

European Embedded Value (EEV) basis results

Condensed consolidated income statement	2008 £m	2007* £m	2007* £m
	Half year	Half year	Full year
Asian operations	579	520	1,103
US operations	360	351	635
UK operations:			
UK insurance operations	504	462	859
M&G	146	140	254
	650	602	1,113
Other income and expenditure	(144)	(155)	(301)
Restructuring costs	(15)	0	(20)
Operating profit from continuing operations based on longer-term investment returns	1,430	1,318	2,530
Short-term fluctuations in investment returns	(1,949)	241	174
Mark to market value movements on core borrowings	171	113	223
Shareholders' share of actuarial gains and losses on defined benefit pension schemes	(98)	39	(5)
Effect of changes in economic assumptions and time value of cost of options and guarantees	(189)	275	748
(Loss) profit from continuing operations before tax (including actual investment returns)	(635)	1,986	3,670
Tax attributable to shareholders' (loss) profit	162	(521)	(927)
(Loss) profit from continuing operations for the period after tax before minority interests	(473)	1,465	2,743
Discontinued operations (net of tax)	–	241	241
(Loss) profit for the period	(473)	1,706	2,984
Attributable to:			
Equity holders of the Company	(475)	1,705	2,963
Minority interests	2	1	21
(Loss) profit for the period	(473)	1,706	2,984

Earnings per share (in pence)	2008	2007*	2007*
	Half year	Half year	Full year
Continuing operations			
From operating profit, based on longer-term investment returns, after related tax and minority interests	41.6p	39.1p	74.5p
Adjustment from post-tax longer-term investment returns to post-tax actual investment returns (after minority interests)	(58.3)p	7.0p	6.1p
Adjustment for effect of mark to market value movements on core borrowings	6.9p	4.6p	9.1p
Adjustment for post-tax effect of shareholders' share of actuarial gains and losses on defined benefit pension schemes	(2.8)p	1.1p	(0.2)p
Adjustment for post-tax effect of changes in economic assumptions and time value of cost of options and guarantees (after minority interests)	(6.7)p	8.2p	21.8p
Based on (loss) profit from continuing operations after tax and minority interests	(19.3)p	60.0p	111.3p
Discontinued operations			
Based on profit from discontinued operations after tax and minority interests	–	9.9p	9.9p
Based on (loss) profit for the period after tax and minority interests	(19.3)p	69.9p	121.2p
Average number of shares (millions)	2,465	2,437	2,445

Dividends per share (in pence)	2008	2007	2007
	Half year	Half year	Full year
Dividends relating to reporting period:			
Interim dividend (2008 and 2007)	5.99p	5.70p	5.70p
Final dividends (2007)	–	–	12.30p
Total	5.99p	5.70p	18.00p
Dividends declared and paid in reporting period:			
Current year interim dividend	–	–	5.70p
Final dividend for prior year	12.30p	11.72p	11.72p
Total	12.30p	11.72p	17.42p

*See note 10.

Operating profit from continuing operations based on longer-term investment returns*

Results analysis by business area

	2008 £m	2007 £m	2007 £m	2007 £m
	Half year	CER** Half year	RER** Half year	RER** Full year
Asian operations				
New business	336	291	282	653
Business in force	217	219	211	393
Long-term business	553	510	493	1,046
Asset management	29	34	33	72
Development expenses	(3)	(6)	(6)	(15)
Total	579	538	520	1,103
US operations				
New business	137	144	144	285
Business in force	217	200	200	342
Long-term business	354	344	344	627
Broker-dealer and asset management	6	9	9	13
Curian	0	(2)	(2)	(5)
Total	360	351	351	635
UK operations				
New business	129	108	108	277
Business in force	375	354	354	582
Long-term business	504	462	462	859
M&G	146	140	140	254
Total	650	602	602	1,113
Other income and expenditure				
Investment return and other income	38	13	13	45
Interest payable on core structural borrowings	(82)	(88)	(88)	(168)
Corporate expenditure:				
Group Head Office	(79)	(58)	(58)	(129)
Asia Regional Head Office	(17)	(17)	(17)	(38)
Charge for share-based payments for Prudential schemes	(4)	(5)	(5)	(11)
Total	(144)	(155)	(155)	(301)
Restructuring costs	(15)	0	0	(20)
Operating profit from continuing operations based on longer-term investment returns	1,430	1,336	1,318	2,530
Analysed as profits (losses) from:				
New business	602	543	534	1,215
Business in force	809	773	765	1,317
Long-term business	1,411	1,316	1,299	2,532
Asset management	181	181	180	334
Other results	(162)	(161)	(161)	(336)
Total	1,430	1,336	1,318	2,530

* EEV basis operating profit from continuing operations based on longer-term investment returns excludes short-term fluctuations in investment returns, the mark to market value movements on core borrowings, the shareholders' share of actuarial gains and losses on defined benefit pension schemes, the effect of changes in economic assumptions and changes in the time value of cost of options and guarantees arising from changes in economic factors. The amounts for these items are included in EEV profit attributable to shareholders. The directors believe that operating profit, as adjusted for these items, better reflects underlying performance. Profit before tax and basic earnings per share include these items together with actual investment returns. This basis of presentation has been adopted consistently throughout these statements.

** The comparative results analysis by business area using previously Reported Exchange Rates (RER), after adjusting for the change in accounting policy for pension schemes, are as shown above. Also, to enable consistency with the basis of presentation of the Operating and Financial Review for profit items, additional half-year 2007 comparative results on a Constant Exchange Rates (CER) basis, calculated by applying average exchange rates for the six months to 30 June 2008 are provided above.

European Embedded Value (EEV) basis results

continued

Movement in shareholders' equity (excluding minority interests)

	2008 £m	2007* £m	2007* £m
	Half year	Half year	Full year
(Loss) profit for the period attributable to equity shareholders	(475)	1,705	2,963
Items taken directly to equity:			
Exchange movements	35	(65)	64
Unrealised valuation movements on securities classified as available-for-sale of discontinued banking operations	–	(2)	(2)
Movement on cash flow hedges	–	(3)	(3)
Related tax	14	(11)	3
Dividends	(304)	(288)	(426)
New share capital subscribed	137	117	182
Reserve movements in respect of share-based payments	14	9	18
Treasury shares:			
Movement in own shares in respect of share-based payment plans	6	11	7
Movement on Prudential plc shares purchased by unit trusts consolidated under IFRS	(8)	1	4
Mark to market value movements on Jackson assets backing surplus and required capital ^{note 2}	(42)	(15)	(13)
Net (decrease) increase in shareholders' equity	(623)	1,459	2,797
Shareholders' equity at beginning of period (excluding minority interests)			
— As previously reported	14,779	11,883	11,883
— Effect of accounting policy change for pension schemes ^{note 10}	(179)	(80)	(80)
— After change in accounting policy	14,600	11,803	11,803
Shareholders' equity at end of period (excluding minority interests)	13,977	13,262	14,600
Comprising:			
Asian operations:			
Net assets	3,831	3,012	3,837
Acquired goodwill	172	172	172
	4,003	3,184	4,009
US operations	3,709	3,544	3,686
UK operations:			
Long-term business	5,956	6,308	6,497
M&G:			
Net assets	193	287	271
Acquired goodwill	1,153	1,153	1,153
	7,302	7,748	7,921
Other operations:			
Holding company net borrowings at market value ^{note 9}	(702)	(811)	(873)
Other net liabilities	(335)	(403)	(143)
Shareholders' equity at end of period (excluding minority interests)	13,977	13,262	14,600

* See note 10.

Summarised consolidated balance sheet

	2008 £m 30 Jun	2007** £m 30 Jun	2007** £m 31 Dec
Total assets less liabilities, excluding insurance funds	186,254	189,129	195,628
Less insurance funds*:			
Policyholder liabilities (net of reinsurers' share) and unallocated surplus of with-profits funds	(180,702)	(183,342)	(189,566)
Less shareholders' accrued interest in the long-term business	8,425	7,475	8,538
	(172,277)	(175,867)	(181,028)
Total net assets	13,977	13,262	14,600
Share capital	124	123	123
Share premium	1,838	1,823	1,828
IFRS basis shareholders' reserves	3,590	3,841	4,111
Total IFRS basis shareholders' equity	5,552	5,787	6,062
Additional EEV basis retained profit	8,425	7,475	8,538
Shareholders' equity (excluding minority interests)	13,977	13,262	14,600

* Including liabilities in respect of insurance products classified as investment contracts under IFRS 4.

** See note 10.

Net asset value per share (in pence)

	2008 30 Jun	2007 30 Jun	2007 31 Dec
Based on EEV basis shareholders' equity of £13,977m (£13,262m, £14,600m)	561p	539p	591p
Number of issued shares at end of reporting period (millions)	2,491	2,460	2,470

Notes on the EEV basis results

1 Basis of preparation of results

The EEV basis results have been prepared in accordance with the EEV Principles issued by the CFO Forum of European Insurance Companies in May 2004. Where appropriate the EEV basis results include the effects of adoption of International Financial Reporting Standards (IFRS).

The EEV results for the Group are prepared for 'covered business', as defined by the EEV Principles. Covered business represents the Group's long-term insurance business, for which the value of new and in-force contracts is attributable to shareholders. The EEV basis results for the Group's covered business are then combined with the IFRS basis results of the Group's other operations.

The definition of long-term business operations is consistent with previous practice and comprises those contracts falling under the definition of long-term insurance business for regulatory purposes together with, for US operations, contracts that are in substance the same as guaranteed investment contracts (GICs) but do not fall within the technical definition. Under the EEV Principles, the results for covered business incorporate the projected margins of attaching internal asset management.

With two principal exceptions, covered business comprises the Group's long-term business operations. The principal exceptions are for the closed Scottish Amicable Insurance Fund (SAIF) and for the presentational treatment of the financial position of two of the Group's defined benefit pension schemes. A very small amount of UK group pensions business is also not modelled for EEV reporting purposes.

SAIF is a ring-fenced sub-fund of the Prudential Assurance Company (PAC) long-term fund, established by a Court approved Scheme of Arrangement in October 1997. SAIF is closed to new business and the assets and liabilities of the fund are wholly attributable to the policyholders of the fund.

As regards the Group's defined benefit pension schemes, the liabilities attaching to the Prudential Staff Pension Scheme (PSPS) and Scottish Amicable Pension Scheme are excluded from the EEV value of UK operations and included in the total for Other operations. The amounts are partially attributable to the PAC with-profits fund and shareholder-backed long-term business and partially to other parts of the Group. In addition to the amounts recognised as attributable to shareholders under IFRS, 10 per cent of the amounts attributable to the PAC with-profits fund are recognised for EEV reporting purposes.

The directors are responsible for the preparation of the supplementary information in accordance with the EEV Principles.

The EEV basis results for the 2008 and 2007 half years are unaudited. Except for the change in accounting policy to reflect the principles of IFRIC 14 for pension schemes, as explained in note 10, the 2007 full year results have been derived from the EEV basis results supplement to the Company's statutory accounts for 2007. The supplement included an unqualified audit report from the auditors.

2 Methodology

Embedded value

Overview

The embedded value is the present value of the shareholders' interest in the earnings distributable from assets allocated to covered business after sufficient allowance has been made for the aggregate risks in that business. The shareholders' interest in the Group's long-term business comprises:

- present value of future shareholder cash flows from in-force covered business (value of in-force business), less a deduction for the cost of locked-in (encumbered) capital;
- locked-in (encumbered) capital; and
- shareholders' net worth in excess of encumbered capital

The value of future new business is excluded from the embedded value. In determining the embedded value or the profit before tax, no smoothing of market account balance values, unrealised gains or investment returns is applied. Separately, the analysis of profit is delineated between operating profit based on longer-term investment returns and other constituent items.

Jackson debt securities

With the exception of debt securities held by Jackson, investment gains and losses during the period (to the extent that changes in capital values do not directly match changes in liabilities) are included directly in the profit for the period and shareholders' funds as they arise.

The results for any covered business conceptually reflects the aggregate of the IFRS results and the movements on the additional shareholders' interest recognised on the EEV basis. Thus the start point for the calculation of the EEV results for Jackson, as for other businesses, reflects the market value movements recognised on the IFRS basis.

However, in determining the movements on the additional shareholders' interest, the basis for calculating the Jackson EEV result acknowledges that for debt securities backing liabilities, the aggregate EEV results reflect the fact that the value of in-force business instead incorporates the discounted value of future spread earnings. This value is not affected generally by short-term market movements on securities that are, broadly speaking, held with the intent and ability to be retained for the longer term.

