

Prudential

1975

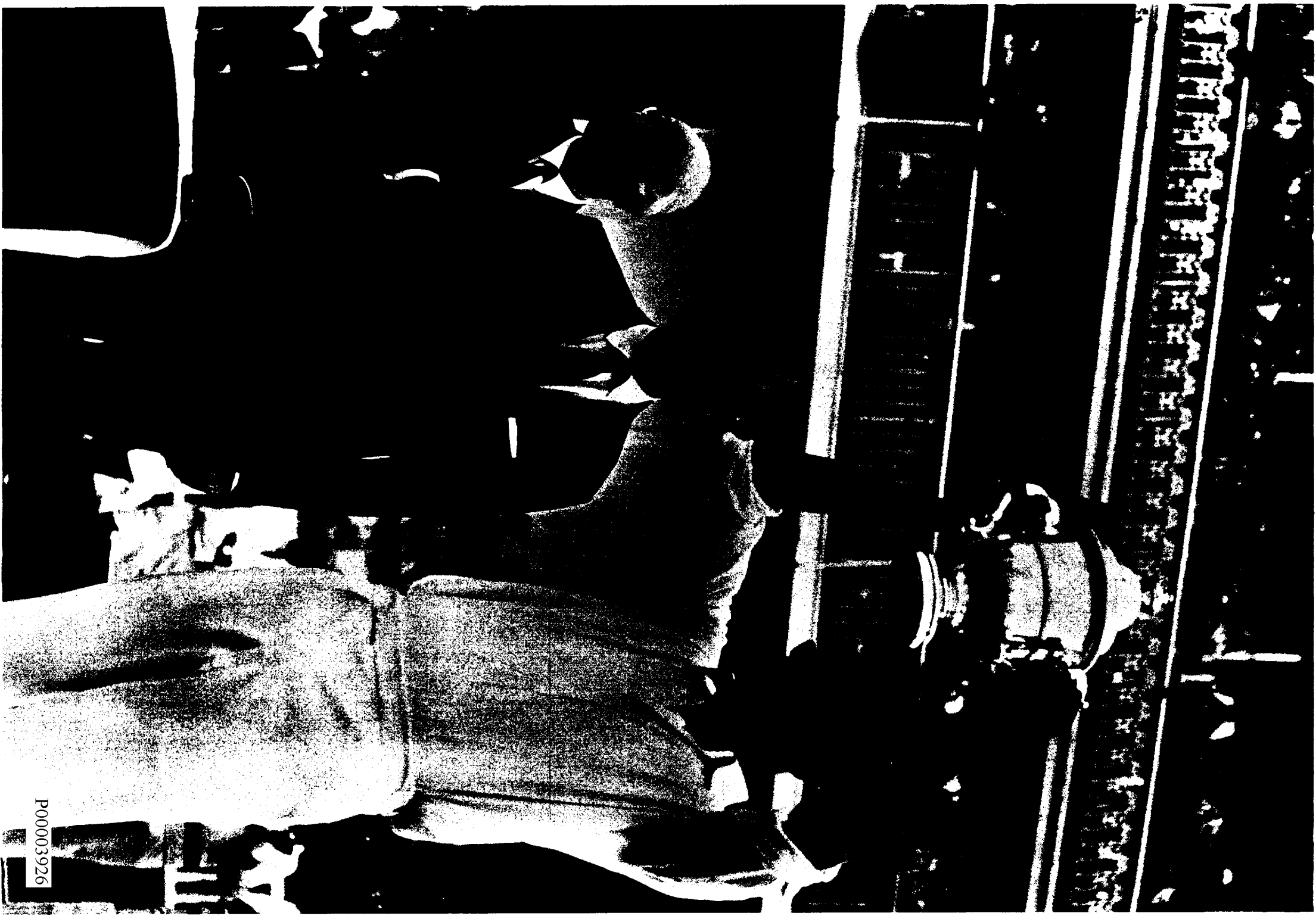
One Hundred and Twenty Seventh Annual Report
and Statement of Accounts
The Prudential Assurance Company Limited

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The Prudential Cup 1975. HRH The Duke of Edinburgh is pictured here with Clive Lloyd, Captain of the West Indies, and Ronald Owen, Chairman of the Company. In his role as President of the MCC, the Duke of Edinburgh presented the Cup to Clive Lloyd, after the West Indies had won the thrilling final against Australia. Superlative cricket and magnificent weather had combined to make this, the first 'world' cricket cup, sponsored by the Company, a great success.

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John Waugh, Sir Robin McAlpine's bloodstock manager at Newmarket, with his wife Susan, and some of the foals which includes a Sir Gaylord colt. He has been a Prudential policyholder since 1952 and in order to give his wife, two sons and one daughter, not to mention the foals, full protection, he holds a Heritage policy with a 20 year income benefit. He also holds a number of other policies including Prutrust, Whole Life, Endowment Assurance, and a Retirement Annuity.

The Prudential Assurance Company Limited

President

Sir John Serocold Paget Mellor Bt

Directors

Ronald Hugh Owen FIA *Chairman*

Harry Gordon Clarke FIA *Deputy Chairman*

Sir John Nicholson Hogg TD *Deputy Chairman*

John Anthony Tristram Barstow DSO TD DL

Leslie Brown FIA

The Rt Hon Lord Caccia GCMG GCVO

Angus Fraser Murray CBE FIA

The Rt Hon Lord O'Brien of Lothbury GBE PC

The Rt Hon James Edward Ramsden

Frank Mitchell Redington FIA

Desmond Arthur Reid

The Rt Hon Lord Strathalmond CMG OBE TD

Sir Peter Frank Dalrymple Tennant CMG OBE

Kenneth Ascough Usherwood CBE FIA

Chief General Manager

W G Haslam DFC

General Managers

Deputy General Manager

Assistant General Manager & Actuary (Overseas)

Assistant General Managers

F B Corby MA FIA

D C Bourdon FIA

F G Wood FIA ACII

A L Davis

J Hasloch ACCA ACII

J E G English FCII

A L Martin

L D Cary

P R Meikle ACII

A W McOwan FCII

J R Powell

D J Jay ACII

C R Jeffs

D S Craigen BA

H A Metcalf MBE ERD ACII

F M Simpson ACII

R Worthy FCII

S A Ryder

S C Young

J R Wickison FCII

Agency Managers

Senior Fire & Accident Managers

Deputy Manager—Management Services

Marine Underwriter

Aviation Underwriter

Joint Secretaries & Investment Managers

Deputy Investment Managers

Chief Surveyor

Deputy Chief Surveyors

Senior Assistant Investment Managers

Assistant Secretary

Taxation Manager

R E Artus MA

B Medhurst MA FIA

E E Chapman MBE FRICS

P G Green FRICS

J W Findlay

C F M Lello FCCA

E J Braybrook ACCA ACIS

P E Moody FIA

D Sirkett BSc FIA

M H Mallinson FRICS

M G Newmarch BSc

Chief Actuary

Actuary (UK)

Group Pensions Manager

Deputy Actuary (UK)

Deputy Group Pensions Managers

R S Skerman CBE FIA

Miss M C Allanach FIA

D E Fellows FIA

C E Barton FIA

A L Laws FCII

J L Savage BSc FIA

Chief Legal Adviser

C F Whitehorn

General Manager for Australia & New Zealand

President for Canada

General Manager for Southern Africa

W H Lambert FISM FAIM

A P Bodiley MBE FCII

J B Ellingham FIA

Chairman's Statement

The British economic scene at the end of 1975 was in many ways still highly unsatisfactory. Payments abroad for goods and services continued to exceed foreign currency earnings by a large amount. Domestic costs and prices were still rising much faster than was the case with our principal industrial competitors. Sterling had fallen in value by a further 12 per cent over the year. The share of national income accounted for by public sector expenditure was larger than ever. Consumer prices were 25 per cent higher at the end of the year than at the beginning. Unemployment had risen by a further half million to over one million.

Despite all this, however, the dominant feature of the year was not the awareness that things were still bad, but a growing confidence that what had seemed like a slide into economic anarchy might yet be arrested. This process of restoring some degree of confidence in the future of the economy had already begun when my predecessor wrote last year. It has continued since then as Government policy has gradually aligned itself more closely to the realities of Britain's position, and as this greater sense of realism has reached most sections of the public. The policy of pay restraint adopted last July, and maintained since then with considerable success, has begun to play its part in bringing the rate of inflation down. If this can be followed by a further period of restraint, preferably one in which some regard is paid to pay differentials, and providing an appropriate fiscal and monetary stance is maintained, the inflation rate could fall to levels comparable with other major industrial countries during the course of 1977. It would have been better if this process had been begun earlier, but there is at any rate now an opportunity to re-establish a reasonably stable price level. If the political will to continue such policies through to this conclusion should fail, then the future of the mixed economy and the whole structure of our society would be in jeopardy.

No one welcomes the fact that such determination means the acceptance of a relatively slow recovery from the current high levels of unemployment, but the alternatives to such a policy bring doubtful short term benefits and sure long term damage.

