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Jackson National Life
Insurance Company



M&G



PRUDENTIAL

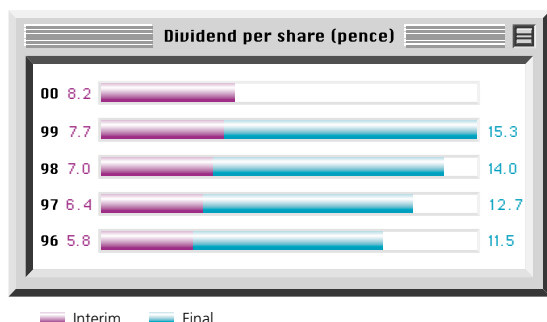


Scottish Amicable



PRUDENTIAL
英国保诚保险

2000 Unaudited Interim Results



- Record insurance and investment sales of £7 billion
- New business achieved profits up 15 per cent to £317 million
- Statutory operating profit up 14 per cent to £425 million
- Dividend increases 6.5 per cent to 8.2 pence per share

Results Summary

	Half year ended 30 June 2000 £m	1999 £m	Full year 1999 £m
Statutory operating profit based on longer-term investment returns before amortisation of goodwill			
Retail Insurance Operations	253	252	515
M&G	69	27	87
Egg	(81)	(69)	(150)
UK operations	241	210	452
US operations	230	219	451
Prudential Asia	9	7	15
Prudential Europe	0	3	6
Other income and expenditure	(55)	(12)	(78)
Re-engineering costs	–	(55)	(70)
Operating profit before amortisation of goodwill	425	372	776
Amortisation of goodwill	(41)	(14)	(54)
Short-term fluctuations in investment returns	17	11	28
Profit on sale and flotation of holding in Egg	119	–	–
Share of exceptional gain of associate company	21	–	–
Profit on sale of holding in associate company	99	–	–
Profit before tax (including actual investment returns)	640	369	750
Earnings per share			
Based on operating profit after tax before amortisation of goodwill	15.7p	14.0p	29.1p
Based on profit after tax – basic	24.5p	14.0p	27.8p
Based on profit after tax – diluted	24.4p	13.9p	27.7p
Dividend per share	8.2p	7.7p	23.0p
Achieved profits basis shareholders' funds	£8.9bn	£8.2bn	£8.3bn
Insurance and investment funds under management	£156bn	£157bn	£170bn
Banking funds under management	£7.7bn	£7.4bn	£8.1bn

Profit before tax includes actual investment returns. The Company believes that operating profit, which is based on longer-term investment returns, before amortisation of goodwill better reflects the Group's underlying performance.

An abridged statutory profit and loss account is set out on page 6. Supplementary achieved profits basis results are shown on pages 8 to 11.

The dividend will be paid on 30 November 2000 to shareholders on the register at the close of business on 22 September 2000. A scrip dividend alternative will be offered to shareholders.

Group Chief Executive's Review

Group Overview

In the first half of 2000 Prudential has delivered strong financial performance and a series of significant corporate events which demonstrate our commitment to increasing the breadth and depth of our business and to delivering superior returns to our shareholders.

With the scale of our operations in the UK, the United States and Asia, we are a leading international retail financial services group. This position has been reinforced by our listing, in June, on the New York Stock Exchange.

Also in June, we successfully completed an Initial Public Offering of Egg on the London Stock Exchange. Despite the difficult market conditions prevailing at the time, there was significant interest and support both from investors and customers. Egg's management team is now in a strong position to accelerate Egg's growth and to drive the business forward.

The overall strength of the business is demonstrated by our group-wide sales in the first half of the year with a record inflow of new insurance and investment funds of £7.1 billion, some 21 per cent higher than the same period last year. Particularly strong performances have come from Jackson National Life, our US business, where sales have increased by 33 per cent to £2.7 billion and in Asia, where sales have almost trebled to £905 million. Over half of our sales now come from outside the UK.

The modified statutory basis result shows operating profit before amortisation of goodwill of £425 million, 14 per cent higher than 1999. Underlying profits, excluding our investment in Egg and the UK re-engineering costs of £55 million reported last year, increased by 2 per cent to £506 million.

