

## Total insurance and investment products new business

## Insurance products and investment products\*

	Insurance products *			Investment products *			Total		
	Half year 2007 £m	Half year 2006 £m	Full year 2006 £m	Half year 2007 £m	Half year 2006 £m	Full year 2006 £m	Half year 2007 £m	Half year 2006 £m	Full year 2006 £m
UK operations	<b>2,560</b>	3,985	7,192	<b>7,519</b>	6,795	13,486	<b>10,079</b>	10,780	20,678
US operations	<b>3,434</b>	3,154	5,981	<b>19</b>	–	–	<b>3,453</b>	3,154	5,981
Asian operations	<b>1,325</b>	915	1,921	<b>17,471</b>	10,027	20,408	<b>18,796</b>	10,942	22,329
Group total	<b>7,319</b>	8,054	15,094	<b>25,009</b>	16,822	33,894	<b>32,328</b>	24,876	48,988

## Insurance products – new business premiums and contributions\*

	Single			Regular			Annual premium and contribution equivalents			Present value of new business premiums		
	Half year 2007 £m	Half year 2006 £m	Full year 2006 £m	Half year 2007 £m	Half year 2006 £m	Full year 2006 £m	Half year 2007 £m	Half year 2006 £m	Full year 2006 £m	Half year 2007 £m	Half year 2006 £m	Full year 2006 £m
<b>UK operations</b>												
<b>Product summary</b>												
Internal vesting annuities	<b>687</b>	615	1,341	–	–	–	<b>69</b>	62	134	<b>687</b>	615	1,341
Direct and partnership annuities	<b>431</b>	273	780	–	–	–	<b>43</b>	27	78	<b>431</b>	273	780
Intermediated annuities	<b>282</b>	247	592	–	–	–	<b>28</b>	25	59	<b>282</b>	247	592
<b>Total individual annuities</b>	<b>1,400</b>	1,135	2,713	–	–	–	<b>140</b>	114	271	<b>1,400</b>	1,135	2,713
Equity release	<b>67</b>	30	89	–	–	–	<b>7</b>	3	9	<b>67</b>	30	89
Individual pensions	<b>18</b>	10	21	–	–	–	<b>2</b>	1	2	<b>20</b>	10	21
Corporate pensions	<b>107</b>	35	318	<b>42</b>	32	66	<b>53</b>	36	98	<b>296</b>	124	490
Unit-linked bonds	<b>138</b>	213	388	–	–	–	<b>14</b>	21	39	<b>138</b>	213	388
With-profit bonds	<b>114</b>	54	139	–	–	–	<b>11</b>	5	14	<b>114</b>	54	139
Protection	–	2	11	<b>2</b>	6	9	<b>2</b>	6	10	<b>14</b>	21	63
Offshore products	<b>205</b>	361	540	<b>2</b>	–	–	<b>22</b>	36	54	<b>215</b>	361	540
<b>Total retail retirement</b>	<b>2,049</b>	1,840	4,219	<b>46</b>	38	75	<b>251</b>	222	497	<b>2,264</b>	1,948	4,443
Corporate pensions	<b>110</b>	165	261	<b>60</b>	44	100	<b>71</b>	61	126	<b>314</b>	350	643
Other products	<b>100</b>	134	232	<b>13</b>	13	26	<b>23</b>	26	49	<b>145</b>	175	347
DWP rebates	<b>129</b>	161	161	–	–	–	<b>13</b>	16	16	<b>129</b>	161	161
<b>Total mature life and pensions</b>	<b>339</b>	460	654	<b>73</b>	57	126	<b>107</b>	103	191	<b>588</b>	686	1,151
<b>Total retail</b>	<b>2,388</b>	2,300	4,873	<b>119</b>	95	201	<b>358</b>	325	688	<b>2,852</b>	2,634	5,594
Wholesale annuities	<b>38</b>	1,278	1,431	–	–	–	<b>4</b>	128	143	<b>38</b>	1,278	1,431
Credit life	<b>15</b>	312	687	–	–	–	<b>1</b>	31	69	<b>15</b>	312	687
<b>Total UK operations</b>	<b>2,441</b>	3,890	6,991	<b>119</b>	95	201	<b>363</b>	484	900	<b>2,905</b>	4,224	7,712
<b>Channel Summary</b>												
Direct and partnership	<b>1,151</b>	993	2,543	<b>106</b>	81	174	<b>221</b>	180	428	<b>1,567</b>	1,288	3,133
Intermediated	<b>1,108</b>	1,146	2,169	<b>13</b>	14	27	<b>124</b>	129	244	<b>1,156</b>	1,185	2,300
Wholesale	<b>53</b>	1,590	2,118	–	–	–	<b>5</b>	159	212	<b>53</b>	1,590	2,118
<b>Sub-total</b>	<b>2,312</b>	3,729	6,830	<b>119</b>	95	201	<b>350</b>	468	884	<b>2,776</b>	4,063	7,551
DWP rebates	<b>129</b>	161	161	–	–	–	<b>13</b>	16	16	<b>129</b>	161	161
<b>Total UK operations</b>	<b>2,441</b>	3,890	6,991	<b>119</b>	95	201	<b>363</b>	484	900	<b>2,905</b>	4,224	7,712