Some encouragement is to be had from the fact that a White Paper issued early in 1976 shows a welcome, if belated, recognition that the rising proportion of national income devoted to public sector spending threatens healthy economic growth. One hopes that this perception may prove, in the long

term, more important than the argument about whether the degree of restraint proposed is sufficiently far reaching. Much of the growth of public sector spending has been in areas which, however, desirable they may be in themselves, do nothing to increase the total supply of goods and services with which we can pay for the imported materials necessary to sustain growth, and from which the capital assets can be provided to give employment to the industrial work-force.

The mere curtailment of non-productive spending in the public sector will not of itself ensure that the desired investment takes place. A key requirement for this is the acceptance by Government, and all sections of the community, of the role which profit plays, both as the incentive for investment, and as the source of further investment. The present Government, and lately many Trades Union leaders also, have now openly acknowledged the need for improved levels of industrial profits if a much higher level of investment is to be achieved. There still seems, however, to be some reluctance to accept that a reasonable part of such profits should be allowed to accrue to those who provide the funds for investment. The historical basis for such attitudes, when 'capital' was owned almost exclusively by a small class of wealthy people, bears less resemblance to the facts every year. Already the bulk of the interest and dividends paid out by industry and commerce, after tax has been collected, accrues via pension funds, insurance companies and similar intermediaries to the ultimate benefit of the population at large.

The improvement in business confidence in 1975 from the unrelieved gloom of 1974 was reflected last year in a dramatic recovery in the values of ordinary shares, and contributed also to the better tone of fixed interest markets, though these had to contend with a continuing high rate of inflation and a vast issue of new Government loans to help finance its borrowing requirement. The capital market was able to show that if profitable industrial and commercial firms have the confidence to seek funds, the financial institutions are well capable of providing those funds in very large volume.

Policyholders' Protection Act

The Government's proposals for a guarantee scheme, supported by a levy on insurers to protect the policyholders of an insurer which was unable to meet its obligations, became law by the passage of the Policyholders' Protection Act 1975. My predecessor

indicated last year that there were objections in principle to the use of policyholders' funds to safeguard the policyholders of other offices where management had been incautious and it was particularly objectionable to provide in legislation for a levy to be made to protect these policyholders without any reduction in their benefits. The latter point was accepted by Parliament, and the Bill was significantly amended.

Occupational Pensions

Last year the Social Security Pensions Act was passed. As a result new earnings-related benefits will begin to accrue through the State scheme from April 1978, though employees can be contracted-out of part of the scheme if they are members of occupational pension schemes meeting certain minimum standards. In the passage of the Bill through Parliament various modifications were made to limit the liabilities falling on employers who elect to contract-out, and to provide such employers with more room for manoeuvre. As a result of the safeguards which have been introduced, our view is that contracting-out could now be worthwhile and merits serious consideration except for the smallest groups; but the issues will need careful discussion by employers with their advisers and those responsible for handling the administration and investment aspects.

We are glad that, at long last, a more stable political background to pension business now seems likely, providing scope for private pension schemes to work in partnership with the State scheme.

The Government has proposed that improvements in schemes bringing them up to the minimum requirements for contracting-out may be effected from 31 July next without counting against whatever pay-limits may be in force. Whilst appreciating the reasons which have so far prevented the authorities from going further than this, we hope that some further relaxation will soon be possible.

Changes in the Organisation

The Chairman's statement for 1973 reported that in the United Kingdom we were testing adaptations of our method of agency organisation and remuneration. Following a detailed analysis of the results of these tests we have put forward proposals which we are currently discussing with the staff and their representative Union.

In our considerations we have had very much in mind our conviction that a substantial need for Industrial

Branch insurance still exists. At the same time we have to recognise that this business is labour-intensive, that as a consequence of inflation the level of expenses has been rising and that there has been a gradual contraction in the number of homes at which our agents collect premiums. We intend therefore in 1976 to continue our policy of reducing the number of agencies to reflect the smaller number of collections, but at the same time we are proposing to appoint further representatives charged solely with developing new business and who would replace the sales effort which would otherwise be lost by the reduction in agencies. We expect to be able to achieve the reduction in agencies by natural wastage of staff.

We are confident that our proposals will lead to an organisation which is more effective in the production of new business and has the flexibility to respond to the changing market of the future, whilst maintaining our traditionally high standard of service.

The Prudential Cup Series

It is not easy for companies to satisfy themselves that sponsorship of sport produces marketing and other returns commensurate with its costs. Reports we have had from our staff both in Britain and in our overseas branches suggest that our sponsorship of the Prudential one-day cricket international series last year was well worth while. We are very pleased to have been associated with such a successful and enjoyable venture.

Rights Issue and Solvency Margin

We appreciate the confidence shareholders placed in us by supporting the 1 for 5 rights issue by which we raised approximately £46m. The reasons for the issue were set out in detail in our letter to shareholders at the time and can be summarised as providing a larger capital base from which to expand the activities of the Group, and non-life business in particular, and to meet the more stringent requirements of the new insurance legislation regarding the calculation of the 'solvency margin', which is defined as the excess of the qualifying assets of the non-life business over and above its liabilities. This is frequently expressed as a ratio of the non-life premium income, and for the Group as a whole at the end of the year this figure was about 42 per cent.

Profit and Loss Account and Dividends

We have taken account of the reduction of interest rates during 1975 and the consequent improvement

Chairman's Statement continued

in asset values by reducing the rates of interest used in valuing the Company's assurance and annuity liabilities in the United Kingdom, and to a lesser extent overseas, to rates which are close to those used in 1973. In consequence the values of assets and liabilities have been increased in our Balance Sheet by £313m in the Ordinary Branch and £70m in the Industrial Branch by transfers from the Investment Reserve Accounts to the assurance funds. This substantially reverses the moves made in 1974 in the contrary direction, and the upward trend of transfers from the life branches to Profit and Loss Account, which was interrupted in 1974, has been resumed.

Appointments and Retirements

This is the first Annual Statement to appear above my name and I would like to take this opportunity of expressing our thanks to my predecessor, Mr Kenneth Usherwood, for his services as Chairman over a period of five years. Those of us who served with him valued greatly his wise leadership during a time of significant change. He is, I am glad to say, continuing as a member of the Board.

Sir John Hogg will be completing a tour of duty as a Deputy Chairman immediately following the Annual General Meeting and it is the intention of the Directors to elect the Rt Hon James Ramsden in his place. Mr Gordon Clarke will continue as a Deputy Chairman.

We are also recommending for election as a Director the Rt Hon Lord Carr of Hadley PC. Lord Carr's wide and considerable experience in many fields will, we are sure, be of great value to the Board.

Mr J L Maxted, General Manager, and Mr E P Hatchett, Joint Secretary and Investment Manager, have retired. Mr Maxted's comprehensive knowledge of organisation and personnel matters and Mr Hatchett's wide experience in the field of investment have been very valuable to the Company for many years. Mr F B Corby has been appointed a General Manager and Mr R E Artus Joint Secretary and Investment Manager.

Other members of Management who retired were Mr M R Dunnett, who has been Chief Surveyor since 1964, Mr J W Whittle, Assistant General Manager, who was responsible for Life Branch Administration, and Mr J H Long, Agency Manager, whose career was mainly concerned with Field Staff Administration. Mr G J Titford, Deputy Investment Manager, resigned

during the year to take up another appointment. They have all contributed much to the Company's progress.

Consequent on these retirements there have been a number of promotions within the Management and the following new appointments to the Management:— Mr R Worthy, Mr J W Findlay, Mr P G Green, Mr A L Laws, Mr M H Mallinson and Mr M G Newmarch.

Our General Manager for Australia and New Zealand, Mr R B Levey, retired. We are pleased, however, that Mr Levey's long experience will remain available to us as a member of the Branch Investment Committee. Mr W H Lambert has succeeded him as General Manager.

Staff

Special efforts have been made throughout the year, and will be maintained, to maximise cost effectiveness. There is a continuous review of our office and field staff activities. The co-operation of the staff is essential to the successful outcome of these endeavours and I should like to thank them for their continued support, as well as for the contribution they have made to the Company's achievements, at home and overseas, during 1975.

Next Year's Accounts

It is hoped that next year's Group accounts will include the accounts of the Mercantile and General Reinsurance Company Limited on a current year basis. It is expected that this will make it necessary, in future, to hold our Annual General Meeting about one month later than usual. It will then be more appropriate for us to consider the problem of accounting for inflation in the presentation of our accounts. An officially appointed steering group is currently looking at the proposals made by the Sandilands Committee on this subject. Shareholders may like to know that it is unlikely that our own results will be affected more than marginally.

R H Owen
Chairman
22 April 1976.

