

Date: 24 February, 2004

PRUDENTIAL PLC

2003 Unaudited results

Supplementary information

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Schedule 1

2003 Unaudited results

Achieved Profits basis results

	Pre-tax £m	Tax £m	Post-tax £m	Minority interests £m	Post-tax and minority interests £m	Earnings per share (pence)
Basic earnings per share (note 1a)						
Based on operating profit after tax and related minority interests before amortisation of goodwill and exceptional items	794	(273)	521	6	527	26.4
Amortisation of goodwill	(98)		(98)		(98)	(4.9)
Adjustment from post-tax long-term investment returns to post-tax actual investment returns	682	(212)	470	(4)	466	23.3
Adjustment for post-tax effect of changes in economic assumptions	(540)	130	(410)		(410)	(20.5)
Based on profit for the financial year after minority interests	838	(355)	483	2	485	24.3

Note

1a The average number of shares for 2003 was 1,996m.

2003 Unaudited results**Achieved Profits basis results****Economic assumptions and sensitivities****(1) Basis of preparation of results****Basis of Preparation of Results**

The achieved profits basis results have been prepared in accordance with the guidance issued by the Association of British Insurers in December 2001 "Supplementary Reporting for long-term insurance business (the achieved profits method)".

Under this guidance the basis for setting long-term expected rates of return on investments and risk discount rates are, for countries with developed long-term fixed income securities markets, set by reference to period end rates of return on fixed income securities. This "active" basis of assumption setting has been applied in preparing the results of the Group's UK, Europe and US operations. For the Group's Asian operations, the active basis is appropriate for business written in Japan and Korea and for US dollar denominated business written in Hong Kong.

For countries where long-term fixed income securities markets are underdeveloped, investment return assumptions and risk discount rates are based on an assessment of long-term economic conditions. Except for the countries listed above, this basis is appropriate to the Group's Asian operations.

The profit and loss account charge or credit in respect of changes in economic assumptions, which is shown as an item excluded from operating profit, reflects the effect on shareholders' funds at the start of the reporting period. The effect of changes in operating assumptions, which are included within the analysis of operating profit, also reflect the impact on shareholders' funds at the start of the reporting period.

New business operating profit and the unwind of discount and experience variances included in the analysis of operating profit from business in force are measured using the revised operating and economic assumptions.

The key economic assumptions and sensitivity of the results to changes to those assumptions are described below.

(2) Economic assumptions**UK and Europe Insurance Operations**

	<u>2003</u>	<u>2002</u>
Pre-tax expected long-term nominal rates of investment return:		
UK equities	7.3%	7.0%
Overseas equities	6.6% to 7.9%	7.0% to 7.8%
Property	6.6%	6.75%
Gilts	4.8%	4.5%
Corporate bonds	5.8%	5.5%
PAC with-profits fund assets (applying the rates listed above to the investments held by the fund)	6.8%	6.6%
Expected long-term rate of inflation	3.1%	2.5%
Post-tax expected long-term nominal rate of return:		
Pension business (where no tax applies)	6.8%	6.6%
Life business	5.9%	5.7%
Risk margin included within the risk discount rate	2.6%	2.6%
Risk discount rate	7.4%	7.1%
<u>US Operations (Jackson National Life)</u>		
Expected long-term spread between earned rate and rate credited to policyholders	1.75%	1.75%
US 10 year treasury bond rate	4.3%	3.9%
Risk margin included within the risk discount rate	3.1%	3.1%
Risk discount rate	7.4%	7.0%

Economic assumptions and sensitivities (continued)**Prudential Asia**

	<u>2003</u>	<u>2002</u>
Weighted pre-tax expected long-term nominal rate of investment return	7.4%	7.1%
Weighted expected long-term rate of inflation	3.4%	3.0%
Weighted risk discount rate	10.4%	9.6%

The economic assumptions shown above for Prudential Asia have been determined by weighting each country's economic assumptions by reference to the Achieved Profits basis operating results for new business written in 2003 and 2002.

(3) Effect of altered economic assumptions

Pre-tax losses resulting from changes in economic assumptions included within the profit (loss) on ordinary activities before tax arise as follows:

	<u>2003</u>	<u>2002</u>
	£m	£m
UK and Europe Insurance operations	(122)	(233)
Jackson National Life	(263)	(76)
Prudential Asia	(155)	(158)
Total	<u>(540)</u>	<u>(467)</u>

(4) 2003 Results sensitivities

The estimated increase (decrease) in the 2003 Group results that would arise from the following changes in economic assumptions are:

<u>2003 Pre-tax operating profit from new business</u>	Group Total £m
Pre-tax expected long-term nominal rates of investment return	
Increase in rates of 1%	75
Decrease in rates of 1%	(81)
Risk discount rates	
Increase in rates of 1%	(74)
Decrease in rates of 1%	87