Statutory profit before tax has risen 73 per cent to £640 million which includes £150 million arising from the sale of part of our stake in St. James's Place Capital and £119 million in respect of the sale of a minority stake in Egg.

UK Insurance Operations

The UK market continues to be affected by changing consumer preferences and further changes in legislation, leading to a shift in product mix. The introduction of Stakeholder Pensions in April 2001 is accelerating the trend towards high volume, low margin products. To operate successfully in this environment, a company must demonstrate both scale and efficiency and the ability to invest in changing its business model to attack the new market. We are doing just that.

In difficult market conditions, we continue to restructure our UK business to increase cost effectiveness and to equip us to operate competitively in a low margin environment. This drive for efficiency will continue through 2000, building on the increases in productivity of the direct sales force delivered over

the past 18 months. Last year we announced plans to reduce headcount by 5,000 over three years, of which a reduction of some 4,000 has already been achieved.

We are continuing our discussions with the FSA regarding the funds in the inherited estate. We do not expect any resolution or announcement being made in the short term.

Stakeholder Pensions represent a huge opportunity and our Group Pensions business continues to develop its IT platform and distribution model in preparation for this market. We have successfully tested a new customer distribution and administration system with a major client, the UK Atomic Energy Authority. This new proposition provides high quality information and education delivered through a combination of e-commerce and traditional channels, supported by a workplace communications infrastructure.

Our significant experience in providing group pensions and working with affinity groups has already led to success in the form of our agreement with the TUC to become the preferred supplier of Stakeholder Pensions to the TUC's member unions. This gives us the opportunity to provide Stakeholder Pensions to some 5.5 million eligible union members and demonstrates that we will be a leading player in this market.

Overall, sales by our UK insurance and investment operations in the first half of 2000 were in line with the prior year at £3.5 billion, principally reflecting a continued strong performance in the IFA channel and the impact of six months' investment sales by M&G. Despite increasingly competitive pricing in the IFA channel, sales by our IFA operations were down only marginally on the exceptional volumes achieved in 1999. Our market leading with profits bond, Prudence Bond, has maintained its share of the market, despite a fall in the overall size of the market.

Sales volumes from our Prudential Retail distribution channel reflect the lower sales force headcount as we continue to build a new model for our retail business by removing the weakest performers and driving up individual productivity. Sales in the first half of 2000 were 25 per cent down on last year, despite average headcount in the period being almost 40 per cent lower than in the preceding period. In line with our expectations of lower long-term investment returns, we continue to anticipate a reduction in bonus rates which will impact on our UK long-term business results.

Profit from our general insurance business has grown by 9 per cent reflecting improved operating cost ratios. We have continued to develop our Retail Financial Services website, and are one of the first UK insurers to provide on-line transactional capability for home and motor insurance quotes and sales. We joined with Vodafone to enable customers to access this through WAP phones, the first insurer to do so in the UK.

Group Chief Executive's Review continued

M&G

Over the last year, we have restructured our European fund management businesses under one investment brand, M&G. The acquisition of M&G in 1999, its integration with PPM and the sale of part of the institutional business, have resulted in a significantly different investment management focus. M&G is now able to concentrate on its core strengths in retail, equity and fixed income and pooled funds.

Our retail fund management business continues to make encouraging progress during 2000. Equity product sales have grown substantially and we have launched a number of new funds, including the Global Technology and Innovator funds. These new product launches have met with a positive response from IFAs and customers.

M&G also continues to pursue innovative technological solutions. As we stated at the time of the M&G acquisition, we are making a significant investment in our unit trust administration platform to improve customer service quality, response times and flexibility. In June, we announced our participation in Consolidated Funds Limited (CFL), a joint venture between M&G and three other leading investment houses to provide an exclusively IFA-focused funds supermarket. CFL should launch its first products later in the year.

Egg

The first six months of 2000 have been a busy period for Egg, our internet banking operation, culminating in the successful public offering of a 20 per cent stake in June 2000. Egg has continued to develop new products and services, launching its investment supermarket in March 2000, announcing an exciting partnership deal with Boots, and continually adding functionality to the Egg website. Egg has made significant investment in its IT capability and in ensuring a high quality experience for its customers. We believe that the platforms supporting Egg's website are now amongst the most sophisticated and reliable in the UK.