Summary of Results

Abridged Group Profit and Loss Account year ended 31 December 1975

	1975 £m	1974 £m
Amounts credited in respect of insurance operations :		
Ordinary life assurance	8.6	5.9
Industrial life assurance	3.5	3.2
General insurance	7.3	4.6
	19.4	13.7
Other net credits	2.5	2.4
Profit available for distribution	21.9	16.1
Dividends paid and payable	14.8	11.5
Retained profits for year	7.1	4.6

Abridged Group Balance Sheet 31 December 1975

	1975 £m	1974 £m
Capital and reserves	103.9	51.7
Ordinary life assurance funds	2,481.9	1,854.3
Industrial life assurance funds	926.4	812.8
General insurance funds	165.3	142.4
	3,677.5	2,861.2
Investments	3,585.4	2,813.0
add net current assets	59.7	16.1
	3,645.1	2,829.1
Goodwill arising on consolidation	32.4	32.1
	3,677.5	2,861.2

Summary of Results continued

Geographical distribution of the business of the Group based on premium income

Industrial life business is transacted only in the United Kingdom. Other business was located as follows :

	Ordinary life assurance %	General insurance %
United Kingdom	68.2	39.7
EEC countries (other than UK)	0.6	16.0
Australia and New Zealand	12.1	7.4
Canada	10.6	18.6
South Africa	5.4	3.1
United States of America	0.1	1.6
Other territories	3.0	13.6
	100.0	100.0

Analysis of Shareholdings in the Company 31 December 1975

	1975 %	1974 %
Banks (mainly nominee holdings)	33.1	30.7
Insurance companies	11.4	11.5
Pension funds	12.3	10.2
Investment trusts	2.0	2.5
Other corporations	14.1	13.8
Individuals	27.1	31.3
	100.0	100.0

Progress Report

Ordinary Life Assurance

The following is a summary of the world wide business of the Company and Group.

	Company		Group	
	1975	1974	1975	1974
	£000	£000	£000	£000
New business for the year :				
Annual premium income	53,470	48,069	68,662	60,202
Single premiums and considerations	26,953	20,966	39,413	24,202
Business in force at end of year :				
Annual premium income	267,019	232,552	317,961	270,417
Sums assured, including bonus	14,652,003	11,866,450	18,720,732	15,143,660
Annuities per annum, including bonus and amounts to be purchased by future recurrent single premiums	450,005	371,164	477,652	395,016

United Kingdom

The Company's new annual premium income of £21m from individual assurances and annuities represented an increase of 23 per cent over our record results for 1974.

Considerations for immediate annuities and single premiums totalled £9.3m compared with £12.4m in 1974. This decline can be attributed to the Budget changes of 1974 which made Income Bonds less attractive. The Company's total revenue premium income from individual assurances and annuities was £115.4m compared with £108.1m in 1974.

In response to the need to revise the amount of an individual's life assurance cover in these inflationary times, we introduced a benefit whereby 3 years after a policy has been effected further assurance may be secured without regard to the state of health; no extra premium is charged for this option. A more extensive guaranteed insurability supplement is available subject to a small extra premium and this is now incorporated in a growing number of new policies.

Our group pensions business has continued to develop strongly. New annual premium income, including unit-linked pension business written by our wholly owned subsidiary, Prudential Pensions Ltd., was £21m as compared with £22m in 1974, and £12m in 1973.

Total revenue premium income for group pension schemes has now reached over £95m per annum an increase of some 30 per cent over 1974, continuing evidence of the confidence placed in our pension contracts and in the services we provide employers throughout the country, ranging from groups with tens of thousands of employees to those with just a few.

Overseas

For individual assurances and annuities, new annual premiums increased by 8 per cent in terms of local currencies over the record results for 1974, and single premiums and considerations increased by over 50 per cent. Particularly good progress was made in South Africa, Malaysia and Singapore. New premium income for Group life and pensions business overseas increased by 48 per cent and all the main Overseas Branches made a significant contribution to this excellent achievement.

Total revenue premium income was £105.5m compared with £86.2m in 1974.

Subsidiary Companies

We reported last year on the launching of Vanbrugh Life Assurance Limited, which operates in the unit linked market. It is pleasing to report that the results for 1975 were increasingly encouraging as the year passed, with new income of £10.4m single premiums and £1.4m annual premiums. The Company has been well received by insurance brokers, and it is continuing to expand rapidly.

At the end of the year we established a new subsidiary company, Greville Insurance, with a capital of £350,000. This subsidiary was formed to provide a medium for issuing life assurance policies linked to unit

Progress Report continued

trusts managed by the Midland Bank Group; it began writing business in February 1976. Since the funds for the investment element of these policies are not under the investment control of the Prudential Group, we felt it appropriate that the policies should be issued by a separate company within our Group. We are naturally pleased to be participating in this venture with the Midland Bank, whose 3,000 branches offer potential sales outlets for a considerable amount of business additional to and separate from our Prudential Company policies issued through our field staff and the business of Vanbrugh which is written through life assurance brokers.

There was continued expansion in the life business of the Mercantile & General, as is demonstrated by the increase in world-wide total revenue premium income from £26.7m in 1973 to £30.2m in 1974.

The life business of our Belgian subsidiary L'Escaut has developed well and the net premium income has now reached £1.3m.

Industrial Life Assurance (all United Kingdom)	Company	1974
	1975	1974
	£000	£000
New business annual premium income	25,533	22,084
Business in force at end of year:		
Annual premium income	129,756	118,113
Sums assured, including bonus	2,667,974	2,456,095

The increase of 16 per cent in the new premium income was achieved despite the difficulties of the economic situation. The extent to which there is still a need for this home service branch of our business is demonstrated by the fact that the Industrial Branch new business written last year was for £25.5m annual premiums compared with £21.2m for Ordinary Branch individual contracts in the United Kingdom.

Bonus Declaration

The rates of bonus declared on the Company's policies have already been reported in the press, and are set out in the report of the Chief Actuary on pages 36-42.

For Ordinary Branch policies in the United Kingdom an increase has been made in the rate of reversionary bonus for assurances; increases have also been made in the rates of terminal bonus according to the year of issue and the scale has been extended to include policies issued in 1973 and 1974. The large increase in reversionary bonus and the improvement in terminal bonuses reflects the considerable improvement in our investment results, which have also permitted substantial increases to be made in the rates of bonus applicable to United Kingdom group pensions and personal retirement plan policies.

For Industrial Branch policies there was no change in the rate of reversionary bonus and the scale of terminal bonuses was also maintained at the level of 1974 and 1975 for the appropriate year of issue. Whilst in the Industrial Branch, investment results also improved significantly, the effect of inflation on expenses in this particularly labour-intensive branch of our business was such that no material increases in bonuses could be made.

The investment results of most of our Overseas Branches also improved significantly though this was offset to varying degrees by the effects of inflation on expenses. Increases have been made in the rates of bonus for some assurances in Australia and South Africa and for most classes of overseas group pensions business.

General Insurance

Company Results

This year the Company's General Insurance revenue accounts on page 24 have been analysed between long-term and short-term business. The combined premium income amounted to £131m, an increase of £22m over 1974. There was an underwriting loss of £2m compared with a loss of £4.7m in 1974. Gross investment income credited to the short-term account was £9.7m compared with £6.3m. The net surplus for the year transferred to Profit and Loss Account was £4.1m compared with £1.4m. A detailed statement of the Company's short-term business appears on pages 44 and 45.

Progress Report continued

United Kingdom

Our underwriting showed a small profit overall. The high national level of fire damage continued throughout 1975 but in the absence of any disaster comparable to Flixborough our commercial property and pecuniary loss underwriting was profitable. In the domestic property account continuing inflation led to escalating claim costs which were not matched by a corresponding increase in insured values, and we suffered a marginal underwriting loss. In this area under-insurance remains the biggest problem; the extent of under-insurance throughout the market was more widely appreciated by the public after the windstorm damage just after the turn of the year. The motor account showed a modest profit overall but the uncertainty of inflationary trends continues to pose problems in attempting to maintain a healthy underwriting position whilst at the same time remaining competitive in the market. The liability account showed an underwriting loss.

Overseas

Although our overall experience improved in 1975, we again incurred an underwriting loss on our operations overseas. This was mainly due to adverse results in the property and motor classes. Territorially, our experience in Canada, whilst still adverse, improved, particularly in motor business, but our Australian branch suffered a greater underwriting loss than in 1974, mainly due to an exceptional number of medium sized property claims. New Zealand also showed an underwriting loss. In Southern Africa, where there were a number of substantial property losses, 1975 was a bad year for the market as a whole and our results reflected this overall pattern.

Experience in Europe was encouraging with a good profit in Holland contrary to general market experience. Escalating claim costs due to continuing inflation resulted in very adverse experience in motor insurance in the Italian market and this was largely responsible for our underwriting loss in that country. In the remaining overseas territories satisfactory results were achieved in most areas, but business written through the London market was unprofitable.

Marine and Aviation

As forecast last year, the marine and aviation account for the closed year 1973 was in deficit. The prospects for the open year 1974 are not encouraging and experience so far under the 1975 year of account gives little hope of any early improvement in these classes of business.

Subsidiary Companies

The general insurance premiums written by the Mercantile & General in 1974 were £67m an increase of £9.3m over 1973. The fire and miscellaneous account experience deteriorated but an underwriting profit of £0.5m was made compared with £1.2m in 1973. No transfer was made from the marine and aviation account compared with a transfer of £750,000 in 1973.

The premium income of L'Escaut in 1975 was £17.7m an increase of £3.1m over 1974, but the sharp increase in the cost of motor claims experienced by the Belgian market, together with government restrictions on premium increases resulted in an overall underwriting loss.

