effect of change in economic assumptions:	**253**	(42)
UK	**281**	163
US	**(46)**	(141)
Asia	**18**	(64)
Effect of change in time value of cost of options and guarantees:	**22**	22
UK	**15**	4
US	**8**	19
Asia	**(1)**	(1)
Movement in mark to market value of core borrowings:	**113**	168
US	**5**	15
Other	**108**	153
Profit from continuing operations before tax	**2,080**	1,474

The following half year-on-half year comparisons are presented on a RER basis.

The EEV basis result before tax and minority interests was a profit of £2,080 million up 41 per cent on the first half of 2006.

This reflects in part an increase in operating profit from £1,007 million in the first six months of 2006 to £1,326 million for the same period in 2007.

The profit before tax also includes £241 million in short-term fluctuations in investment returns (HY 2006: £73 million), positive changes in economic assumptions of £253 million (HY 2006: negative £42 million) and the effect of change in time value of options and guarantees of positive £22 million (HY 2006: positive £22 million).

The UK long-term business component of short-term fluctuations in investment returns of £97 million (HY 2006: £34 million) primarily reflects the difference between the actual investment return for the with-profits life fund of 5.8 per cent (HY 2006: 4.2 per cent) and the long-term assumed return of 4.1 per cent for the first half of 2007.

The US long-term business short-term fluctuations in investment returns of £68 million include a net positive £30 million in relation to changed expectations of future profitability on variable annuity business in force due to the actual variable annuity investment account (separate account) return exceeding the long-term return reported within operating profit, offset by the impact of the associated hedging position. It also includes a positive £38 million in respect of the difference between actual investment returns and long-term returns included in operating profit primarily in respect of equity based investments and other items.

In Asia, long-term business short-term investment fluctuations were £54million, compared to negative £34 million last year. This reflects strong equity market performance across the region particularly in Vietnam, Hong Kong and Singapore partially offset by Taiwan as a result of lower investment returns.

The half year 2007 shareholders' share of actuarial gains and losses on defined benefit schemes of £125 million reflects the increase in discount rate applied in determining the present value of projected pension payments from 5.2 per cent at 31 December 2006 to 5.8 per cent at 30 June 2007, offset by a shortfall of market returns over long-term assumptions due to the decrease in value of corporate and government bonds, which more than offset the increase in value of equity and property asset classes.

Positive economic assumption changes of £253 million in the first six months of 2007 compared with negative economic assumption changes of £42 million in the same period in 2006. Economic assumption changes in the first half of 2007 comprised positive £281 million in the UK, negative £46 million in the US and positive £18 million in Asia.

In the UK, economic assumption changes of positive £281 million reflect the impact of the increase in the future investment return assumption offset by the increase in the risk discount rates, mainly arising from the change in UK gilt rates.

In the US, economic assumption changes of negative £46 million primarily reflect an increase in the risk discount rates compared to the 2006 year end following an increase in the US 10-year Treasury rate, partially offset by an increase in the separate account return assumption.

In Asia, economic assumption changes were £18 million, due to a positive change in Hong Kong partially offset by negative effects in Malaysia and Singapore as a result of adjusting the projected investment returns and risk discount rates in these countries. Taiwan interest rates have increased ahead of our assumptions.

The change in the time value of cost of options and guarantees was positive £22 million for the half year (HY 2006: positive £22 million), consisting of £15 million, £8 million and negative £1 million for the UK, the US and Asia, respectively.

The mark to market movement on core borrowings was a positive £113 million (HY 2006: positive £168 million) reflecting the reduction in fair value of core borrowings due to increases in interest rates.

EEV basis profit after tax and minority interests

	Half year 2007 £m	RER Half year 2006 £m
Profit from continuing operations before tax	**2,080**	1,474
Tax	**(545)**	(387)
Profit from continuing operations after tax before minority interests	**1,535**	1,087
Discontinued operations (net of tax)	**241**	(34)
Minority interests	**(1)**	(1)
Profit for the period attributable to the equity holders of the Company	**1,775**	1,052

The following half year-on-half year comparisons are presented on a RER basis.

Profit for the period attributable to the equity holders of the Company was £1,775 million (HY 2006: £1,052 million). The tax charge of £545 million compares with a tax charge of £387 million in the first half of 2006. Minority interests in the Group results were £1 million (HY 2006: £1 million).

The effective tax rate at an operating tax level was 28 per cent (HY 2006: 30 per cent), generally reflecting expected tax rates. The effective tax rate at a total EEV level on profits from continuing operations was 26 per cent (HY 2006: 26 per cent) on a profit of £2,080 million.

On 29 January 2007, Prudential announced that it had entered into a binding agreement to sell Egg Banking plc to Citi. Under the terms of the agreement, the consideration payable to the Company by Citi was £575 million in cash, subject to adjustments to reflect any change in net asset value between 31 December 2006 and completion.