Results for the six months to 30 June 2000 showed a loss of £81 million. Egg's banking business continues to grow rapidly, with Egg Card the major customer acquisition vehicle. Egg's customer base grew by 311,000 in the first six months and now stands at 1.1 million customers.

The mutual fund supermarket of Egg Invest has approximately £22 million in funds under administration at 30 June 2000 on behalf of over 4,500 customers and we recently added a share dealing service.

Egg has entered into an investment agreement to purchase a 37.5 per cent stake in IOnline, a business-to-business, on-line mortgage transaction processing service for financial intermediaries and mortgage product providers. It intends to

use IOnline's platform to facilitate our entry into mortgage intermediation later this year.

Looking ahead, Egg has been piloting WAP services since April and plans to roll out a full service to customers in August. It has also signed a deal with BT Cellnet to provide free WAP phones to all of Egg's customers.

Egg has already announced its intention to develop a current account as well as the Egg Wallet[™] for on-line shopping customers. Next month Egg intends to launch Egg Insure, an on-line general insurance supermarket, which will offer standardised insurance products at competitive prices from a range of leading insurance providers. It will be launched initially with motor insurance, followed over the following months by home and travel insurance.

US Operations

In the United States, Jackson National Life continues to drive forward our strategy of broadening our product range and distribution reach with the self-financed acquisitions of Highland Bancorp and IFC Holdings. Financial performance has also been strong with record single premium annuity sales increasing 68 per cent to £1.8 billion and new business achieved profits up £38 million to £134 million.

Jackson's after-tax return on US capital employed for the first half is 14 per cent, slightly below our longer-term target rate of 15 per cent. This is consistent with our expectations and, looking to the full year, we expect an overall return in line with the 15 per cent target.

Sales of variable annuities increased 79 per cent to in excess of £1 billion attracting more than 1,300 new variable annuity producers and making Jackson the fifth largest seller of variable annuities in the independent broker-dealer market. Fixed annuity sales also demonstrated significant growth, rising 69 per cent to £528 million, and Jackson remains the largest provider of equity-linked index annuities with sales in the half year of £245 million.

This year has seen the rapid growth of Jackson's affiliate broker-dealer network, National Planning Corporation which, together with IFC Holdings, will create the fifth largest independent broker-dealer in the United States. National Planning Corporation is also at the forefront of technological innovation and has developed an industry-leading e-commerce platform to enhance significantly its relationships with producers.

Jackson continues to make progress in developing its product range and the acquisition of three First Fidelity branches and Highland Bancorp will give Jackson's banking operation increased earnings and the infrastructure to support the sale of banking related products through insurance distribution channels.

Asian Operations

In an impressive six months our Asian operations have almost trebled new business volumes with total premiums of £905 million and statutory profit before tax up 29 per cent at £9 million. New business achieved profits rose 65 per cent to £56 million.

The large increase in sales has been due in part to the inclusion of businesses in Taiwan and Vietnam which, together, contributed £33 million over the six months. In Vietnam we are now the leading private sector life insurance company after only six months in operation.

Sales of single premium insurance products have shown remarkable growth, almost doubling to £123 million due principally to sales of the PruInvestor Bond in Singapore.

In India our sales of mutual funds have trebled to £700 million making Prudential ICICI, our asset management company in India, the number one private mutual fund provider. Net mutual fund sales in the period were £264 million and, at 30 June, funds under management were £628 million. Prudential ICICI also launched the first financial website to enable e-commerce for both resident and non-resident Indians.

In Malaysia we have rolled out our bancassurance channel with Standard Chartered Bank following the successful launch of this partnership in Hong Kong and Singapore last year. Our joint venture with Bank of China in Hong Kong, targeted at the large Mandatory Provident Funds market, has shown encouraging results in line with our aim of being one of the market leaders.