Group Results

The total premium income of the group was £216m an increase of £35m over 1974. The gross underwriting loss for the group was £2.8m compared with a loss of £3.1m in 1974. Gross investment income was £15.1m compared with £10.5m. After tax, the general insurance surplus for the group transferred to Profit and Loss Account was £7.3m compared with £4.6m for the previous year. The investment and other income shown in the Profit and Loss Account includes interest on the money raised by the rights issue which was only available for about six months.

Investments

During the year United Kingdom equity prices rose by some 136 per cent, whilst the improvement in the value of fixed interest stocks is indicated by a rise of 23 per cent in the Financial Times index of Government

Progress Report continued

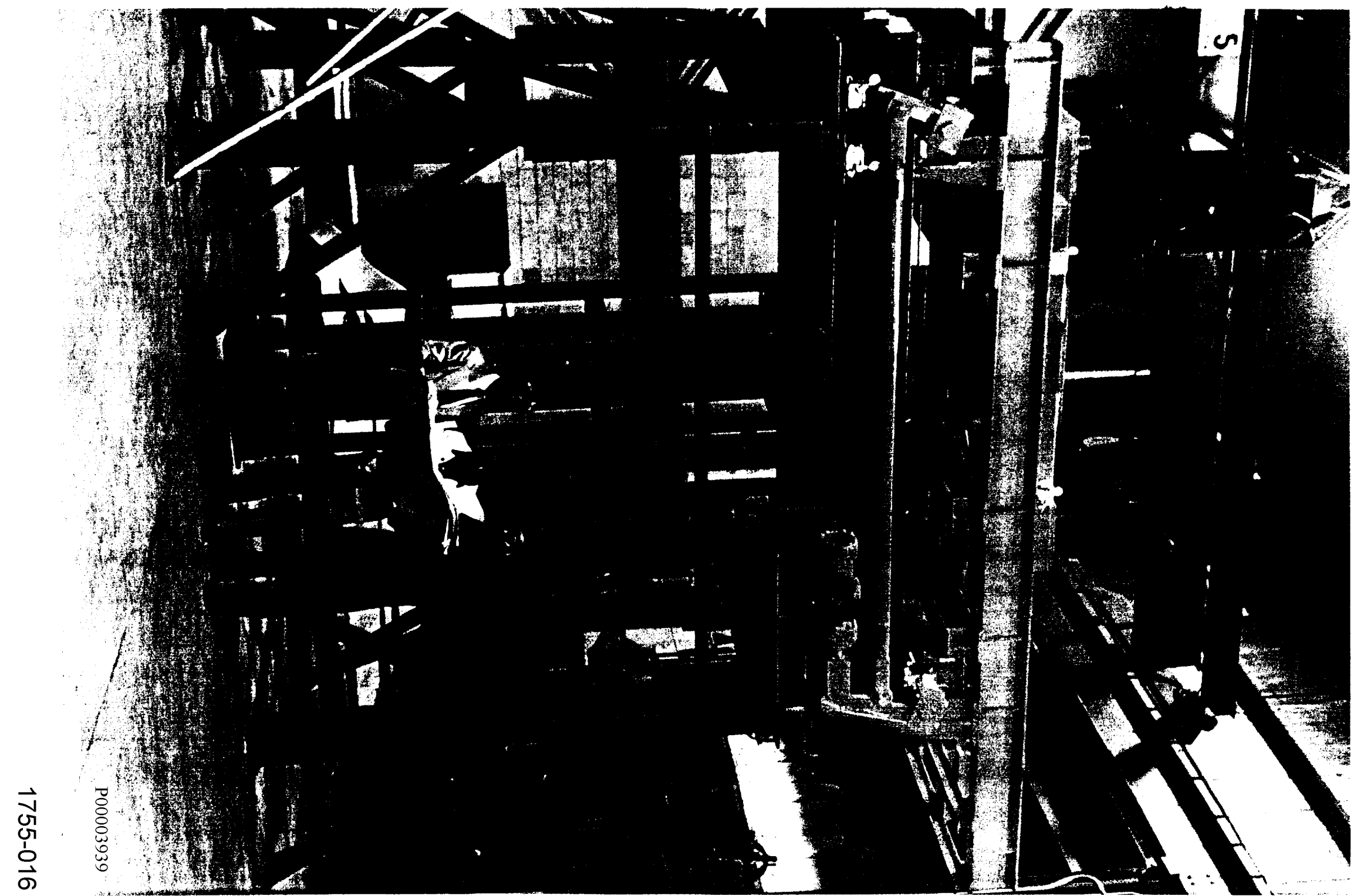
securities. The property market was more restrained, held back by a lack of liquidity within many property companies, the uncertainties introduced by the Community Land Act, and the fall in current rental levels in Central London. Nonetheless, the tone of the market showed some improvement over the year, especially as regards smaller first class properties let at up-to-date rentals or subject to early rent review.

The overall level of our net new investment in the United Kingdom, at £151m, was nearly three times the unusually low level of 1974. Nonetheless, we still added a little to our uninvested cash totals. In view of our already very large commitment to the equity market, we took the opportunity to improve the current yield on our funds. Net investment of £96m in Government securities, and £65m in properties more than accounted for our total net investment. In addition to meeting commitments to finance certain properties in the course of development we were able to acquire some first-class completed properties on favourable terms. There was some selling of non-Government fixed interest stocks. We were net buyers of British equities, as a result principally of our support for rights issues, but this was offset by the sale of some £18m of overseas equities, with the proceeds of which we repaid certain foreign currency loans.

Our overseas branches made new investments in 1975 totalling £72m, compared with £55m in the previous year. This substantial increase was accounted for as to about half by a rise in the local currency value of new investible funds. Factors tending to inflate the reported figures were the weakness in sterling, and an above average level of sales and redemptions of existing investments generating funds for reinvestment. Some 73 per cent of total new investment was in fixed interest securities and mortgages, which compares with 67 per cent in 1974. The rest was about equally divided between ordinary shares and property.

Trusteeships

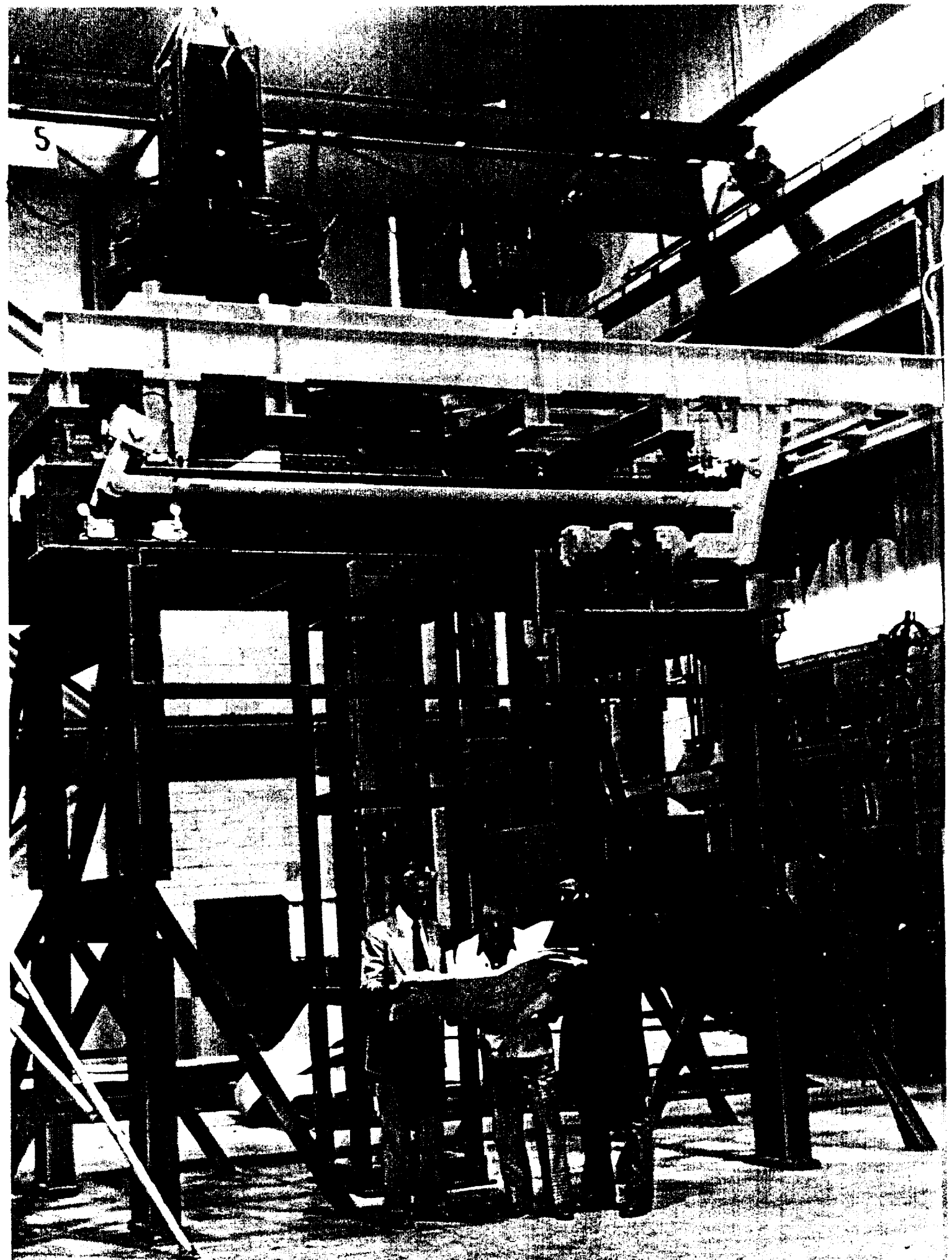
The amount of debenture and loan stocks for which the Company acts as Trustee exceeded £1,605m (£1,613m) at the end of the year.