Fixed income securities backing the free surplus and required capital are accounted for at fair value. However, consistent with the treatment applied under IFRS for securities classified as available-for-sale, movements in unrealised appreciation on these securities are accounted for in equity rather than in the income statement, as shown in the movement in shareholders' equity.

3 Economic assumptions

a Deterministic assumptions

In most countries, the long-term expected rates of return on investments and risk discount rates are set by reference to period end rates of return on cash or fixed interest securities. Except in respect of the projected returns on holdings of Asian debt and equity securities for those countries where long-term fixed interest markets are less established, the 'active' basis of assumption setting has been applied in preparing the results of all the Group's US and UK long-term business operations. For the Group's Asian operations, the active basis is appropriate for business written in Japan, Korea and US dollar denominated business written in Hong Kong.

For countries where long-term fixed interest markets are less established, investment return assumptions and risk discount rates are 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. Similarly, the projected returns on holdings of Asian securities in these territories by other Group businesses are set on the same basis.

Expected returns on equity and property asset classes in respect of each territory are derived by adding a risk premium, also based on the long-term view of Prudential's economists, to the risk-free rate. In Asia, equity risk premiums range from 3.0 per cent to 6.0 per cent (half year 2007: 3.0 per cent to 5.8 per cent, full year 2007: 3.0 per cent to 6.0 per cent). In the US and the UK, the equity risk premium is 4.0 per cent above risk-free rates for all periods for which results are prepared in this report.

Assumed investment returns reflect the expected future returns on the assets held and allocated to the covered business at the valuation date.

The tables below summarise the principal financial assumptions:

Asian operations

	30 Jun 2008 %											
	Hong Kong notes iii, iv,v		India	Indonesia	Japan	Korea	Malaysia notes iv,v		Singapore notes iv,v	Taiwan notes ii,v	Thailand	Vietnam
	China						Philippines					
Risk discount rate:												
New business	11.75	5.5	15.75	16.75	5.3	10.1	9.2	15.75	6.3	9.2	13.0	16.75
In force	11.75	5.6	15.75	16.75	5.3	10.1	9.2	15.75	6.7	9.6	13.0	16.75
Expected long-term rate of inflation	4.0	2.25	5.0	6.0	0.7	2.75	2.75	5.0	1.75	2.25	3.0	6.0
Government bond yield	8.25	3.9	9.25	10.25	2.15	6.1	6.5	9.25	4.25	5.5	6.75	10.25

	30 Jun 2007 %											
	Hong Kong notes iii, iv,v		India	Indonesia	Japan	Korea	Malaysia notes iv,v		Singapore notes iv,v	Taiwan notes ii,v	Thailand	Vietnam
	China						Philippines					
Risk discount rate:												
New business	12.0	6.5	16.5	17.5	5.3	10.1	9.7	16.5	7.1	8.6	13.75	16.5
In force	12.0	6.7	16.5	17.5	5.3	10.1	9.3	16.5	6.3	9.3	13.75	16.5
Expected long-term rate of inflation	4.0	2.25	5.5	6.5	0.0	2.75	3.0	5.5	1.75	2.25	3.75	5.5
Government bond yield	9.0	5.1	10.5	11.5	2.2	5.6	7.0	10.5	4.5	5.5	7.75	10.5

	31 Dec 2007 %											
	Hong Kong notes iii, iv,v		India	Indonesia	Japan	Korea	Malaysia notes iv,v		Singapore notes iv,v	Taiwan notes ii,v	Thailand	Vietnam
	China						Philippines					
Risk discount rate:												
New business	11.75	5.7	15.75	16.75	5.1	9.7	9.3	15.75	6.4	9.1	13.0	16.75
In force	11.75	6.0	15.75	16.75	5.1	9.7	9.1	15.75	6.8	9.8	13.0	16.75
Expected long-term rate of inflation	4.0	2.25	5.0	6.0	0.0	2.75	2.75	5.0	1.75	2.25	3.0	6.0
Government bond yield	8.25	4.1	9.25	10.25	2.0	5.8	6.5	9.25	4.25	5.5	6.75	10.25

Notes on the EEV basis results

continued

3 Economic assumptions continued

	2008 %	2007 %	2007 %
	Asia total 30 Jun	Asia total 30 Jun	Asia total 31 Dec
Weighted risk discount rate ^{note i}			
New business	9.8	10.1	9.5
In force	8.8	8.7	8.7

Notes

Asian operations – economic assumptions

- i The weighted risk discount rates for Asian operations shown above have been determined by weighting each country's risk discount rates by reference to the EEV basis operating result for new business and the closing value of in-force business.
- ii For traditional business in Taiwan, the economic scenarios used to calculate the half year 2008, half year 2007 and full year 2007 EEV basis results reflect the assumption of a phased progression of the bond yields from the current rates applying to the assets held to the long-term expected rates. The projections assume that in the average scenario, the current bond yields of around 2.7 per cent trend towards 5.5 per cent at 31 December 2013 (half year and full year 2007: around 2.5 per cent trend towards 5.5 per cent at 31 December 2013). The projections for the Fund Earned Rate reflect the same approach as applied for half year and full year 2007 results with allowance made for the mix of assets in the fund, future investment strategy and further market depreciation of bonds held as a result of assumed future yield increases. The projections for the Fund Earned Rate alter for changes to these factors and the effects of movements in interest rates from period to period. After taking into account current bond yields, the assumption of the phased progression in bond yields and the factors described above, the average assumed Fund Earned Rate falls from 3.3 per cent for 2008 to 0.5 per cent in 2009 and remains below 3.3 per cent until 2012 (due to the depreciation of bond values as yields rise) and fluctuates around a target of 6.5 per cent after 2013. Consistent with EEV methodology, a constant discount rate has been applied to the projected cash flows.
- iii The assumptions shown are for US dollar denominated business which comprises the largest proportion of the in-force Hong Kong business.
- iv The mean equity return assumptions for the most significant equity holdings in the Asian operations were:

	2008 %	2007 %	2007 %
	30 Jun	30 Jun	31 Dec
Hong Kong	7.9	9.1	8.1
Malaysia	12.5	12.8	12.5
Singapore	9.3	9.3	9.3

To obtain the mean, an average over all simulations of the accumulated return at the end of the projection period is calculated. The annual average return is then calculated by taking the root of the average accumulated return minus 1.

- v For half year 2008 and full year 2007, cash rates were used in setting the risk discount rates for Malaysia, Singapore, Taiwan and for Hong Kong dollar denominated business. For half year 2007, cash rates were used in setting the risk discount rates for these operations and for all Hong Kong business (ie. including US dollar denominated business).

US operations (Jackson)

	2008 %	2007 %	2007 %
	30 Jun	30 Jun	31 Dec
Risk discount rate* :			
New business	6.9	7.9	7.0
In force	5.9	7.3	6.0
Expected long-term spread between earned rate and rate credited to policyholders for single premium deferred annuity business	1.75	1.75	1.75
US 10-year treasury bond rate at end of period	4.0	5.1	4.1
Pre-tax expected long-term nominal rate of return for US equities	8.0	9.1	8.1
Expected long-term rate of inflation	2.6	2.4	2.4

*The risk discount rates at 30 June 2008 for new business and business in force for US operations reflect weighted rates based on underlying rates of 8.1 per cent for variable annuity business and 4.8 per cent for other business.

3 Economic assumptions continued

UK insurance operations

	2008 %	2007 %	2007 %
	30 Jun	30 Jun	31 Dec
Risk discount rate: ^{notes i and iv}			
New business	8.7	8.7	7.3
In force	8.6	8.6	7.85
Pre-tax expected long-term nominal rates of investment return:			
UK equities	9.2	9.3	8.55
Overseas equities	8.0 to 10.2	9.1 to 10.6	8.1 to 10.2
Property	7.4	7.8	6.8
Gilts	5.2	5.3	4.55
Corporate bonds – with-profits funds ^{notes ii, iv and v}	6.9	6.0	6.0
– other business (excluding annuities)	6.9	6.0	6.25
Expected long-term rate of inflation	4.1	3.1	3.2
Post-tax expected long-term nominal rate of return for the PAC with-profits fund:			
Pension business (where no tax applies)	8.3	8.3	7.85
Life business	7.4	7.4	6.9
Pre-tax expected long-term nominal rate of return for annuity business: ^{note iii}			
Fixed annuities	6.0 to 6.2	5.6 to 5.7	5.4 to 5.6
Linked annuities	5.6 to 5.9	5.2 to 5.4	5.0 to 5.2

Notes

- i The risk discount rates for new business and business in force for UK insurance operations reflect weighted rates based on the type of business.
- ii To take account of the current exceptional fixed interest market conditions, the assumed long-term rate of return for corporate bonds for half year 2008 for with-profits business has been determined by reference to observed credit spreads at 31 December 2007 rather than 30 June 2008.
- iii The pre-tax rates of return for annuity business are based on the gross redemption yield on the backing assets net of a best estimate allowance for future defaults. The range of rates reflects the underlying assets of the portfolios for Prudential Retirement Income Limited (PRIL) and Prudential Annuities Limited, which is a subsidiary of the PAC with-profits fund.
- iv Credit spread treatment
- For with-profits business, the embedded value reflects the discounted value of future shareholder transfers. These transfers are directly affected by the level of projected rates of return on investments, including debt securities. Given the current exceptional fixed interest market conditions, and the company's expectation that the widening of credit spreads observed in the first half of 2008 will not be maintained, the Company considers that it is most appropriate to assume an unchanged level of credit spreads, an unchanged level of longer-term default allowance and an unchanged risk discount rate methodology relative to those used at 31 December 2007.
- For UK Annuity business, different dynamics apply both in terms of the nature of the business and the EEV methodology applied. For this type of business the assets are generally held to maturity to match long duration liabilities. It is therefore appropriate under EEV methodology to include a liquidity premium in the risk discount rate used. The appropriate EEV risk discount rate is set in order to equate the EEV with a 'market consistent embedded value' including liquidity premium. The liquidity premium is derived from the yield on the assets held after deducting an appropriate allowance for credit risk. The allowance for credit risk at 30 June 2008 is made up of:
- sixteen bps in respect of long-term expected defaults; this is derived by applying Moody's data from 1970 onwards uplifted by between 100 per cent (B) and 200 per cent (AAA) according to credit rating, to PRIL's asset portfolio.
 - eight bps in respect of long-term credit risk premium; this is derived by applying the 95th worst percentile from Moody's data from 1970 onwards, to PRIL's asset portfolio.
 - nineteen bps in respect of credit contingency reserve; this is taken to be 25 per cent of the increase in credit spreads over swaps that has occurred since 31 December 2006. The 25 per cent proportion was calculated at 31 December 2007 as being financially equivalent to a one notch downgrading of all of PRIL's assets, the notches being AAA, AA, A, BBB+, BBB, BBB-, BB.
- Pillar I reserves are calculated using a similar allowance for credit risk. The credit contingency reserve is intended to allow for the short-term increase in credit spreads, and it is assumed for EEV reporting that it will be released in the short term, so having no cost of capital.
- The overall allowance for credit risk is prudent by comparison with historic rates of default. The resulting liquidity premium is 101 bps over gilts for fixed annuities and 60 bps over gilts for inflation-linked annuities.
- v The assumed long-term rate for corporate bonds for full year 2007 for with-profits business was determined after taking account of the purchase of credit default swaps.

b Stochastic assumptions

The economic assumptions used for the stochastic calculations are consistent with those used for the deterministic calculations described above. Assumptions specific to the stochastic calculations, such as the volatilities of asset returns, reflect local market conditions and are based on a combination of actual market data, historic market data and an assessment of longer-term economic conditions. Common principles have been adopted across the Group for the stochastic asset models, for example, separate modelling of individual asset classes but with allowance for correlation between the various asset classes.

Details are given overleaf of the key characteristics and calibrations of each model.

Notes on the EEV basis results

continued

3 Economic assumptions continued

Asian operations

The same asset return models as used in the UK, appropriately calibrated, have been used for the Asian operations as described for UK insurance operations below. The principal asset classes are government and corporate bonds. Equity holdings are much lower than in the UK whilst property holdings do not represent a significant investment asset.

The stochastic cost of guarantees is primarily only of significance for the Hong Kong, Malaysia, Singapore and Taiwan operations.

The mean stochastic returns are consistent with the mean deterministic returns for each country. The expected volatility of equity returns ranges from 18 per cent to 25 per cent across all reporting periods and the volatility of government bond yields ranges from 1.2 per cent to 2.5 per cent (half year 2007: 1.4 per cent to 2.5 per cent, full year 2007: 1.3 per cent to 2.5 per cent).