A series of high profile marketing initiatives in Singapore includes an innovative loyalty card, the Prudential Dreams Card, which earns holders bonus credits which can be used for a variety of purchases, including insurance premiums. Motorola's latest WAP phone comes with a subscription to the Dreams Card, making Prudential the first insurer in Singapore to provide its customers with WAP phone services, including access to policy details and a complete directory of merchant outlets.

Our preparations for entering two of the largest life markets in Asia, China and India, are well under way. Our 50:50 partnership with China International Trust and Investment Corporation (CITIC) is the first Sino-British life insurance operation in China. Subject to regulatory approval, the new joint venture aims to launch its first operations in Guangzhou in the third quarter of this year. We also plan to launch our Indian life insurance operation early in 2001 in partnership with the Industrial Credit and Investment Corporation of India (ICICI).

European Operations

In Germany, the joint venture agreement with Signal Iduna announced in November last year has now been implemented and the first sales of the long-term care bond were made by the Signal Iduna sales force at the beginning of June. We intend to begin distributing unit trust products through our German broker sales force as soon as operational and regulatory issues are resolved.

In France, we have reached agreement in principle for the provision of the long-term care bond to CNP Assurances for distribution through two of its networks. Discussions with other potential distributors of Prudential products in France are progressing well and we expect to be able to announce an additional distribution agreement once French regulatory approval for our French branch has been received. The establishment of our branch in Paris has been approved by the FSA and is currently with the French regulatory authorities. Subject to regulatory approval, we expect to be selling products through the new branch in the last quarter of this year.

We have invested some £4 million of European development expenses in the first half of 2000. We anticipate further investment in the second half of the year.

Dividend

The Board has increased the interim dividend by 6.5 per cent to 8.2p per share.

Driving the Business Forward

We have scale operations in our chosen markets which have attractive demographics and excellent long-term growth prospects. We are seeing tremendous change in all of our markets. This brings with it significant opportunities and, as a major international business, we are focused on anticipating and managing that change and leading the way in rapidly growing markets.

We are actively leveraging our brand, our financial strength and our distribution capabilities to ensure that we make the most of our opportunities with the specific aim of delivering superior investment returns to our shareholders.



Jonathan Bloomer
Group Chief Executive
26 July 2000

Segmental Analysis

Half year ended 30 June

Results Analysis by Business Area	Analysis of new business premiums by product distributor				Analysis of gross premiums written and operating profit by product provider			
	Single		Regular		Gross premiums written		Operating profit based on longer-term investment returns before amortisation of goodwill	
	2000 £m	1999 £m	2000 £m	1999 £m	2000 £m	1999 £m	2000 £m	1999 £m
UK operations								
Prudential Retail Financial Services and Annuities	945	1,271	53	81	1,756	1,856	187	196
Retail IFA	1,144	1,285	50	62	1,579	1,744	50	41
Group Pensions	407	442	34	28	624	688	16	15
Retail Insurance Operations	2,496	2,998	137	171	3,959	4,288	253	252
M&G	646	158	10	4	868	176	69	27
Egg	–	–	–	–	–	–	(81)	(69)
Total	3,142	3,156	147	175	4,827	4,464	241	210
US operations								
Jackson National Life	2,736	2,049	13	12	2,897	2,217	228	219
Broker dealer and fund management	–	–	–	–	–	–	2	–
Total	2,736	2,049	13	12	2,897	2,217	230	219
Prudential Asia								
Long-term business and investment products	823	289	82	36	1,183	491	16	14
Development expenses	–	–	–	–	–	–	(7)	(7)
Total	823	289	82	36	1,183	491	9	7
Prudential Europe								
Long-term business	8	4	11	6	79	73	4	3
Development expenses	–	–	–	–	–	–	(4)	–
Total	8	4	11	6	79	73	0	3
Other income and expenditure								
Investment return and other income	–	–	–	–	–	–	42	70
Interest payable	–	–	–	–	–	–	(76)	(63)
Corporate expenditure	–	–	–	–	–	–	(21)	(19)
Total	–	–	–	–	–	–	(55)	(12)
Re-engineering costs	–	–	–	–	–	–	–	(55)
Group total	6,709	5,498	253	229	8,986	7,245	425	372
Results Analysis by Activity								
Long-term business	5,330	5,085	233	220	7,391	6,655	468	455
Investment products and management	1,379	413	20	9	1,430	429	58	21
General business	–	–	–	–	165	161	35	32
Banking	–	–	–	–	–	–	(81)	(69)
Other income and expenditure	–	–	–	–	–	–	(55)	(12)
Re-engineering costs	–	–	–	–	–	–	–	(55)
Group total	6,709	5,498	253	229	8,986	7,245	425	372