31 December 2003 Shareholders' Funds

Pre-tax expected long-term nominal rates of investment return	
Increase in rates of 1%	897
Decrease in rates of 1%	(930)
Risk discount rates	
Increase in rates of 1%	(488)
Decrease in rates of 1%	572

2003 Unaudited results**Achieved Profits basis results**

	2003			2002		
	Pre-tax £m	Tax £m	Post-tax £m	Pre-tax £m	Tax £m	Post-tax £m
Operating profit from new long-term insurance business						
UK and Europe Insurance Operations	166	(50)	116	233	(69)	164
Jackson National Life (note 3a)	148	(72)	76	234	(116)	118
Prudential Asia	291	(80)	211	307	(84)	223
	<u>605</u>	<u>(202)</u>	<u>403</u>	<u>774</u>	<u>(269)</u>	<u>505</u>

Note

3a Jackson National Life net of tax profits

Pre capital charge		95	142
Capital charge (see note 7d on Schedule 7)		<u>(19)</u>	<u>(24)</u>
Post capital charge		<u>76</u>	<u>118</u>

MEMORANDUM ONLY

Estimated results applying the same economic assumptions as for Full Year 2003 results (at average 2002 exchange rates)

	2002		
	Pre-tax £m	Tax £m	Post-tax £m
UK and Europe Insurance Operations	228	(68)	160
Jackson National Life (note)	203	(99)	104
Prudential Asia	288	(77)	211
	<u>719</u>	<u>(244)</u>	<u>475</u>

Note

Jackson National Life net of tax profits

Pre capital charge		130
Capital charge (see note 7d on Schedule 7)		<u>(26)</u>
Post capital charge		<u>104</u>

2003 Unaudited results**Achieved Profits basis results**

Operating profit from business in force	2003 £m	2002 £m
UK and Europe Insurance Operations		
Unwind of discount (notes 4a and 4f)	343	367
Cost of strengthened persistency assumption (note 4b)	(50)	(47)
Other items (note 4b)	(100)	(37)
	193	283
Jackson National Life		
Unwind of discount (note 4f)	145	156
Return on surplus assets (over target surplus)	33	41
Experience variances:		
Spread (notes 4c and 4d)	(17)	(72)
Persistency	10	8
Expenses	(8)	1
Averaged realised losses on bonds in excess of long-term default assumption (See schedule 5 and note 4c)	(66)	(59)
Loss from strengthening operating assumptions	(21)	(54)
Other	(5)	(4)
	71	17
Prudential Asia		
Unwind of discount (note 4f)	115	95
Profit arising from reorganisation of long-term funds	-	59
Change in operating assumptions (note 4e)	(27)	42
Experience variances and other items	(1)	13
	87	209
Total	351	509

Notes**4a UK and Europe Insurance Operations - smoothing of asset values**

The unwind of discount for UK and European long-term business operations represents the unwind of discount on the value of in-force business at the beginning of the year (adjusted for the effect of current year assumption changes); the expected return on smoothed surplus assets retained within the PAC with-profits fund (see Schedule 7), and the expected return on shareholders' assets held in other UK and Europe long-term business operations

Surplus assets retained within the PAC with-profits fund are smoothed for this purpose to remove the effects of short term volatility of investment values (see Schedule 7 - note 7c).

4b UK and Europe Insurance Operations - cost of strengthened persistency assumption and other items

The £50m cost of strengthened persistency assumption for 2003 relates to personal pension policies sold by the now discontinued direct sales force. The £100m charge for other items for 2003 includes a temporary £35m adverse experience variance for persistency; a £29m restructuring charge; an adverse annuitant mortality assumption change of £18m; a strengthening of renewal expense assumptions of £29m; other positive assumption changes of £30m; and £19m of other negative items and experience variances. For 2002, the £37m for other items includes £16m of UK re-engineering costs

4c Jackson National Life - spread variance and averaged realised losses on bonds in excess of charge for long-term default assumption

The presentation of Jackson National Life's operating profit is consistent with the basis introduced for 2003 interim reporting. The charge for averaged realised losses shown above is as compared to the long-term default assumption for fixed income securities, which is presented as part of the determination of the spread variance. The charge for the default assumption is calculated using a weighted risk margin reserve (RMR) approach. An RMR charge is individually assigned to asset classes based on credit ratings and, where necessary, credit analysis. This is then weighted by reference to the carrying value of the investments.

The spread variance on the current basis and that applied for interim 2003 reporting is set out below:

	2003 £m	2002 £m
Excluding long-term default assumption	54	2
Less: long-term default assumption (Schedule 5 - note 5d)	(71)	(74)
As reported above	(17)	(72)

4d Jackson National Life - spread variance and longer-term returns on equity based investments

The spread variance shown above has been determined after including longer-term returns on equity based investments. This treatment is consistent with the inclusion of longer-term investment returns within operating profits. Short-term fluctuations in investment returns including those for equity based investments, are excluded from operating profit but included within the total profit or loss for the reporting period. An analysis of the short-term fluctuations in investment returns is shown in Schedule 5.

