Group overview

Results highlights	CER 2007 £m	CER 2006 £m	CER Change %	RER[note 5] 2006 £m	RER[note 5] Change %
Annual premium equivalent (APE) sales	**2,874**	2,374	21	2,470	16
Present value of new business premiums (PVNBP)	**21,302**	18,192	17	18,947	12
Net investment flows	**7,975**	8,511	(6)	8,633	(8)
External funds under management	**68,669**	57,497	19	57,199	20
New business profit (NBP)	**1,215**	992	22	1,039	17
NBP margin (% APE)	**42**	42		42	
NBP margin (% PVNBP)	**5.7**	5.5		5.5	
EEV basis operating profit from long-term business from continuing operations[notes 1,2]	**2,517**	2,103	20	2,208	14
Total EEV basis operating profit from continuing operations[notes 2,4]	**2,542**	2,030	25	2,133	19
Total IFRS operating profit from continuing operations[notes 3,4]	**1,213**	1,008	20	1,050	16
EEV basis shareholders' funds (£bn)	**14,779**	11,910	24	11,883	24
IFRS shareholders' funds (£bn)	**6,201**	5,483	13	5,488	13
Holding company operating cash flow	**(82)**	(104)	21	(104)	21
Holding company operating cash flow plus proceeds from the sale of Egg	**445**	(104)	528	(104)	528
Return on embedded value[note 6]	**15.4%**			14.5%	6

Notes

1 Long-term business profits after deducting Asia development expenses and before restructuring costs.
2 Based on longer-term investment returns from continuing operations. Operating profit is stated excluding the effect of short-term fluctuations in investment returns against the long-term assumptions, 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, actuarial gains and losses on defined benefit schemes and the mark to market value movements on borrowings.
3 Based on longer-term investment returns from continuing operations. Operating profit is stated excluding the effect of short-term fluctuations in investment returns against the long-term assumptions, the effect of changes in economic assumptions, actuarial gains and losses on defined benefit schemes and the mark to market value movements on borrowings.
4 Prior year restated excludes Egg, and shows continuing operations only.
5 Reported exchange rate (RER).
6 Return on embedded value is based on EEV operating profit from continuing operations after tax and minority interests as a percentage of opening embedded value (shareholder's funds on a EEV basis).

In the Operating and Financial Review (OFR), year-on-year comparisons of financial performance are on a constant exchange rate (CER) basis, unless otherwise stated.

These results show the strong performance of the Group in 2007. The KPIs above show growth in sales and profits and an improvement in cash flow. The surplus capital position of Prudential plc, measured under the Insurance Groups Directive (IGD) basis, will be submitted to the FSA by 30 April 2008 but is currently estimated to be in the region of £1.4 billion. This includes a benefit of around £0.3 billion that arose during 2007 from the sale of Egg Banking plc.

At 31 December 2007, total insurance and investment funds under management are £267 billion, up from £251 billion at the end of 2006 at reported exchange rate (RER).

Basis of preparation of results

The European Union (EU) requires that all listed European groups prepare their financial statements in accordance with EU approved IFRS. Since 1 January 2005, Prudential has been reporting its primary results on an IFRS basis.

As a signatory to the European Chief Financial Officers' (CFO) Forum's EEV Principles, Prudential also reports supplementary results on an EEV basis for the Group's long-term business. These results are combined with the IFRS basis results of the non long-term businesses to provide a supplementary operating profit under EEV. Reference to operating profit relates to profit based on long-term investment returns. Under both EEV and IFRS, operating profits from continuing operations based on longer-term investment returns exclude short-term fluctuations in investment returns and shareholders' share of actuarial gains and losses on defined benefit pension schemes. Under EEV, where additional profit and loss effects arise, operating profits based on longer-term investment returns also exclude the mark to market value movement on core borrowings and the effect of changes in economic assumptions and changes in the time value of the cost of options and guarantees arising from changes in economic factors.