US operations (Jackson)

- Interest rates are projected using a log-normal generator calibrated to actual market data;
- Corporate bond returns are based on Treasury securities plus a spread that has been calibrated to current market conditions and varies by credit quality; and
- Variable annuity equity and bond returns have been stochastically generated using a regime-switching log-normal model with parameters determined by reference to historical data. The volatility of equity fund returns ranges from 18.6 per cent to 28.1 per cent (half year 2007: 19.2 per cent to 28.6 per cent, full year 2007: 18.6 per cent to 28.1 per cent) depending on risk class, and the standard deviation of bond returns ranges from 1.4 per cent to 1.6 per cent (half year 2007: 1.4 per cent to 2.0 per cent, full year 2007: 1.4 per cent to 1.7 per cent).

UK insurance operations

- Interest rates are projected using a two-factor model calibrated to actual market data;
- The risk premium on equity assets is assumed to follow a log-normal distribution;
- The corporate bond return is calculated as the return on a zero-coupon bond plus a spread. The spread process is a mean reverting stochastic process; and
- Property returns are modelled in a similar fashion to corporate bonds, namely as the return on a riskless bond, plus a risk premium, plus a process representative of the change in residual values and the change in value of the call option on rents.

Mean returns have been derived as the annualised arithmetic average return across all simulations and durations.

For each projection year, standard deviations have been calculated by taking the square root of the annualised variance of the returns over all the simulations. These have been averaged over all durations in the projection. For equity and property, the standard deviations relate to the total return on these assets. The standard deviations applied to all periods are as follows:

	%
Equities:	
UK	18.0
Overseas	16.0
Property	15.0

4 Level of encumbered capital

In adopting the EEV Principles, Prudential has based encumbered capital on its internal targets for economic capital subject to it being at least the local statutory minimum requirements. Economic capital is assessed using internal models but, when applying the EEV principles, Prudential does not take credit for the significant diversification benefits that exist within the Group. For with-profits business written in a segregated life fund, as is the case in Asia and the UK, the capital available in the fund is sufficient to meet the encumbered capital requirements.

- Asian operations: the economic capital requirement is substantially higher than local statutory requirements in total. Economic capital requirements vary by territory, but in aggregate, the encumbered capital is broadly equivalent to the amount required under the Insurance Groups Directive (IGD).
- US operations: the level of encumbered capital has been set to an amount at least equal to 235 per cent of the risk-based capital required by the National Association of Insurance Commissioners (NAIC) at the Company Action Level (CAL), which is sufficient to meet the economic capital requirement.
- UK insurance operations: the economic capital requirements for annuity business are fully met by Pillar I requirements being four per cent of mathematical reserves, which are also sufficient to meet Pillar II requirements.

5 Margins on new business premiums

	Period ended 30 Jun 2008 £m					2008 %	
	New business premiums		Annual premium and contribution equivalents (APE)	Present value of new business premiums (PVNBP)	Pre-tax new business contribution	New business margin	
	Single	Regular				(APE)	(PVNBP)
Asian operations	1,037	623	727	3,864	336	46	8.7
US operations	3,453	11	356	3,537	137	38	3.9
UK insurance operations	3,125	117	430	3,585	129	30	3.6
Total	7,615	751	1,513	10,986	602	40	5.5

	Period ended 30 Jun 2007 £m (CER)					2007 %	
	New business premiums		Annual premium and contribution equivalents (APE)	Present value of new business premiums (PVNBP)	Pre-tax new business contribution	New business margin	
	Single	Regular				(APE)	(PVNBP)
Asian operations	828	556	639	3,397	291	46	8.6
US operations	3,418	9	351	3,483	144	41	4.1
UK insurance operations	2,441	119	363	2,905	108	30	3.7
Total	6,687	684	1,353	9,785	543	40	5.5

	Period ended 30 Jun 2007 £m (RER)					2007 %	
	New business premiums		Annual premium and contribution equivalents (APE)	Present value of new business premiums (PVNBP)	Pre-tax new business contribution	New business margin	
	Single	Regular				(APE)	(PVNBP)
Asian operations	784	541	619	3,286	282	46	8.6
US operations	3,425	9	352	3,490	144	41	4.1
UK insurance operations	2,441	119	363	2,905	108	30	3.7
Total	6,650	669	1,334	9,681	534	40	5.5

	Year ended 31 Dec 2007 £m (RER)					2007 %	
	New business premiums		Annual premium and contribution equivalents (APE)	Present value of new business premiums (PVNBP)	Pre-tax new business contribution	New business margin	
	Single	Regular				(APE)	(PVNBP)
Asian operations	1,820	1,124	1,306	7,007	653	50	9.3
US operations	6,515	19	671	6,666	285	42	4.3
UK insurance operations	6,632	234	897	7,629	277	31	3.6
Total	14,967	1,377	2,874	21,302	1,215	42	5.7

New business margins are shown on two bases, namely the margins by reference to Annual Premium and Contribution Equivalents (APE) and the Present Value of New Business Premiums (PVNBP). APEs are calculated as the aggregate of regular new business amounts and one-tenth of single new business amounts. PVNBPs are calculated as equalling single premiums plus the present value of expected premiums of new regular premium business, allowing for lapses and other assumptions made in determining the EEV new business contribution.

The table of new business premiums and margins above excludes SAIF Department of Work and Pensions rebate premiums.

In determining the EEV basis value of new business written in the period the policies incept, premiums are included in projected cash flows on the same basis of distinguishing annual and single premium business as set out for statutory basis reporting.

New business contributions represent profits determined by applying the economic and non-economic assumptions as at the end of the reporting period.

Notes on the EEV basis results

continued

6 Short-term fluctuations in investments returns

	2008 £m	2007 £m	2007 £m
	Half year	Half year	Full year
Insurance operations:			
Asia ^{note i}	(536)	54	226
US ^{note ii}	(297)	68	(9)
UK ^{note iii}	(959)	98	(42)
Other ^{note iv}	(157)	21	(1)
Total	(1,949)	241	174

Notes

- i The short-term fluctuations in investment returns for Asian operations of £(536) million for half year 2008 principally arose in Vietnam of £(151) million, Singapore of £(103) million, Taiwan of £(84) million and Hong Kong of £(59) million. For Vietnam, the negative short-term fluctuation reflects the substantial falls in equity and bond markets. The short-term fluctuation in Taiwan principally reflects the equity market fall and a £29 million value reduction for an investment in a CDO fund. For Singapore and Hong Kong, the short-term fluctuations reflect the effect of equity market falls on unit-linked and with-profit business. For unit-linked business, the short-term fluctuation in investment returns reflects the reduction in the value of the asset base and the consequent effect on the projection of future management fees. For with-profits business, the short-term fluctuation reflects the difference between the shareholders' 10 per cent interest in the value movements on the assets and the unwind of discount on the opening shareholders' interest in the surplus.
- ii The short-term fluctuations in investment returns for US operations primarily reflect the impact of impairment losses on debt securities and the effects on the value of variable annuity business of adverse movements in US equity markets. The fluctuations for US operations comprise the following items:

	2008 £m	2007 £m	2007 £m
	Half year	Half year	Full year
Realised impairment losses:			
Actual	(108)	(19)	(78)
Less: Risk margin charge included in operating profit	23	24	48
	(85)	5	(30)
Loss due to changed expectation of profits from fees on in-force variable annuity business in future periods based on current period equity returns, net of related hedging activity*	(138)	30	(16)
Actual less longer-term return on equity-type securities	(43)	45	51
Other	(31)	(12)	(14)
	(297)	68	(9)

*This adjustment arises due to the market returns being lower or higher than the assumed longer-term rate of return. This gives rise to lower or higher than expected period end values of variable annuity assets under management, with a resulting effect on the projected value of future account values and hence future profitability from altered fees. For half year 2008 market returns were (9.1) per cent compared to the assumed longer-term rate of return of 3.8 per cent.

- iii The charge for short-term fluctuations in investment returns for UK insurance operations comprise £855 million relating to the PAC with-profits fund and £104 million relating to shareholder-backed business. For with-profits business, the short-term fluctuation reflects the difference between the shareholders' 10 per cent interest in the value movements on the assets and the unwind of discount on the opening shareholders' interest in the surplus. For half year 2008 the actual investment return was (6.8) per cent compared to a gross long-term assumed rate for the first six months of 4.1 per cent.
- iv The short-term fluctuations for Other are explained in note D(i) in the IFRS basis financial statements contained in this announcement.

7 Effect of changes in economic assumptions and time value of cost of options and guarantees

The (losses) profits on changes in economic assumptions and time value of cost of options and guarantees resulting from changes in economic factors for in-force business included within the (loss) profit from continuing operations before tax (including actual investment returns) arise as follows:

	Half year 2008 £m			Half year 2007 £m			Full year 2007 £m		
	Change in economic assumptions	Change in time value of cost of options and guarantees	Total	Change in economic assumptions	Change in time value of cost of options and guarantees	Total	Change in economic assumptions	Change in time value of cost of options and guarantees	Total
Asian operations ^{note i}	(120)	(14)	(134)	18	(1)	17	201	9	210
US operations ^{note ii}	23	2	25	(46)	8	(38)	81	8	89
UK insurance operations ^{note iii}	(78)	(2)	(80)	281	15	296	466	(17)	449
Total	(175)	(14)	(189)	253	22	275	748	0	748

Notes

- The effect of changes in economic assumptions for Asian operations of a charge of £(120) million for half year 2008 arises principally in Taiwan of £(87) million, reflecting the increased cost of a higher economic capital requirement, which results from an increased weighting of the projected asset mix toward bonds with a longer duration and a resulting impact on volatility of returns.
- The effect of changes in economic assumptions for US operations of a credit of £23 million for half year 2008 principally reflect a change in assumption to allow for the widening of credit spreads during the first half of 2008. The higher credit spreads allow for higher reinvestment and credited rates over time, maintaining spread, but reducing cost of guarantees as the credited rates move further away from minimum guaranteed levels.
- The effect of changes in economic assumptions for UK insurance operations for half year 2008 reflects the maintenance of credit spreads as described in note 3a(iv) for the PAC with-profits fund. The charge of £(78) million reflects movements in assumed fund earned rates and risk discount rates, principally arising from the 0.65 per cent increase in gilt rates and other minor adjustments.

8 Taiwan – effect of altered economic assumptions and sensitivity of results to future market conditions

For the half year 2008 results, as explained in note 3a(ii), the expected long-term bond yield has been maintained at 5.5 per cent to be achieved by 31 December 2013.

The sensitivity of the embedded value at 30 June 2008 of the Taiwan operation to altered economic assumptions and future market conditions to:

- a one per cent increase or decrease in the projected long-term bond yield (including all consequential changes to investment returns for all classes, market values of fixed interest assets and risk discount rates), is an increase (decrease) of £58 million and £(96) million respectively (half year 2007: £83 million and £(134) million, full year 2007: £67 million and £(91) million); and
- a one per cent increase or decrease in the starting bond rate for the progression to the assumed long-term rate is an increase (decrease) of £94 million and £(71) million respectively (half year 2007: £92 million and £(100) million, full year 2007: £73 million and £(57) million).

If it had been assumed in preparing the half year 2008 results that interest rates remained at the current level of around 2.7 per cent until 31 December 2009 and the progression period in bond yields was delayed by a year so as to end on 31 December 2014, there would have been a reduction in the Taiwan embedded value of £(61) million.

9 Holding company net borrowings at market value

Holding company net borrowings at market value comprise:

	2008 £m	2007 £m	2007 £m
	30 Jun	RER 30 Jun	RER 31 Dec
Holding company borrowings:			
IFRS basis	(2,401)	(2,289)	(2,367)
Mark to market value adjustment	201	(68)	38
EEV basis	(2,200)	(2,357)	(2,329)
Holding company* cash and short-term investments	1,498	1,546	1,456
Holding company net borrowings	(702)	(811)	(873)

*Including central finance subsidiaries.