Holding Company Funds Statement

	Half year ended 30 June		Full year
	2000 £m	1999 £m	1999 £m
Operating profit after tax before amortisation of goodwill	306	272	567
Dividends	(162)	(150)	(449)
Reinvested in businesses	(161)	(159)	(278)
Funds available to holding company	(17)	(37)	(160)
New investment in businesses	(60)	(2,202)	(2,320)
Capital repatriated from businesses	20	–	310
Sale of holding in Egg	90	–	–
Sale of holding in associate company	83	–	–
New share capital subscribed	28	20	34
Timing differences and other items	(170)	(60)	(132)
Holding company net cash movement	(26)	(2,279)	(2,268)

Movement in Net Cash Balances

	Half year ended 30 June		Full year
	2000 £m	1999 £m	1999 £m
Holding company cash less shareholders' borrowings at beginning of period	(1,837)	453	453
Holding company net cash movement (as above)	(26)	(2,279)	(2,268)
Exchange translation losses	(32)	(40)	(22)
Holding company cash less shareholders' borrowings at end of period	(1,895)	(1,866)	(1,837)
Represented by:			
Holding company cash	94	135	78
Borrowings – Holding company	(1,824)	(1,842)	(1,760)
– Jackson National Life	(165)	(159)	(155)
	(1,895)	(1,866)	(1,837)

Movement in Shareholders' Capital and Reserves

	Half year ended 30 June		Full year
	2000 £m	1999 £m	1999 £m
Profit for the period	478	272	542
Exchange movements	121	89	48
Goodwill on disposal of associate company	90	–	–
New share capital subscribed	28	20	34
Dividends	(162)	(150)	(449)
Net movement in shareholders' capital and reserves	555	231	175
Shareholders' capital and reserves at beginning of period	3,424	3,249	3,249
Shareholders' capital and reserves at end of period	3,979	3,480	3,424

Abridged Statutory Profit and Loss Account

Results Summary	Half year		Full year 1999 £m
	ended 30 June 2000 £m	1999 £m	
General business technical result	35	32	61
Long-term business technical result	468	455	943
Investment products and management	58	21	70
Banking	(81)	(69)	(150)
Other income and expenditure	(55)	(12)	(78)
Re-engineering costs	–	(55)	(70)
Amortisation of goodwill	(41)	(14)	(54)
Operating profit based on longer-term investment returns	384	358	722
Short-term fluctuations in investment returns	17	11	28
Profit on sale and flotation of holding in Egg	119	–	–
Share of exceptional gain of associate company	21	–	–
Profit on sale of holding in associate company	99	–	–
Profit on ordinary activities before tax (including actual investment returns)	640	369	750
Tax	(162)	(97)	(208)
Profit for the period	478	272	542
Dividends	(162)	(150)	(449)
Retained profit for the period	316	122	93

Basic Earnings Per Share

Based on operating profit after tax before amortisation of goodwill of £306m (£272m and £567m)	15.7p	14.0p	29.1p
Adjustment for amortisation of goodwill	(2.1)p	(0.7)p	(2.8)p
Adjustment from post-tax longer-term investment returns to post-tax actual investment returns	0.3p	0.7p	2.3p
Adjustment for profit on business disposals (1999 full year tax paid on prior year disposal)	10.6p	–	(0.8)p
Based on profit for the period of £478m (£272m and £542m)	24.5p	14.0p	27.8p
Average number of shares	1,948m	1,949m	1,947m

Diluted Earnings Per Share

Based on profit for the period of £478m (£272m and £542m)	24.4p	13.9p	27.7p
Average number of shares	1,958m	1,964m	1,959m