On 1 May 2007, Prudential completed the sale. The consideration, net of transaction expenses, was £527 million. The reduction from the £575 million noted above primarily reflects the post-tax loss of Egg Banking plc from 1 January 2007 to the date of sale of £49 million. The profit on sale was £290 million.

IFRS basis operating profit from continuing operations based on longer-term investment returns

Group operating profit before tax from continuing operations based on longer-term investment returns on the IFRS basis after restructuring costs was £601 million, an increase of 27 per cent on the first six months of 2006 at CER. At RER, operating profit was up 21 per cent on the same period in the prior year.

Insurance business

In the UK, IFRS operating profit for the long-term business increased 22 per cent to £251 million in the first half of 2007. This reflected a 15 per cent increase in profits attributable to the with-profits business to £195 million, representing the continued strong investment performance of the life fund and its impact on terminal bonuses.

In the US, IFRS operating profit for long-term business was £218 million, up seven per cent from £203 million in the first half of 2006 at CER. The US operations' results are based on US GAAP, adjusted where necessary to comply with IFRS and the Group's basis of presenting operating profit based on longer-term investment returns. In determining the operating profit for US operations, longer-term returns for fixed income securities incorporate a risk margin reserve (RMR) charge for longer-term defaults and amortisation of interest-related realised gains and losses. The growth in the US operations' long-term IFRS operating profit mainly reflects increased fee income. The fee income was driven by an increase in separate account assets held at the half year, and improved returns on these assets. Profits from the annuities spread business were broadly in line with prior year and continue to represent the key contributor to the overall IFRS operating profit. One-off items affecting the spread-based income were £14 million (HY 2006: £16 million at CER), net of DAC amortisation.

Prudential Corporation Asia's IFRS operating profit for long-term business, before development expenses of £6 million, was £76 million, an eight per cent decrease on the first half of 2006 at CER. The fall in IFRS operating profits is due primarily to the expansion costs incurred in India to support its rapid growth. In the first half of 2007, India incurred losses of £17 million. Investment in India will continue throughout the remainder of 2007. The most significant contribution to operating profit continues to be from the established markets of Singapore, Malaysia and Hong Kong which represent £65 million of the total operating profit in 2007. There was a significant contribution from Indonesia as this operation continues to build scale, and also Taiwan. Five life operations made IFRS operating losses: China, India and Korea which are relatively new businesses rapidly building scale, Thailand, which is marginally loss making, and Japan, where Prudential continues to look for opportunities to increase the scale and profitability of its life business over the long term.

The profits and recoverability of deferred acquisition costs (DAC) in Taiwan are dependent on the rates of return earned and assumed to be earned on the assets held to cover liabilities and on future investment income and contract cash flows for traditional whole of life policies. No write-off of DAC was required in half year 2007 or 2006. At the 2006 year end it was estimated that if interest rates were to remain at then current levels in 2007 the premium reserve, net of DAC, would be broadly sufficient and that if interest rates were to remain at then current levels in 2008 then some level of write-off of DAC may be necessary. Indicatively the possible 2008 write-off was estimated as being in the range of £70-90 million. In the first half of 2007 bond yields increased by 0.5 per cent. With this effect and increases in the value of business in force in the six month period the outlook on recoverability has significantly improved. At 30 June 2007, if interest rates were to remain at current levels until the end of 2008, the premium reserve net of DAC would be at a level such that the likelihood of a need for a write-off of DAC in 2008 would be significantly reduced. The position in future remains sensitive to the above mentioned variables.

Group overview continued

IFRS basis operating profit based on longer-term investment returns	Half year 2007 £m	CER Half year 2006 £m	CER Percentage change	RER Half year 2006 £m	RER Percentage change
Insurance business:					
UK	**251**	205	22%	205	22%
US	**218**	203	7%	223	(2)%
Asia	**76**	83	(8)%	88	(14)%
Long-term business	**545**	491	11%	516	6%
Asia development expenses	**(6)**	(7)	(14)%	(7)	(14)%
Fund management business:					
M&G	**140**	100	40%	100	40%
US broker-dealer and fund management	**9**	7	29%	8	13%
Curian	**(2)**	(3)	33%	(4)	50%
Asia fund management	**33**	20	65%	22	50%
	180	124	45%	126	43%
Other income and expenditure	**(118)**	(124)	5%	(126)	6%
Total IFRS basis operating profit based on longer-term investment returns	**601**	484	24%	509	18%
Restructuring costs	**0**	(11)	(100)%	(11)	(100)%
Total IFRS basis operating profit based on longer-term investment returns after restructuring costs	**601**	473	27%	498	21%

Fund management business

M&G's operating profit for the first half of 2007 was £140 million, an increase of 40 per cent over the £100 million recorded for the same period in 2006, due to strong net investment inflows and positive market conditions.