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The Prudential Assurance Company Limited

Incorporated in England Regd. No. 15454

Notice is Hereby Given

that the Annual General Meeting of this Company will be held at the Registered Office of the Company, No. 142 Holborn Bars London EC1N 2NH on Thursday 27 May 1976 at 12.15 p.m. for the following purposes:

To receive the Directors' Report and Statement of Accounts for the year ended 31 December 1975

To re-elect and elect Directors

To transact any other business proper to be transacted at the said Meeting

In connection with the re-election of Directors special notice has been given to the Company pursuant to the Companies Act 1948, that a separate resolution will be moved proposing the re-election of Mr Frank Mitchell Redington FIA who retires by rotation and who will be aged 70 at the date of the meeting

By order of the Board of Directors

R E Artus,

P E Moody,

Joint Secretaries.

142 Holborn Bars London EC1N 2NH

1 May 1976

Members' attention is drawn to the form of proxy accompanying this notice. A member entitled to attend and vote at the Meeting is entitled to appoint a proxy or proxies to attend and vote instead of him; a proxy need not be a member of the Company.

The attention of shareholders who are members of the Company's Field Staff is drawn to Section 33 (2) of the Industrial Assurance Act 1923, which provides that no collector or superintendent shall be present at any meeting of an Industrial Assurance Company.

The Register of Directors' interests kept under the Companies Act 1967 will be open for inspection at the Meeting. The Directors have no service contracts.

Directors' Report for the year ended 31 December 1975

Principal Activity

The principal activity of the Company and its subsidiaries is transacting insurance and reinsurance business of all classes in the United Kingdom and overseas.

Share Issue

At the Extraordinary General Meeting on 29 May 1975 the capital of the Company was increased from £12,500,000 to £17,500,000 by the creation of 100,000,000 shares of 5p each.

Subsequent to this 45,451,737 new shares of 5p each were issued by way of rights on a 1 for 5 basis at a price of 105p per share. These shares rank *pari passu* with the existing shares of the Company. The reason for this issue was to provide for the expansion of the Company's non-life business and the activities of other companies in the Group taking into consideration the requirements of the new insurance legislation.

Accounts

Particulars of the subsidiary companies whose figures are included in the Group accounts are given in note 6 on the accounts on page 31. The accounts included for The Mercantile and General Reinsurance Company Limited relate to the year ended 31 December 1974. Other information in respect of the company accounts is given on pages 43 to 46.

The Balance sheet total of the tangible assets is, Company £3,564,483,000 (*£2,819,020,000*) and Group £3,906,660,000 (*£3,070,592,000*). Income from all sources as shown in the Revenue and Profit and loss accounts for 1975, including part of unrealised margins of Investment over Balance sheet values in the two life accounts, amounted to, Company £856,087,000 (*£719,863,000*) and Group £1,035,433,000 (*£848,885,000*).

The Ordinary life Group Revenue account on page 20 shows that surplus for distribution was £130,831,000 (*£87,737,000*) and that of this amount £122,262,000 (*£81,864,000*) was allocated to policyholders for bonuses leaving £8,569,000 (*£5,873,000*) for transfer to Group Profit and loss account.

The Industrial life Revenue account on page 22 shows that surplus for distribution was £55,989,000 (*£49,108,000*) and that of this amount £52,531,000 (*£45,937,000*) was allocated to policyholders for bonuses, leaving £3,458,000 (*£3,171,000*) for transfer to Profit and loss account. Industrial life assurance business is not carried on by any of the subsidiary companies.

Profit and loss accounts

The accounts on page 26 combine transfers from the life and general accounts and other items of income and outgo not dealt with in those accounts with the balances brought forward from 1974.

Investment income relating to the Company for the year was £5,672,000 (*£4,129,000*) against which interest has been charged amounting to £1,139,000 (*£1,296,000*).

Transfers to and from reserves, the Dividends declared and the balances carried forward are given on page 26.

Directors' Report continued

Certificates

The Company is able to give, and its officers will sign and deposit with the Secretary of State, all those certificates which under the Insurance Companies (Accounts and Forms) Regulations 1968 (as amended) are required in relation to the Company for the year under review. The certificate of the Chief Actuary in accordance with the above Regulations is given on page 42.

Dividends

The Directors have declared a final dividend for 1975 of 3.412p per share payable on 27 May 1976 to shareholders on the Register at close of business on 29 April 1976. This dividend will carry, for shareholders resident in the United Kingdom, the right to a tax credit of 35/65ths amounting to 1.837 p per share. The total dividend for the year, including the interim dividend of 2.00p paid in November 1975 amounts to 5.412p per share which is the maximum permitted. Adding the tax credit, the equivalent gross dividend is 8.326p per share which compares with 7.711p per share for 1974.

Directors

The Directors retiring by rotation are Harry Gordon Clarke FIA, Sir John Nicholson Hogg TD, Sir Peter Frank Dalrymple Tennant CMG OBE, and Frank Mitchell Redington FIA. They offer themselves for re-election.

The Directors recommend the election of The Rt Hon Lord Carr of Hadley PC.

Reginald Edgar Montgomery retired on 29 May 1975.

Directors' Shareholdings

According to the Register kept under Section 29 of the Companies Act 1967, Directors' interests in shares of the Company were as follows:

	Shares of 5p each			
	On 31.12.75		On 1.1.75	
	Beneficially held	Other Interest	Beneficially Held	Other Interest
R H Owen	3,600		3,000	
H G Clarke	4,824		4,020	
Sir J N Hogg	4,392		3,660	6,336
J A T Barstow	15,000	47,326	15,000	45,394
L Brown	6,336		5,280	
Lord Caccia	2,400		2,000	
A F Murray	2,400	918	2,000	810
Lord O'Brien of Lothbury	2,400		2,000	
J E Ramsden	2,400	9,090	2,000	8,676
F M Redington	5,600		8,000	
D A Reid	152,256	476,946	151,562	441,242
Lord Strathalmond	2,400		2,000	
Sir P F D Tennant	2,400		2,000	
K A Usherwood	4,800		4,000	2,448

None of the Directors has an interest in the shares or debentures of any subsidiary.

Between 31 December 1975 and 6 April 1976 the shareholding under 'Other Interest' of Mr J A T Barstow has been reduced by 700 shares, that of the Rt Hon J E Ramsden by 302 shares and that of Mr D A Reid by 1,322 shares.

No Director has a contract or arrangement disclosable under Section 16(1) (c) of the Companies Act 1967.

Directors' Report continued

Other Shareholdings

As far as the Directors were aware at 6 April 1976 no person had a shareholding of 10 per cent or more of the share capital of the Company.

Employees

The average number of persons employed by the Company and its subsidiaries in the United Kingdom in each week of 1975 was 22,471 and the aggregate remuneration paid or payable in respect of these employees during 1975 amounted to £76,297,494.

Donations

During the year £73,420 has been given by the Company and its subsidiaries for charitable purposes in the United Kingdom and £25,497 overseas.

Auditors

Deloitte & Co., the present Auditors of the Company, will continue in office under Section 159 (2) of the Companies Act 1948.