In broad terms, IFRS profits for long-term business contracts reflect the aggregate of statutory transfers from with-profits funds and profits on a traditional accounting basis for other long-term business. Although the statutory transfers from with-profits funds are closely aligned with cash flow generation, the pattern of IFRS profits over time from shareholder-backed long-term businesses will generally differ from the cash flow pattern. Over the life of a contract, however, aggregate IFRS profits will be the same as aggregate cash flow.

Life insurance products are, by their nature, long term and the profit on this business is generated over a significant number of years. Accounting under IFRS does not, in Prudential's opinion, properly reflect the inherent value of these future profit streams.

Prudential believes that embedded value reporting provides investors with a better measure of underlying profitability of the Group's long-term businesses and is a valuable supplement to statutory accounts.

EEV basis operating profit

EEV basis operating profit from continuing operations	2007 £m	CER 2006 £m	CER Change %	RER 2006 £m	RER Change %
Insurance business:					
Asia	1,046	779	34	829	26
US	627	652	(4)	708	(11)
UK	859	686	25	686	25
Development expenses	(15)	(14)	(7)	(15)	0
Long-term business profit	2,517	2,103	20	2,208	14
Asset management business:					
M&G	254	204	25	204	25
Asia asset management	72	47	53	50	44
Curian	(5)	(7)	29	(8)	38
US broker-dealer and asset management	13	16	(19)	18	(28)
	334	260	28	264	27
Other income and expenditure	(289)	(292)	1	(298)	3
Total EEV basis operating profit from continuing operations	2,562	2,071	24	2,174	18
Restructuring costs	(20)	(41)	51	(41)	51
Total EEV basis operating profit from continuing operations after restructuring costs	2,542	2,030	25	2,133	19

Total EEV basis operating profit from continuing operations based on longer-term investment returns was £2,542 million, up 25 per cent from 2006 at CER and up 19 per cent at RER. This result reflects the significant growth of new business profit of £1,215 million and in-force profit of £1,317 million by insurance businesses, up 17 per cent over 2006, and strong asset management profit growth.

Record new business profit from insurance business of £1,215 million, was 22 per cent higher than in 2006, driven by strong sales momentum in Asia and the US. At RER, new business profit was up 17 per cent. The average Group new business profit margin was 42 per cent (2006: 42 per cent) on an APE basis and 5.7 per cent (2006: 5.5 per cent) on a PVNBP basis. This reflects an increase in the average UK margin offset by a fall in the average Asia margin. In-force profit increased 17 per cent on 2006 to £1,317 million. At RER, in-force profit was up 11 per cent. In aggregate, net assumption changes were £97 million positive, and experience variances and other items were £48 million positive.

The in-force profit in 2007 for the UK business included a charge in respect of a mortality operating assumption change on annuity and deferred annuity pension business of £312 million, which is fully offset by a release of excess margins previously held.

Asia's development expenses (excluding the regional head office expenses) were £15 million (2006: £14 million).

Operating profit from the asset management business was £334 million (2006: £260 million), up 28 per cent on 2006, driven by growth in M&G and Asia Asset Management.

Other income and expenditure totalled a net expense of £289 million compared with £298 million in 2006 at RER. This result primarily includes interest expense on central borrowings of £168 million (2006: £177 million); £117 million of Group Head Office (GHO) costs (2006: £83 million) and £38 million of costs for the Asia head office (2006: £36 million). The increase in Group Head Office (GHO) costs reflects costs in respect of the process to consider a reattribution of the inherited estate.

Group overview
continued

New business capital usage

	2007 £m				
	Free surplus	Required capital	Total net worth	Value of in-force business	Total long-term business
Asia	(194)	21	(173)	653	480
US	(200)	183	(17)	202	185
UK	(150)	104	(46)	246	200
	(544)	308	(236)	1,101	865

The Group wrote £2,874 million of sales on an APE basis. To support these sales, the Group invested £544 million of capital. This amount covers both new business acquisition expenses, including commission of £236 million and the required capital of £308 million. The total investment of capital for new business amounts to approximately £19 million per £100 million of APE sales. These sales provided a post-tax new business contribution to embedded value of £865 million.