## Total insurance and investment products new business continued

### Insurance products – new business premiums and contributions\* continued

	Single			Regular			Annual premium and contribution equivalents			Present value of new business premiums		
	Half year 2007 £m	Half year 2006 £m	Full year 2006 £m	Half year 2007 £m	Half year 2006 £m	Full year 2006 £m	Half year 2007 £m	Half year 2006 £m	Full year 2006 £m	Half year 2007 £m	Half year 2006 £m	Full year 2006 £m
<b>US operations</b>												
Fixed annuities	291	313	688	–	–	–	29	31	69	291	313	688
Fixed index annuities	220	293	554	–	–	–	22	29	55	220	293	554
Variable annuities	2,243	1,888	3,819	–	–	–	224	189	382	2,243	1,888	3,819
Life	3	4	8	9	8	17	10	9	18	68	67	147
Guaranteed investment contracts	133	310	458	–	–	–	13	31	46	133	310	458
GIC – medium term notes	535	338	437	–	–	–	54	34	44	535	338	437
<b>Total US operations</b>	<b>3,425</b>	<b>3,146</b>	<b>5,964</b>	<b>9</b>	<b>8</b>	<b>17</b>	<b>352</b>	<b>323</b>	<b>614</b>	<b>3,490</b>	<b>3,209</b>	<b>6,103</b>
<b>Asian operations</b>												
China	19	17	27	20	13	36	22	15	39	112	88	198
Hong Kong	199	139	355	54	42	103	74	56	139	493	360	933
India (Group's 26% interest)	16	11	20	81	55	105	83	56	107	340	177	411
Indonesia	35	11	31	43	31	71	46	32	74	178	117	269
Japan	52	23	68	11	1	7	16	3	14	97	30	97
Korea	72	58	103	113	103	208	120	109	218	608	492	1,130
Malaysia	9	2	4	32	31	72	33	31	72	186	185	418
Singapore	306	205	357	30	29	72	61	49	108	484	391	803
Taiwan	63	47	92	136	74	139	142	79	148	711	421	743
Other	13	6	15	21	17	36	22	18	37	77	67	130
<b>Total Asian operations</b>	<b>784</b>	<b>519</b>	<b>1,072</b>	<b>541</b>	<b>396</b>	<b>849</b>	<b>619</b>	<b>448</b>	<b>956</b>	<b>3,286</b>	<b>2,328</b>	<b>5,132</b>
<b>Group total</b>	<b>6,650</b>	<b>7,555</b>	<b>14,027</b>	<b>669</b>	<b>499</b>	<b>1,067</b>	<b>1,334</b>	<b>1,255</b>	<b>2,470</b>	<b>9,681</b>	<b>9,761</b>	<b>18,947</b>

### Investment products – funds under management\*

	1 Jan 2007 £m	Gross inflows £m	Redemptions £m	Market and other movements £m	30 Jun 2007 £m
UK operations	44,946	7,519	(4,152)	311	48,624
US operations	–	19	(1)	–	18
Asian operations	12,253	17,471	(15,809)	665	14,580
<b>Group total</b>	<b>57,199</b>	<b>25,009</b>	<b>(19,962)</b>	<b>976</b>	<b>63,222</b>

\*The tables shown above are provided as an indicative volume measure of transactions undertaken in the reporting period that have the potential to generate profits for shareholders. The amounts shown are not, and not intended to be, reflective of premium income recorded in the IFRS income statement.

Annual premium and contribution equivalents are calculated as the aggregate of regular new business amounts and one tenth of single new business amounts. New business premiums for regular premium products are shown on an annualised basis. Department of Work and Pensions rebate business is classified as single recurrent business. Internal vesting business is classified as new business where the contracts include an open market option.

The format of the tables shown above is consistent with the distinction between insurance and investment products as applied for previous financial reporting periods. Products categorised as 'insurance' refer to those classified as contracts of long-term insurance business for regulatory reporting purposes, i.e. falling within one of the classes of insurance specified in part II of Schedule 1 to the Regulated Activities Order under FSA regulations.

The details shown above for insurance products include contributions for contracts that are classified under IFRS 4 'Insurance Contracts' as not containing significant insurance risk. These products are described as investment contracts or other financial instruments under IFRS. Contracts included in this category are primarily certain unit-linked and similar contracts written in UK operations and Guaranteed Investment Contracts and similar funding agreements written in US operations.

Investment products referred to in the table for funds under management above are unit trusts, mutual funds and similar types of retail fund management arrangements. These are unrelated to insurance products that are classified as 'investment contracts' under IFRS 4, as described in the preceding paragraph, although similar IFRS recognition and measurement principles apply to the acquisition costs and fees attaching to this type of business.

The premiums for half year and full year 2006 for wholesale annuities for UK operations include £592m and £560m for a bulk annuity transaction with the Scottish Amicable Insurance Fund (SAIF). SAIF is a closed ring-fenced sub-fund of the PAC long-term fund established by a Court approved Scheme of Arrangement in October 1997, which is solely for the benefit of SAIF policyholders. Shareholders have no interest in the profits of this fund, although they are entitled to investment management fees on this business. The full year 2006 amount is £32m different from the half year 2006 estimate due to refinements to calculations under the reinsurance arrangement between the internal funds.