4e Asia - changes to operating assumptions

The £27m charge in 2003 for changes to operating assumptions primarily reflects expense assumption changes in Japan. The 2002 credit of £42m arose from revisions to mortality assumptions.

4f Memorandum only for 2002 - estimated unwind of discount in 2002 applying the same economic assumptions as for the 2003 results

	2002 £m
UK and Europe Insurance Operations	384
Jackson National Life	144
Prudential Asia	85
Total	613

2003 Unaudited results**Achieved Profits basis results**

Short-term fluctuations in investment returns	2003	2002
	£m	£m
Long-term business		
UK and Europe Insurance Operations (note 5a)	531	(1,021)
Jackson National Life (note 5b)	132	(440)
Prudential Asia (note 5e)	1	66
Share of investment return of funds managed by PPM America, that are consolidated into Group results, but attributable to external investors	4	(5)
Other operations	14	(6)
Total	<u>682</u>	<u>(1,406)</u>

Notes

5a UK and Europe Operations

Short-term fluctuations in investment returns represent the difference between total investment returns in the year attributable to shareholders on the achieved profits basis and the return included within operating profit as described in note 4a on Schedule 4. The £531m of positive fluctuations in 2003 reflects the difference between the PAC life fund actual investment return of 16.5% and the long-term assumed rate of 6.8% (see Schedule 2 - note 2).

5b Jackson National Life - Summary

Short-term fluctuations comprise:

	2003 £m	2002 £m
Actual investment return on investments less long-term returns included within operating profit (note 5c)	96	(295)
Investment return related gain (loss) due primarily to changed expectation of profits on in force variable annuity business in future periods based on current period equity returns	36	(145)
	<u>132</u>	<u>(440)</u>

5c Jackson National Life - Actual investment return on investments less long-term returns

This comprises:

	2003 £m	2002 £m
Actual less averaged realised gains and losses (including impairments) for fixed maturity securities (note 5d)	98	(156)
Actual less long-term return on equity based investments	0	(128)
Investment depreciation on preference shares	(2)	(11)
	<u>96</u>	<u>(295)</u>

5d Jackson National Life - Actual less averaged realised gains and losses (including impairments) for fixed maturity securities

	Year ended 31 December 2003	US\$m	£m
Total realised gains and losses arising in:			
1999	3		
2000	(90)		
2001	(532)		
2002	(435)		
2003	(65)		(39)
Five year total	<u>(1,119)</u>		<u>(684)</u>
Five year average included in operating result	<u>(224)</u>		<u>(137)</u>
Representing:			
Long-term default assumption (Schedule 4 - note 4c)	(116)		(71)
Averaged losses in excess of the long-term default assumption (Schedule 4)	(108)		(66)
	<u>(224)</u>		<u>(137)</u>
Actual less averaged losses excluded from operating result but included in profit before tax (note 5c)	<u>159</u>		<u>98</u>

5e Prudential Asia

Short-term fluctuations for Prudential Asia for 2002 of £66m primarily reflect bond value movements.

2003 Unaudited results**Achieved Profits basis results**

Tax charge	2003 £m	2002 £m
<u>Tax charge (credit) on operating profit (loss) (note 6a)</u>		
Long-term business:		
UK and Europe Insurance Operations	133	166
Jackson National Life (note 6b)	67	49
Prudential Asia (note 6c)	121	123
	321	338
Other operations	(48)	(52)
Total tax on operating profit	273	286
<u>Tax charge (credit) on items not included in operating profit</u>		
Tax charge (credit) on short-term fluctuations in investment returns	212	(447)
Tax credit on loss from changes in economic assumptions	(130)	(181)
Tax on profit of sale of UK general business operations (after utilisation of available capital losses)	-	13
Total tax on items not included in operating profit	82	(615)
Tax charge (credit) on profit (loss) on ordinary activities (including tax on actual investment returns)	355	(329)

Notes

- 6a Tax on operating profit based on long-term investment returns.
- 6b Excluding tax relief on broker dealer and fund management result.
- 6c Including tax relief on development expenses.