The operating profit from the US broker-dealer and fund management businesses was £9 million, a 29 per cent increase on the first half of 2006 (HY 2006: £7 million at CER). Curian recorded losses of £2 million in the first half of 2007, down from £3 million for the same period in 2006, as the business continues to build scale.

The Asian fund management operations reported an 65 per cent growth in operating profits to £33 million (HY 2006: £20 million) driven by strong contributions from the established markets of Hong Kong and Singapore. Hong Kong and Singapore account for 49 per cent of profit compared to 60 per cent a year ago, as newer operations such as India, Japan and Korea begin to make meaningful contributions.

IFRS basis profit before tax from continuing operations

	Half year 2007 £m	RER Half year 2006 £m
Operating profit from continuing operations based on longer-term investment returns	**601**	498
Short-term fluctuations in investment returns	**24**	39
Shareholders' share of actuarial gains and losses on defined benefit pension schemes	**103**	200
Profit before tax from continuing operations	**728**	737

The following half year-on-half year comparisons are presented on a RER basis.

Total IFRS basis profits before tax and minority interests were £728 million, compared with £737 million for the first half of 2006. The decrease reflects: an increase in operating profit of £103 million; a decrease in short-term fluctuations in investment returns, down £15 million from the first half of 2006; and a £97 million negative movement from the prior year in actuarial gains and losses attributable to shareholder-backed operations in respect of the Group's defined benefit pension schemes.

IFRS basis profit after tax

	Half year 2007 £m	RER Half year 2006 £m
Profit before tax from continuing operations	**728**	737
Tax	**(253)**	(253)
Profit from continuing operations after tax before minority interests	**475**	484
Discontinued operations (net of tax)	**241**	(34)
Minority interests	**(1)**	(1)
Profit for the period attributable to equity holders of the Company	**715**	449

The following half year-on-half year comparisons are presented on a RER basis.

Profit after tax and minority interests was £715 million compared with £449 million in the first half of 2006. The effective rate of tax on operating profits from continuing operations, based on longer-term investment returns, was 34 per cent (HY 2006: 33 per cent). The effective rate of tax at the total IFRS profit level for continuing operations was 35 per cent (HY 2006: 34 per cent). The effective tax rates in 2007 were broadly in line with those expected except for some Asian operations where there is a restriction on the ability to recognise deferred tax assets on regulatory basis losses.

On 29 January 2007, Prudential announced that it had entered into a binding agreement to sell Egg Banking plc to Citi. Under the terms of the agreement, the consideration payable to the Company by Citi was £575 million in cash, subject to adjustments to reflect any change in net asset value between 31 December 2006 and completion.

On 1 May 2007, Prudential completed the sale. The consideration, net of transaction expenses, was £527 million. The reduction from the £575 million noted above primarily reflects the post-tax loss of Egg Banking plc from 1 January 2007 to the date of sale of £49 million. The profit on sale was £290 million.

Earnings per share

The following half year-on-half year comparisons are presented on an RER basis.

Earnings per share for the first half of 2007, based on EEV basis operating profit from continuing operations after tax and related minority interests, were 39.4 pence, compared with 29.3 pence over the same period in 2006.

Earnings per share, based on IFRS operating profit from continuing operations after tax and related minority interests, were 16.3 pence, compared with 14.0 pence for the 2006 half year.

Basic earnings per share, based on total EEV basis profit after minority interests, were 72.8 pence, compared with 43.8 pence for the 2006 half year.

Basic earnings per share, based on IFRS profit after minority interests, were 29.3 pence, compared with 18.7 pence for the 2006 half year.

Dividend per share

The Board will focus on delivering a growing dividend, which will continue to be determined after taking into account the Group's financial flexibility and opportunities to invest in areas of the business offering attractive returns. The Board believes that in the medium term a dividend cover of around two times is appropriate.

The directors recommend an interim dividend for 2007 of 5.70 pence per share payable on 24 September 2007 to shareholders on the register at the close of business on 17 August 2007, an increase of five per cent. The interim dividend for 2006 was 5.42 pence per share.

Shareholders' funds

On the EEV basis, which recognises the shareholders' interest in long-term businesses, shareholders' funds at 30 June 2007 were £13.4 billion, an increase of £1.5 billion from the 2006 year-end level of £11.9 billion at RER. This 13 per cent increase primarily reflects: total EEV basis operating profit of £1,326 million; a £241 million favourable movement in short-term fluctuations in investment returns; a £275 million positive movement due to changes in economic assumptions and in time value of options and guarantees; a positive movement on the mark to market of core debt of £113 million; a positive movement in the actuarial gains on the defined benefit pension schemes of £125 million; £241 million from discontinued operations and £117 million from the issue of new share capital. These were offset by: a tax charge of £545 million; the negative impact of £65 million for foreign exchange movements, and dividend payments of £288 million made to shareholders.