Notes on the EEV basis results

continued

10 Adoption of altered policy for pension schemes to reflect the principles of IFRIC 14

To provide consistency, the EEV basis results reflect the altered IFRS policy for pension schemes to reflect the principles of IFRIC 14. The impact of the change is as follows:

	Half year 2008 £m			Half year 2007 £m			Full year 2007 £m		
	Previous basis	Effect of change	Revised basis	As published	Effect of change	After change	As published	Effect of change	After change
Operating profit from continuing operations based on longer-term investment returns	1,448	(18)	1,430	1,326	(8)	1,318	2,542	(12)	2,530
Short-term fluctuations in investment returns	(1,949)		(1,949)	241		241	174		174
Mark to market value movements on core borrowings	171		171	113		113	223		223
Shareholders' share of actuarial gains and losses on defined benefit pension schemes	(209)	111	(98)	125	(86)	39	116	(121)	(5)
Effect of changes in economic assumptions and time value of cost of options and guarantees	(189)		(189)	275		275	748		748
(Loss) profit before tax	(728)	93	(635)	2,080	(94)	1,986	3,803	(133)	3,670
Tax	188	(26)	162	(545)	24	(521)	(961)	34	(927)
(Loss) profit after tax	(540)	67	(473)	1,535	(70)	1,465	2,842	(99)	2,743
Discontinued operations				241		241	241		241
Less minority interests	(2)		(2)	(1)		(1)	(21)		(21)
(Loss) profit for the period	(542)	67	(475)	1,775	(70)	1,705	3,062	(99)	2,963
Other movements in reserves	(148)		(148)	(246)		(246)	(166)		(166)
Shareholders' equity at the beginning of the period	14,779	(179)	14,600	11,883	(80)	11,803	11,883	(80)	11,803
Shareholders' equity at the end of the period	14,089	(112)	13,977	13,412	(150)	13,262	14,779	(179)	14,600

The changes reflect the aggregate of those under IFRS, as shown in note O to the Group IFRS financial statements, and the shareholders' 10 per cent interest in the PAC with-profits element of the effect of the change in accounting policy reflected under EEV reporting.

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Total insurance and investment products new business

Insurance products and investment products (note i)

	Insurance products			Investment products			Total		
	Half year 2008 £m	Half year 2007 £m	Full year 2007 £m	Half year 2008 £m	Half year 2007 £m	Full year 2007 £m	Half year 2008 £m	Half year 2007 £m	Full year 2007 £m
Asian operations	1,660	1,325	2,944	22,843	17,471	38,954	24,503	18,796	41,898
US operations	3,464	3,434	6,534	27	19	60	3,491	3,453	6,594
UK operations	3,242	2,560	6,866	7,491	7,519	14,745	10,733	10,079	21,611
Group total	8,366	7,319	16,344	30,361	25,009	53,759	38,727	32,328	70,103

Insurance products – new business premiums and contributions (note i)

	Single			Regular			Annual Premium and Contribution Equivalents (APE)			Present Value of New Business Premiums (PVNBP)		
	2008 £m	2007 £m	2007 £m	2008 £m	2007 £m	2007 £m	2008 £m	2007 £m	2007 £m	2008 £m	2007 £m	2007 £m
	Half year	Half year	Full year	Half year	Half year	Full year	Half year	Half year	Full year	Half year	Half year	Full year
Asian operations												
China ^{note iv}	35	19	72	15	20	40	18	22	47	111	112	268
Hong Kong	346	199	501	78	54	117	113	74	167	834	493	1,196
India (Group's 26% interest)	40	16	26	122	81	177	126	83	180	450	340	728
Indonesia	68	35	118	81	43	109	88	46	121	336	178	494
Japan	68	52	122	21	11	22	28	16	34	163	97	214
Korea	50	72	179	118	113	241	123	120	259	594	608	1,267
Malaysia	14	9	41	38	32	78	39	33	82	225	186	472
Singapore	276	306	593	37	30	67	65	61	126	547	484	1,047
Taiwan	130	63	132	84	136	218	97	142	231	507	711	1,121
Other	10	13	36	29	21	55	30	22	59	97	77	200
Total Asian operations	1,037	784	1,820	623	541	1,124	727	619	1,306	3,864	3,286	7,007
US operations												
Fixed annuities	635	291	573	–	–	–	63	29	57	635	291	573
Fixed index annuities	196	220	446	–	–	–	20	22	45	196	220	446
Variable annuities	1,797	2,243	4,554	–	–	–	180	224	455	1,797	2,243	4,554
Life	4	3	7	11	9	19	11	10	20	88	68	158
Guaranteed Investment Contracts	505	133	408	–	–	–	50	13	41	505	133	408
GIC-Medium Term Notes	316	535	527	–	–	–	32	54	53	316	535	527
Total US operations	3,453	3,425	6,515	11	9	19	356	352	671	3,537	3,490	6,666

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Total insurance and investment products new business continued

Insurance products – new business premiums and contributions (note i) continued

	Single			Regular			Annual Premium and Contribution Equivalents (APE)			Present Value of New Business Premiums (PVNBP)		
	2008 £m	2007 £m	2007 £m	2008 £m	2007 £m	2007 £m	2008 £m	2007 £m	2007 £m	2008 £m	2007 £m	2007 £m
	Half year	Half year	Full year	Half year	Half year	Full year	Half year	Half year	Full year	Half year	Half year	Full year
UK operations												
<i>Product summary</i>												
Internal vesting annuities	721	687	1,399	–	–	–	72	69	140	721	687	1,399
Direct and partnership annuities	373	431	842	–	–	–	37	43	84	373	431	842
Intermediated annuities	315	282	589	–	–	–	32	28	59	315	282	589
Total individual annuities	1,409	1,400	2,830	–	–	–	141	140	283	1,409	1,400	2,830
Equity release	117	67	156	–	–	–	12	7	16	117	67	156
Individual pensions	32	18	38	1	–	1	4	2	5	35	20	42
Corporate pensions	94	107	283	38	42	84	47	53	112	280	296	737
Unit-linked bonds	67	138	243	–	–	–	7	14	24	67	138	243
With-profit bonds	418	114	297	–	–	–	42	11	30	418	114	297
Protection	–	–	–	3	2	5	3	2	5	16	14	26
Offshore products	321	205	434	2	2	4	34	22	47	331	215	455
Total retail retirement	2,458	2,049	4,281	44	46	94	290	251	522	2,673	2,264	4,786
Corporate pensions	173	110	198	62	60	115	79	71	135	376	314	604
Other products	77	100	190	11	13	25	19	23	44	119	145	276
DWP rebates	103	129	143	–	–	–	10	13	14	103	129	143
Total mature life and pensions	353	339	531	73	73	140	108	107	193	598	588	1,023
Total retail	2,811	2,388	4,812	117	119	234	398	358	715	3,271	2,852	5,809
Wholesale annuities ^{note iii}	307	38	1,799	–	–	–	31	4	180	307	38	1,799
Credit life	7	15	21	–	–	–	1	1	2	7	15	21
Total UK operations	3,125	2,441	6,632	117	119	234	430	363	897	3,585	2,905	7,629
<i>Channel summary</i>												
Direct and partnership	1,147	1,151	2,385	105	106	209	220	221	448	1,555	1,567	3,288
Intermediated	1,562	1,108	2,284	12	13	25	169	124	253	1,614	1,156	2,378
Wholesale ^{note iii}	313	53	1,820	–	–	–	31	5	182	313	53	1,820
Sub-total	3,022	2,312	6,489	117	119	234	420	350	883	3,482	2,776	7,486
DWP rebates	103	129	143	–	–	–	10	13	14	103	129	143
Total UK operations	3,125	2,441	6,632	117	119	234	430	363	897	3,585	2,905	7,629
Group total	7,615	6,650	14,967	751	669	1,377	1,513	1,334	2,874	10,986	9,681	21,302

Investment products – funds under management (note ii)

	£m				30 Jun 2008
	1 Jan 2008	Market gross inflows	Redemptions	Market and other movements	
Asian operations	17,393	22,843	(21,201)	(3,349)	15,686
US operations	55	27	(15)	(5)	62
UK operations	51,221	7,491	(5,054)	(1,959)	51,699
Group total	68,669	30,361	(26,270)	(5,313)	67,447

Notes

- i 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.
- APEs are calculated as the aggregate of regular new business amounts and one tenth of single new business amounts. PVNBPs are calculated as equalling single premiums plus the present value of expected premiums of new regular premium business, allowing for lapses and other assumptions made in determining the new business contribution. New business premiums reflect those premiums attaching to covered business, including premiums for contracts classified as investment products for IFRS basis reporting. New business premiums for regular premium products are shown on an annualised basis. Department of Work and Pensions (DWP) 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. With the exception of some US institutional business, 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 insurance operations and Guaranteed Investment Contracts and similar funding agreements written in US operations.
- ii Investment products referred to in the table for funds under management above are unit trust, mutual funds and similar types of retail asset 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.
- iii The table for full year 2007 above includes the transfer of 62,000 with-profits annuity policies from Equitable Life on 31 December 2007 with assets of approximately £1.7 billion. The transfer represented an APE of £174 million.
- iv Subsequent to 29 September 2007, and following the change in management stipulated in the original agreement, CITIC-Prudential Life Insurance Company Ltd (CITIC-Prudential), the Group's life operation in China, has been accounted for as a joint venture. Prior to this date, CITIC-Prudential was consolidated as a subsidiary undertaking. The amounts in the table above include 100 per cent of the premiums for this operation up to 29 September 2007 and 50 per cent thereafter, being the Group's share after this date.

International Financial Reporting Standards (IFRS) basis results

Summary consolidated income statement

	2008 £m	2007** £m	2007** £m
	Half year	Half year	Full year
Earned premiums, net of reinsurance	8,926	7,903	18,188
Investment return ^{note C}	(9,752)	8,258	12,225
Other income	453	1,094	2,457
Total revenue, net of reinsurance ^{note C}	(373)	17,255	32,870
Benefits and claims and movement in unallocated surplus of with-profits funds, net of reinsurance	1,479	(14,177)	(26,785)
Acquisition costs and other operating expenditure	(1,763)	(2,350)	(4,859)
Finance costs: interest on core structural borrowings of shareholder-financed operations	(82)	(88)	(168)
Total charges, net of reinsurance ^{note C}	(366)	(16,615)	(31,812)
(Loss) profit before tax (<i>being tax attributable to shareholders' and policyholders' returns</i>) ^{* note C}	(739)	640	1,058
Tax attributable to policyholders' returns	637	15	5
(Loss) profit before tax attributable to shareholders ^{note D}	(102)	655	1,063
Tax credit (expense) ^{note E}	625	(219)	(349)
Less: tax attributable to policyholders' returns	(637)	(15)	(5)
Tax attributable to shareholders' (loss) profit ^{note E}	(12)	(234)	(354)
(Loss) profit from continuing operations after tax ^{note C}	(114)	421	709
Discontinued operations (net of tax) ^{note N}	–	241	241
(Loss) profit for the period	(114)	662	950
Attributable to:			
Equity holders of the Company	(116)	661	947
Minority interests	2	1	3
(Loss) profit for the period	(114)	662	950

Earnings per share (in pence)

	2008	2007**	2007**
	Half year	Half year	Full year
Basic (based on 2,465m, 2,437m and 2,445m shares respectively):			
Based on (loss) profit from continuing operations attributable to the equity holders of the Company ^{note F}	(4.7)p	17.2p	28.8p
Based on profit from discontinued operations attributable to the equity holders of the Company	–	9.9p	9.9p
	(4.7)p	27.1p	38.7p
Diluted (based on 2,466m, 2,440m and 2,448m shares respectively):			
Based on (loss) profit from continuing operations attributable to the equity holders of the Company	(4.7)p	17.2p	28.8p
Based on profit from discontinued operations attributable to the equity holders of the Company	–	9.9p	9.8p
	(4.7)p	27.1p	38.6p

* This measure is the formal (loss) profit before tax measure under IFRS but is not the result attributable to shareholders.

** To reflect the principles of IFRIC 14, the Company has altered its accounting policy for pension schemes, with consequential changes to the comparative results for 2007. Note O explains the effect of the change.