2003 Unaudited results**Achieved Profits basis results**

Shareholders' funds summary (note 7a)	2003 £m	2002 £m
UK and Europe Operations (note 7b)		
Long-term business operations		
Smoothed shareholders' funds (note 7c)	3,469	3,437
Actual shareholders' funds less smoothed shareholders' funds	(45)	(411)
	3,424	3,026
M&G	336	382
Egg (note 7f)	348	369
	4,108	3,777
US Operations (note 7f)		
Jackson National Life net of surplus note borrowings (note 7g)		
Before capital charge		
Excluding assets in excess of target surplus	1,741	1,965
Assets in excess of target surplus	842	830
	2,583	2,795
Capital charge (note 7d)	(164)	(138)
After capital charge	2,419	2,657
Other US operations (note 7e)	71	75
	2,490	2,732
Prudential Asia	1,419	1,407
Other operations		
Goodwill (note 7f)	1,445	1,540
Holding company net borrowings (note 7g)	(1,995)	(2,071)
Other net liabilities	(424)	(189)
	(974)	(720)
Total (note 7h)	7,043	7,196

Notes

- 7a A charge is deducted from the annual result and balance sheet value for the cost of capital supporting solvency requirements for the Group's long-term business operations. The cost is the difference between the nominal value of solvency capital and the present value, at risk discount rates, of the projected release of this capital and the investment earnings on the capital. Where solvency capital is held within a with-profits long-term fund, the value placed on surplus assets in the fund is already discounted to reflect its release over time and no further adjustment is necessary in respect of solvency capital.
- 7b The proportion of surplus allocated to shareholders from the UK with-profits business has been based on the present level of 10%. Future bonus rates have been set at levels which would fully utilise the assets of the with-profits fund over the lifetime of the business in force.
- 7c UK long-term business smoothed shareholders' funds reflect an adjustment to PAC life fund assets, for the purposes of determining the unwind of discount included in operating profits, to remove the effects of short-term volatility in market values of assets. Shareholders' funds in the balance sheet are determined on an unsmoothed basis.
- 7d In determining the cost of capital of Jackson National Life it has been assumed that an amount equal to 200 per cent of the risk based capital required by the National Association of Insurance Commissioners (NAIC) at the Company Action level must be retained.
The impact of the related capital charge is to reduce Jackson National Life's shareholders' funds by £164m (2002 £138m).
- 7e Relates to broker dealer and fund management operations.
- 7f Total goodwill comprises :

	<u>2003 £m</u>	<u>2002 £m</u>
Held within US Operations relating to broker dealer and banking businesses	53	58
Held within Egg	6	6
Other operations, relating to M&G and acquired Asian businesses	1,445	1,540
	1,504	1,604

- 7g Net core structural borrowings of shareholder financed operations comprise:
- | | <u>2003 £m</u> | <u>2002 £m</u> |
|--|-----------------------|-----------------------|
| Holding company cash and short-term investments | 432 | 226 |
| Core structural borrowings of shareholder financed operations: | | |
| Holding Company | (2,427) | (2,297) |
| Jackson National Life surplus notes | (140) | (155) |
| | (2,135) | (2,226) |

- 7h If the economic assumptions applied for 2003 had been in place at 31 December 2002, the achieved profits basis shareholders' funds at that date would have been lower by £414m. This represents a pre-tax loss of £540m less related tax credit of £130m (as analysed by business operation in Schedule 8) and an adjustment for exchange effects to reflect rates at 31 December 2002 of £(4)m.

2003 Unaudited results**Achieved Profits basis results**

	Long-term business operations					Other operations	Group total
	UK and Europe Insurance Operations	Jackson National Life	Prudential Asia	Total Long-term business operations			
	£m	£m	£m	£m	£m	£m	£m
Reconciliation of movement in shareholders funds							
Operating profit (including investment return based on long-term rates of returns)							
Long-term business							
New business (Schedule 3)	166	148	291	605			605
Business in force (Schedule 4)	193	71	87	351			351
	359	219	378	956			956
Asia development expenses			(27)	(27)			(27)
M&G					83		83
Egg					(34)		(34)
US broker dealer and fund management					(3)		(3)
Other income and expenditure					(181)		(181)
Operating profit (loss) before amortisation of goodwill	359	219	351	929	(135)		794
Amortisation of goodwill		(3)		(3)	(95)		(98)
Short-term fluctuations in investment returns (Schedule 5)	531	132	1	664	18		682
Effect of changes in economic assumptions (Schedule 2)	(122)	(263)	(155)	(540)			(540)
Profit (loss) on ordinary activities before tax	768	85	197	1,050	(212)		838
Tax (Schedule 6)							
tax on operating profit	(133)	(67)	(121)	(321)	48		(273)
tax on short-term fluctuations in investment returns	(162)	(46)	(6)	(214)	2		(212)
tax on effect of changes in economic assumptions	37	92	1	130			130
total tax charge	(258)	(21)	(126)	(405)	50		(355)
Minority interests					2		2
Profit (loss) for the financial year	510	64	71	645	(160)		485
Exchange movements (note 8a)	1	(268)	(131)	(398)	50		(348)
Development costs included above (net of tax) borne centrally			4	4	(4)		
Intragroup dividends (including statutory transfer)	(189)	(52)	(40)	(281)	281		
External dividends					(320)		(320)
Investment in operations (note 8b)	76	28	108	212	(212)		
Adjustment for net of tax start-up losses of Curian subsidiary owned by JNL		(10)		(10)	10		
Proceeds from issues of share capital by parent company					30		30
Net increase (decrease) in shareholders' capital and reserves	398	(238)	12	172	(325)		(153)
Shareholders' capital and reserves at 1 January 2003	3,026	2,657	1,407	7,090	106		7,196
Shareholders' capital and reserves at 31 December 2003	3,424	2,419	1,419	7,262	(219)		7,043
Analysed as:							
Statutory basis shareholders' funds	612	2,258	627	3,497	(219)		3,278
Additional shareholders' interest on Achieved Profits basis	2,812	161	792	3,765			3,765
Achieved Profits basis shareholders' funds	3,424	2,419	1,419	7,262	(219)		7,043