In Asia, capital was invested to support sales at an average rate of £15 million per £100 million of APE sales.

In the US, capital was invested to support sales at an average rate of £30 million per £100 million of APE sales.

In the UK, capital was invested to support sales at an average rate of £17 million per £100 million of APE sales.

The following year-on-year comparisons are presented on a RER basis.

In the calculation of EEV operating profit longer-term investment return assumptions are used rather than actual investment returns achieved. Short-term fluctuations in investment returns are reported separately in the analysis of profit.

In Asia, long-term business short-term investment fluctuations were £226 million, compared to £286 million last year. This reflects favourable equity performance in most territories, principally Hong Kong, Vietnam and Singapore offset by an unfavourable valuation movement of £30 million on an investment of the Taiwan life business in a CDO fund.

The US business short-term fluctuations in investment returns of £(8) million primarily include: a negative £44 million in respect of the difference between actual investment returns and longer-term returns included in operating profit in respect of fixed income securities and related swap transactions; a negative £16 million in relation to changed expectations of future profitability on variable annuity business in force due to the actual variable investment account (separate account) return being lower than the long-term return reported within operating profit, offset by the impact of the associated hedging position; and a positive £51 million in respect of the difference between actual investment returns and long-term returns

EEV basis profit after tax and minority interests RER

	2007 £m	2006 £m	Change %
Total EEV basis operating profit from continuing operations after restructuring costs	2,542	2,133	19
Short-term fluctuations in investment returns:	174	738	
Asia	226	286	
US	(8)	64	
UK	(42)	378	
Other	(2)	10	
Actuarial gains and losses on defined benefit pension schemes:	116	207	
Effect of change in economic assumptions:	748	(1)	
Asia	201	(132)	
US	81	(51)	
UK	466	182	
Effect of change in time value of cost of options and guarantees:	0	60	
Asia	9	14	
US	8	6	
UK	(17)	40	
Movement in mark to market value of core borrowings:	223	85	
US	9	3	
Other	214	82	
Profit from continuing operations before tax	3,803	3,222	18
Tax	(961)	(904)	
Profit from continuing operations after tax before minority interests	2,842	2,318	23
Discontinued operations (net of tax)	241	(105)	
Minority interests	(21)	(1)	
Profit for the period	3,062	2,212	38

included within operating profit in respect of equity-based investments and other items.

The UK business component of short-term fluctuations in investment returns of negative £42 million primarily reflects reduced asset values in PRIL, the shareholder-backed annuity business, from widened credit spreads and the difference between the actual investment return for the with-profits life fund of 7.2 per cent and the long-term assumed return of 7.85 per cent.

The actuarial gain of £116 million (2006: £207 million) included in total profit reflects the shareholders' share of actuarial gains and losses on the Group's defined benefit pension schemes. On the EEV basis, this gain includes a 10 per cent share of the actuarial gains and losses on the share attributable to the PAC with-profits sub-fund for the Prudential Staff and Scottish Amicable Pension Schemes. The full year 2007 gains mainly reflect changes in economic assumptions, partly offset by the effect of strengthened mortality assumptions. The very high level of gains in 2006 reflected the excess market returns over the long-term assumption and the increase in discount rate applied in determining the present value of projected pension payments from 4.8 per cent at 31 December 2005 to 5.2 per cent at December 2006.

In Asia positive economic assumption changes were £201 million, of which £110 million is due to Taiwan and £80 million is due to Hong Kong. The Taiwan credit primarily reflects a change of projected fund earned rate, offset by an increase in risk discount rate, whereas Hong Kong primarily reflects a decrease in the risk discount rate. Taiwan interest rates performed in line with the assumed EEV trended basis.