The shareholders' funds at 30 June 2007 of £13.4 billion comprise £6.3 billion for the UK long-term business operations, £3.5 billion for the US long-term business operations, £2.9 billion for the Asian long-term business operations and £0.7 billion for other operations.

Within the embedded value for the Asian long-term business of £2.9 billion, the established markets of Hong Kong, Singapore and Malaysia account for £2.2 billion of the embedded value, with Korea (£233 million) and Vietnam (£222 million) making further substantial contributions. Prudential's other markets, excluding Taiwan, in aggregate account for £397 million of the embedded value. Taiwan has a negative embedded value of £157 million. This is an improvement from the reported negative £216 million at the 2006 year end.

The current mix of new business in Taiwan is weighted heavily towards unit-linked and protection products, representing 82 per cent and eight per cent of new business APE in the first half of 2007, respectively. As a result, interest rates have little effect on new business profitability. However, the in-force book in Taiwan, predominantly made up of whole of life policies, has an embedded value that is sensitive to interest rate changes. A one per cent decrease in interest rates, along with consequential changes to assumed investment returns for all asset classes, market values of fixed interest assets and risk discount rates, would result in a £134 million decrease in Taiwan's embedded value. A similar one per cent positive shift in interest rates would increase embedded value by £83 million. If it had been assumed in preparing the half year 2007 results that interest rates remained at the current level of 2.5 per cent until 31 December 2008 and the progression period in bond yields was delayed by a year so as to end on 31 December 2014, there would have been a reduction in the Taiwan embedded value of £90 million. Sensitivity of the embedded value to interest rate changes varies considerably across the region. In aggregate, a one per cent decrease in interest rates, along with all consequential changes noted above, would result in a three per cent decrease to Asia's embedded value.

Statutory IFRS basis shareholders' funds at 30 June 2007 were £5.9 billion. This compares with £5.5 billion at 31 December 2006 at RER. The increase primarily reflects: profit after tax and minority interests of £715 million and new share capital of £117 million, offset by the impact of negative foreign exchange movements of £21 million, dividend payments to shareholders of £288 million, and the impact of unrealised holding losses on available for sale investments of £113 million.

Group overview continued

Holding company cash flow

	Half year 2007 £m	Half year 2006 £m
Cash remitted by business units:		
UK life fund transfer	**261**	217
US	**0**	68
Asia	**86**	66
M&G	**75**	38
Total cash remitted to Group	**422**	389
Net interest paid	**(76)**	(90)
Dividends paid	**(286)**	(267)
Scrip dividends and share options	**119**	18
Cash remittances after interest and dividends	**179**	50
Tax received	**24**	88
Corporate activities	**(30)**	(24)
Cash flow before investment in businesses	**173**	114
Capital invested in business units:		
UK	**(69)**	(147)
Asia	**(70)**	(61)
Total capital invested in business units	**(139)**	(208)
Increase (Decrease) in cash	**34**	(94)
Egg sale net proceeds	**527**	–
Total holding company cash flow	**561**	(94)

The table above shows the Group holding company cash flow. Prudential believes that this format gives a clearer presentation of the use of the Group's resources than the format of the statement required by IFRS.

The Group holding company received £422 million in cash remittances from business units in the first half of 2007 (HY 2006: £389 million) comprising the shareholders' statutory life fund transfer of £261 million from the UK business, and remittances of £86 million and £75 million from Asia and M&G respectively. A remittance of US$230 million is expected from the US operations in the second half of 2007.

There was a strong scrip dividend take-up of £117 million, in respect of the 2006 final dividend. After net dividends and interest paid, there was a cash inflow of £179 million (HY 2006: £50 million).

During the first six months of 2007, the Group holding company paid £30 million (HY 2006: £24 million) in respect of corporate activities and received £24 million (HY 2006: £88 million) in respect of relief on taxable losses. The Group invested £139 million (HY 2006: £208 million) in its business units, comprising £69 million in its UK operations and £70 million in Asia. In the first half of 2007, Asia contributed a net remittance of £16 million to the Group holding company cash flow.

In addition, the Group received £527 million from the disposal of Egg (net of expenses).

In aggregate this gave rise to an increase in cash of £561 million (HY 2006: £94 million decrease). Excluding the Egg sale proceeds, cash increased by £34 million.

Depending on the mix of business written and the opportunities available, cash invested to support the UK business in 2007 is expected to be less than in 2006, up to £160 million and with the expectation that the UK shareholder-backed business will become cash positive in 2010.

Taking into account plans for future growth, a normalised level of scrip dividend, the reducing UK capital requirement and increased remittances from the other life and asset management operations it is also expected that the operating cash flow of the Group holding company will be positive in 2008.