## IFRS basis results

## Summary consolidated income statement

	Half year 2007 £m	Half year 2006 £m	Full year 2006 £m
Earned premiums, net of reinsurance	7,903	8,164	15,986
Investment income	8,250	4,918	17,128
Other income	1,094	934	1,917
<b>Total revenue, net of reinsurance (note C)</b>	<b>17,247</b>	14,016	35,031
Benefits and claims and movement in unallocated surplus of with-profits funds	(14,315)	(11,370)	(28,421)
Acquisition costs and other operating expenditure	(2,118)	(1,658)	(4,212)
Finance costs: Interest on core structural borrowings of shareholder-financed operations	(88)	(89)	(177)
<b>Total charges (note C)</b>	<b>(16,521)</b>	(13,117)	(32,810)
Profit before tax* (note C)	726	899	2,221
Tax attributable to policyholders' returns	2	(162)	(849)
Profit before tax attributable to shareholders (note D)	728	737	1,372
Tax expense (note E)	(251)	(415)	(1,241)
Less: Tax attributable to policyholders' returns	(2)	162	849
Tax attributable to shareholders' profits (note E)	(253)	(253)	(392)
Profit from continuing operations after tax	475	484	980
Discontinued operations (net of tax) (note M)	241	(34)	(105)
<b>Profit for the period</b>	<b>716</b>	450	875
Attributable to:			
Equity holders of the Company	715	449	874
Minority interests	1	1	1
<b>Profit for the period</b>	<b>716</b>	450	875

## Earnings per share (in pence)

	Half year 2007	Half year 2006	Full year 2006
Basic (based on 2,437m, 2,403m and 2,413m shares respectively):			
Based on profit from continuing operations attributable to the equity holders of the Company (note F)	19.4p	20.0p	40.5p
Based on profit (loss) from discontinued operations attributable to the equity holders of the Company	9.9p	(1.3)p	(4.3)p
	<b>29.3p</b>	18.7p	36.2p
Diluted (based on 2,440m, 2,406m and 2,416m shares respectively):			
Based on profit from continuing operations attributable to the equity holders of the Company (note F)	19.4p	20.0p	40.5p
Based on profit (loss) from discontinued operations attributable to the equity holders of the Company	9.9p	(1.3)p	(4.3)p
	<b>29.3p</b>	18.7p	36.2p

## Dividends per share (in pence)

	Half year 2007	Half year 2006	Full year 2006
Dividends relating to reporting period:			
Interim dividend (2007 and 2006) (note G)	5.70p	5.42p	5.42p
Final dividend (2006)	–	–	11.72p
<b>Total</b>	<b>5.70p</b>	5.42p	17.14p
Dividends declared and paid in reporting period:			
Current year interim dividend	–	–	5.42p
Final dividend for prior year	11.72p	11.02p	11.02p
<b>Total</b>	<b>11.72p</b>	11.02p	16.44p

\* Profit before tax represents income net of post-tax transfers to unallocated surplus of with-profits funds, before tax attributable to policyholders and unallocated surplus of with-profits funds, unit-linked policies and shareholders' profits.

The presentation of the half year and full year 2006 comparative results has been adjusted to show Egg as a discontinued operation.

## IFRS basis results continued

## Consolidated statement of changes in equity

	Period ended 30 June 2007								
	Share capital £m	Share premium £m	Retained earnings £m	Translation reserve £m	Available-for-sale securities reserve £m	Hedging reserve £m	Shareholders' equity £m	Minority interests £m	Total equity £m
<b>Reserves</b>									
Profit for the period			715				715	1	716
Items recognised directly in equity:									
Exchange movements				(21)			(21)		(21)
Movement on cash flow hedges						(3)	(3)		(3)
Unrealised valuation movements on securities classified as available-for-sale:									
Unrealised holding losses arising during the period					(289)		(289)		(289)
Less gains included in the income statement					(3)		(3)		(3)
					(292)		(292)		(292)
Related change in amortisation of deferred income and acquisition costs					120		120		120
Related tax				(12)	59	1	48		48
Total items of income and expense recognised directly in equity				(33)	(113)	(2)	(148)		(148)
Total income and expense for the period			715	(33)	(113)	(2)	567	1	568
Dividends			(288)				(288)		(288)
Reserve movements in respect of share-based payments			9				9		9
Change in minority interests arising principally from purchase and sale of venture investment companies and property partnerships of the PAC with-profits fund and other consolidated investment funds								(38)	(38)
<b>Share capital and share premium</b>									
New share capital subscribed	1	116					117		117
Transfer to retained earnings in respect of shares issued in lieu of cash dividends		(115)	115						
<b>Treasury shares</b>									
Movement in own shares in respect of share-based payment plans			11				11		11
Movement on Prudential plc shares purchased by unit trusts consolidated under IFRS			1				1		1
Net increase (decrease) in equity	1	1	563	(33)	(113)	(2)	417	(37)	380
At beginning of period	122	1,822	3,640	(125)	27	2	5,488	132	5,620
At end of period	123	1,823	4,203	(158)	(86)	0	5,905	95	6,000