Dividend Per Share

8.2p	7.7p	23.0p
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Notes on the Unaudited Results

- (a) The results for the 2000 and 1999 half years are unaudited. The results for the 2000 half year have been prepared using the same accounting policies as were used in the 1999 statutory accounts. The results for the 1999 full year have been derived from those accounts. The auditors have reported on the 1999 statutory accounts and the accounts have been delivered to the Registrar of Companies. The auditors' report was unqualified and did not contain a statement under section 237 (2) or (3) of the Companies Act 1985.
- (b) The long-term business profit of the UK operations has been calculated assuming that the shareholder proportion of The Prudential Assurance Company Limited remains at 10%. Provision has been made for possible reductions in bonus rates arising from the fund valuation at 31 December 2000.
- (c) In June 2000 the Company undertook an Initial Public Offering of part of its holding in Egg plc, its wholly owned UK banking subsidiary, and at the same time Egg issued new shares to the market. Total proceeds, net of expenses, amounted to £239 million. After taking into account minority interests of £120 million arising as a result of this transaction, the profit to the Group was £119 million.
- (d) In March 2000 the Company announced the disposal of part of its associate company, St James's Place Capital plc. Proceeds from the disposal amounted to £213 million. After taking into account attributable net assets of £53 million and attributable goodwill of £61 million charged to reserves on acquisition, the profit on disposal was £99 million. The market value at 30 June 2000 of the Company's remaining holding was £85 million. After taking into account attributable net assets of £26 million and goodwill of £29 million, the increase in market value of £30 million has been taken to short-term fluctuations in investment returns. The goodwill total of £90 million has been credited back to reserves.
- (e) In March 2000 the Company announced the disposal of £12 billion of UK institutional fund management business. After taking into account the goodwill attached to this business, there was zero profit on disposal.
- (f) The statutory tax charge reported on page 6 comprises £93million (1999 £32 million) UK tax and £69 million (1999 £65 million) overseas tax.
- (g) The average number of shares for the 2000 half year has been reduced by 9 million (1999 full year 4 million) as a result of a change in treatment at the 1999 year-end in respect of shares purchased under employee incentive plans.
- (h) The general business operating result for the 2000 and 1999 half years comprises:

	Gross premiums written		Underwriting result		Investment return		Operating profit based on longer-term investment returns	
	2000 £m	1999 £m	2000 £m	1999 £m	2000 £m	1999 £m	2000 £m	1999 £m
UK operations								
Home	139	140	19	19	12	12	31	31
Motor	26	21	0	(2)	4	3	4	1
Total	165	161	19	17	16	15	35	32

- (i) On 5 July 2000 the Company issued 17 million shares following the listing of its shares on the New York Stock Exchange. Proceeds raised from the issue, net of expenses, amounted to £140 million.

Supplementary Achieved Profits Basis Results

Analysis by Business Area	Half year		Full year 1999 £m
	2000 £m	ended 30 June 1999 £m	
UK operations			
New business	123	143	308
Business in force	206	198	327
Total long-term business	329	341	635
General business	35	32	61
M&G	69	27	87
Egg	(81)	(69)	(150)
Total	352	331	633
US operations			
New business	134	96	198
Business in force	72	152	277
Total long-term business	206	248	475
Broker dealer and fund management	2	–	(6)
Total	208	248	469
Prudential Asia			
New business	56	34	90
Business in force	21	17	35
Total long-term business	77	51	125
Development expenses	(7)	(7)	(12)
Total	70	44	113
Prudential Europe			
New business	4	2	7
Business in force	5	6	6
Total long-term business	9	8	13
Development expenses	(4)	–	–
Total	5	8	13
Other income and expenditure			
Investment return and other income	48	78	111
Interest payable	(76)	(63)	(131)
Corporate expenditure	(21)	(19)	(40)
Total	(49)	(4)	(60)
Re-engineering costs	–	(55)	(70)
Total operating profit based on long-term investment returns before amortisation of goodwill	586	572	1,098

On the achieved profits basis of reporting, group operating profit before amortisation of goodwill and tax increased by 2.5 per cent to £586 million in the first half of 2000. Of this amount, the contribution from long-term businesses was £612 million. Strong sales growth in the Group's US and Asian operations helped profit from new business to grow by 15 per cent to £317 million. Profit from business in force fell by 19 per cent to £295 million due to unfavourable experience variances, principally at Jackson National Life.