In the US, economic assumption changes of positive £81 million primarily reflect a reduction in the risk discount rates following a reduction in the US 10-year Treasury rate, partially offset by a reduction in the separate account return assumption.

In the UK, economic assumption changes of positive £466 million primarily reflect the impact of the increase in the investment return assumption and a decrease in the risk free rate.

The mark to market movement on core borrowings was a positive £223 million reflecting the reduction in fair value of core borrowings as the decrease in interest rates is more than offset by the widening of the credit spread, thereby increasing overall market yields on comparable debt securities.

The effective tax rate at an operating tax level was 27 per cent (2006: 30 per cent), generally reflecting expected tax rates. The effective tax rate at a total EEV level was 25 per cent (2006: 28 per cent) on a profit of £3,803 million.

On 1 May 2007, Prudential completed the sale of Egg Banking plc to Citi for a consideration, net of transaction expenses, of £527 million. The profit from discontinued operations is £241 million being the profit on disposal of £290 million, net of the post-tax loss of £49 million from 1 January 2007 to the date of sale.

IFRS basis operating profit

IFRS basis operating profit based on longer-term investment returns from continuing operations

		CER		RER	
	2007 £m	2006 £m	Change %	2006 £m	Change %
Insurance business:					
Asia	189	177	7	189	0
US	444	367	21	398	12
UK	528	500	6	500	6
Development expenses	(15)	(14)	(7)	(15)	0
Long-term business profit	**1,146**	**1,030**	**11**	**1,072**	**7**
Asset management business:					
M&G	254	204	25	204	25
Asia asset management	72	47	53	50	44
Curian	(5)	(7)	29	(8)	38
US broker-dealer and asset management	13	16	(19)	18	(28)
	334	260	28	264	27
Other income and expenditure	(248)	(244)	(2)	(248)	0
Total IFRS basis operating profit based on longer-term investment returns before restructuring costs	**1,232**	**1,046**	**18**	**1,088**	**13**
Restructuring costs	(19)	(38)	(50)	(38)	(50)
Total IFRS basis operating profit based on longer-term investment returns after restructuring costs	**1,213**	**1,008**	**20**	**1,050**	**16**

Group overview
continued

The increase in Prudential Corporation Asia's operating profit of seven per cent for long-term business before development expenses reflects improved profitability in mature markets with significant contributions to operating profit from Singapore, Malaysia and Hong Kong, representing £153 million of the total operating profit in 2007, up 15 per cent on 2006. There were increased contributions from each of Indonesia, Taiwan and Vietnam as these operations continue to build scale. Five life operations made IFRS losses: £43 million in India which is a relatively new business, incurring costs in rapidly building scale through its expansion strategy and losses of £16 million in Japan. Korea's loss reflects new business growth. China and Thailand are marginally loss making.

In the US, IFRS operating profit of £444 million was up 21 per cent on 2006 at CER. The US operations' results are based on US GAAP, adjusted where necessary to comply with IFRS as the Group's basis of presenting operating profit is based on longer-term investment returns. Longer-term returns for the US operations' fixed income securities incorporate a risk margin reserve (RMR) charge for longer-term defaults and amortisation of interest-related realised gains and losses. The growth in the US operations' IFRS operating profit for long-term business mainly reflects increased fee income driven by a 34 per cent increase in separate account assets during the year and higher overall election of optional benefits. Profits from the annuities spread business were broadly in line with prior year and continue to represent the key contributor to overall IFRS operating profit. One-off items affecting the spread-based income were £26 million, net of related amortisation of deferred acquisition costs (DAC).

In the UK, IFRS operating profit for the long-term business increased six per cent to £528 million in 2007. This reflected a seven per cent increase in profits attributable to the with-profits business to £394 million, representing the continued strong investment performance of the Life Fund and its impact on terminal bonuses. 2007 includes the net impact of the mortality strengthening and a release of excess margins previously held in other assumptions which was a positive £34 million.