## Consolidated statement of changes in equity continued

Period ended 30 June 2006

	Share capital £m	Share premium £m	Retained earnings £m	Translation reserve £m	Available-for-sale securities reserve £m	Hedging reserve £m	Shareholders' equity £m	Minority interests £m	Total equity £m
<b>Reserves</b>									
Profit for the period			449				449	1	450
Items recognised directly in equity:									
Exchange movements				(134)			(134)		(134)
Movement on cash flow hedges						4	4		4
Unrealised valuation movements on securities classified as available-for-sale:									
Unrealised holding losses arising during the period					(707)		(707)		(707)
Less gains included in the income statement					(3)		(3)		(3)
					(710)		(710)		(710)
Related change in amortisation of deferred income and acquisition costs					311		311		311
Related tax				(39)	140	(1)	100		100
Total items of income and expenses recognised directly in equity				(173)	(259)	3	(429)		(429)
Total income and expense for the period			449	(173)	(259)	3	20	1	21
Dividends			(267)				(267)		(267)
Reserve movements in respect of share-based payments			6				6		6
Change in minority interests arising principally from purchase and sale of venture investment companies and property partnerships of the PAC with-profits fund								7	7
Acquisition of Egg minority interests (note K)			(167)				(167)	(84)	(251)
<b>Share capital and share premium</b>									
New share capital subscribed	2	251					253		253
Transfer to retained earnings in respect of shares issued in lieu of cash dividends		(7)	7						
<b>Treasury shares</b>									
Movement in own shares in respect of share-based payment plans			9				9		9
Movement on Prudential plc shares purchased by unit trusts consolidated under IFRS			1				1		1
Net increase (decrease) in equity	2	244	38	(173)	(259)	3	(145)	(76)	(221)
At beginning of period	119	1,564	3,236	173	105	(3)	5,194	172	5,366
At end of period	121	1,808	3,274	0	(154)	0	5,049	96	5,145

## IFRS basis results continued

## Consolidated statement of changes in equity continued

Year ended 31 December 2006

	Share capital £m	Share premium £m	Retained earnings £m	Translation reserve £m	Available-for-sale securities reserve £m	Hedging reserve £m	Shareholders' equity £m	Minority interests £m	Total equity £m
<b>Reserves</b>									
Profit for the year			874				874	1	875
Items recognised directly in equity:									
Exchange movements				(224)			(224)		(224)
Movement on cash flow hedges						7	7		7
Unrealised valuation movements on securities classified as available-for-sale:									
Unrealised holding losses arising during the year					(210)		(210)		(210)
Less losses included in the income statement					7		7		7
					(203)		(203)		(203)
Related change in amortisation of deferred income and acquisition costs					75		75		75
Related tax				(74)	50	(2)	(26)		(26)
Total items of income and expense recognised directly in equity				(298)	(78)	5	(371)		(371)
Total income and expense for the year			874	(298)	(78)	5	503	1	504
Dividends			(399)				(399)		(399)
Reserve movements in respect of share-based payments			15				15		15
Change in minority interests arising principally from purchase and sale of venture investment companies and property partnerships of the PAC with-profits fund and other consolidated investment funds								43	43
Acquisition of Egg minority interests (note K)			(167)				(167)	(84)	(251)
<b>Share capital and share premium</b>									
New share capital subscribed	3	333					336		336
Transfer to retained earnings in respect of shares issued in lieu of cash dividends		(75)	75						
<b>Treasury shares</b>									
Movement in own shares in respect of share-based payment plans			6				6		6
Movement on Prudential plc shares purchased by unit trusts consolidated under IFRS			0				0		0
Net increase (decrease) in equity	3	258	404	(298)	(78)	5	294	(40)	254
At beginning of year	119	1,564	3,236	173	105	(3)	5,194	172	5,366
At end of year	122	1,822	3,640	(125)	27	2	5,488	132	5,620

## Summary consolidated balance sheet

	30 Jun 2007 £m	30 Jun 2006 £m	31 Dec 2006 £m
<b>Assets</b>			
Intangible assets attributable to shareholders:			
Goodwill	1,341	1,341	1,341
Deferred acquisition costs and acquired in-force value of long-term business contracts	2,693	2,697	2,497
	<b>4,034</b>	4,038	3,838
Intangible assets attributable to PAC with-profits fund:			
In respect of acquired subsidiaries for venture fund and other investment purposes	1,145	978	830
Deferred acquisition costs	40	32	31
	<b>1,185</b>	1,010	861
Total	<b>5,219</b>	5,048	4,699
Other non-investment and non-cash assets:			
Property, plant and equipment	1,107	1,018	1,133
Reinsurers' share of policyholder liabilities	1,092	1,141	945
Deferred tax assets	675	423	1,012
Current tax recoverable	332	315	404
Accrued investment income	1,980	1,891	1,900
Other debtors	2,268	2,297	1,052
Total	<b>7,454</b>	7,085	6,446
Investments of long-term business, banking and other operations:			
Investment properties	14,149	13,682	14,491
Investments accounted for using the equity method	14	5	6
Financial investments:			
Loans and receivables	5,441	12,795	11,573
Equity securities and portfolio holdings in unit trusts	83,819	75,534	78,892
Debt securities	80,211	78,090	81,719
Other investments	6,737	3,930	5,401
Deposits	7,519	7,422	7,759
Total	<b>197,890</b>	191,458	199,841
Held for sale assets	286	94	463
Cash and cash equivalents	4,500	3,665	5,071
<b>Total assets</b>	<b>215,349</b>	207,350	216,520