Notes

8a Profits are translated at average exchange rates i.e. a basis consistent with the method applied for modified statutory basis results. The amounts recorded above for exchange rate movements reflect the difference between year end 2003 and 2002 exchange rates as applied to shareholders' funds at 1 January 2003 and the difference between year end and average 2003 rates for profits.

8b Investment in operations reflects increases in share capital. This includes certain non cash items as a result of timing differences.

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Schedule 9.1

2003 Unaudited results

Statutory basis results

Basic earnings per share (note 9.1a)	Pre-tax £m	Tax £m	Post-tax £m	Minority interests £m	Post-tax and minority interests £m	Earnings per share (pence)
Based on operating profit after tax and related minority interests before amortisation of goodwill and exceptional items	357	(106)	251	6	257	12.9
Amortisation of goodwill	(98)		(98)		(98)	(4.9)
Adjustment from post-tax long-term investment returns to post-tax actual investment returns	91	(38)	53	(4)	49	2.4
Based on profit for the financial year after minority interests	350	(144)	206	2	208	10.4

Note

9.1a The average number of shares for 2003 was 1,996m.

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Schedule 9.2

2002 Unaudited Results

Restatement of Statutory basis results

Basic earnings per share (note 9.2a)	Pre-tax £m	Tax £m	Post-tax £m	Minority interests £m	Post-tax and minority interests £m	Earnings per share (pence)
Based on operating profit after tax and related minority interests before amortisation of goodwill and exceptional items						
As previously published	432	(122)	310	4	314	15.8
Prior year adjustment (note 9.2b)	17	2	19		19	0.9
As restated	449	(120)	329	4	333	16.7
Amortisation of goodwill	(98)		(98)		(98)	(4.9)
Adjustment from post-tax long-term investment returns to post-tax actual investment returns	(205)	91	(114)	5	(109)	(5.5)
Adjustment for post-tax profit on sale of UK general business operations	355	(13)	342		342	17.2
Based on profit for the financial year after minority interests						
As previously published	484	(44)	440	9	449	22.6
Prior year adjustment (note 9.2b)	17	2	19		19	0.9
As restated	501	(42)	459	9	468	23.5

Notes

9.2a The average number of shares for 2002 was 1,988m.

9.2b The prior year adjustment reflects the application of altered accounting policy for certain reinsurance contracts following the adoption of the revised Statement of Recommended Practice issued by the Association of British Insurers in November 2003.

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Schedule 10

2003 Unaudited results

Statutory basis results

US Operations	2003 US\$m	2002 US\$m	2003 £m	2002 £m
UK basis operating result				
Jackson National Life (note 10a & Schedule 11)	269	209	165	139
Broker dealer and fund management result (Schedule 11)	(4)	21	(3)	14
Operating result for UK reporting purposes	265	230	162	153
Average exchange rates			1.64	1.50

Notes

10a Longer-term investment returns included in UK basis operating profit

UK basis operating profit for the year ended 31 December 2003 includes the following longer-term investment returns (net of related change to amortisation of deferred acquisition costs)

	Year ended 31 December 2003	
	US\$m	£m
Averaged realised losses on fixed maturity securities comprising		
Long-term default assumption	(116)	(71)
Averaged losses in excess of the long-term default assumption	(108)	(66)
Gross averaged losses	(224)	(137)
Related change to amortisation of deferred acquisition costs	23	14
Total (note 10b)	(201)	(123)
Longer-term returns on equity based investments (note 10c)	59	36

10b Averaged realised losses on fixed maturity securities

Realised losses arising in period (net of related change to amortisation of acquisition costs)

	Year ended 31 December 2003	
	US\$m	£m
Total realised gains and losses arising in:		
1999	(1)	
2000	(69)	
2001	(477)	
2002	(396)	
2003	(64)	(39)
Five year total	(1,007)	(616)
Five year average included in operating result above	(201)	(123)
Actual less averaged losses excluded from operating result but included in profit before tax	137	84

10c Longer-term returns on equity based investments

Longer-term returns for these investments have been determined by applying a longer-term rate of return of 7.75%.