UK Operations

Profit from new business for the Group's UK operations decreased by 14 per cent to £123 million. This reflects subdued sales volumes partially offset by improved contributions from sales of with-profit annuity products. Profit from business in force increased by four per cent to £206 million.

US Operations

At Jackson National Life, profit from new business increased by 40 per cent to £134 million, reflecting the 33 per cent increase in sales and a shift in overall product mix away from relatively less profitable stable value products towards annuity products. However, profit from business in force halved to £72 million following an increase in surrender rates for certain fixed annuity products and a reduction from the high spread margins attained in 1999.

Prudential Asia

Profit in Prudential Asia before regional development expenses increased by 51 per cent to £77 million as profit from new business increased by 65 per cent to £56 million. The strong contribution from new business principally reflects a combination of higher sales, including first-time contributions from Taiwan and Vietnam. Profit from business in force increased by £4 million to £21 million. Development expenses remained constant at £7 million.

Prudential Europe

Profit from new business at Prudential Europe doubled to £4 million. Profit from business in force of £5 million was offset by development expenses of £4 million.

Shareholders' Funds

Total achieved profits basis shareholders' funds were £8.9 billion at 30 June 2000 (31 December 1999 £8.3 billion). The increase of six per cent reflects retention of operating profit within the business together with profits arising from the Egg flotation and business disposals. The impact of adverse investment markets in the first six months of the year was offset by exchange gains on the re-translation of the net assets of the Group's overseas operations.



Philip Broadley
Group Finance Director
26 July 2000

Supplementary Achieved Profits Basis Results

Results Summary	Half year		Full year 1999 £m
	2000 £m	ended 30 June 1999 £m	
Operating profit including investment returns based on long-term rates of investment return			
New business	317	275	603
Business in force	295	366	627
Total long-term business	612	641	1,230
General business	35	32	61
M&G	69	27	87
Banking	(81)	(69)	(150)
Other income and expenditure	(49)	(4)	(60)
Re-engineering costs	–	(55)	(70)
Operating profit before amortisation of goodwill	586	572	1,098
Amortisation of goodwill	(41)	(14)	(54)
Short-term fluctuations in investment returns	(223)	340	637
Profit on sale and flotation of holding in Egg	119	–	–
Share of exceptional gain of associate company	21	–	–
Profit on sale of holding in associate company	83	–	–
Profit on ordinary activities before tax (including actual investment returns)	545	898	1,681
Tax	(142)	(253)	(519)
Profit for the period	403	645	1,162
Dividends	(162)	(150)	(449)
Retained profit for the period	241	495	713

Basic Earnings Per Share

Based on operating profit after tax before amortisation of goodwill of £415m (£412m and £762m)	21.3p	21.1p	39.1p
Adjustment for amortisation of goodwill	(2.1)p	(0.7)p	(2.8)p
Adjustment from post-tax long-term investment returns to post-tax actual investment returns	(8.3)p	12.7p	24.2p
Adjustment for profit on business disposals (1999 full year tax paid on prior year disposal)	9.8p	–	(0.8)p
Based on profit for the period of £403m (£645m and £1,162m)	20.7p	33.1p	59.7p
Average number of shares	1,948m	1,949m	1,947m

Movement in Shareholders' Capital and Reserves

Profit for the period	403	645	1,162
Exchange movements	180	139	85
Goodwill on disposal of associate company	90	–	–
New share capital subscribed	28	20	34
Dividends	(162)	(150)	(449)
Net increase in shareholders' capital and reserves	539	654	832
Shareholders' capital and reserves at beginning of period	8,342	7,510	7,510
Shareholders' capital and reserves at end of period	8,881	8,164	8,342