## IFRS basis results continued

## Summary consolidated balance sheet continued

	30 Jun 2007 £m	30 Jun 2006 £m	31 Dec 2006 £m
<b>Equity and liabilities</b>			
<b>Equity</b>			
Shareholders' equity (note H)	5,905	5,049	5,488
Minority interests	95	96	132
Total equity	6,000	5,145	5,620
<b>Liabilities</b>			
Banking customer accounts	–	5,545	5,554
Policyholder liabilities and unallocated surplus of with-profits funds:			
Contract liabilities (including amounts in respect of contracts classified as investment contracts under IFRS 4)	169,895	158,127	164,988
Unallocated surplus of with-profits funds	14,728	13,421	13,599
Total insurance liabilities	184,623	171,548	178,587
Core structural borrowings of shareholder-financed operations:			
Subordinated debt (other than Egg)	1,492	1,573	1,538
Other	921	1,082	1,074
	2,413	2,655	2,612
Egg subordinated debt	–	451	451
Total (note I)	2,413	3,106	3,063
Other borrowings:			
Operational borrowings attributable to shareholder-financed operations (note J)	2,605	5,994	5,609
Borrowings attributable to with-profits funds (note J)	2,122	2,042	1,776
Other non-insurance liabilities:			
Obligations under funding, securities lending and sale and repurchase agreements	4,381	3,860	4,232
Net asset value attributable to unit holders of consolidated unit trusts and similar funds	3,406	1,495	2,476
Current tax liabilities	1,033	1,168	1,303
Deferred tax liabilities	3,624	2,714	3,882
Accruals and deferred income	477	476	517
Other creditors	2,029	2,216	1,398
Provisions	376	383	464
Other liabilities	2,260	1,658	1,652
Held for sale liabilities	–	–	387
Total	17,586	13,970	16,311
Total liabilities	209,349	202,205	210,900
<b>Total equity and liabilities</b>	<b>215,349</b>	<b>207,350</b>	<b>216,520</b>



## Summary consolidated cash flow statement

	Half year 2007 £m	Half year 2006 £m	Full year 2006 £m
<b>Cash flows from operating activities</b>			
Profit before tax from continuing operations (note i)	726	899	2,221
Profit (loss) before tax from discontinued operations (including profit on sale) (note M)	222	(45)	(150)
Total profit before tax	948	854	2,071
Changes in operating assets and liabilities (note ii)	283	73	420
Other items (note ii)	(767)	(241)	(282)
Net cash flows from operating activities	464	686	2,209
<b>Cash flows from investing activities</b>			
Net cash flows from purchases and disposals of property and equipment	(137)	(280)	(140)
Costs incurred on purchase of Egg minority interests (note K)	–	(6)	(6)
Acquisition of subsidiaries, net of cash balances (note iii)	(77)	15	(70)
Disposal of Egg, net of cash balances (notes iv and K)	(538)	–	–
Disposal of other subsidiaries, net of cash balances (note iii)	157	80	114
Net cash flows from investing activities	(595)	(191)	(102)
<b>Cash flows from financing activities</b>			
Structural borrowings of the Group:			
Shareholder-financed operations (note v):			
Redemption	(150)	(1)	(1)
Interest paid	(104)	(104)	(204)
With-profits operations (note vi):			
Interest paid	–	(9)	(9)
Equity capital (note vii):			
Issues of ordinary share capital	1	1	15
Dividends paid	(171)	(260)	(323)
Net cash flows from financing activities	(424)	(373)	(522)
Net (decrease) increase in cash and cash equivalents	(555)	122	1,585
Cash and cash equivalents at beginning of period	5,071	3,586	3,586
Effect of exchange rate changes on cash and cash equivalents	(16)	(43)	(100)
<b>Cash and cash equivalents at end of period (note viii)</b>	<b>4,500</b>	<b>3,665</b>	<b>5,071</b>

## Notes

(i) Profit before tax represents income net of post-tax transfers to unallocated surplus of with-profits funds before tax attributable to policyholders and unallocated surplus of with-profits funds, unit-linked policies and shareholders' profits. It does not represent profit before tax attributable to shareholders.

(ii) The adjusting items to profit before tax include changes in operating assets and liabilities and other items comprising adjustments in respect of non-cash items, including operational interest receipts and payments, dividend receipts and tax paid. The figure of £(767)m for other items at half year 2007 includes £(290)m in respect of the profit on sale of Egg, which is included in the cash flows from investing activities in this statement, and tax paid of £(361)m. The most significant elements of the adjusting items within changes in operating assets and liabilities are as follows:

	Half year 2007 £m	Half year 2006 £m	Full year 2006 £m
Deferred acquisition costs (excluding changes taken directly to equity)	(277)	(462)	(398)
Other non-investment and non-cash assets	(884)	(873)	166
Investments	(7,189)	(2,618)	(13,748)
Policyholder liabilities (including unallocated surplus)	7,181	4,105	13,540
Other liabilities (including operational borrowings)	1,452	(79)	860
Changes in operating assets and liabilities	283	73	420

(iii) Acquisitions and disposals of subsidiaries shown above include venture fund and other investment subsidiaries of the PAC with-profits fund, as shown in note K.