Dividends per share (in pence)

	2008	2007	2007
	Half year	Half year	Full year
Dividends relating to reporting period:			
Interim dividend (2008 and 2007) ^{note G}	5.99p	5.70p	5.70p
Final dividend (2007)	–	–	12.30p
Total	5.99p	5.70p	18.00p
Dividends declared and paid in reporting period:			
Current year interim dividend	–	–	5.70p
Final dividend for prior year	12.30p	11.72p	11.72p
Total	12.30p	11.72p	17.42p

International Financial Reporting Standards (IFRS) basis results

continued

Consolidated statement of changes in equity

	Period ended 30 June 2008 £m							
	Share capital	Share premium	Retained earnings	Translation reserve	Available-for-sale securities reserve	Shareholders' equity	Minority interests	Total equity
Reserves								
Loss for the period			(116)			(116)	2	(114)
Items recognised directly in equity:								
Exchange movements				32		32		32
Unrealised valuation movements on securities of US insurance operations classified as available-for-sale								
Unrealised holding losses arising during the period					(774)	(774)		(774)
Less net losses included in the income statement on disposal and impairment					97	97		97
					(677)	(677)		(677)
Related change in amortisation of deferred income and acquisition costs					244	244		244
Related tax				14	148	162		162
Total items of income and expense recognised directly in equity				46	(285)	(239)		(239)
Total income and expense for the period			(116)	46	(285)	(355)	2	(353)
Dividends			(304)			(304)		(304)
Reserve movements in respect of share-based payments			14			14		14
Change in minority interests arising principally from purchase and sale of property partnerships of the PAC with-profits fund and other consolidated investment funds							(6)	(6)
Share capital and share premium								
New share capital subscribed	1	136				137		137
Transfer to retained earnings in respect of shares issued in lieu of cash dividends		(126)	126					
Treasury shares								
Movement in own shares in respect of share-based payment plans			6			6		6
Movement in Prudential plc shares purchased by unit trusts consolidated under IFRS			(8)			(8)		(8)
Net increase (decrease) in equity	1	10	(282)	46	(285)	(510)	(4)	(514)
At beginning of period:								
As previously published	123	1,828	4,440	(112)	(78)	6,201	102	6,303
Effect of accounting policy change for pension schemes to reflect the principles of IFRIC 14 ^{note O}			(139)			(139)		(139)
After change of accounting policy	123	1,828	4,301	(112)	(78)	6,062	102	6,164
At end of period	124	1,838	4,019	(66)	(363)	5,552	98	5,650

Consolidated statement of changes in equity
continued

	Period ended 30 June 2007 £m								
	Share capital	Share premium	Retained earnings	Translation reserve	Available-for-sale securities reserve	Hedging reserve	Shareholders' equity	Minority interests	Total equity
Reserves									
Profit for the period			661				661	1	662
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 of discontinued banking operations					(2)		(2)		(2)
Unrealised valuation movements on securities of US insurance operations classified as available-for-sale									
Unrealised holding losses arising during the period					(287)		(287)		(287)
Less net gains included in the income statement on disposal and impairment					(3)		(3)		(3)
					(290)		(290)		(290)
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			661	(33)	(113)	(2)	513	1	514
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)
Share capital and share premium									
New share capital subscribed	1	116					117		117
Transfer to retained earnings in respect of shares issued in lieu of cash dividends		(115)	115						
Treasury shares									
Movement in own shares in respect of share-based payment plans			11				11		11
Movement in Prudential plc shares purchased by unit trusts consolidated under IFRS			1				1		1
Net increase (decrease) in equity	1	1	509	(33)	(113)	(2)	363	(37)	326
At beginning of period:									
As previously published	122	1,822	3,640	(125)	27	2	5,488	132	5,620
Effect of accounting policy change for pension schemes to reflect the principles of IFRIC 14 ^{note O}			(64)				(64)		(64)
After change of accounting policy	122	1,822	3,576	(125)	27	2	5,424	132	5,556
At end of period	123	1,823	4,085	(158)	(86)	0	5,787	95	5,882

International Financial Reporting Standards (IFRS) basis results

continued

Consolidated statement of changes in equity continued

	Year ended 31 December 2007 £m								
	Share capital	Share premium	Retained earnings	Translation reserve	Available-for-sale securities reserve	Hedging reserve	Shareholders' equity	Minority interests	Total equity
Reserves									
Profit for the year			947				947	3	950
Items recognised directly in equity:									
Exchange movements				11			11		11
Movement on cash flow hedges						(3)	(3)		(3)
Unrealised valuation movements on securities classified as available-for-sale of discontinued banking operations					(2)		(2)		(2)
Unrealised valuation movements on securities of US insurance operations classified as available-for-sale									
Unrealised holding losses arising during the year					(231)		(231)		(231)
Less net gains included in the income statement on disposal and impairment					(13)		(13)		(13)
					(244)		(244)		(244)
Related change in amortisation of deferred income and acquisition costs					88		88		88
Related tax				2	53	1	56		56
Total items of income and expense recognised directly in equity				13	(105)	(2)	(94)		(94)
Total income and expense for the year			947	13	(105)	(2)	853	3	856
Dividends			(426)				(426)	(5)	(431)
Reserve movements in respect of share-based payments			18				18		18
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								(28)	(28)
Share capital and share premium									
New share capital subscribed	1	181					182		182
Transfer to retained earnings in respect of shares issued in lieu of cash dividends		(175)	175						
Treasury shares									
Movement in own shares in respect of share-based payment plans			7				7		7
Movement in Prudential plc shares purchased by unit trusts consolidated under IFRS			4				4		4
Net increase (decrease) in equity	1	6	725	13	(105)	(2)	638	(30)	608
At beginning of year:									
As previously published	122	1,822	3,640	(125)	27	2	5,488	132	5,620
Effect of accounting policy change for pension schemes to reflect the principles of IFRIC 14 ^{note O}			(64)				(64)		(64)
After change of accounting policy	122	1,822	3,576	(125)	27	2	5,424	132	5,556
At end of year	123	1,828	4,301	(112)	(78)	0	6,062	102	6,164

Summary consolidated balance sheet

	2008 £m	2007* £m	2007* £m
	30 Jun	30 Jun	31 Dec
Assets			
Intangible assets attributable to shareholders:			
Goodwill	1,341	1,341	1,341
Deferred acquisition costs and other intangible assets	3,290	2,693	2,836
Total	4,631	4,034	4,177
Intangible assets attributable to the PAC with-profits fund:			
In respect of acquired subsidiaries for venture fund and other investment purposes	174	1,145	192
Deferred acquisition costs	18	40	19
Total	192	1,185	211
Total	4,823	5,219	4,388
Other non-investment and non-cash assets:			
Property, plant and equipment	1,038	1,107	1,012
Reinsurers' share of insurance contract liabilities	971	1,092	783
Deferred tax assets	1,250	699	951
Current tax recoverable	244	332	285
Accrued investment income	2,209	1,980	2,023
Other debtors	1,108	2,013	941
Total	6,820	7,223	5,995
Investments of long-term business and other operations:			
Investment properties	13,529	14,149	13,688
Investments accounted for using the equity method	16	14	12
Financial investments:			
Loans	8,719	5,441	7,924
Equity securities and portfolio holdings in unit trusts	75,876	83,819	86,157
Debt securities	83,806	80,211	83,984
Other investments	4,528	6,737	4,396
Deposits	8,194	7,519	7,889
Total	194,668	197,890	204,050
Held for sale assets	–	286	30
Cash and cash equivalents	4,844	4,500	4,951
Total assets ^{note H}	211,155	215,118	219,414

International Financial Reporting Standards (IFRS)

basis results

continued

Summary consolidated balance sheet continued

	2008 £m	2007* £m	2007* £m
	30 Jun	30 Jun	31 Dec
Equity and liabilities			
Equity			
Shareholders' equity ^{note J}	5,552	5,787	6,062
Minority interests	98	95	102
Total equity	5,650	5,882	6,164
Liabilities			
Policyholder liabilities and unallocated surplus of with-profits funds:			
Contract liabilities (including amounts in respect of contracts classified as investment contracts under IFRS 4)	169,113	170,038	176,390
Unallocated surplus of with-profits funds	12,560	14,396	13,959
Total	181,673	184,434	190,349
Core structural borrowings of shareholder-financed operations:			
Subordinated debt	1,603	1,492	1,570
Other	923	921	922
Total^{note K}	2,526	2,413	2,492
Other borrowings:			
Operational borrowings attributable to shareholder-financed operations ^{note L}	2,908	2,605	3,081
Borrowings attributable to with-profits funds ^{note L}	937	2,122	987
Other non-insurance liabilities:			
Obligations under funding, securities lending and sale and repurchase agreements	5,053	4,381	4,081
Net asset value attributable to unit holders of consolidated unit trusts and similar funds	3,755	3,406	3,556
Current tax liabilities	952	1,033	1,237
Deferred tax liabilities	2,843	3,573	3,402
Accruals and deferred income	773	477	599
Other creditors	1,956	2,029	1,020
Provisions	488	503	575
Other liabilities	1,641	2,260	1,871
Total	17,461	17,662	16,341
Total liabilities	205,505	209,236	213,250
Total equity and liabilities^{note H}	211,155	215,118	219,414

* To reflect the principles of IFRIC 14, the Company has altered its accounting policy for pension schemes with consequential changes to the comparative results for 2007. Note O explains the effect of the change.

Summary consolidated cash flow statement

	2008 £m	2007* £m	2007* £m
	Half year	Half year	Full year
Cash flows from operating activities			
(Loss) profit before tax from continuing operations <i>(being tax attributable to shareholders' and policyholders' returns)</i> ^{note i}	(739)	640	1,058
Profit before tax from discontinued operations ^{note N}	–	222	222
Total (loss) profit before tax	(739)	862	1,280
Changes in operating assets and liabilities ^{note ii}	1,236	366	551
Other items ^{note ii}	(325)	(764)	(693)
Net cash flows from operating activities	172	464	1,138
Cash flows from investing activities			
Net cash flows from purchases and disposals of property, plant and equipment	(55)	(137)	(170)
Acquisition of subsidiaries, net of cash balances ^{note iii}	–	(77)	(77)
Disposal of Egg, net of cash balances ^{note iv}	–	(538)	(538)
Disposal of other subsidiaries, net of cash balances ^{note iii}	–	157	157
Deconsolidation of investment subsidiaries ^{note v}	–	–	(91)
Net cash flows from investing activities	(55)	(595)	(719)
Cash flows from financing activities			
Structural borrowings of the Group:			
Shareholder-financed operations: ^{note vi}			
Redemption	–	(150)	(150)
Interest paid	(91)	(104)	(171)
With-profits operations: ^{note vii}			
Interest paid	(9)	–	(9)
Equity capital: ^{note viii}			
Issues of ordinary share capital	10	1	6
Dividends paid	(177)	(171)	(255)
Net cash flows from financing activities	(267)	(424)	(579)
Net decrease in cash and cash equivalents	(150)	(555)	(160)
Cash and cash equivalents at beginning of period	4,951	5,071	5,071
Effect of exchange rate changes on cash and cash equivalents	43	(16)	40
Cash and cash equivalents at end of period ^{note ix}	4,844	4,500	4,951

* To reflect the principles of IFRIC 14, the Company has altered its accounting policy for pension schemes, with consequential changes to the comparative results for 2007. Note O explains the effect of the change.

International Financial Reporting Standards (IFRS) basis results continued

Summary consolidated cash flow statement continued

Notes

- i This measure is the formal (loss) profit before tax measure under IFRS but is not the result 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 £(325) million for other items at half year 2008 includes tax paid of £(325) million with other items netting to nil. The most significant elements of the adjusting items within changes in operating assets and liabilities are as follows:

	2008 £m	2007 £m	2007 £m
	Half year	Half year	Full year
Deferred acquisition costs (excluding changes taken directly to equity)	(464)	(277)	(353)
Other non-investment and non-cash assets	(742)	(644)	(122)
Investments	9,166	(7,189)	(11,730)
Policyholder liabilities (including unallocated surplus)	(9,194)	7,040	11,845
Other liabilities (including operational borrowings)	2,470	1,436	911
Changes in operating assets and liabilities	1,236	366	551

- iii Acquisitions and disposals of subsidiaries shown above for 2007 include venture fund and other investment subsidiaries of the PAC with-profits fund.
- iv The amount of £(538) million in respect of the disposal of Egg in 2007, net of cash balances, represents the net sale proceeds of £527 million less cash and cash equivalents of £1,065 million held by Egg and transferred on disposal.
- v In November 2007, the Company sold its venture fund management subsidiary, PPM Capital. As a result of the arrangements attaching to the sale, it is no longer appropriate to consolidate the holdings managed by that company.
- vi Structural borrowings of shareholder-financed operations consist of the core debt of the holding company and Jackson surplus notes. 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.
- vii Structural borrowings of with-profits operations relate solely to the £100 million 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.
- viii Cash movements in equity capital exclude scrip dividends.
- ix Of the cash and cash equivalents amounts reported above, £361 million (half year 2007: £377 million, full year 2007: £339 million) represents cash and cash equivalents of the holding company and central finance subsidiaries.