R H Owen,
Chairman.
Holborn Bars
22 April 1976

Ordinary Life Assurance

Revenue Accounts year ended 31 December 1975

	<i>Company</i>		<i>Group</i>	
	1975	1974	1975	1974
	£000	£000	£000	£000
Income				
Premiums (other than single premiums)	267,345	228,476	315,263	263,018
Single premiums and considerations	31,180	30,954	44,214	40,474
Investment income (see note 1i and page 43)	160,083	133,876	175,003	142,238
Part of unrealised margin of Investment over Balance sheet values (see note 1c)	31,600	20,300	31,600	20,300
Increase (- decrease) in value of investments related to linked business (see note 1c)	7,723	-7,700	18,442	-13,748
Transfers from (-to) the reserves of subsidiaries	—	—	1,974	-1,431
	497,931	405,906	586,496	450,851
Outgo				
Claims and surrenders (see page 43)	174,693	140,788	168,591	156,010
Annuities	35,659	31,235	38,953	33,995
Commission	21,176	17,456	27,137	22,170
Expenses	43,327	35,122	47,653	38,518
Taxation (see note 1k)	7,923	9,093	8,463	9,546
	282,778	233,694	290,797	260,239
Excess of Income over Outgo	215,153	172,212	295,699	190,612
Provision for increase in liability to policyholders	84,892	84,786	164,832	102,904
	130,261	87,426	130,867	87,708
Surplus for year				
Surplus carried forward last year	1,207	1,236	1,207	1,236
this year	1,243	1,207	1,243	1,207
Change in surplus carried forward	-36	29	-36	29
	130,225	87,455	130,831	87,737
Surplus for distribution				
Provision for policyholders' bonuses	122,183	81,807	122,262	81,864
	8,042	5,648	8,569	5,873
Balance to Profit and loss account (page 26)				

Fund Accounts year ended 31 December 1975

Amount of fund at beginning of year	1,673,629	1,918,705	1,840,294	2,040,379
Exchange adjustment (see note 1e)	30,034	-31,640	27,513	-26,938
Transfer from (-to) Investment reserve (see note 1d)	313,000	-380,000	313,000	-380,000
Amount of fund at beginning of year after adjustments	2,016,663	1,507,065	2,180,807	1,633,441
Fund acquired on purchase of a subsidiary	—	—	—	22,114
Change in surplus carried forward	36	-29	36	-29
Provision for increase in liability to policyholders	84,892	84,786	164,832	102,904
Provision for policyholders' bonuses	122,183	81,807	122,262	81,864
Amount of fund at end of year	2,223,774	1,673,629	2,467,937	1,840,294

Ordinary Life Assurance

Balance Sheets 31 December 1975

	<i>Company</i>		<i>Group</i>	
	1975	1974	1975	1974
	£000	£000	£000	£000
Funds				
Life assurance fund	2,223,774	1,673,629	2,467,937	1,840,294
Contingency fund	14,000	14,000	14,000	14,000
	2,237,774	1,687,629	2,481,937	1,854,294
Investments				
British Government and British Government guaranteed securities	232,138	127,895	257,291	142,377
Other fixed income securities	466,061	315,556	512,211	351,080
Ordinary stocks and shares	559,033	422,107	638,282	471,624
Prudential Unit Trust units	13,001	5,683	13,001	5,683
Freehold and leasehold properties, rent charges and ground rents	588,183	513,213	660,495	557,294
Mortgages on property	219,005	177,663	241,397	199,320
Loans on policies and other loans	77,162	68,046	79,193	70,043
Subsidiaries (see notes 1b and 6)				
Fixed income securities	4,310	3,267	4,310	3,267
Ordinary stocks and shares	14,314	16,925	10,817	10,775
Unsecured loans	20,307	5,020	108	—
	2,193,514	1,655,375	2,417,105	1,811,463
Current assets				
Deposits at interest at home and overseas	4,360	855	4,360	855
Commission paid in advance	15,405	11,965	15,405	11,965
Outstanding premiums	7,378	7,954	7,581	8,113
Outstanding and accrued interest, dividends, rents and fees	25,553	23,557	26,377	23,972
Amounts due on reinsurance account	—	—	8,014	6,334
Amounts due from subsidiaries	245	204	18	31
Tax recoverable	—	8,745	—	7,836
Other debtors	2,668	3,247	4,650	6,222
Bank balances and cash :				
Deposits	65,763	40,579	84,976	53,347
Current account and cash	2,840	5,115	3,316	6,243
	2,317,726	1,757,596	2,571,802	1,936,381
Market value of assets (see note 1c)	2,357,088	1,780,840	2,591,375	1,977,482
<i>Less:</i>				
Current liabilities				
Outstanding claims and annuities	19,268	15,464	22,810	19,279
Outstanding commission and expenses	5,879	4,553	5,912	4,559
Premiums received in advance	2,700	2,189	2,700	2,189
Amounts due on reinsurance account	—	—	58	105
Amounts due to subsidiaries	3,866	3,996	3,662	3,699
Taxation	2,502	—	1,607	—
Promissory notes in overseas currencies	—	6,390	—	6,390
Unsecured loans in overseas currencies (see note 4)	23,316	27,277	23,316	27,277
Other creditors	13,196	7,381	19,996	12,823
Loan stock of a subsidiary (see note 4)	—	—	1,046	1,109
Bank loan and overdraft	9,225	2,717	8,758	4,657
	79,952	69,967	89,865	82,087
	2,237,774	1,687,629	2,481,937	1,854,294

Industrial Life Assurance

Balance Sheet 31 December 1975

	<i>Company</i>	
	1975	1974
	£000	£000
Funds		
Life assurance fund	904,855	791,306
Contingency fund	21,500	21,500
	926,355	812,806
Investments		
British Government and British Government guaranteed securities	158,329	117,630
Other fixed income securities	121,718	121,719
Ordinary stocks and shares	343,357	290,526
Freehold and leasehold properties, rent charges and ground rents	241,550	220,981
Mortgages on property	68,117	62,092
Other loans	3,510	4,172
Subsidiaries (see note 6)		
Ordinary stocks and shares	1,611	1,611
Unsecured loans	968	997
	939,160	819,728
Current assets		
Outstanding and accrued interest, dividends, rents and fees	7,376	6,547
Amounts due from subsidiaries	152	42
Tax recoverable	340	6,726
Other debtors	2,492	5,269
Bank balances and cash:		
Deposits	31,680	23,456
Current account and cash	3,071	3,035
	984,271	864,803
Market value of assets (see note 1c)	1,255,731	902,736
<i>Less:</i>		
Current liabilities		
Outstanding claims	3,274	2,990
Outstanding commission and expenses	2,132	1,658
Premiums received in advance	1,504	1,886
Amounts due to subsidiaries	1,913	1,737
Unsecured loans in overseas currencies (see note 4)	39,334	39,680
Other creditors	7,796	3,462
Bank overdraft	1,963	584
	57,916	51,997
	926,355	812,806

General Insurance

Revenue Accounts year ended 31 December 1975

	<i>Company Long-term</i>		<i>Company Short-term</i>		<i>Group</i>	
	1975 £000	1974 £000	1975 £000	1974 £000	1975 £000	1974 £000
Income						
Premiums	5,794	4,919	125,504	104,191	216,031	181,442
Investment income (see page 43)	653	372	—	—	1,249	752
	6,447	5,291	125,504	104,191	217,280	182,194
Outgo						
Claims	2,313	1,719	71,500	64,345	123,369	104,543
Commission	619	488	16,904	14,819	38,557	32,770
Expenses	1,473	1,172	28,588	22,310	36,808	28,754
Overseas taxes other than on profits	26	21	731	533	757	554
	4,431	3,400	117,723	102,007	199,491	166,621
Excess of Income over Outgo	2,016	1,891	7,781	2,184	17,789	15,573
Provision for increase in liability to policyholders	650	453	11,161	8,299	20,576	18,707
Gross Underwriting Result	(Profit) 1,366	(Profit) 1,438	(Loss) 3,380	(Loss) 6,115	(Loss) 2,787	(Loss) 3,134
Investment income (see note 1i and page 43)	—	—	9,674	6,336	15,087	10,501
Gross surplus	1,366	1,438	6,294	221	12,300	7,367
Taxation (see note 1k)	659	810	2,924	—554	4,977	2,777
Net surplus for year transferred to profit and loss account (page 26)	707	628	3,370	775	7,323	4,590

Fund Accounts year ended 31 December 1975

Amount of fund at beginning of year	3,954	3,541	53,761	45,896	142,448	120,066
Exchange adjustment (see note 1e)	205	—40	2,239	—434	2,277	3,675
Amount of fund at beginning of year after adjustment	4,159	3,501	56,000	45,462	144,725	123,741
Provision for increase in liability to policyholders	650	453	11,161	8,299	20,576	18,707
Amount of fund at end of year	4,809	3,954	67,161	53,761	165,301	142,448

A detailed statement of the Company's Short-term business appears on pages 44 and 45.

General Insurance

Balance Sheets 31 December 1975

	<i>Company Long-term</i>		<i>Company Short-term</i>		<i>Group</i>	
	1975 £000	1974 £000	1975 £000	1974 £000	1975 £000	1974 £000
Funds						
Insurance Funds	4,809	3,954	67,161	53,761	165,301	142,448
Investments						
British Government and British Government guaranteed securities	680	649	9,370	7,998	20,635	16,737
Other fixed income securities	2,194	2,072	46,328	35,802	75,656	63,235
Ordinary stocks and shares	1,244	1,096	26,315	20,469	64,903	60,475
Freehold property	—	—	2,109	487	4,174	2,127
Mortgages on property	—	—	4,195	2,946	9,549	7,064
Other loans	—	—	2,616	252	2,617	252
Subsidiaries (see note 6)						
Ordinary stocks and shares	—	—	172	—	172	—
	4,118	3,817	91,105	67,954	177,706	149,890
Current assets						
Deposits at interest at home and overseas	462	—	7,926	5,059	8,388	5,059
Agents' balances	—	—	4,102	3,345	7,650	6,006
Outstanding premiums	—	8	17,398	14,212	18,481	15,071
Outstanding and accrued interest, dividends, rents and fees	42	22	963	760	1,621	1,241
Amounts due on reinsurance account	—	—	7,914	5,676	33,742	26,324
Amounts due from subsidiaries	—	—	1,267	1,030	—	—
Tax recoverable	—	—	503	2,107	—	—
Other debtors	460	—	2,513	1,379	5,958	4,781
Bank balances and cash:						
Deposits	2,162	1,000	28,955	20,795	34,597	24,313
Current account and cash	1,313	1,540	2,560	2,488	5,354	4,698
	8,557	6,387	165,206	124,805	293,497	237,383
Market value of assets (see note 1c)	9,367	6,483	173,538	124,948	294,764	241,653
Less:						
Current liabilities						
Outstanding claims	1,723	1,135	63,062	52,586	80,700	65,059
Outstanding commission and expenses	1	1	4,962	3,647	4,963	3,648
Premiums received in advance	4	—	334	272	690	519
Amounts due on reinsurance account	—	1	9,349	7,096	16,607	14,114
Amounts due to subsidiaries	—	—	345	145	345	109
Taxation	1,239	1,190	—	—	1,946	1,199
Unsecured loans in overseas currencies (see note 4)	—	—	1,766	1,854	1,766	1,854
Other creditors	781	106	6,745	2,887	10,717	5,876
Bank overdraft	—	—	11,482	2,557	10,462	2,557
	3,748	2,433	98,045	71,044	128,196	94,935
	4,809	3,954	67,161	53,761	165,301	142,448

