

Date: 26 February 2002

**PRUDENTIAL PLC**

**2001 Unaudited results**

**Supplementary information**

Schedule

**Achieved profits basis results**

Earnings per share

2001	1.1
2000 - restated for implementation of FRS19	1.2

Key economic assumptions	2
--------------------------	---

Operating profits

New Business	3
Business in force	4

Short-term fluctuations in investment returns	5
---	---

Tax charge	6
------------	---

Shareholders' funds

Summary	7
Reconciliation of movement	8

**Statutory basis results**

Earnings per share

2001	9.1
2000 - restated for implementation of FRS19	9.2

US operations

Operating result	10
Reconciliation from US to UK GAAP	11

Short-term fluctuations in investment returns	12
---	----

Tax charge	13
------------	----

**Funds under management**

Summary	14
Analysis by business area	15

Date : 26 February 2002

Schedule 1.1

**2001 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)
<b>2001 Basic earnings per share (note 1.1a)</b>						
Based on operating profit after tax and minority interests before amortisation of goodwill and merger break fee	1,186	(370)	816	12	828	41.9
Adjustment for amortisation of goodwill	(95)		(95)		(95)	(4.8)
Adjustment from post-tax longer term investment returns to post-tax actual investment returns (after related minority interests) (note 1.1b)	(1,402)	422	(980)	13	(967)	(48.9)
Effect of change of economic assumptions	(482)	167	(315)		(315)	(16.0)
Adjustment for merger break fee, net of related expenses	338	(6)	332		332	16.8
Based on loss for the financial year after minority interests	<u>(455)</u>	<u>213</u>	<u>(242)</u>	<u>25</u>	<u>(217)</u>	<u>(11.0)</u>

Notes

1.1a Average number of shares for 2001 is 1,978m

1.1b Minority interests in adjustments from post-tax longer-term investment returns to post-tax actual returns

The adjustment from post-tax longer-term returns to post-tax actual investment returns includes investment return that is attributable to external equity investors in two investment funds of the US fund management operation. These two funds are consolidated as quasi subsidiaries but have no net impact on pre-tax or post tax operating profit. Total profit, before and after tax, incorporating the adjustment from longer-term returns to actual investment returns includes losses of £13m attributable to these minority interests.

Date : 26 February 2002

Schedule 1.2

**2001 Unaudited results**

**Achieved Profits basis results**

	Pre-tax	Tax	Post-tax	Minority interests	Post-tax and minority interests	Earnings per share	Earnings per share
	As previously published £m	Restated £m	Restated £m	Restated £m	Restated £m	Restated (pence)	Previously published (pence)
<b>2000 Basic earnings per share (note 1.2a) restated for implementation of FRS19 on deferred tax</b>							
Based on operating profit after tax and minority interests before amortisation of goodwill	1,029	(288)	741	11	752	38.4	38.2
Adjustment for amortisation of goodwill	(84)	-	(84)	-	(84)	(4.3)	(4.3)
Adjustment from post-tax longer term investment returns to post-tax actual investment returns (after related minority interests) (note 1.2b)	(440)	104	(336)	13	(323)	(16.5)	(16.2)
Adjustment for profit on flotation of Egg and business disposals	223	(57)	166		166	8.5	8.5
Based on profit for the financial year after minority interests	<u>728</u>	<u>(241)</u>	<u>487</u>	<u>24</u>	<u>511</u>	<u>26.1</u>	<u>26.2</u>

Notes

1.2a Average number of shares for 2000 was 1,959m

1.2b Minority interests in adjustments from post-tax longer-term investment returns to post-tax actual returns

The adjustment from post-tax longer-term returns to post-tax actual investment returns includes investment return that is attributable to external equity investors in two investment funds of the US fund management operation. These two funds are consolidated as quasi subsidiaries but have no net impact on pre-tax or post tax operating profit. Total profit, before and after tax, incorporating the adjustment from longer-term returns to actual investment returns includes losses of £13m attributable to these minority interests.