2003 Unaudited results

Statutory basis results

Reconciliation from JNL 2003 US GAAP basis result to UK GAAP basis result for US Operations	US GAAP per JNL financial statements US \$m	Reverse FAS 133 and FAS115 effects (note 11a) and adjust for minority interests (note 11b) US \$m	US GAAP adjusted for minority interests and reversal of FAS 133 and FAS115 effects US \$m	Other US subsidiaries US \$m	Longer-term investment returns (note 11c) and other minor adjustments US \$m	Segmental result for UK Modified Statutory Basis GAAP purposes (note 11d)	
						US \$m	£m
Profit and loss account							
Operating profit							
JNL	729	(340)	389		(120)	269	165
PPMA/Broker Dealer				23	(27)	(4)	(3)
Realised investment gains (losses), net of related change to amortisation of acquisition costs (note 11a) (US GAAP as published also includes the change in the fair value of hedging instruments)	(217)	144	(73)		73		
Short-term fluctuations in investment returns (per Schedule 12)					153	153	93
Amortisation of goodwill				(2)	(6)	(8)	(5)
Profit before tax before minority interests	512	(196)	316	21	73	410	250
Minority interests (note 11b)	(15)	15	0			0	0
Profit before tax after minority interests	497	(181)	316	21	73	410	250
Tax (charge) credit							
on operating profit	(255)	119	(136)	(8)	52	(92)	(58)
on realised investment gains and losses and minority interests on short-term fluctuations in investment returns	81	(56)	25		(25) (54)	0 (54)	(32)
total tax charge	(174)	63	(111)	(8)	(27)	(146)	(90)
Net income	323	(118)	205	13	46	264	160
Movements in shareholders' funds							
Net income (as shown above)	323	(118)	205	13	46	264	
Capital contributions	49		49	16		65	
Net movement in other comprehensive income	365	(334)	31		(31)	0	
Dividends paid to intermediate holding company	(85)		(85)	(20)		(105)	
Total movement in year	652	(452)	200	9	15	224	
Shareholders' funds at beginning of year	3,750	47	3,797	121	27	3,945	
Shareholders' funds at end of year	4,402	(405)	3,997	130	42	4,169	
					Comprising:		
					Jackson National Life	4,042	2,258
					Other US Operations	127	71
						4,169	2,329

Notes

11a Reversal of FAS133 and FAS115 effects

UK GAAP results exclude the impact of profits and losses that are recognised under US GAAP as a result of the implementation of FAS133 on accounting for derivative instruments. Such gains and losses are not generally recognised for UK GAAP purposes.

After excluding FAS133 effects and adjusting for minority interests, realised investment losses, net of related change to amortisation of acquisition costs, are \$73m. These comprise losses of \$64m on fixed maturity investments which are included within UK operating results on five year averaged basis (as shown in Schedule 10) and realised losses on equities and preferred shares of \$9m.

Under US GAAP, following FAS115, the fixed income securities of JNL are carried in the balance sheet at fair value. Movements in unrealised gains and losses are accounted for within Other Comprehensive Income. Under UK GAAP, subject to provisions for permanent diminution in value, these securities are carried in the balance sheet at amortised cost. The value movement under US GAAP is therefore not reported for UK GAAP purposes and is a reconciling item within the analysis above.

11b Minority interests

The UK GAAP results are determined after adjustment for minority interests. For UK reporting purposes the segmental result of Jackson National Life reflects its proportionate interests in the results of two investment funds that are consolidated as quasi subsidiaries.

11c Longer-term investment returns

Consistent with the ABI SORP, investment returns included in the UK operating result are determined on a longer-term basis. These amounts are explained in Schedule 10. The difference between actual investment returns and longer-term returns is included within the profit and loss account as short-term fluctuations in investment returns. These are explained in Schedule 12.

11d Exchange rates

Average for 2003 applied to profit and loss account	1.64
Year end 2003 applied to shareholders' funds	1.79

2003 Unaudited results**Statutory basis results**

Short-term fluctuations in investment returns	2003 £m	2002 £m
Long-term business:		
Jackson National Life (note 12a)	93	(258)
Prudential Asia (note 12b)	(23)	62
UK Operations	3	2
Share of investment return of funds managed by PPM America, that are consolidated into Group results, but attributable to external investors	4	(5)
Other operations (note 12c)	14	(6)
Total	91	(205)

Notes**12a Jackson National Life**

Short-term fluctuations, (net of related change to amortisation of acquisition costs), comprise actual investment return on investments less longer-term returns (net of related change to amortisation of acquisition costs) as follows:

	2003 £m	2002 £m
Actual less averaged realised gains and losses for fixed maturities (see Schedule 10)	84	(143)
Actual less longer-term return on equity based investments	9	(105)
Realised and unrealised gains on preference shares	0	(10)
	93	(258)

12b Prudential Asia

Short-term fluctuations for Prudential Asia primarily reflect bond value movements.