Notes on the IFRS basis results

A Basis of preparation and audit status

These condensed consolidated interim financial statements for the six months ended 30 June 2008 have been prepared in accordance with IAS 34 'Interim Financial Reporting'. 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 EU or that are applicable or available for early adoption for the next annual financial statements and other policy improvements.

The IFRS basis results for the 2008 and 2007 half years are unaudited. Except for the change of accounting policy explained in notes B and O, the 2007 full year IFRS basis results have been derived from the 2007 statutory accounts. The auditors have reported on the 2007 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 interim financial statements are the same as those previously applied in the Group's consolidated financial statements for the year ended 31 December 2007, except for the change in the accounting policy for pension schemes to reflect the principles of IFRIC 14 'IAS19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction' (see note O).

C Segment disclosure

	2008 £m	2007 £m	2007 £m
	Half year	Half year	Full year
Revenue			
Insurance operations	(799)	16,616	31,555
Asset management	531	682	1,397
Unallocated corporate	31	98	186
Intra-group revenue eliminated on consolidation	(136)	(141)	(268)
Total revenue, net of reinsurance, per income statement	(373)	17,255	32,870
Analysed as:			
Investment return**	(9,752)	8,258	12,225
Other items	9,379	8,997	20,645
	(373)	17,255	32,870
Charges (before income tax attributable to policyholders and unallocated surplus of long-term insurance funds)			
Insurance operations, including post-tax transfers to unallocated surplus of with profit funds	247	(16,076)	(30,533)
Asset management	(416)	(479)	(1,053)
Unallocated corporate	(333)	(201)	(494)
Intra-group charges eliminated on consolidation	136	141	268
Total charges per income statement	(366)	(16,615)	(31,812)
Segment results – revenue less charges (continuing operations)			
Insurance operations	(552)	540	1,022
Asset management	115	203	344
Unallocated corporate	(302)	(103)	(308)
(Loss) profit before tax* (<i>being tax attributable to shareholders' and policyholders' returns</i>)	(739)	640	1,058
Tax attributable to policyholders' returns	637	15	5
(Loss) profit before tax attributable to shareholders ^{note D}	(102)	655	1,063
Tax attributable to shareholders' (loss) profit	(12)	(234)	(354)
(Loss) profit from continuing operations after tax	(114)	421	709
Segment results – discontinued operations (net of tax)			
Banking ^{note N}	–	241	241
(Loss) profit for the period	(114)	662	950

* This measure is the formal (loss) profit before tax measure under IFRS but is not the result attributable to shareholders.

** Investment return principally comprises

- Interest and dividends;
- Realised and unrealised gains and losses on securities and derivatives classified as fair value through profit and loss under IAS 39; and
- Realised gains and losses, including impairment losses, on securities classified as available-for-sale under IAS 39.

Notes on the IFRS basis results

continued

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

This information is provided as supplementary information under the Group's accounting policies.

	2008 £m	2007 £m	2007 £m	2007 £m
	Half year	CER* Half year	RER* Half year	RER* Full year
Results analysis by business area				
Asian operations				
Insurance operations	102	80	76	189
Asset management	29	34	33	72
Development expenses	(3)	(6)	(6)	(15)
Total	128	108	103	246
US operations				
Jackson	232	218	218	444
Broker-dealer and asset management	6	9	9	13
Curian	0	(2)	(2)	(5)
Total	238	225	225	452
UK operations				
UK insurance operations	286	251	251	528
M&G	146	140	140	254
Total	432	391	391	782
Other income and expenditure				
Investment return and other income	72	42	42	86
Interest payable on core structural borrowings	(82)	(88)	(88)	(168)
Corporate expenditure:				
Group Head Office	(79)	(58)	(58)	(129)
Asia Regional Head Office	(17)	(17)	(17)	(38)
Charge for share-based payments for Prudential schemes ^{note iii}	(4)	(5)	(5)	(11)
Total	(110)	(126)	(126)	(260)
Restructuring costs	(14)	0	0	(19)
Operating profit from continuing operations based on longer-term investment returns	674	598	593	1,201
Short-term fluctuations in investment returns on shareholder-backed business ^{note i}	(684)	22	24	(137)
Shareholders' share of actuarial gains and losses on defined benefit pension schemes ^{note ii}	(92)	38	38	(1)
(Loss) profit from continuing operations before tax attributable to shareholders	(102)	658	655	1,063

*The supplementary analysis of profit for half year 2007 at constant exchange rates (CER) has been calculated by applying the average exchange rates for the six months ended 30 June 2008, in order to eliminate the impact from exchange translation when comparing periods. Supplementary analysis of profit disclosure at reported exchange rates (RER) has been calculated by applying the average exchange rates for the relevant period.

Notes

i Short-term fluctuations in investment returns on shareholder-backed business

	2008 £m	2007 £m	2007 £m
	Half year	RER Half year	RER Full year
Insurance operations:			
Asia	(264)	(10)	(71)
US	(181)	60	(18)
UK	(82)	(47)	(47)
Other operations	(157)	21	(1)
Total	(684)	24	(137)

The short-term fluctuations in investment returns reflect the excess or deficit of actual investment returns over longer-term returns included in the operating profit measure on the portfolio of investments held by the Group's shareholder-backed operations. There were no default losses on debt securities in the first half of 2008.

Short-term fluctuations in investment returns for Asian operations of £(264) million for half year 2008 principally arose in Vietnam of £(149) million and Taiwan of £(69) million. For Vietnam, the negative short-term fluctuation reflects the substantial fall in Vietnamese equity and bond markets. The short-term fluctuation in Taiwan principally reflects a 12 per cent equity market fall and a £29 million value reduction for an investment in a CDO fund.

The short-term fluctuations in investment returns included in the supplementary analysis of profit for US insurance operations comprise the following items:

	2008 £m	2007 £m	2007 £m
	Half year	Half year	Full year
Credit related losses on debt securities			
Actual credit related losses in the period:			
Bond write downs [†]	(103)	(7)	(35)
Losses on sales of impaired and deteriorating bonds	(6)	(13)	(51)
Recoveries/reversals	1	1	8
	(108)	(19)	(78)
Less: Risk margin charge included in operating profit based on longer-term investment returns	23	24	48
Short-term fluctuation	(85)	5	(30)
Related change to amortisation of deferred acquisition costs	12	(1)	6
Total short-term fluctuation related to debt securities	(73)	4	(24)
Derivative value movements [†]	(64)	36	(19)
Actual less longer-term return on equity-type securities	(32)	36	42
Other items	(12)	(16)	(17)
Total	(181)	60	(18)

[†] The half year 2008 charge of £(64) million for derivative value movements includes £(42) million for a changed basis of valuation of guarantees for the Guaranteed Minimum Withdrawal Benefit (GMWB) and reinsurance of the Guaranteed Minimum Income Benefit (GMIB) on variable annuity contracts. The change relates to the use of currently observed implied rather than longer-term average historical volatilities. The £(22) million of other derivative value change for half year 2008 and £36 million and £(19) million for half year and full year 2007 comparative results is for derivatives not related to equity products.

The fluctuations for UK insurance operations arise mostly in Prudential Retirement Income Limited, which writes the most significant element of the shareholder-backed annuity business in the UK.

The charge of £157 million for short-term fluctuations of other operations arises from:

	£m
Sale of investment in India mutual fund in May 2008 giving rise to a transfer to operating profit of £47 million for the crystallised gain, and value reduction in the period, prior to sale, of £24 million	(71)
Unrealised value movements on swaps held centrally to manage Group assets and liabilities	(49)
Unrealised value movements, net of hedge effects on Prudential Capital's bond portfolio	(26)
Unrealised value movements on a centrally held investment	(11)
	(157)

ii Shareholders' share of actuarial gains and losses on defined benefit pension schemes

	2008 £m	2007 £m	2007 £m
	Half year	RER Half year	RER Full year
Actual less expected return on scheme assets	(53)	6	4
Experience losses on scheme liabilities	(4)	(4)	(4)
(Losses) gains on changes of assumptions for scheme liabilities	(87)	58	(7)
	(144)	60	(7)
Less: amount attributable to the PAC with-profits fund	52	(22)	6
Total attributable to shareholders	(92)	38	(1)

The amounts shown in the table above relate to the Scottish Amicable, M&G and small Taiwan defined benefit pension schemes. The amounts do not include actuarial gains and losses for the Prudential Staff Pension Scheme (PSPS). Following the Group's adoption of an accounting policy change for pension schemes, PSPS pension surplus is not recognised in the Group's financial statements. The half year and full year 2007 comparatives have been adjusted accordingly. Details of the effect of the accounting policy change are provided in note O.

The loss of £87 million on changes of assumptions comprises the effect of increases in inflation rates which more than offsets the effect of an increase in the risk discount rate.

iii Charge for share-based payments

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

Notes on the IFRS basis results

continued

E Tax credit (expense)

The total tax credit of £625 million for half year 2008 (half year 2007: £219 million charge; full year 2007: £349 million charge) comprises £670 million credit (half year 2007: £5 million charge; full year 2007: £28 million charge) UK tax and £45 million charge (half year 2007: £214 million; full year 2007: £321 million) overseas tax. This tax credit comprises tax attributable to policyholders and unallocated surplus of with-profits funds, unit-linked policies and shareholders. The tax charge attributable to shareholders of £12 million (half year 2007: £234 million; full year 2007: £354 million) comprises £4 million (half year 2007: £76 million; full year 2007: £148 million) UK tax and £8 million (half year 2007: £158 million; full year 2007: £206 million) overseas tax.

The tax credit related to discontinued operations in both half year and full year 2007, which was all attributable to shareholders, amounted to £19 million.

F Supplementary analysis of earnings per share from continuing operations

	2008	2007	2007
	Half year	Half year	Full year
Basic earnings per share (in pence)			
From operating profit based on longer-term investment returns after related tax and minority interests	19.4p	16.0p	33.3p
Adjustment from post-tax longer-term investment returns to post-tax actual investment returns (after related minority interests)	(21.4)p	0.1p	(4.5)p
Adjustment for post-tax shareholders' share of actuarial gains and losses on defined benefit pension schemes	(2.7)p	1.1p	0.0p
Based on (loss) profit from continuing operations after tax and minority interests	(4.7)p	17.2p	28.8p

G Dividend

An interim dividend of 5.99p per share will be paid on 23 September 2008 to shareholders on the register at the close of business on 15 August 2008. The dividend will absorb an estimated £149 million of shareholders' funds. A scrip dividend alternative will be offered to shareholders.

H Group balance sheet

The Group balance sheet at 30 June 2008 comprises assets and liabilities for the following categories of business with different levels of shareholders' exposure to asset value movements.

	30 Jun 2008 £m					Total
	Participating funds Note ii	Shareholder backed		Non-insurance Note i	Intra-group eliminations	
Unit-linked and variable annuity unit assets and liabilities Note iii		Other long-term business assets and liabilities Note i				
Assets						
Intangible assets						
Deferred acquisition costs	18	0	3,212	5	0	3,235
Goodwill and other intangible assets	174	0	184	1,230	0	1,588
Total	192	0	3,396	1,235	0	4,823
Other non-investment and non-cash assets	3,027	492	5,010	3,793	(5,502)	6,820
Investment of long-term business and other operations:						
Investment properties	11,800	897	832	0	0	13,529
Investment accounted for using the equity method	0	0	0	16	0	16
Financial investments:						
Loans	1,714	117	4,400	2,488	0	8,719
Equity securities and portfolio holdings in unit trusts	43,380	31,463	1,009	24	0	75,876
Debt securities	40,261	5,740	36,781	1,024	0	83,806
Other investments	2,969	149	1,018	392	0	4,528
Deposits	4,577	1,037	2,445	135	0	8,194
Total	104,701	39,403	46,485	4,079	0	194,668
Cash and cash equivalents	829	1,063	752	2,200	0	4,844
Total assets	108,749	40,958	55,643	11,307	(5,502)	211,155
Equity and liabilities						
Equity						
Shareholders' equity ^{note J}	0	0	5,152	400	0	5,552
Minority interests	40	0	4	54	0	98
Total equity	40	0	5,156	454	0	5,650
Liabilities						
Policyholder liabilities and unallocated surplus of with-profits funds:						
Contract liabilities	90,058	39,665	39,390	0	0	169,113
Unallocated surplus of with-profits funds	12,560	0	0	0	0	12,560
Total insurance liabilities	102,618	39,665	39,390	0	0	181,673
Core structural borrowings of shareholder-financed operations:						
Subordinated debt	0	0	0	1,603	0	1,603
Other	0	0	125	798	0	923
Total ^{note K}	0	0	125	2,401	0	2,526
Operational borrowings attributable to shareholder-financed operations ^{note L}	0	0	583	2,325	0	2,908
Borrowings attributable to with-profits funds ^{note L}	937	0	0	0	0	937
Other non-insurance liabilities	5,154	1,293	10,389	6,127	(5,502)	17,461
Total	6,091	1,293	10,972	8,452	(5,502)	21,306
Total liabilities	108,709	40,958	50,487	10,853	(5,502)	205,505
Total equity and liabilities	108,749	40,958	55,643	11,307	(5,502)	211,155

Notes on the IFRS basis results

continued

H Group balance sheet continued

Notes

i Non-linked long-term business and non-insurance business

The sensitivity of the Group's results to investment value movements principally arises in respect of the portfolios of non-linked insurance and non-insurance business.