(iv) The amount of £(538)m in respect of the disposal of Egg, net of cash balances shown above, represents the net sale proceeds of £527m less cash and cash equivalents of £1,065m held by Egg and transferred on disposal.

(v) Structural borrowings of shareholder-financed operations consist of the core debt of the parent company and related finance subsidiaries, Jackson surplus notes and, in 2006, Egg debenture loans. Following the sale of Egg in May 2007, these loans no longer form part of the Group's borrowings. Core debt excludes borrowings to support short-term fixed income securities programmes and non-recourse borrowings of investment subsidiaries of shareholder-financed operations. Cash flows in respect of these borrowings are included within cash flows from operating activities. In June 2007, borrowings of £150m were repaid on maturity.

(vi) Structural borrowings of with-profits operations relate solely to the £100m 8.5 per cent undated subordinated guaranteed bonds which contribute to the solvency base of the Scottish Amicable Insurance Fund (SAIF), a ring-fenced sub-fund of the PAC with-profits fund. Cash flows on other borrowings of with-profits funds, which principally relate to venture fund investment subsidiaries and other consolidated investment vehicles, are categorised as operating activities in the presentation above.

(vii) Cash movements in equity capital exclude scrip dividends and share capital issued in respect of the acquisition of Egg minority interests in 2006.

(viii) Of the cash and cash equivalents amounts reported above, £377m (half year 2006: £388m; full year 2006: £437m) represents cash and cash equivalents of the parent company and related finance subsidiaries.

## Notes on the IFRS basis results

### A. Basis of preparation and audit status

The Group's policy for preparing this interim financial information is to use the accounting policies adopted by the Group in its last consolidated financial statements, as updated by any changes in accounting policies it intends to make in its next consolidated financial statements as a result of new or changed IFRS that are already endorsed by the European Union (EU) and that are applicable or available for early adoption for the next annual financial statements.

The IFRS basis results for the 2007 and 2006 half years are unaudited. The 2006 full year IFRS basis results have been derived from the 2006 statutory accounts. The auditors have reported on the 2006 statutory accounts which have been delivered to the Registrar of Companies. The auditors' report was (i) unqualified, (ii) did not include reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 237(2) or (3) of the Companies Act 1985.

### B. Significant accounting policies

The accounting policies applied by the Group in these condensed consolidated financial statements are the same as those previously applied in the Group's consolidated financial statements for the year ended 31 December 2006.

### C. Segment disclosure

	Half year 2007 £m	Half year 2006 £m	Full year 2006 £m
<b>Revenue</b>			
Long-term business	16,616	13,565	34,197
Broker-dealer and fund management	682	518	1,080
Unallocated corporate	90	71	38
Intra-group revenue eliminated on consolidation	(141)	(138)	(284)
<b>Total revenue per income statement</b>	<b>17,247</b>	<b>14,016</b>	<b>35,031</b>
<b>Charges (before income tax attributable to policyholders and unallocated surplus of long-term insurance funds)</b>			
Long-term business, including post-tax transfers to unallocated surplus of with-profits funds	(16,076)	(12,881)	(32,162)
Broker-dealer and fund management	(479)	(358)	(797)
Unallocated corporate	(107)	(16)	(135)
Intra-group charges eliminated on consolidation	141	138	284
<b>Total charges per income statement</b>	<b>(16,521)</b>	<b>(13,117)</b>	<b>(32,810)</b>
<b>Revenue less charges (continuing operations)</b>			
Long-term business	540	684	2,035
Broker-dealer and fund management	203	160	283
Unallocated corporate	(17)	55	(97)
Profit before tax*	726	899	2,221
Tax attributable to policyholders' returns	2	(162)	(849)
Profit before tax attributable to shareholders	728	737	1,372
Tax attributable to shareholders' profits	(253)	(253)	(392)
<b>Profit from continuing operations after tax</b>	<b>475</b>	<b>484</b>	<b>980</b>
<b>Discontinued operations (net of tax)</b>			
Banking (note M)	241	(34)	(105)
<b>Profit for the period</b>	<b>716</b>	<b>450</b>	<b>875</b>

\*Profit before tax represents income net of post-tax transfers to unallocated surplus of with-profits funds, before tax attributable to policyholders and unallocated surplus of with-profits funds, unit-linked policies and shareholders' profits.