**2001 Unaudited results****Achieved Profits basis results****Economic assumptions and sensitivities****(1) Basis of preparation of results**

The achieved profits basis results for 2001 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)". Previously the achieved profits basis results were prepared in accordance with the guidance issued in July 1995. Comparative results for the year 2000 have not been restated for the change of guidance. Restatements of prior year figures relate solely to the implementation of FRS19 on deferred tax.

One of the key differences between the current and previous guidance relates to the basis for setting long-term expected rates of return on investments and risk discount rates.

Under the current guidance, for most countries, these rates are set by reference to period end rates of return on fixed interest securities. This "active" basis of assumption setting has been applied in preparing the results of all the group's UK, US, and European long-term business operations. For the group's Asian operations the active basis is appropriate for business written in Japan and Korea and US dollar denominated business written in Hong Kong.

An exception to this general rule is that for countries where longer-term fixed interest markets are underdeveloped, investment return assumptions and risk discount rates should be based on an assessment of longer term economic conditions. Except for the countries listed above, this basis is appropriate for the group's Asian operations.

For 2000 and earlier years, the achieved profits basis results for all of the group's operations were calculated by using expected longer-term equilibrium rates of return and discount rates.

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

**(2) Economic assumptions****UK operations**

	<b>2001</b>	<b>2000</b>
Pre-tax expected long-term nominal rates of investment return		
UK equities	7.5%	8.0%
Overseas equities	7.5% to 7.8%	8.0%
Property	7.5%	8.0%
Gilts	5.0%	6.0%
Corporate bonds	6.0%	7.0%
PAC with-profit fund assets [applying the rates listed above to the investments held by the fund]	7.1%	8.0%
Expected long-term rate of inflation	2.6%	2.5%
Post-tax expected long-term nominal rate of return		
Pension business (where no tax applies)	7.1%	8.0%
Life business	6.3%	7.4%
Risk discount rate	7.7%	8.5%

**US operations (Jackson National Life)**

Expected long-term spread between earned rate and rate credited to policyholders (note 7a)	1.75%	1.9%
Risk discount rate	7.7%	8.5%

**Prudential Europe**

Risk discount rate	7.7%	8.5%
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**2001 Unaudited results****Achieved Profits basis results****Economic assumptions and sensitivities (continued)****(2) Economic assumptions (continued)**

	<b>2001</b>	<b>2000</b>
<b><u>Prudential Asia</u></b>		
Weighted pre-tax expected long-term nominal rates of investment return	7.3%	8.0%
Weighted expected long-term rate of inflation	3.0%	3.2%
Weighted risk discount rate	10.1%	10.4%

The Prudential Asia economic returns have been determined by weighting each country's economic assumptions by reference to the Achieved Profits basis operating results for new business written in 2001.

**(3) 2001 Results : Effect of altered economic assumptions**

	<b>2001 £m</b>	<b>2000 £m</b>
Pre-tax (losses) profits on changes of economic assumptions included within the (loss) profit on ordinary activities before tax arise as follows :		
UK long-term business operations	(426)	-
Jackson National Life (including altered spread assumption)	1	-
Prudential Asia	(57)	-
Total	<u>(482)</u>	<u>-</u>

**(4) 2001 Results sensitivities**

Group  
Total  
£m

The estimated increase (decrease) in the 2001 Group results that would arise from the following changes in economic assumptions are:

**2001 Pre-tax operating profits from new business**

Pre-tax expected long-term nominal rates of investment return	
Increase in rates of 1%	105
Decrease in rates of 1%	(99)
Risk discount rates	
Increase in rates of 1%	(72)
Decrease in rates of 1%	83

**31 December 2001 shareholders' funds**

Pre-tax expected long-term nominal rates of investment return	
Increase in rates of 1%	824
Decrease in rates of 1%	(779)
Risk discount rates	
Increase in rates of 1%	(494)
Decrease in rates of 1%	592

Date : 26 February 2002

Schedule 3

**2001 Unaudited results**

**Achieved Profits basis results**

	2001 Published			2000 As previously published		
	Pre-tax £m	tax £m	Post-tax £m	Pre-tax £m	tax £m	Post-tax £m
<b>Operating profits from new long-term insurance business</b>						
UK operations	243	(73)	170	230	(69)	161
US operations (Jackson National Life) [see note]	167	(94)	73	221	(101)	120
Prudential Asia	255	(74)	181	153	(44)	109
Prudential Europe	8	(2)	6	9	(3)	6
	<u>673</u>	<u>(243)</u>	<u>430</u>	<u>613</u>	<u>(217)</u>	<u>396</u>