(a) Non-linked long-term business

The non-linked shareholder business of the Group principally comprises:

UK insurance operations

Prudential Retirement Income Limited (PRIL)

The assets covering PRIL's liabilities are principally debt securities and other investments that are held to match the expected duration and payment characteristics of the policyholder liabilities. These liabilities are valued for IFRS reporting purposes by applying discount rates that reflect the market rates of return attaching to the covering assets.

Except to the extent of any minor asset/liability duration mismatch and exposure to credit risk, the sensitivity of the Group's results to market risk for movements in the carrying value of PRIL's liabilities and covering assets is broadly neutral on a net basis.

The main market risk sensitivity for PRIL arises from interest rate risk on the debt securities which substantially represent IFRS equity. This equity comprises the net assets held within the long-term fund of the Company that cover regulatory basis liabilities that are not recognised for IFRS reporting purposes, for example contingency reserves, and shareholder capital held outside the long-term fund.

The principal items affecting the IFRS results for PRIL are mortality experience and assumptions, and credit risk.

PAC non-profit sub-fund

The PAC non-profit sub-fund, excluding its unit-linked business, principally comprises annuity business previously written by Scottish Amicable Life, credit life and other non-participating business.

The financial assets covering the liabilities for those types of business are subject to market risk. However, for the annuity business the same considerations as described above for PRIL apply. Other liabilities of the PAC non-profit sub-fund are broadly insensitive to market risk.

Jackson (other than variable annuity business segregated in the separate accounts)

The IFRS basis results of Jackson are highly sensitive to market risk on the assets covering liabilities for fixed annuity, term, institutional and other assets and liabilities of variable annuity business not segregated in the separate accounts.

Invested assets covering liabilities for these types of business and related capital comprise principally debt securities classified as available-for-sale. Value movements for these securities are reflected as movements in shareholders' equity. Other invested assets and derivatives are carried at fair value with the value movements reflected in the income statement.

By contrast, the IFRS insurance liabilities for these types of business of Jackson, by the application of grandfathered GAAP under IFRS 4, are measured on US GAAP bases which, with the exception of certain items covered by the equity hedging programme, are generally insensitive to temporary changes in market conditions or the short-term returns on the attaching asset portfolios.

These differences in carrying value of debt securities, other invested assets, derivatives and insurance liabilities give rise to potentially significant volatility in the IFRS income statement and shareholders' equity.

Asian insurance operations

For the non-participating business of the Asian insurance operations, the sensitivity of the IFRS basis results to market risk is primarily reflected through the volatility of asset returns coupled with the fact that the accounting carrying value of liabilities to policyholders are only partially sensitive to changed market conditions.

In addition to these features the overriding factor that affects IFRS basis results for Asian non-participating business is the return on the assets covering the Taiwan whole of life policies. This factor directly affects the actual return in any given reporting period. In addition though, the measurement of the liabilities to policyholders and the carrying value of deferred acquisition costs for this business is dependant upon an assessment of longer-term interest rates.

(b) Other non-insurance

Other non-insurance's balance sheet comprises mainly M&G. In addition, other non-insurance also covers asset management in Asia and US and unallocated corporate activities.

M&G's balance sheet includes loans comprising bridging loan finance assets and structured finance arrangements managed by Prudential Capital.

ii Participating business

For participating business, which in the table above reflects the with-profit funds of the Prudential Assurance Company, and Singapore and Malaysia operations, the Group's principal sensitivity to investment value movements arises through the impact on the shareholders' share of with-profits bonus declarations, which are 'smoothed' to adjust for changes in returns from period to period, and fees earned by the Group's asset management operations on the assets of the participating business funds.

iii Unit-linked and variable annuity business

For unit-linked and variable annuity business, the principal sensitivity to investment value movements is for the effect on investment management fees and derivative elements of guaranteed features of US products, after taking account of the economic hedging programme in place. The table above shows the unit assets and liabilities relating to the unit-linked and variable annuity business. Assets and liabilities such as deferred acquisition costs and insurance liabilities (other than unit liabilities) are included in the column for other long-term business.

iv Consolidated investment funds

In addition, the balance sheet of the Group includes investment funds which are managed on behalf of third parties and which are consolidated under IFRS in recognition of the control arrangements for those funds. As a result, the balance sheet includes assets and liabilities and a corresponding net asset value attributable to external unit-holders in respect of those funds, which are non-recourse to the Group. The Group is not exposed to investment risks on these assets representing the liability to the external parties.

I Jackson's debt securities classified as available-for-sale

i Accounting policy and methodology for determining impairments

Jackson's debt securities are classified as 'available-for-sale' under IAS 39 and carried in the balance sheet at fair value. Unless impaired, fair value movements are recorded as a movement in shareholder reserves direct to equity. Impairments are recorded in the income statement as shown in note D and note (ii) below.

The consideration of evidence of impairment requires management judgement. Among the factors considered is whether the decline in fair value results from the change in quality of the security itself, or from a downward movement in the market as a whole and the likelihood of recovering the carrying value based on the current and short-term prospects of the issuer. Unrealised losses that are considered to be primarily the result of market conditions, such as interest rate movements, unusual market volatility, or industry-related events, and where Jackson also believes there is a reasonable expectation for recovery, and furthermore, it has the intent and ability to hold the investment until maturity or the market recovers, are usually determined to be temporary.

Jackson's impairment review involves several criteria, including economic conditions, credit loss experience, other issuer-specific developments and future cash flows.

An impairment is recorded with the debt security written down to its fair value if, based on detailed cash flow analysis, Jackson assess that there will be a principal shortfall over the life of the security. The impairment loss reflects the difference between the market and book values.

The majority of the impairment losses arising in the first half of 2008 arose on residential mortgage-backed securities (RMBS). The impairment testing for RMBS was determined using a cash flow modelling approach designed to estimate future principal losses on underlying collateral mortgage loans supporting the investments in the structures. Principal loss estimates were based on the current delinquency/foreclosure statistics for the underlying pools. In aggregate, the more severe the current delinquency/foreclosure statistics for an underlying pool, the higher the principal losses projected. Projected underlying losses for each collateral pool are then run through a model of the bond structure to calculate the expected future cash flows of the bond. This cash flow simulation will indicate the extent of estimated future principal losses on securitisation tranches held by Jackson. In the first half of 2008 and more particularly in the latter part of this period, the collateral performance of these RMBS has deteriorated coupled with the deterioration of the market price of these securities.

ii Impairment losses recognised in the income statement

Jackson's portfolio of debt securities is managed proactively with credit analysts closely and regularly monitoring and reporting on the credit quality of its holdings. Jackson continues to review its investments on a case-by-case basis to determine whether any decline in fair value represents an impairment.

In the first half of 2008, Jackson recorded £103 million (half year 2007: £7 million; full year 2007: £35 million) of impairment losses which comprise losses in respect of:

	2008
	Half year
Residential mortgage-backed securities (RMBS)	82
Public fixed income	18
Consolidated Piedmont investment vehicle	3
	103

Of the £103 million, £75 million relates to Alt-A holdings. There were no sub-prime holdings which have been impaired.

iii Sub-prime and Alt-A exposures

At 30 June 2008, Jackson held £217 million in sub-prime exposure and £553 million in Alt-A exposure. The sub-prime exposure, which is primarily fixed rate with first lien collateral, is all investment grade and 96 per cent AAA rated. The Alt-A exposure is 84 per cent AAA rated. With an average FICO score of 610-620, Jackson's sub-prime collateral could be categorised as 'near prime' with a score close to a prime score of 660.

Notes on the IFRS basis results

continued

I Jackson's debt securities classified as available-for-sale continued

iv Movements in the unrealised gains and losses of Jackson's available-for-sale securities for the first half of 2008:

	2008 £m	2007 £m	2007 £m
	30 Jun	Change reflected directly in shareholders' equity	31 Dec
Assets fair valued at below book value			
Book value	13,478		10,730
Unrealised loss	(989)	(550)	(439)
Fair value (as included in balance sheet)	12,489		10,291
Assets fair valued at or above book value			
Book value	5,578		8,041
Unrealised gain	176	(127)	303
Fair value (as included in balance sheet)	5,754		8,344
Total			
Book value	19,056		18,771
Net unrealised loss	(813)	(677)	(136)
Fair value (as included in balance sheet)	18,243		18,635

The net reduction in the value of debt securities classified as available-for-sale of £677 million, as shown in the table above, is included within the statement of changes in equity. This reduction reflects the effect of continued adverse market movements in the first half of 2008. These temporary market value movements do not reflect defaults or impairments.

v Debt securities in an unrealised loss position

a All securities in an unrealised loss position

The following table shows the fair value of the securities in a gross unrealised loss position for various percentages of book value and by maturity of security:

	30 Jun 2008 £m		31 Dec 2007 £m	
	Fair value	Unrealised loss	Fair value	Unrealised loss
Percentage of book value				
Between 90% and 100%	9,856	(393)	9,370	(274)
Between 80% and 90%	1,964	(326)	784	(122)
Below 80%	669	(270)	137	(43)
	12,489	(989)	10,291	(439)

	2008 £m	2007 £m
	30 Jun Unrealised loss	31 Dec Unrealised loss
By maturity of security		
Less than 1 year	–	(1)
1 to 5 years	(77)	(54)
5 to 10 years	(338)	(164)
More than 10 years	(136)	(60)
Mortgage-backed securities and other debt securities	(438)	(160)
Total	(989)	(439)

As shown in the table above, £270 million of the £989 million of gross unrealised losses at 30 June 2008 related to securities whose fair value were below 80 per cent of the book value. The age analysis for this £270 million, indicating the length of time for which their fair value was below 80 per cent of the book value, is as follows:

	30 Jun 2008 £m	
	Fair value	Unrealised loss
Less than 3 months	248	(82)
3 months to 6 months	387	(168)
More than 6 months	34	(20)
	669	(270)

The following table shows the aged analysis of all the unrealised losses in the portfolio by reference to the length of time the securities have been in an unrealised loss position:

	30 Jun 2008 £m				31 Dec 2007 £m			
	Not rated	Non-investment grade	Investment grade	Total	Not rated	Non-investment grade	Investment grade	Total
Aged analysis of unrealised losses for the periods indicated								
Less than 6 months	(25)	(16)	(266)	(307)	(7)	(8)	(52)	(67)
6 months to 1 year	(16)	(18)	(102)	(136)	(10)	(21)	(105)	(136)
1 year to 2 years	(14)	(33)	(192)	(239)	(5)	(2)	(16)	(23)
2 years to 3 years	(32)	(9)	(203)	(244)	(24)	(10)	(140)	(174)
More than 3 years	(9)	(7)	(47)	(63)	(7)	(3)	(29)	(39)
	(96)	(83)	(810)	(989)	(53)	(44)	(342)	(439)

b Sub-prime and Alt-A securities

Included within the table above are amounts relating to sub-prime and Alt-A securities of:

	30 Jun 2008 £m		31 Dec 2007 £m	
	Fair value	Unrealised loss	Fair value	Unrealised loss
Fair value of securities as a percentage of book value				
Between 90% and 100%	175	(10)	572	(24)
Between 80% and 90%	386	(66)	132	(22)
Below 80%	165	(75)	28	(10)
	726	(151)	732	(56)

Of the sub-prime and Alt-A securities whose fair value is below 80 per cent of book value at 30 June 2008, £18 million of the £75 million unrealised losses relates to securities that have been in that position for three months or under, £49 million for three to six months and £8 million for six to nine months.