M&G's operating profit for 2007 was £254 million, an increase of 25 per cent over 2006, due to strong net investment inflows and positive market conditions for the first three quarters of 2007.

The Asian asset management operations reported operating profits of £72 million, a growth of 53 per cent over 2006, driven by strong contributions from Vietnam, India and Taiwan.

The operating profit from the US broker-dealer and asset management businesses was £13 million, a 19 per cent decrease on 2006. Curian recorded losses of £5 million in 2007, down from losses of £7 million in 2006, as the business continues to build scale.

IFRS basis profit after tax

	RER		
	2007 £m	2006 £m	Change %
Operating profit from continuing operations based on longer-term investment returns after restructuring costs	**1,213**	**1,050**	**16**
Short-term fluctuations in investment returns	**(137)**	155	
Shareholders' share of actuarial and other gains and losses on defined benefit pension schemes	**90**	167	
Profit before tax from continuing operations attributable to shareholders	**1,166**	**1,372**	**(15)**
Tax attributable to shareholders' profits	**(382)**	(392)	
Profit from continuing operations for the financial year after tax	**784**	**980**	**(20)**
Discontinued operations (net of tax)	**241**	(105)	
Minority interests	**(3)**	(1)	
Profit for the year attributable to equity holders of the company	**1,022**	**874**	**17**

The following year-on-year comparisons are presented on a RER basis.

Total IFRS basis profits before tax attributable to shareholders and minority interests were £1,166 million in 2007, compared with £1,372 million for 2006. The decrease reflects a reduction in short-term fluctuations in investment returns of £292 million and a reduced positive movement from the prior year in actuarial gains and losses attributable to shareholder-backed operations in respect of the Group's defined benefit pension schemes.

In the calculation of IFRS operating profit longer-term investment return assumptions are used rather than actual investment returns achieved. The actual movements in asset values beyond the longer-term assumptions appear in the profit and loss account as short-term fluctuations in investment returns, with the exception of Jackson where unrealised gains or losses on debt securities feature directly as movements to shareholder reserves.

The £137 million charge for short-term fluctuations in investment returns comprises £71 million, £18 million, £47 million and £1m in respect of Asian operations, US operations, UK operations and other respectively.

The fluctuations for the Asian operations primarily reflect reduced values for debt securities in Taiwan and a

£30 million reduction in the value of an investment in a CDO fund, partially offset by strong equity movements in Vietnam.

In the US there was a £18 million charge for short-term fluctuations in investment returns. During 2007 the US life insurance operations recorded net credit losses of £78 million (2006: £25 million). This charge is reflected in two parts of the accounting presentation of the results. Included within the IFRS operating profit based on longer-term investment returns is a risk margin reserve (RMR) charge, representing long-term expected credit defaults, of £48 million (2006: £54 million). The difference between the credit related losses and the RMR charge in the year was, therefore, a charge of £30 million (2006: £29 million credit) which is recorded within short-term fluctuations in investment returns, within the overall £18 million charge for US life insurance operations.

The fluctuations for the UK operations primarily reflect reduced asset values in PRIL, the shareholder-backed annuity business, from widened credit spreads on corporate bond securities.

Profit after tax and minority interests was £1,022 million compared with £874 million in 2006. The effective rate of tax on operating profits, based on longer-term investment returns, was 32 per cent (2006: 29 per cent). The effective rate of tax at the total IFRS profit level for continuing operations was 33 per cent (2006: 29 per cent). The effective tax rates in 2007 were broadly in line with those expected except for some Asian operations where there is a restriction on the ability to recognise deferred tax assets on regulatory basis losses.

Earnings per share

	2007 p	2006 p
EPS based on operating profit from continuing operations after tax and minority interest:		
EEV	74.9	62.1
IFRS	33.8	30.9
Basic EPS based on total profit after minority interest		
EEV	125.2	91.7
IFRS	41.8	36.2

Dividend per share

The directors recommend a final dividend for 2007 of 12.30 pence per share payable on 20 May 2008 to shareholders on the register at the close of business on 11 April 2008. The interim dividend for 2007 was 5.70 pence per share. The total dividend for the year, including the interim dividend and the recommended final dividend, amounts to 18.00 pence per share compared with 17.14 pence per share for 2006, an increase of five per cent. The total cost of dividends in respect of 2007 was £444 million.