**Note**

3a Jackson National Life net of tax profits

Pre capital charge		108		155
Capital charge		<u>(35)</u>		<u>(35)</u>
Post capital charge		<u>73</u>		<u>120</u>

Memorandum only 2000 Estimated results applying same economic assumptions as for 2001 results		
Pre-tax £m	tax £m	Post-tax £m
208	(62)	146
206	(113)	93
156	(45)	111
9	(3)	6
<u>579</u>	<u>(223)</u>	<u>356</u>

**2001 Unaudited results****Achieved Profits basis results**

<b>Operating profits from business in force</b>	<b>2001 £m</b>	<b>2000 £m</b>
<b>UK operations</b>		
Unwind of discount (notes 4a and 4b)	384	429
Change of renewal expense assumption resulting from closure of direct sales force (2000 change of persistency assumption)	15	30
Cost of strengthened assumption for required capital for shareholder backed business	(16)	-
Experience variances and other items	(6)	19
	<u>377</u>	<u>478</u>
<b>Jackson National Life</b>		
Unwind of discount (note 4b)	200	218
Return on surplus assets (over target surplus)	44	34
Averaged realised (losses) gains [ see schedule 5 ]	(74)	19
Experience variances against current assumptions:		
Spread	(12)	39
Persistency	(7)	(24)
Mortality and morbidity	(2)	(10)
Expenses	(16)	(37)
Loss from strengthening operating assumptions (2000 - persistency and expense assumptions)	(13)	(258)
Other	16	17
	<u>136</u>	<u>(2)</u>
<b>Prudential Asia</b>		
Unwind of discount (note 4b)	78	58
Change in operating assumptions	66	-
Other items and experience variances	16	2
	<u>160</u>	<u>60</u>
<b>Prudential Europe</b>		
Unwind of discount (note 4b)	9	8
Experience variances against current assumptions	(9)	0
	<u>0</u>	<u>8</u>
<b>Total</b>	<u><u>673</u></u>	<u><u>544</u></u>

**Notes**

## 4a UK Operations - smoothing of asset values

The unwind of discount for UK 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 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 investment volatility.

## 4b Memorandum only for 2000 - estimated unwind of discount applying the same economic assumptions as for the 2001 results

	£m
UK operations	361
Jackson National life	198
Prudential Asia	54
Prudential Europe	7
<b>Total</b>	<u><u>620</u></u>

**2001 Unaudited results****Achieved Profits basis results**

<b>Short-term fluctuation in investment returns</b>	<b>2001 £m</b>	<b>2000 £m</b>
Long-term business		
UK Operations (note 5a)	(764)	(218)
Jackson National Life (note 5b)	(521)	(171)
Prudential Asia	(9)	(46)
Prudential Europe	-	(3)
Share of investment return of US managed investment funds consolidated into Group results that is attributable to external investors	(13)	(13)
General insurance and shareholders		
Relating to investment in St James's Place Capital plc	-	17
Other (as explained on Schedule 12)	(95)	(6)
	(1,402)	(440)

**Notes**

## 5a UK Operations

Short-term fluctuations in investment returns represent the difference between actual investment returns attributable to shareholders on the achieved profits basis and the unwind of discount included within operating profit as described on schedule 4.

## 5b Jackson National Life - summary

Short-term fluctuations comprise:

	2001 £m	2000 £m
Actual investment return on investments less longer-term returns included within operating profit (note 5c)	(413)	(109)
Actual return on Separate Account business less return based on longer-term rate	(85)	(62)
Transition writedown on implementation of EITF 99-20 for interests in securitised financial assets (as explained on schedule 11)	(23)	-
	(521)	(171)

## 5c Jackson National Life - Actual investment return on investments less longer-term returns for the year ended 31 December 2001

This comprises:

Actual less averaged realised gains and losses (including impairments) for fixed maturity securities (note 5d)	(295)	
Actual less longer-term return on equity based investments	(124)	
Gains on preference shares	6	
	(413)	

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

	\$m	£m equivalent
	1997	30
	1998	54
	1999	3
	2000	(90)
	2001	(532)
5 year total	(535)	
5 year average included in operating result [ see schedule 4 ]	(107)	(74)
Actual less averaged	(425)	(295)

**2001 Unaudited results****Achieved Profits basis results**

<b>Taxation charge</b>	<b>2001 £m</b>	<b>Restated (note 6e) 2000 £m</b>
<u>Tax charge on operating profit (note 6a)</u>		
Long-term business		
UK Operations (note 6b)	173	212
Jackson National Life (note 6c)	127	44
Prudential Asia (note 6d)	133	61
Prudential Europe (note 6d)	(2)	0
	431	317
General insurance and shareholders	(61)	(29)
Total tax on operating profit	370	288
<u>Tax on items not included in operating profits</u>		
Tax credit on short-term fluctuations in investment returns	(422)	(104)
Tax credit on loss from change of economic assumptions	(167)	-
Tax charge on merger break fee, net of expenses (after utilisation of available capital losses)	6	-
Tax on profit on Egg flotation and business disposals	-	57
Total tax on items not included in operating profits	(583)	(47)
Tax (credit) charge on (loss) profit on ordinary activities (including tax on actual investment returns)	(213)	241

**Notes**

- 6a Tax on operating profit based on longer-term investment returns, excluding merger break fee, net of expenses.
- 6b Including tax relief on shareholders' portion of UK re-engineering costs borne by the PAC life fund.
- 6c Excluding tax charge on broker dealer and fund management result
- 6d Including tax relief on development costs where applicable
- 6e Comparatives for the year ended 31 December 2000 have been restated for the implementation of FRS 19 in respect of deferred tax provisions

**2001 Unaudited results****Achieved Profits basis results**

<b>Shareholders' funds summary</b>	<b>2001 £m</b>	<b>Restated (note 7e) 2000 £m</b>
UK operations		
Long-term business operations		
Smoothed assets (note 7a)	3,775	3,887
Actual assets less smoothed assets	(119)	340
	3,656	4,227
General business solvency capital	-	135
M&G	329	341
Egg	380	426
	<u>4,365</u>	<u>5,129</u>
US operations		
Jackson National Life (net of surplus note borrowings of £172m (2000 - £167m)		
Before capital charge		
Excluding assets in excess of target surplus	2,442	2,298
Assets in excess of target surplus	463	595
	2,905	2,893
Capital charge (note 7b)	(222)	(222)
After capital charge	2,683	2,671
Other US operations (note 7c)	134	85
	<u>2,817</u>	<u>2,756</u>
Prudential Asia	1,089	793
Prudential Europe	90	82
Other operations		
Goodwill (note 7d)	1,624	1,546
Holding company net borrowings	(1,961)	(1,530)
Other assets	126	0
	<u>(211)</u>	<u>16</u>
<b>Total</b>	<u><u>8,150</u></u>	<u><u>8,776</u></u>

**Notes**

- 7a UK long-term business smoothed assets represent asset values adjusted to remove the effects of short-term volatility
- 7b 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 US Supervisory authorities must be retained. The impact of the related capital charge is to reduce Jackson National Life's shareholders' funds by £222m (2000 also £222m).
- 7c Relates to Broker dealer, fund management, intra-group funding arrangements and certain tax balances
- £m
- 7d Total goodwill at 31 December 2001 comprises
- |   |              |
|---|--------------|
| Held within US operations re purchase of broker dealer and banking businesses | 63           |
| Other operations re M&G and acquired Asian businesses                         | 1,624        |
|   | <u>1,687</u> |
- 7e Comparatives for the year ended 31 December 2000 have been restated for the implementation of FRS 19 in respect of deferred tax provisions - see schedule 8
- 7f Impact on 31 December 2000 achieved profits shareholders' funds applying the same economic assumptions as for 2001
- If the economic assumptions applied for 2001 had been in place at 31 December 2000 the achieved profits basis shareholders' funds at that date would have been lower by £315m. This represents a pre-tax loss of £482m less related tax credit of £167m. These figures are analysed by business operation on schedule 8.