## D. Supplementary analysis of profit from continuing operations before tax attributable to shareholders

## Results analysis by business area

	Half year 2007 £m	Half year 2006 £m	Full year 2006 £m
<b>UK operations</b>			
UK insurance operations	251	205	500
M&G	140	100	204
Total	391	305	704
<b>US operations</b>			
Jackson	218	223	398
Broker-dealer and fund management	9	8	18
Curian	(2)	(4)	(8)
Total	225	227	408
<b>Asian operations</b>			
Long-term business	76	88	189
Fund management	33	22	50
Development expenses	(6)	(7)	(15)
Total	103	103	224
<b>Other income and expenditure</b>			
Investment return and other income	42	33	58
Interest payable on core structural borrowings	(88)	(89)	(177)
Corporate expenditure:			
Group Head Office	(50)	(46)	(83)
Asia Regional Head Office	(17)	(19)	(36)
Charge for share-based payments for Prudential schemes (note iii)	(5)	(5)	(10)
Total	(118)	(126)	(248)
UK restructuring costs	0	(11)	(38)
Operating profit from continuing operations based on longer-term investment returns (note iv)	601	498	1,050
Short-term fluctuations in investment returns on shareholder-backed business (note i)	24	39	155
Shareholders' share of actuarial gains and losses on defined benefit pension schemes (note ii)	103	200	167
<b>Profit from continuing operations before tax attributable to shareholders (note iv)</b>	<b>728</b>	<b>737</b>	<b>1,372</b>
<b>Notes</b>			
(i) Short-term fluctuations in investment returns on shareholder-backed business			
	Half year 2007 £m	Half year 2006 £m	Full year 2006 £m
US operations:			
Movement in market value of derivatives (other than equity-based) used for economic hedging purposes	36	93	34
Actual less longer-term investment returns for other items	25	9	20
Asian operations	(10)	(36)	134
Other operations	(27)	(27)	(33)
	24	39	155
(ii) Shareholders' share of actuarial gains and losses on defined benefit pension schemes			
	Half year 2007 £m	Half year 2006 £m	Full year 2006 £m
Actual less expected return on scheme assets*	(178)	(57)	156
Experience (losses) gains on liabilities	(8)	0	18
Gains on changes of assumptions for scheme liabilities**	462	611	311
	276	554	485
Less: amounts attributable to the PAC with-profits fund	(173)	(354)	(318)
	103	200	167

\*The expected rate of return applied for half year 2007 was 5.9%. The shortfall of actual investment returns against expected returns in half year 2007 was due to the decrease in the value of corporate and government bonds which more than offset the increase in the value of equity and property holdings of the schemes.

\*\*The gains on changes of assumptions for scheme liabilities primarily reflect movements in yields on good quality corporate bonds. These yields are used to discount the projected pension scheme benefit payments.

The discount rates applied for the Group's UK defined benefit schemes, and reflected in the gains and losses shown above, are as follows:  
30 June 2007 5.8%; 31 December 2006 5.2%; 30 June 2006 5.5%; and 31 December 2005 4.8%

(iii) Share-based payments

The charge for share-based payments for Prudential schemes is for the SAYE and Group performance-related schemes.

(iv) Continuing operations – scope

The results for continuing operations shown above exclude those in respect of discontinued banking operations. On 1 May 2007, the Company sold Egg Banking plc. Accordingly, the presentation of the comparative results for half year and full year 2006 has been adjusted from those previously published. Note M shows the detailed results for the discontinued operations.

## Notes on the IFRS basis results continued

## E. Tax charge

The total tax charge of £251 million for the half year 2007 (half year 2006: £415 million; full year 2006: £1,241 million) comprises £37 million (half year 2006: £231 million; full year 2006: £698 million) UK tax and £214 million (half year 2006: £184 million; full year 2006: £543 million) overseas tax. This tax charge comprises tax attributable to policyholders and unallocated surplus of with-profits funds, unit-linked policies and shareholders. The tax charge attributable to shareholders of £253 million for the half year 2007 (half year 2006: £253 million; full year 2006: £392 million) comprises £95 million (half year 2006: £106 million; full year 2006: £142 million) UK tax and £158 million (half year 2006: £147 million; full year 2006: £250 million) overseas tax.

The tax credit related to discontinued operations, which is all attributable to shareholders, amounted to £19 million (half year 2006: £11 million; full year 2006: £45 million).

Amounts for deferred tax are determined using the current rate of tax or, where substantively enacted through the legislative process, the prospective rate. Accordingly, the deferred tax amounts for half year 2007 reflect the prospective change for the main UK corporation tax rate from 30 per cent to 28 per cent which is anticipated to be effective from 1 April 2008.

## F. Supplementary analysis of earnings per share from continuing operations

	Half year 2007 (pence)	Half year 2006 (pence)	Full year 2006 (pence)
On operating profit based on longer-term investment returns after related tax and minority interests	<b>16.3p</b>	14.0p	30.9p
Adjustment from post-tax longer-term investment returns to post-tax actual investment returns (after related minority interests)	<b>0.1p</b>	0.2p	4.8p
Adjustment for post-tax shareholders' share of actuarial and other gains and losses on defined benefit pension schemes	<b>3.0p</b>	5.8p	4.8p
On profit from continuing operations after tax and minority interests	<b>19.4p</b>	20.0p	40.5p

## G. Dividend

An interim dividend of 5.70 pence per share will be paid on 24 September 2007 to shareholders on the register at the close of business on 17 August 2007. A scrip dividend alternative will be offered to shareholders.

## H. Shareholders' equity

	30 Jun 2007 £m	30 Jun 2006* £m	31 Dec 2006 £m
Share capital	<b>123</b>	121	122
Share premium	<b>1,823</b>	1,808	1,822
Reserves	<b>3,959</b>	3,120	3,544
Total	<b>5,905</b>	5,049	5,488

## I. Net core structural borrowings of shareholder-financed operations

	30 Jun 2007 £m	30 Jun 2006* £m	31 Dec 2006* £m
Core structural borrowings of shareholder-financed operations (per consolidated balance sheet):			
Central funds	<b>2,289</b>	2,520	2,485
Jackson	<b>124</b>	135	127
Total	<b>2,413</b>	2,655	2,612
Less: Holding company** cash and short-term investments (recorded within the consolidated balance sheet)	<b>(1,546)</b>	(1,067)	(1,119)
Net core structural borrowings of shareholder-financed operations	<b>867</b>	1,588	1,493

\*Excluding Egg's borrowings.