The full year dividend is covered 1.9 times by post-tax IFRS operating profit from continuing operations.

Dividend cover is calculated as operating profit after tax on an IFRS basis, divided by the current year interim dividend plus the proposed final dividend.

The Board will focus on delivering a growing dividend, which will continue to be determined after taking into account the Group's financial flexibility and opportunities to invest in areas of the business offering attractive returns. The Board believes that in the medium term a dividend cover of around two times is appropriate.

Shareholders' funds

On the EEV basis, which recognises the shareholders' interest in long-term businesses, shareholders' funds at 31 December 2007 were £14.8 billion, an increase of £2.9 billion from the 2006 year-end level (2006: £11.9 billion at RER). This 24 per cent increase primarily reflects: total EEV basis operating profit of £2,542 million; a £174 million favourable movement in short-term fluctuations in investment returns; a £748 million positive movement due to changes in economic assumptions and in time value of cost of options and guarantees; a positive movement on the mark to market of core debt of £223 million; the proceeds for the share capital issue of the parent company for £182 million; a positive movement in the actuarial gains on the defined benefit pension schemes of £116 million and the positive impact of £64 million for foreign exchange movements. These were offset by: a tax charge of £961 million and dividend payments of £426 million made to shareholders.

The shareholders' funds at 2007 of £14.8 billion comprise:

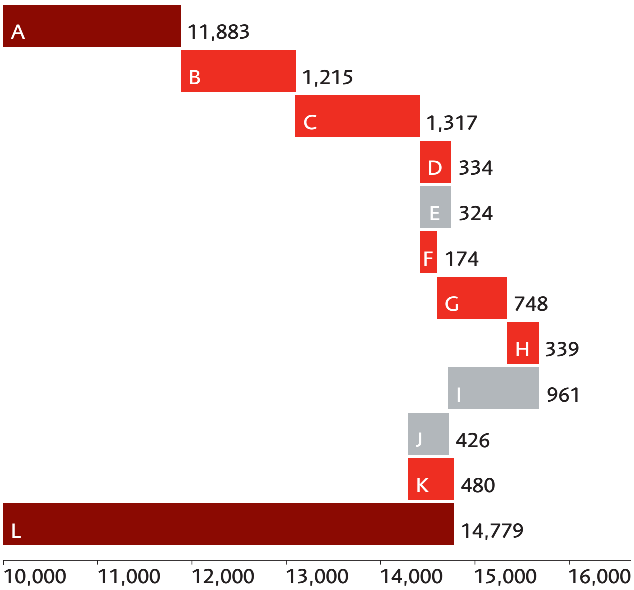
- £3.7 billion for the Asian long-term business operations;
- £3.6 billion for the US long-term business operations;
- £6.5 billion for the UK long-term business operations; and
- £1 billion for other operations.

At the year end the embedded value for the Asian long-term business was £3.7 billion. The established markets of Hong Kong, Singapore and Malaysia contribute £2,704 million to the embedded value generated across the region with Korea (£304 million) and Vietnam (£234 million) making further substantial contributions. Prudential's other markets, excluding Taiwan, in aggregate contribute £496 million in embedded value. Taiwan has a negative embedded value of £12 million; this positive movement against prior year (2006: negative £216 million) is a reflection of an increase in new business and a change in economic assumptions.