## 2001 Unaudited results

**Achieved Profits basis results**

	Long-term business operations				Total Long-term business operations £m	Other operations £m	Group total £m
	UK £m	Jackson National Life £m	Prudential Asia £m	Prudential Europe £m			
<b>Reconciliation of movement in shareholders funds</b>							
<b>Operating profit [including investment return based on long-term rates of returns]</b>							
Long-term business							
New business	243	167	255	8	673		673
Business in force	377	136	160	0	673		673
	620	303	415	8	1,346		1,346
General business						79	79
Re-engineering costs	(45)				(45)	(19)	(64)
Asia and Europe development expenses			(19)	(29)	(48)		(48)
M&G						75	75
Egg						(88)	(88)
US broker dealer and fund management						16	16
Other income and expenditure						(130)	(130)
	575	303	396	(21)	1,253	(67)	1,186
<b>Operating profit (loss) before amortisation of goodwill</b>							
Amortisation of goodwill		(3)			(3)	(92)	(95)
Short-term fluctuations in investment returns	(764)	(521)	(9)		(1,294)	(108)	(1,402)
Effect of changes of economic assumptions	(426)	1	(57)		(482)		(482)
Merger break fee, net of expenses						338	338
	(615)	(220)	330	(21)	(526)	71	(455)
<b>(Loss) profit on ordinary activities before tax [including actual investment gains]</b>							
Tax							
tax on operating profit	(173)	(127)	(133)	2	(431)	61	(370)
tax on short-term fluctuations in investment returns	229	158	6		393	29	422
tax on profit / loss arising from change of economic assumptions	128	12	27		167		167
tax on merger break fee, net of expenses					0	(6)	(6)
total tax charge	184	43	(100)	2	129	84	213
Minority interests						25	25
<b>(Loss) profit for the financial year</b>	(431)	(177)	230	(19)	(397)	180	(217)
Exchange movements		74	(12)		62	(9)	53
Development costs included above (net of tax) borne centrally			3	8	11	(11)	0
Intragroup dividends (including statutory transfer)	(313)	(91)	(14)		(418)	418	0
External dividends						(504)	(504)
Investment in operations / changes in Prudential stake	178	206	89	14	487	(487)	0
Proceeds from issues of share capital by parent company						42	42
Adjustment for European new business sold by UK operations	(5)			5	0		0
	(571)	12	296	8	(255)	(371)	(626)
Net increase in shareholders capital and reserves							
Shareholders capital and reserves at 1 January 2001							
As previously published	4,227	2,671	793	82	7,773	1,060	8,833
Restatement effects for implementation of FRS 19 on deferred tax						(57)	(57)
As restated	4,227	2,671	793	82	7,773	1,003	8,776
Shareholders capital and reserves at 31 December 2001	3,656	2,683	1,089	90	7,518	632	8,150
analysed as:							
Statutory Basis shareholders' funds	494	2,364	402	58	3,318	632	3,950
Additional shareholders' interest on Achieved Profits basis	3,162	319	687	32	4,200		4,200
Achieved Profits basis shareholders' funds	3,656	2,683	1,089	90	7,518	632	8,150

Date : 26 February 2002

Schedule 9.1

**2001 Unaudited results**

**Statutory basis results**

	<b>Pre-tax £m</b>	<b>Tax £m</b>	<b>Post-tax £m</b>	<b>Minority interests £m</b>	<b>Post-tax and minority interests £m</b>	<b>Earnings per share (pence)</b>
<b>2001 Basic earnings per share (note 9.1a)</b>						
Based on operating profit after tax and minority interests before amortisation of goodwill and merger break fee	622	(174)	448	12	460	23.3
Adjustment for amortisation of goodwill	(95)		(95)		(95)	(4.8)
Adjustment from post-tax longer term investment returns to post-tax actual investment returns (after related minority interests) (note 9.1b)	(480)	159	(321)	13	(308)	(15.6)
Adjustment for Merger break fee, net of related expenses	338	(6)	332		332	16.8
Based on profit for the financial year after minority interests	<u>385</u>	<u>(21)</u>	<u>364</u>	<u>25</u>	<u>389</u>	<u>19.7</u>