Profit and Loss Accounts

year ended 31 December 1975

	<i>Company</i>		<i>Group</i>	
	1975	1974	1975	1974
	£000	£000	£000	£000
Transfer from Ordinary life assurance revenue account	8,042	5,648	8,569	5,873
Industrial life assurance revenue account	3,458	3,171	3,458	3,171
General insurance revenue account—Long-term	707	628	7,323	4,590
Short-term	3,370	775		
Investment and other income (see note 1 <i>i</i>)	4,533	2,833	4,572	2,554
Trustee and executor fees	194	192	194	192
	20,304	13,247	24,116	16,380
<i>Less</i>				
Expenses	376	268	378	282
Taxation (see note 1 <i>k</i>)	1,836	836	1,902	1,142
Consolidation adjustment	—	—	36	—1,179
	2,212	1,104	2,316	245
<i>Add</i>	18,092	12,143	21,800	16,135
Transfers from Special contingency fund	—	4,858	—	4,858
General Insurance Investment reserve account				
Long-term	—	—1,050	13,954	—21,742
Short-term (see note 5)	14,000	—19,950		
	32,092	—3,999	35,754	—749
<i>Less</i>				
Transfers to Capital and Reserves Investment reserve account (see note 5)	12,000	—	12,000	—
General reserve	5,000	—15,000	5,000	—15,000
Inner reserve of a subsidiary	—	—	2,772	3,250
	15,092	11,001	15,982	11,001
Balance at beginning of year	533	1,058	533	1,058
Balance for appropriation	15,625	12,059	16,515	12,059
Interim dividend	5,454	4,545	5,454	4,545
Final dividend payable (see page 18)	9,305	6,981	9,305	6,981
Dividends for the year	14,759	11,526	14,759	11,526
Balance at end of year	866	533	1,756	533

Balance Sheets of the Company and of the Group

31 December 1975

	Company		Group	
	1975	1974	1975	1974
	£000	£000	£000	£000
Capital, Reserves and Funds				
Capital (see note 2 and page 17)				
Issued and fully paid 272,710,421 (1974 227,258,684) shares of 5p each	13,636	11,363	13,636	11,363
Share premium account (see note 2)	78,471	34,744	78,471	34,744
General reserve	10,000	5,000	10,000	5,000
Profit and loss account	866	533	1,756	533
Ordinary life assurance funds	2,237,774	1,687,629	2,481,937	1,854,294
Industrial life assurance funds	926,355	812,806	926,355	812,806
General insurance funds —Long-term	4,809	3,954		
Short-term	67,161	53,761	165,301	142,448
	3,339,072	2,609,790	3,677,456	2,861,188
Investments				
British Government and British Government guaranteed securities	432,561	254,172	469,893	277,991
Other fixed income securities	637,269	481,745	714,079	545,826
Ordinary stocks and shares	932,798	744,957	1,056,509	840,904
Prudential Unit Trust units	13,001	5,683	13,001	5,683
Freehold and leasehold properties, rent charges and ground rents	833,684	736,668	908,447	782,627
Mortgages on property	291,317	242,701	319,486	268,823
Loans on policies and other loans	83,288	72,470	85,319	74,468
Subsidiaries (see notes 1b and 6)				
Fixed income securities	4,310	3,267	4,310	3,267
Ordinary stocks and shares	61,961	63,704	13,255	12,436
Unsecured loans	21,275	6,017	1,076	997
	3,311,464	2,611,384	3,585,375	2,813,022
Current assets				
Deposits at interest at home and overseas	12,748	5,914	12,748	5,914
Agents' balances	4,102	3,345	7,650	6,006
Commission paid in advance	15,405	11,965	15,405	11,965
Outstanding premiums	24,776	22,174	26,062	23,184
Outstanding and accrued interest, dividends, rents and fees	34,133	30,826	35,605	31,711
Amounts due on reinsurance account	7,914	5,676	41,741	32,714
Amounts due from subsidiaries	1,631	1,259	136	31
Tax recoverable	—	15,494	—	12,569
Other debtors	7,503	9,896	10,760	14,646
Bank balances and cash:				
Deposits	137,560	85,838	160,809	101,757
Current account and cash	7,247	15,249	10,369	17,073
	3,564,483	2,819,020	3,906,660	3,070,592
Market value of total tangible assets (see note 1c)	3,885,236	2,868,392	4,196,563	3,139,310
Less:				
Current liabilities				
Outstanding claims and annuities	87,327	72,175	106,783	87,327
Outstanding commission and expenses	12,974	9,871	13,007	9,889
Premiums received in advance	4,542	4,347	4,895	4,594
Amounts due on reinsurance account	9,349	7,097	16,650	14,275
Amounts due to subsidiaries	6,348	6,116	5,981	5,545
Taxation	3,902	—	4,280	—
Promissory notes in overseas currencies	—	6,390	—	6,390
Unsecured loans in overseas currencies (see note 4)	75,601	79,431	75,601	79,431
Other creditors	10,316	11,712	18,723	18,676
Interest of outside shareholders in subsidiaries	—	—	39	39
Loan stock of a subsidiary (see note 4)	—	—	1,046	1,109
Bank loan and overdraft	5,747	5,110	5,280	7,249
Final dividend	9,305	6,981	9,305	6,981
	225,411	209,230	261,590	241,505
	3,339,072	2,609,790	3,645,070	2,829,087
Goodwill arising on consolidation (see note 1b)	—	—	32,386	32,101
	3,339,072	2,609,790	3,677,456	2,861,188

an integral part of these accounts.

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Notes on the Accounts

1 Accounting policies

The principal accounting policies followed by the Group in determining the profit for the year and in stating its financial position are set out below.

(a) Disclosure Requirements

Being an authorised insurance company, the Company does not disclose in the accounts certain information, including some relating to provisions and reserves from which it is exempt under the 8th Schedule to the Companies Act 1948 as amended by the Companies Act 1967.

Gains and losses on the realisation of investments, the relative taxes, and certain exchange adjustments, have been excluded from the Company's reported revenue results and are dealt with in Investment reserve accounts—see note (d).

Information as to the amount of earnings per share is not appropriate to life assurance business and has not been given.

(b) Basis of Consolidation

(i) Subsidiaries

The Group accounts include the whole of the relevant business of the subsidiaries referred to in the first part of note 6, but the share capital of such subsidiaries is not in every case an asset of one or other of the branches to which the business relates.

Goodwill shown in the Balance sheet on page 27 arising on consolidation of certain subsidiaries represents the difference between the Balance sheet values of the investments in such subsidiaries and their net asset values at their dates of acquisition adjusted by application of reserves.

In the Balance sheet of the Company shares in subsidiaries are stated at cost less amounts written off (see note (c)).

To avoid undue delay in the publication of the Company's accounts the figures of The Mercantile and General Reinsurance Group relate to the year ended 31 December 1974 except that for the Australian subsidiaries of that Group they relate to the year ended 30 June 1974.

Certain subsidiaries' accounts have been omitted from the Group Accounts as the Directors are of the opinion that their inclusion is of no real significance to the amount of profit of the Group or the amount of its assets.

A list of the subsidiaries not consolidated appears on page 31 together with a note of their profits.

(ii) Investments in other companies

A list of the investments in companies in which the shareholdings of the Group of at least one class of equity share amounts in nominal value to one fifth or more of the nominal value of the issued shares of that class appears on page 32. In the opinion of the Directors the results of these companies attributable to the shareholders' interests therein are not of sufficient significance to be included in the Group Accounts except to the extent of dividends received.

(c) Investment Values

The Balance sheet values of the investments, with the exception of those related to linked business, are in the main at cost increased by, in the life branches, unrealised margins transferred to the Revenue accounts and adjusted in all branches by the application of the balances of the Investment reserve accounts referred to in note (d). Depreciation on property is provided upon the excess amount in any year that the total book values exceed site values but additionally leasehold properties are amortised over the last 50 years or less of the lease. The values of investments related to linked businesses are included at market value and the amount shown in the Revenue account on page 20 corresponds to the movement for the year in the values of the linked business assets.