The current mix of new business in Taiwan is weighted heavily towards unit-linked and protection products, representing 75 per cent and 15 per cent of new business APE in 2007, respectively. As a result, interest rates have little effect on new business profitability and a one per cent reduction in assumed interest rates would reduce new business margins in Taiwan by less than one percentage point. However, the in-force book in Taiwan, predominantly made up of whole of life policies, has an embedded value that is sensitive to interest rate changes. A one per cent decrease in interest rates, along with consequential changes to assumed investment returns for all asset classes, market values of fixed interest assets and risk discount rates, would result in a £91 million decrease in Taiwan's embedded value. A similar one per cent positive shift in interest rates would increase embedded value by £67 million. On the assumption that bond yields remained flat during 2008 and then trended towards 5.5 per cent in December 2014, this would have reduced the 2007 Taiwan embedded value by £70 million. Sensitivity of the embedded value to interest rate changes varies considerably across the region. In aggregate, a one per cent decrease in interest rates, along with all consequential changes noted above, would result in a negligible percentage change to Asia's embedded value.

Statutory IFRS basis shareholders' funds at 31 December 2007 were £6.2 billion. This compares with £5.5 billion at 31 December 2006 at RER. The increase primarily reflects: profit after tax and minority interests of £1,022 million, the proceeds from the share capital issue of the Company for £182 million, offset by the impact of negative unrealised holding losses on available for sale investments of £231 million, and dividend payments to shareholders of £426 million.

Analysis of movement in EEV shareholders' funds £m: 31 December 2006 to 31 December 2007



A 2007 opening shareholders' funds
B Life new business profits
C Life in-force profit
D Asset management and other operating profit
E Other income and expenditure (including Asia development expenses and restructuring costs)
F Short-term fluctuations in investment returns
G Effect changes in economic assumptions and time value of cost of options and guarantees
H Mark to market movement on core borrowings, actuarial gains and losses on defined benefit pension schemes
I Tax
J Dividends
K Other including result for discontinued operations and increase in share capital
L 2007 closing shareholders' funds

Holding company cash flow

	2007 £m	2006 £m
Cash remitted by business units:		
UK life fund transfer	261	217
UK other	3	0
US	122	110
Asia	186	175
M&G	139	94
Total cash remitted to Group	**711**	**596**
Net interest paid	(96)	(128)
Dividends paid	(426)	(399)
Scrip dividends and share options	183	91
Cash remittances after interest and dividends	**372**	**160**
Tax received	40	122
Corporate activities	(200)	(67)
Cash flow before investment in businesses	**212**	**215**
Capital invested in business units:		
Asia	(149)	(147)
UK	(145)	(172)
Total capital invested in business units	**(294)**	**(319)**
Decrease in operating cash	**(82)**	**(104)**
Egg sale net proceeds	**527**	**0**
Total holding company cash flow	**445**	**(104)**

The Group holding company received £711 million in cash remittances from business units in 2007 including the shareholders' statutory life fund transfer of £261 million from the UK business.

After dividends and net interest paid, there was a net cash inflow of £372 million (2006: £160 million). There was a high take-up of scrip dividends in 2007.

During 2007, the Group holding company paid £200 million in respect of corporate activities, which included costs in respect of the process to consider a reattribution of the inherited estate together with a repayment to HMRC in respect of tax recoveries in previous years following a change in tax legislation. Tax received of £40 million (2006: £122 million) was lower than prior year as a result of foreign exchange gains reducing the level of taxable losses and a payment to HMRC. Asia contributed a net remittance of £37 million to the holding company cash flow.

In aggregate this gave rise to an improvement in operating cash outflow to £82 million from £104 million in 2006.

The Group received £527 million from the disposal of Egg (net of expenses), and the reduction in net interest paid in 2007 includes the investment income earned on these proceeds.

In 2008, the UK shareholders' statutory transfer relating to the bonus declarations is expected to be £279 million.

Depending on the mix of business written and the opportunities available, Prudential expects that the UK shareholder-backed business will become cash positive in 2010.

Taking into account plans for future growth, our ability to surrender group tax relief, a normalised level of scrip dividend, the reducing UK capital requirement and increased remittances from the other life and asset management operations it is expected that the operating cash flow of the Group holding company will be positive in 2008.