\*\*Prudential plc and related finance subsidiaries.

**J. Other borrowings**

	30 Jun 2007 £m	30 Jun 2006 £m	31 Dec 2006 £m
<b>Operational borrowings attributable to shareholder-financed operations</b>			
Borrowings in respect of short-term fixed income securities programmes	2,045	1,500	2,032
Non-recourse borrowings of investment subsidiaries managed by PPM America	544	943	743
Borrowings in respect of banking operations	–	3,535	2,819
Other borrowings	16	16	15
<b>Total</b>	<b>2,605</b>	<b>5,994</b>	<b>5,609</b>
<b>Borrowings attributable to with-profits funds</b>			
Non-recourse borrowings of venture fund investment subsidiaries	1,063	1,183	926
Non-recourse borrowings of consolidated investment vehicles	854	690	681
Subordinated debt of the Scottish Amicable Insurance Fund	100	100	100
Other borrowings (predominantly obligations under finance leases)	105	69	69
<b>Total</b>	<b>2,122</b>	<b>2,042</b>	<b>1,776</b>

**K. Acquisitions and disposals****(i) Shareholder acquisitions and disposals – Egg**

In the first half of 2006, the Company acquired the outstanding 21.7 per cent minority interest in Egg, its UK banking business. The Company accounted for the purchase of minority interests using the economic entity method. Accordingly, £167 million was charged to retained earnings in 2006 representing the difference between the consideration paid and the share of net assets acquired.

On 29 January 2007, the Company 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 cash, subject to adjustments to reflect any change in net asset value between 31 December 2006 and completion.

On 1 May 2007, the Company completed the sale. The consideration, net of expenses, was £527 million. The reduction from the £575 million noted above primarily reflects Egg's post tax operating loss of £49 million for the period from 1 January 2007 to the date of sale, as shown in note M.

Cash and cash equivalents disposed of were £1,065 million. Accordingly, the cash outflow for the Group arising from the disposal of Egg, as shown in the summary consolidated cash flow statement, was £538 million.

**(ii) PAC with-profits fund acquisitions**

The PAC with-profits fund acquires a number of venture capital holdings through PPM Capital and M&G in which the Group is deemed to have a controlling interest, in aggregate with, if applicable, other holdings held by, for example, the Prudential Staff Pension Scheme. There were two such acquisitions during the period to 30 June 2007. These were acquisitions for:

- 78 per cent of the voting equity interest of Red Funnel, a ferry company, in June 2007; and
- 71 per cent of the voting equity interest of Orizon AG, an employment hiring agency, in March 2007.

The results of the acquisitions have been included in the consolidated financial statements of the Group commencing on the respective dates of acquisition. The earnings contributed by these acquisitions to the income statement are insignificant to the half year 2007 results and are reflected in the change in the unallocated surplus of the with-profits fund. Shareholder results are unaffected. Total consideration of £97 million was paid in respect of the acquisitions during the period to 30 June 2007. Cash and cash equivalents of £20 million were acquired.

**(iii) PAC with-profits fund disposals**

As at 31 December 2006, one venture subsidiary was classified as held for sale; Pharmacia Diagnostics. The sale of this venture subsidiary was completed on 18 January 2007. Total cash consideration received was £179 million. Goodwill of £138 million and cash and cash equivalents of £22 million were disposed of. No other venture subsidiaries were sold during the first half of 2007 or classified as held for sale at 30 June 2007.

## Notes on the IFRS basis results continued

## L. 2006 half year comparative balance sheet

Minor presentational adjustments have been made for refinements to the acquisition accounting for intangible assets of venture fund investment subsidiaries of the PAC with-profits fund. These adjustments affect the carrying value of goodwill and other intangible assets, with minor consequential effects on some other balance sheet categories. Shareholders' profit and equity are unaffected by these adjustments.

## M. Discontinued operations

	Half year 2007 £m	Half year 2006 £m	Full year 2006 £m
Pre-tax profit (loss) from discontinued operations			
Egg results :			
Operating loss based on longer-term investment returns for the period of ownership	<b>(68)</b>	(45)	(157)
Short-term fluctuations in investment returns	–	–	7
Profit on sale of Egg Banking plc	<b>290</b>	–	–
Total	<b>222</b>	(45)	(150)
Tax			
On Egg results :			
Operating loss based on longer-term investment returns for the period of ownership	<b>19</b>	11	47
Short-term fluctuations in investment returns	–	–	(2)
On profit on sale of Egg Banking plc	<b>0</b>	–	–
Total	<b>19</b>	11	45
Profit (loss) from discontinued operations, net of tax	<b>241</b>	(34)	(105)

Discontinued operations relate entirely to UK banking operations following the sale on 1 May 2007 of Egg Banking plc to Citi. Note K(i) provides details of the sale of Egg.