Notes

9.1a Average number of shares for 2001 is 1,978m

9.1b Minority interests in adjustments from post-tax longer-term investment returns to post-tax actual returns

The adjustment from post-tax longer-term returns to post-tax actual investment returns includes investment return that is attributable to external equity investors in two investment funds of the US fund management operation. These two funds are consolidated as quasi subsidiaries but have no net impact on pre-tax or post tax operating profit. Total profit, before and after tax, incorporating the adjustment from longer term returns to actual investment returns includes losses of £13m attributable to these minority interests.

Date : 26 February 2002

Schedule 9.2

**2001 Unaudited results**

**Statutory basis results**

	Pre-tax	Tax	Post-tax	Minority interests	Post-tax and minority interests	Earnings per share	Earnings per share
<b>2000 Basic earnings per share (note 9.2a) restated for implementation of FRS19 re deferred tax</b>	As previously published £m	Restated £m	Restated £m	Restated £m	Restated £m	Restated (pence)	Previously published (pence)
Based on operating profit after tax and minority interests before amortisation of goodwill	840	(260)	580	11	591	30.2	31.5
Adjustment for amortisation of goodwill	(84)	-	(84)	-	(84)	(4.3)	(4.3)
Adjustment from post-tax longer term investment returns to post-tax actual investment returns (after related minority interests) (note 9.2b)	(48)	3	(45)	13	(32)	(1.7)	(1.4)
Adjustment for profit on flotation of Egg and business disposals	239	(57)	182	-	182	9.3	9.3
Based on profit for the financial year after minority interests	<u>947</u>	<u>(314)</u>	<u>633</u>	<u>24</u>	<u>657</u>	<u>33.5</u>	<u>35.1</u>

Notes

9.2a Average number of shares for 2000 was 1,959m

9.2b Minority interests in adjustments from post-tax longer-term investment returns to post-tax actual returns

The adjustment from post-tax longer-term returns to post-tax actual investment returns includes investment return that is attributable to external equity investors in two investment funds of the US fund management operation. These two funds are consolidated as quasi subsidiaries but have no net impact on pre-tax or post tax operating profit. Total profit, before and after tax, incorporating the adjustment from longer term returns to actual investment returns includes losses of £13m attributable to these minority interests.

**2001 Unaudited results****Statutory basis results**

<b>US operations</b>	<b>2001 US\$m</b>	<b>2000 US\$m</b>	<b>2001 £m</b>	<b>2000 £m</b>
UK basis operating result				
Jackson National Life (see note 10a and schedule 11)	406	695	282	459
Broker dealer and fund management result	23	10	16	7
Operating result for UK reporting purposes	<u>429</u>	<u>705</u>	<u>298</u>	<u>466</u>
Exchange rate			1.44	1.52

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

UK basis operating profit for the year ended 31 December 2001 includes the following longer-term investment returns (net of related change to amortisation of acquisition costs)

	<u>Year ended 31 December 2001</u>	
	<u>US\$m</u>	<u>£m</u>
Averaged realised gains on fixed maturities (note 10b)	(97)	(67)
Longer-term returns on equity based investments (note 10c)	62	43

In prior periods longer-term investment returns included within UK basis operating profit were estimated as the aggregate of investment income and averaged realised gains for fixed maturities and other types of security. Longer-term returns now include average realised gains for fixed maturities only, and returns for equity based investments based on longer-term rates of return. Comparatives have not been restated for the refinement in policy as the effect is immaterial to the results for those periods.