J Shareholders' equity

	2008 £m	2007 £m	2007 £m
	30 Jun	30 Jun	31 Dec
Share capital	124	123	123
Share premium	1,838	1,823	1,828
Reserves	3,590	3,841	4,111
Total	5,552	5,787	6,062

Notes on the IFRS basis results

continued

K Net core structural borrowings of shareholder-financed operations

	2008 £m	2007 £m	2007 £m
	30 Jun	30 Jun	31 Dec
Core structural borrowings of shareholder-financed operations:			
Holding company	2,401	2,289	2,367
Jackson	125	124	125
Total (per consolidated balance sheet)	2,526	2,413	2,492
Less: Holding company* cash and short-term investments (recorded within the consolidated balance sheet)	(1,498)	(1,546)	(1,456)
Net core structural borrowings of shareholder-financed operations	1,028	867	1,036

*Including central finance subsidiaries.

L Other borrowings

	2008 £m	2007 £m	2007 £m
	30 Jun	30 Jun	31 Dec
Operational borrowings attributable to shareholder-financed operations			
Borrowings in respect of short-term fixed income securities programmes	2,321	2,045	2,477
Non-recourse borrowings of US operations	580	544	591
Other borrowings	7	16	13
Total	2,908	2,605	3,081
Borrowings attributable to with-profits funds			
Non-recourse borrowings of venture fund investment subsidiaries	–	1,063	–
Non-recourse borrowings of consolidated investment funds	740	854	789
Subordinated debt of the Scottish Amicable Insurance Fund	100	100	100
Other borrowings (predominantly obligations under finance leases)	97	105	98
Total	937	2,122	987

M Contingencies and related obligations

The main changes to the Company's contingencies and related obligations that have arisen in the six month period ended 30 June 2008 are set out below.

i UK Financial Services Authority's Consultation Paper CP08/11

In June 2008 the FSA published a consultative document which proposes that from 1 November 2008 all future payments for compensation and redress, regardless of when the mis-selling occurred, should be met from shareholders' funds, but exempting payments which form part of a 'guarantee' scheme. It is not clear currently how this proposal will apply to the guarantees covered by the provision of £462 million held in the inherited estate of the Prudential Assurance Company at 30 June 2008.

ii Inherited estate of Prudential Assurance Company

Prudential announced in March 2006 that it had begun a process to determine whether it could achieve greater clarity as to the status of the inherited estate through a reattribution. In June 2008 Prudential announced that it did not believe that it is in the interests of current or future policyholders or shareholders to continue the reattribution process.

N Discontinued operations

Discontinued operations for half year and full year 2007 relate entirely to UK banking operations following the sale on 1 May 2007 of Egg.

The profit from discontinued operations of £241 million comprises an operating loss based on longer-term investment returns for the period of ownership of £68 million, a tax credit on the loss of £19 million and a profit on sale (both before and after tax) of £290 million.

O Adoption of altered policy for pension schemes to reflect the principles of IFRIC 14

i The reason for the change

As mentioned in note B, the Group has adopted an accounting policy change for pension schemes in half year 2008. The change effectively applies the principles of IFRIC 14, which gives guidance on assessing the limit in IAS 19 on the amount of surplus in a defined benefit pension scheme that can be recognised as an asset thereby providing reliable and more relevant information. The recognition of an asset is restricted to those that are demonstrably recoverable, either by refund or reduction in future contributions. It also addresses when a minimum funding requirement might give rise to a liability. The assessment of recoverability and any additional liability is made by reference to the terms of the Trust Deed of pension schemes and, unless substantively enacted or contractually agreed, with no account taken of potential changes to current funding arrangements.

This accounting policy change has had an effect on the Group's interest in the financial position of the Group's main UK defined benefit pension scheme, the Prudential Staff Pension Scheme (PSPS). The change relates solely to the accounting measurement of the Group's interest in the financial position of PSPS. Adoption of this accounting policy change does not affect the Group's interest in the Group's other defined benefit pension schemes.

Under the terms of the Trust Deed, the Group has no unconditional right of refund to any surplus in PSPS. Also, the Group has no ability under the guidance in IFRIC 14 to anticipate a reduction in the level of future contributions for ongoing services from those currently being paid. In addition, the Group currently has a five-year deficit funding arrangement in place as agreed with the Trustees of the PSPS following the last triennial valuation of PSPS as at 5 April 2005.

The assets and liabilities of PSPS are unaffected by the impact of the change in accounting policy. PSPS is managed on an economic basis for the longer-term benefit of its current and deferred pensioners and active members. The surplus in PSPS is available to absorb future adverse asset value movements and, if required, strengthening in mortality assumptions.

The fluctuating nature of the surplus is demonstrated by the reduction in the underlying gross surplus from £528 million at 31 December 2007 to £315 million at 30 June 2008.

ii The summary effect of the change

In respect of the position at 30 June 2008, the Group has not recognised the underlying PSPS pension surplus of £315 million (£265 million net of deferred tax), reflecting the difference between the market value of the scheme assets and the discounted value of the liabilities, which would have otherwise been recognised as an asset on its balance sheet under the previous policy. In addition, the Group has recognised a liability for deficit funding to 5 April 2010 of £80 million (£67 million net of deferred tax) in respect of PSPS. Of these, the amounts attributable to shareholders are £97 million (£69 million net of deferred tax) for the surplus not recognised as an asset and £25 million (£18 million net of deferred tax) for the additional liability for deficit funding. In total the impact on shareholders' equity at 30 June 2008 is a reduction of £87 million as shown in note (iii) below.

The half year and full year 2007 comparative figures in these condensed consolidated financial statements have been adjusted accordingly for this change in accounting policy.

iii The effect of the change on the income statement, earnings per share and balance sheet

	Increase (decrease) in profit		
	2008 £m	2007 £m	
	Half year	Half year	Full year
	Adjustments incorporated in the results	Adjustments made to the previously published results	
Summary Consolidated Income Statement			
Investment return	(20)	8	4
Benefits and claims and movement in unallocated surplus of with-profits funds	(137)	138	205
Other operating expenditure	245	(232)	(336)
Profit (loss) before tax (<i>being tax attributable to shareholders' and the policyholders' returns</i>)	88	(86)	(127)
Tax attributable to policyholders' returns	(16)	13	24
Profit (loss) before tax attributable to shareholders	72	(73)	(103)
Tax attributable to shareholders' (loss) profit	(20)	19	28
Profit (loss) from continuing operations after tax/Profit (loss) for the period	52	(54)	(75)

Notes on the IFRS basis results

continued

iii The effect of the change on the income statement, earnings per share and balance sheet continued

	Increase (decrease) in earnings per share		
	2008 £m	2007 (p)	
	Half year	Half year	Full year
	Adjustments incorporated in the results	Adjustments made to the previously published results	
Earnings per share			
Basic and diluted based on profit (loss) from continuing operations attributable to equity holders of the Company	2.1p	(2.2)p	(3.1)p

	Increase (decrease) in shareholders' equity		
	2008 £m	2007 £m	
	Half year	Half year	Full year
	Adjustments incorporated in the results	Adjustments made to the previously published results	
Summary consolidated balance sheet			
Deferred tax assets	13	24	26
Other debtors	(185)	(255)	(356)
Policyholder liabilities – contract liabilities (including amounts in respect of contracts classified as investment contracts under IFRS 4)	(130)	(143)	(172)
Unallocated surplus of with-profits funds	245	332	392
Deferred tax liabilities	50	51	73
Provisions	(80)	(127)	(102)
Shareholders' equity	(87)	(118)	(139)

iv Effect on the Group's supplementary analysis of profit and movements in shareholders' equity

	Half year 2008 £m			Half year 2007 £m			Full year 2007 £m		
	Previous basis	Effect of change	Revised basis	As previously published	Effect of change	After change	As previously published	Effect of change	After change
Operating profit based on longer-term investment returns	692	(18)	674	601	(8)	593	1,213	(12)	1,201
Short-term fluctuations in investment returns on shareholder-backed business	(684)		(684)	24		24	(137)		(137)
Shareholders' share of actuarial gains and losses on defined benefit pension schemes	(182)	90	(92)	103	(65)	38	90	(91)	(1)
(Loss) profit before tax	(174)	72	(102)	728	(73)	655	1,166	(103)	1,063
Tax	8	(20)	(12)	(253)	19	(234)	(382)	28	(354)
(Loss) profit after tax	(166)	52	(114)	475	(54)	421	784	(75)	709
Profit from discontinued operations	–		–	241		241	241		241
Less: Minority interests	(2)		(2)	(1)		(1)	(3)		(3)
(Loss) profit for the period	(168)	52	(116)	715	(54)	661	1,022	(75)	947
Other movements in reserves	(394)		(394)	(298)		(298)	(309)		(309)
Shareholders' equity at the beginning of the period	6,201	(139)	6,062	5,488	(64)	5,424	5,488	(64)	5,424
Shareholders' equity at the end of the period	5,639	(87)	5,552	5,905	(118)	5,787	6,201	(139)	6,062

P Related party disclosures

The nature of the related party transactions of the Group has not changed from those described in the Group's consolidated financial statements for the year ended 31 December 2007.

There were no transactions with related parties during the six months ended 30 June 2008 which have had a material effect on the financial position or results of the Group.

Statement of directors' responsibilities

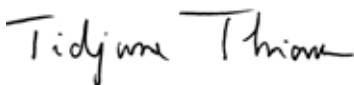
The directors are responsible for preparing the Half-Yearly Financial Report in accordance with applicable law and regulations.

Accordingly, the directors confirm that to the best of their knowledge:

- the condensed consolidated financial statements have been prepared in accordance with IAS 34, 'Interim Financial Reporting', as adopted by the European Union;
- the Half-Yearly Financial Report includes a fair review of information required by:
 - (a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the six months ended 30 June 2008, and their impact on the condensed consolidated financial statements, and a description of the principal risks and uncertainties for the remaining six months of the year; and
 - (b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place during the six months ended 30 June 2008 and that have materially affected the financial position or the performance of the Group during the period and any changes in the related party transactions described in the Group's consolidated financial statements for the year ended 31 December 2007.

The directors of Prudential plc are listed in the Group's Annual Report for the year ended 31 December 2007. Subsequent to the Annual Report, Philip Broadley retired as a director on 15 May 2008.

On behalf of the Board of directors



Tidjane Thiam
Group Chief Financial Officer
30 July 2008

Independent Review Report by KPMG Audit Plc to Prudential plc (EEV basis results)

Introduction

We have been engaged by the Company to review the European Embedded Value (EEV) basis supplementary information for the six months ended 30 June 2008 set out on pages 32 to 44 (the supplementary information).

We have read the other information contained in the Half-Yearly Financial Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the supplementary information.

This report is made solely to the Company in accordance with the terms of our engagement to provide a review conclusion to the Company on the supplementary information. Our review has been undertaken so that we might state to the Company those matters we have been engaged to state in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The Half-Yearly Financial Report, including the supplementary information contained therein, is the responsibility of, and has been approved by, the directors. The directors have accepted responsibility for preparing the supplementary information contained in the Half-Yearly Financial Report in accordance with the EEV Principles issued in May 2004 by the European CFO Forum and for determining the methodology and assumptions used in the application of those principles.

The supplementary information has been prepared in accordance with the EEV Principles using the methodology and assumptions set out in notes 2 and 3 to the supplementary information. The supplementary information should be read in conjunction with the Group's IFRS basis financial information which is set out on pages 45 to 69.

Our responsibility

Our responsibility is to express to the Company a conclusion on the supplementary information in the Half-Yearly Financial Report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the UK. A review of supplementary information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the supplementary information for the six months ended 30 June 2008 is not prepared, in all material respects, in accordance with the EEV Principles, using the methodology and assumptions set out in notes 2 and 3 to the supplementary information.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
London
30 July 2008

Independent Review Report by KPMG Audit Plc to Prudential plc (IFRS basis results)

Introduction

We have been engaged by the Company to review the International Financial Reporting Standards (IFRS) basis financial information in the Half-Yearly Financial Report for the six months ended 30 June 2008 set out on pages 45 to 69.

We have read the other information contained in the Half-Yearly Financial Report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the Disclosure and Transparency Rules (the DTR) of the United Kingdom's Financial Services Authority (the UK FSA). Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The Half-Yearly Financial Report, including the IFRS basis financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the Half-Yearly Financial Report in accordance with the DTR of the UK FSA.

As disclosed in note A, the IFRS basis financial information included in this Half-Yearly Financial Report has been prepared in accordance with IAS 34 'Interim Financial Reporting', as adopted by the European Union (EU).

Our responsibility

Our responsibility is to express to the Company a conclusion on the IFRS basis financial information in the Half-Yearly Financial Report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the IFRS basis financial information in the Half-Yearly Financial Report for the six months ended 30 June 2008 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FSA.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
London
30 July 2008