Summarised Consolidated Balance Sheet	30 June	31 December	
	2000 £m	1999 £m	1999 £m
Investments (non-linked):			
Equities	51,936	53,409	57,693
Fixed income securities	45,051	40,122	39,833
Properties	9,290	7,970	8,763
Deposits with credit institutions	5,435	4,603	4,415
Other investments*	4,221	2,287	2,959
Total investments	115,933	108,391	113,663
Assets held to cover linked liabilities	18,720	15,483	18,643
Banking business assets	8,722	8,029	8,850
Goodwill	1,519	1,582	1,582
Holding company cash less shareholders' borrowings:			
Holding company cash and short-term investments	94	135	78
Borrowings – Holding company	(1,824)	(1,842)	(1,760)
– Jackson National Life	(165)	(159)	(155)
	(1,895)	(1,866)	(1,837)
Deferred acquisition costs	2,912	2,710	2,741
Dividend payable	(162)	(150)	(299)
Other net liabilities (including tax)	(786)	(923)	(343)
	144,963	133,256	143,000
Long-term business technical provisions (net of reinsurance) and fund for future appropriations:			
UK operations	(103,626)	(97,711)	(105,475)
US operations	(25,099)	(21,529)	(21,783)
Prudential Asia	(2,945)	(1,997)	(2,848)
Prudential Europe	(570)	(439)	(529)
	(132,240)	(121,676)	(130,635)
Less: shareholders' accrued interest in the long-term business	4,902	4,684	4,918
Long-term business technical provisions (net of reinsurance) and fund for future appropriations, less shareholders' accrued interest	(127,338)	(116,992)	(125,717)
Banking business liabilities	(8,141)	(7,633)	(8,438)
General business technical provisions	(469)	(461)	(491)
Minority interests	(134)	(6)	(12)
Total net assets	8,881	8,164	8,342
Shareholders' Capital and Reserves			
Share capital	98	98	98
Share premium	309	241	249
Statutory basis retained profit	3,572	3,141	3,077
Additional reserves on the achieved profits basis	4,902	4,684	4,918
Total shareholders' capital and reserves	8,881	8,164	8,342
Comprising:			
UK operations	5,037	4,926	5,029
US operations	2,800	2,432	2,533
Prudential Asia	682	475	593
Prudential Europe	79	58	68
Other operations (including goodwill and net shareholders' borrowings)	283	273	119
	8,881	8,164	8,342

* Other investments, which mainly comprise mortgages and loans to policyholders, are stated after deduction of amounts due by Jackson National Life under sale and repurchase and lending agreements.

Notes on the Supplementary Achieved Profits Basis Results

- (a) The results for the 2000 and 1999 half years are unaudited. The results for the 1999 full year have been derived from the achieved profits basis results supplement to the Company's statutory accounts. The supplement included an unqualified review report from the auditors. The results for the 2000 half year have been prepared using the same principal assumptions as were used for the 1999 full year.
- (b) The results have been prepared in accordance with the draft Guidance on accounting in Group Accounts for proprietary companies' long-term insurance business issued by the Association of British Insurers in July 1995 and are provided as a supplement to the statutory basis results contained in this report.

Independent Review Report by KPMG Audit Plc to Prudential plc

Introduction

We have been instructed by the Company to review the financial information set out on pages 4 to 7 prepared on a modified statutory basis and the financial information set out on pages 10 and 11 prepared on an achieved profits basis, and we have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The Listing Rules of the London Stock Exchange require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where they are to be changed in the next annual accounts in which case any changes, and the reasons for them, are to be disclosed.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4: Review of interim financial information issued by the Auditing Practices Board. A review

consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review is substantially less in scope than an audit performed in accordance with Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2000.

KPMG Audit Plc
Chartered Accountants
London
26 July 2000

Financial Calendar

Ex-dividend date for 2000 interim dividend

18 September 2000

Payment of 2000 interim dividend

30 November 2000

Announcement of 2000 full year results

22 February 2001

Annual General Meeting

10 May 2001

Payment of 2000 final dividend

30 May 2001

Sharedealing Facilities

Stockbrokers Cazenove & Co offer a postal sharedealing service to Prudential plc shareholders at competitive commission rates. For details telephone 020 7588 2828 or write to 12 Tokenhouse Yard, London EC2R 7AN.

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