10b Averaged realised gains and losses on fixed maturities

	<u>Year ended 31 December 2001</u>	
	<u>US\$m</u>	<u>£m</u>
Realised gains and losses arising in period [net of related change to amortisation of acquisition expenses]		
1997	30	
1998	34	
1999	(1)	
2000	(69)	
2001	(477)	(331)
Five year total	(483)	
Five year average included in UK statutory basis operating profit	(97)	(67)
Excess of current period realised losses over five year average excluded from statutory basis operating profit (but included in profit before tax)	(380)	(264)

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%

## 2001 Unaudited results

Statutory basis resultsYear ended 31 December 2001

Jackson National Life result - reconciliation of 2001 US GAAP basis result to UK GAAP result	UK GAAP adjustments							Segmental result for UK Modified Statutory Basis GAAP purposes		
	US GAAP	Reverse FAS 133 effects (note 11a)	Minority interests (note 11a)	US GAAP adjusted for minority interests and reversal of FAS 133 effects	Longer-term investment returns (note 11c)	EITF 99-20 (note 11b)	US \$m			US \$m
	US \$m	US \$m	US \$m	US \$m	US \$m	US \$m	US \$m	US \$m	US \$m	£m
Operating profit	395	20		415	(9)			406	282	
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)	(775)	218	47	(510)	510			0	0	
Short-term fluctuations in investment returns (note 11b)				0	(501)	(29)		(530)	(368)	
Amortisation of goodwill	(5)			(5)				(5)	(3)	
Profit before tax before minority interest	(385)	238	47	(100)	0	(29)		(129)	(89)	
Minority interests (note 11a)	47		(47)	0				0	0	
Profit before tax after minority interest	(338)	238	0	(100)	0	(29)		(129)	(89)	
Tax (charge) credit										
on operating profit	(145)			(145)	3			(142)	(99)	
on short-term fluctuations in investment returns	262	(83)		179	(3)	10		186	129	
total tax charge	117	(83)	0	34	0	10		44	30	
Profit after tax before cumulative effect of changes in accounting principle	(221)	155	0	(66)	0	(19)		(85)	(59)	
Cumulative effect of changes in accounting principle	(200)	181		(19)		19		0	0	
Net income	(421)	336	0	(85)	0	0		(85)	(59)	
Exchange rate										1.44

Notes

## 11a Operating profit and realised investment gains and losses

These items are shown after excluding minority interests. For UK reporting purposes the segmental result of Jackson National Life reflect its proportionate interests in the results of two investment funds that are consolidated as quasi subsidiaries. These items also 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 \$(510)m. These comprise losses of \$(477)m on fixed maturity investments which are included within UK operating results on a five year averaged basis (per schedule 10 note 10b) and realised losses on equities and preferred shares of \$(33)m.

## 11b EITF 99-20

Effective 1 April 2001, EITF 99-20 issued by the US Federal Accounting Standards Board established new income and impairment recognition standards for interests in securitised financial assets.

The initial write-down is comprised of:

	\$m	£m
Gross write-down	(33)	(23)
Related change to amortisation of acquisition costs	4	3
Pre-tax charge	(29)	(20)
Related tax	10	7
Net of tax charge	(19)	(13)

## 11c Total net income

For UK GAAP purposes fixed maturities are normally carried in the balance sheet at amortised cost. Securities are carried at estimated net realisable value for declines in fair value considered to be other than temporary. The decline is included within realised losses. For securities carried at amortised cost movements in unrealised appreciation, which are accounted for under US GAAP within Other Comprehensive Income, do not feature as a reconciling item in the table shown above.

**2001 Unaudited results****Statutory basis results**

<b>Short-term fluctuations in investment returns - summary</b>	<b>2001 £m</b>	<b>2000 £m</b>
Long-term business		
Jackson National Life (note 12a)	(368)	(52)
Others	(4)	(1)
Share of investment return of US managed investment funds consolidated into Group results that is attributable to external investors	(13)	(13)
General business and shareholders		
Relating to investment in St James's Place Capital plc	-	24
Other (note 12c)	(95)	(6)
Total	<u>(480)</u>	<u>(48)</u>