12c Actual investment return on investments less longer-term returns for other shareholders' funds comprise:	2003 £m	2002 £m
Current year realised and unrealised gains	14	2
Longer-term gains credited to operating result	-	8
Excess (shortfall) of current year gains over longer-term gains excluded from operating result but included in profit before tax	14	(6)

Date: 24 February, 2004

Schedule 13

2003 Unaudited results

Statutory basis results

Tax charge	2003 £m	Restated 2002 £m
<u>Tax charge (credit) on operating profit (loss) (note 13a)</u>		
Long-term business :		
UK and Europe Insurance Operations (note 13b)	78	105
Jackson National Life (note 13c)	58	48
Prudential Asia (note 13d)	18	19
	154	172
Other operations	(48)	(52)
Total tax on operating profit	106	120
<u>Tax on items not included in operating profit</u>		
Tax charge (credit) on short-term fluctuations in investment returns	38	(91)
Tax on profit on sale of UK general business operations (after utilisation of available capital losses)	-	13
Total tax on items not included in operating profit	38	(78)
Tax on profit on ordinary activities (including tax on actual investment returns)	144	42

Notes

13a Tax on operating profit based on long-term investment returns.

13b The 2002 tax charge for UK and Europe Insurance Operations has been reduced by £2m due to the adoption of the altered accounting policy for certain reinsurance contracts - see also Schedule 9.2.

13c Excluding tax relief on broker dealer and fund management result.

13d Including tax relief on development expenses.

Date: 24 February, 2004

Schedule 14

2003 Unaudited results

Funds under management - summary	2003 £bn	2002 £bn
Business Area (Schedule 15)		
UK and Europe Operations	104.5	94.7
US Operations	28.6	30.3
Prudential Asia	6.9	5.7
Internal insurance and investment funds under management (note 14a)	140.0	130.7
External funds	28.0	24.3
Total insurance and investment funds under management	168.0	155.0

Note

14a As included in the summarised consolidated balance sheet.

Date: 24 February, 2004

Schedule 15

2003 Unaudited results

Funds under management - analysis by business area

	Equities		Fixed Income Securities		Properties		Other Investments		Investments held to cover linked liabilities		Total	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
	£bn	£bn	£bn	£bn	£bn	£bn	£bn	£bn	£bn	£bn	£bn	£bn
UK and Europe Operations	33.2	28.9	41.0	39.0	10.8	10.6	4.9	4.2	14.6	12.0	104.5	94.7
US Operations (note 15a)	0.2	0.2	20.3	21.0	0.0	0.1	4.2	6.3	3.9	2.7	28.6	30.3
Prudential Asia	1.5	0.9	3.3	3.2	0.1	0.1	0.7	0.6	1.3	0.9	6.9	5.7
Total	34.9	30.0	64.6	63.2	10.9	10.8	9.8	11.1	19.8	15.6	140.0	130.7

Note

15a Subject to provisions for permanent diminution in value, the fixed income securities of US Operations are valued at amortised cost.

Accounting for retirement benefitsExplanatory note

As in prior years, the Group's statutory basis results for 2003 have been determined after application of SSAP 24 for accounting for pension costs of defined benefit schemes. This is consistent with FRS17. For 2003, this standard permits that the financial position of the Group on an FRS17 basis be explained by way of note to the Group's financial statements rather than that the FRS17 basis be applied in preparing its profit and loss account and balance sheet position.

The Group's principal defined benefit scheme, the Prudential Staff Pension Scheme (PSPS), was subject to full actuarial valuation basis as at 5 April 2002. The market value of the PSPS scheme assets as at that date of £4.034m exceeded the actuarially determined liabilities of £3.658m by £376m. Consequently, the Scheme assets were sufficient to cover 110% of the benefits that had accrued to members, allowing for expected future increases in earnings. As a result of the valuation, the employers' contribution rate has continued at the minimum prescribed under the Scheme rules, which is 12.5% of salaries.

The FRS 17 basis of measurement determines liabilities by applying discount rates that reflect the current rate of return on high quality corporate bonds.

The reported excess of assets over liabilities will be particularly volatile from period to period, as a result of movements in the values of equities held by the Scheme and changes in actuarial assumptions.

If the FRS17 basis was to be applied in determining the Group's statutory basis results, the reported impact would be allocated between the elements attributable to the PAC life fund and shareholders' funds. Movements on the element attributable to the PAC life fund would be reflected in movements in the Fund for Future Appropriations.

The impact on shareholders' results would be as shown in the table below.