**Notes**

12a Jackson National Life	<b><u>2001 £m</u></b>	<b><u>2000 £m</u></b>
Short-term fluctuations, net of related changes to amortisation of acquisition costs comprise:		
Actual investment return on investments less longer-term returns included within operating profit (note 12b)	(348)	(52)
Transition write-down on implementation of EITF 99-20 for interests in securitised financial assets (as explained on schedule 11)	(20)	-
	<u>(368)</u>	<u>(52)</u>
12b Actual investment return on investments less longer-term returns (net of related changes to amortisation of acquisition costs) for the year ended 31 December 2001	<b><u>2001 £m</u></b>	
This comprises:		
Actual less averaged realised gains and losses for fixed maturities [see schedule 10]	(264)	
Actual less longer-term return on equity based investments	(96)	
Realised and unrealised gains on preference shares	6	
Previously unrecognised unrealised appreciation	6	
	<u>(348)</u>	
12c Other general business and shareholders investment gains	<b><u>2001 £m</u></b>	<b><u>2000 £m</u></b>
Current year realised and unrealised gains	(71)	22
Longer-term gains credited to operating result	24	28
Shortfall of current year gains over longer-term gains excluded from operating result but included in profit before tax	<u>(95)</u>	<u>(6)</u>

**2001 Unaudited results****Statutory basis results**

<b>Taxation charge</b>	<b>2001 £m</b>	<b>Restated (note 13e) 2000 £m</b>
<u>Tax charge on operating profit (note 13a)</u>		
Long-term business		
UK Operations (note 13b)	120	125
Jackson National Life (note 13c)	99	161
Prudential Asia (note 13d)	17	8
Prudential Europe (note 13d)	(1)	(2)
	235	292
General insurance and shareholders (note 13b)	(61)	(32)
Total tax on operating profit	174	260
<u>Tax on items not included in operating profits</u>		
Tax on short-term fluctuations in investment returns	(159)	(3)
Tax on profit on Egg flotation and business disposals	-	57
Tax on merger break fee, net of expenses (after utilisation of available capital losses)	6	-
Total tax on items not included in operating profits	(153)	54
Tax on profit on ordinary activities (including tax on actual investment returns)	21	314

**Notes**

- 13a Tax on operating profit based on longer-term investment returns, excluding merger break fee, net of expenses.
- 13b Including tax relief on re-engineering costs
- 13c Excluding tax charge on broker dealer and fund management result
- 13d Including tax relief on development costs where applicable
- 13e Comparatives for the year ended 31 December 2000 have been restated for the implementation of FRS 19 in respect of deferred tax .

Date : 26 February 2002

Schedule 14

**2001 Unaudited results**

<b>Funds under management - summary</b>	<b>2001 £bn</b>	<b>2000 £bn</b>
Business Area		
UK operations	101.1	104.7
US operations	30.3	27.8
Prudential Asia	5.0	3.4
Prudential Europe	0.6	0.6
Retained centrally	0.2	0.2
Total group investments under management (note 14a)	137.2	136.7
External funds	25.6	28.6
Total insurance and investment funds under management	<u>162.8</u>	<u>165.3</u>

Note

14a. As included in the consolidated balance sheet

Date : 26 February 2002

Schedule 15

**2001 Unaudited results**

**Funds under management - analysis by business area**

	Equities		Fixed Income Securities		Land and Buildings		Other Investments		Investments held to cover linked liabilities		Total	
	2001 £bn	2000 £bn	2001 £bn	2000 £bn	2001 £bn	2000 £bn	2001 £bn	2000 £bn	2001 £bn	2000 £bn	2001 £bn	2000 £bn
UK Operations	39.9	50.2	34.9	28.3	10.3	10.1	3.7	2.8	12.3	13.3	101.1	104.7
US Operations (note 15a)	0.2	0.2	21.9	18.9	0.1	0.1	4.6	4.9	3.5	3.7	30.3	27.8
Prudential Asia	0.8	0.8	2.4	1.4	0.1	0.1	0.8	0.5	0.9	0.6	5.0	3.4
Prudential Europe	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.6	0.6	0.6	0.6
Retained centrally	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.2	0.0	0.0	0.2	0.2
<b>Total</b>	<b>40.9</b>	<b>51.2</b>	<b>59.2</b>	<b>48.6</b>	<b>10.5</b>	<b>10.3</b>	<b>9.3</b>	<b>8.4</b>	<b>17.3</b>	<b>18.2</b>	<b>137.2</b>	<b>136.7</b>

**Note**

15a. Fixed income securities for US operations are normally valued at amortised cost. Where declines in fair value are considered to be other than temporary, debt securities are reduced to estimated net realisable value.