On the Achieved Profits basis of reporting, the impact of FRS17 for 2003 would also be limited to that attributable to shareholders' funds as shown in the table below. Pension costs attributable to the PAC life fund are an element of expenses which are incorporated in the valuation of business in force by discounting the value of future contributions to the schemes by the with-profits fund and other UK long-term business operations. Since, as a result of the April 2002 valuation, the expected level of employers' contribution rates remains unaltered, there would be no impact on the achieved profits basis results for long-term business operations.

The 5 April 2002 actuarial valuation has not been updated. On an indicative basis only, the Group estimates that the 110% funding level will probably have reduced but, if an update of the valuation results to 31 December 2003 had been undertaken, it would be expected to reveal a more balanced funding level than the FRS17 balance sheet disclosure suggests. In determining this assessment the Group has not sought external advice from the PSPS scheme actuaries, Watson Wyatt.

Summary of financial position for defined benefit schemes on an FRS17 basis

The financial reporting impact if the FRS 17 basis had been applied in preparing the Group's results, rather than the SSAP 24 basis, is as follows:

	Deficit in schemes at 1 Jan 2003 £m	Profit and loss account charge (note 16a) £m	Statement of recognised gains and losses (note 16b) £m	Contributions paid £m	Deficit in schemes at 31 Dec 2003 £m
<u>Movement in year</u>					
Prudential Staff Pension Scheme	(518)				(545)
Other defined benefit schemes	(29)				(57)
Total Group position	(547)	(23)	(64)	32	(602)
less: amount attributable to PAC life fund	426	11	41	(21)	457
Shareholders' share that would be reflected in MSB and AP basis results if FRS17 had been applied to the 2003 financial statements					
Pre-tax	(121)	(12)	(23)	11	(145)
Related tax	36	4	7	(3)	44
Net of shareholders' tax	<u>(85)</u>	<u>(8)</u>	<u>(16)</u>	<u>8</u>	<u>(101)</u>

Notes

16a Profit and loss account charge

	£m
Service cost	(62)
Finance (expense) income	
Interest on pension scheme liabilities	(222)
Expected return on assets	261
Total charge	<u>(23)</u>

16b Actuarial gains and losses recorded in the statement of recognised gains and losses

	£m
Actual less expected return on assets	311
Experience losses on liabilities	(3)
Loss on changes of assumptions (principally assumed rate of increase in pensions in payment for altered inflation assumption)	(372)
Total	<u>(64)</u>

Date: 24 February, 2004

Schedule 17

2003 Unaudited results

Foreign currency translation: Rates of Exchange

The profit and loss accounts of foreign subsidiaries are translated at average exchange rates for the year. Assets and liabilities of foreign subsidiaries are translated at year-end exchange rates. Foreign currency borrowings that have been used to finance or provide a hedge against Group equity investments in foreign subsidiaries are also translated at year-end exchange rates. The impact of these currency translations is recorded as a component of the movement in shareholders' capital and reserves.

The following translation rates have been applied:

Local currency : £	Year-end 2003	Average 2003	Year-end 2002	Average 2002
Hong Kong	13.90	12.73	12.60	11.70
Japan	191.85	189.32	191.00	187.80
Malaysia	6.80	6.21	6.12	5.71
Singapore	3.04	2.85	2.79	2.69
Taiwan	60.78	56.24	56.00	51.90
USA	1.79	1.64	1.61	1.50

2003 Unaudited results

	2003	2002	2002
<u>Foreign currency translation: Effect of rate movements on results</u>	As published	As published	Memorandum using 2003 exchange rates (note 18a)
<u>Achieved Profits basis results</u>	£m	£m	£m
US Operations			
New business	148	234	215
Business in force	71	17	16
Jackson National Life	219	251	231
Broker dealer and fund management	(3)	14	13
Total US Operations	216	265	244
Prudential Asia			
New business	291	307	287
Business in force	87	209	197
Total Prudential Asia (before development expenses)	378	516	484
Other Operations	200	352	353
Operating profit before amortisation of goodwill and exceptional items	794	1,133	1,081
Shareholders' funds	7,043	7,196	6,794

	2003	2002	2002
<u>Statutory basis results</u>	As published	Restated (note 18b)	Memorandum using 2003 exchange rates (note 18a)
	£m	£m	£m
US Operations			
Jackson National Life	165	139	128
Broker dealer and fund management	(3)	14	13
Total US Operations	162	153	141
Prudential Asia (before development expenses)	98	88	81
Other Operations	97	208	207
Operating profit before amortisation of goodwill and exceptional items	357	449	429
Shareholders' funds	3,278	3,613	3,316

Notes

18a The memorandum results for 2002 have been calculated by application of average 2003 exchange rates to operating profits and exchange rates at 31 December 2003 to shareholders' funds at the period ends.

18b 2002 statutory basis comparative results include the effect of the prior year adjustment for reinsurance accounting - see also Schedule 9.2.