The market value of the assets shown in the Balance sheets have been determined, in the case of the Company and certain United Kingdom subsidiaries having regard to the requirements of the Insurance Companies (Valuation of Assets) Regulations 1974, except that 75 per cent of the investment currency premium has been allowed where appropriate. In all other cases market values are based on market quotations where available and for the other assets on values estimated by the directors of the various companies, allowing 75 per cent of the investment currency premium where appropriate. Although there are differences from the bases used last year the figures are still broadly comparable. After allowing for realised losses brought forward, tax on capital gains that would arise if the assets were realised at the value shown is estimated in total to be not greater than Company £80m, Group £95m, of which the following applies to the separate businesses.

	Ordinary Life	Industrial Life	Long-term General	Other
	£m	£m	£m	£m
Company	15	65	—	—
Group	15	65	—	15

(d) Investment Reserve Accounts

In the Company's accounts and with minor exceptions in the Group accounts, profits and losses on realisation of assets and exchange differences, other than exchange differences on marine, aviation and transport insurance business, less any relative taxes, have been carried to Investment reserve accounts. Transfers may be made from time to time from or to the respective revenue accounts or Profit and loss account. For 1975 due to changes in the actuarial valuation bases transfers of reserves have been made from the Company's life Investment reserve accounts to the respective fund accounts. In 1974 transfers to Investment reserve accounts were made from fund accounts. The balances of Investment reserve accounts have been applied in arriving at the Balance sheet values of the assets.

Notes on the Accounts continued

(e) Exchange rates

Life, fire and accident business transactions in overseas currencies have been included in the accounts at the rates of exchange ruling on 31 December 1975 and the funds brought forward at the beginning of the year in the Ordinary life and General insurance accounts on pages 20 and 24 respectively, have been adjusted for the difference in the rates of exchange at the beginning and end of the year. Currency liabilities overseas including loans from overseas bankers, promissory notes and unsecured loans in overseas currencies are with minor exceptions, covered by corresponding currency assets and these liabilities and assets (other than those subsequently mentioned) have been converted at rates of exchange ruling on 31 December 1975. The book values of certain investments in overseas currency held at Chief Office either on Chief Office investment account or as cover for overseas liabilities have been based on the rates of exchange ruling on the dates of acquisition (other than the shareholding in a Belgian subsidiary (L'Escout) referred to in note 6 which is included at currency cost converted to sterling at the rate of exchange ruling on 31 December 1975). Overseas interest received or paid by the Company's Chief Office and overseas currency transactions included in the marine, aviation and transport account have been brought in at rates of exchange based on those ruling on the dates of the respective transactions. The profit on exchange in the marine, aviation and transport account noted in the analysis of Short-term business on pages 44 and 45 arises from the revaluation of currency net assets at the rates of exchange ruling on 31 December 1975. In the Group accounts such items in respect of the subsidiaries have, with minor exceptions, been dealt with on a similar basis.

(f) Long-term business

Long term Insurance profits are allocated from the surplus determined as the result of the annual actuarial valuation. The amount of the long term business surplus allocated to shareholders is determined by the Directors in accordance with the Articles of Association of the Company.

(g) Fire and accident short-term business

For direct fire and accident insurances reserves in respect of unearned premiums set aside to provide for periods of risk extending beyond the end of the financial year are calculated on a proportional basis having regard to the premiums written each month, with a deduction of 20 per cent for acquisition costs. In addition unexpired risk reserves are held to cover the estimated excess of liabilities over the unearned premium reserves.

Outstanding Fire and Accident claims include provisions for claims incurred up to the date of the Balance sheet but not reported. The Company's basis of accounting has been changed in 1975 for fire and accident treaty reinsurance accepted business so that the proportional business is now dealt with on an open year, closed year basis and non-proportional on a funded basis. The practice of previous years of having to estimate a substantial part of the year's income and expenditure, for which accounts had not been received, has therefore ceased. The effect of this change is to reduce the 1975 revenue by an amount considered not to be material in relation to the revenue results for that year. The 1974 opening and closing funds and other relevant comparative figures have been adjusted accordingly. With the exception of one subsidiary the group results have been prepared on the same basis.

(h) Marine, aviation and transport business

The profits on marine, aviation and transport business are determined at the end of the second year following the year of account to which that business relates, after allowing for the estimated cost of all outstanding claims, including those still to be reported. Premiums less claims payments and expenses relating to the two open years of account are carried forward and increased if necessary so that the funds in respect of the business transacted in each of the two open years and in previous years are sufficient to meet the estimated cost of all outstanding claims whether notified or not and the future claims expected on unexpired risks. In respect of both Marine and Aviation business credit is taken in the Taxation account for the tax which will be recoverable on the settlement of outstanding claims in the closed year of the accounts.

(i) Investment income

Dividends on ordinary shares are included on the basis of the date on which payment is due and rents, dividends and interest on fixed interest stocks are included on an accruals basis. If the income for the year is significantly affected by purchases or sales of securities an adjustment is made to equate the income with the period for which the security has been held.

Investment income is shown less amounts written off terminable and other securities and is after payment of interest including interest on bank loans, promissory notes and unsecured loans in the accounts of

Ordinary life £2,535,000 (£5,035,000), Industrial life £3,095,000 (£5,935,000)

Short-term business £238,000 (£235,000) and Profit and Loss £1,139,000 (£1,296,000)

also on debentures in the Ordinary life £65,000 (£66,000).

UK dividends received under the imputation tax system have been grossed up for attributable tax as appropriate as referred to in note (k).

(j) Expenses

Expenditure on the acquisition of motor vehicles (other than in Canada), furniture and office equipment is charged against the revenue of the year in which it is incurred but major capital expenditure on computer equipment is amortised by equal annual instalments over its estimated useful life.

Notes on the Accounts continued

(k) Taxation

Taxation has been charged on all profits and income earned to date, less reliefs (corporation tax 52 per cent or tax credit on UK dividends received first quarter 33 per cent remainder 35 per cent, less reliefs). The Long-term General, Short-term and Profit and Loss account are combined for the purpose of assessment to tax and accordingly should be read together.

	Ordinary Life		Industrial Life		Long-term General		Short-term		Profit and loss	
	1975	1974	1975	1974	1975	1974	1975	1974	1975	1974
Company	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Corporation tax on income	568	538	394	-52	656	722	1,691	-568	1,560	-66
Taxation re UK dividends	3,293	3,997	7,165	6,989	38	28	1,315	681	394	955
	3,861	4,535	7,559	6,937	694	750	3,006	113	1,954	889
Less Double taxation relief	—	—	—	—	120	104	-35	-104	150	—
	3,861	4,535	7,559	6,937	574	646	3,041	217	1,804	889
Overseas tax	4,722	4,301	295	324	115	164	82	202	46	37
Adjustments re prior years	-660	257	-127	-89	-30	—	-199	-973	-14	-90
	7,923	9,093	7,727	7,172	659	810	2,924	-554	1,836	836

					General insurance			
	1975	1974	1975	1974	1975	1974	1975	1974
Group								
Corporation tax on income	537	651	394	-52	3,685	1,838	1,942	326
Taxation re UK dividends	3,540	4,196	7,165	6,989	1,532	853	151	739
	4,077	4,847	7,559	6,937	5,217	2,691	2,093	1,065
Less Double taxation relief	—	1	—	—	321	324	212	76
	4,077	4,846	7,559	6,937	4,896	2,367	1,881	989
Overseas tax	5,047	4,469	295	324	303	707	54	84
Adjustments re prior years	-661	231	-127	-89	-222	-297	-33	69
	8,463	9,546	7,727	7,172	4,977	2,777	1,902	1,142

The close company provisions of the Income and Corporation Taxes Act 1970 as amended do not apply to the Company.

2 The Company's authorised Share Capital is £17,500,000 in 350,000,000 shares of 5p each having been increased from £12,500,000 in 250,000,000 shares of 5p each in May 1975.

The subsequent issue of 45,451,737 shares referred to in the Directors' report on page 17 gave rise to the increase in the Share premium account. The increase represents the net proceeds of the issue less the nominal value.

3 During 1974 the Company joined a consortium which by an agreement dated 29 April 1974 provided reinsurance arrangements for the whole of the general annuity business of Investment Annuity Life Assurance Co. Ltd. The Company's proportion of the revenue items of Investment Annuity Life Assurance Co. Ltd., for the year ended 31 December 1975 and the balance sheet items as at 31 December 1975 have been included in the Ordinary Branch accounts. The Company's proportion of the actuarially assessed liability to the policyholders under these reinsurance arrangements has been included within the amount of the Ordinary life fund as at 31 December 1975.

4 The unsecured loans in overseas currencies shown under current liabilities in the Balance sheets fall due for settlement by 1979. The loan stock of a subsidiary is a 6 per cent. 1st Mortgage Debenture Stock 1993/98.

5 A transfer of £14m was made from Short-term insurance fund to the remaining Shareholders' funds during the year. The Company has undertaken to acquire certain investments in a subsidiary at values which at 31 December 1975 were £1.4m in excess of the relevant market values. No provision for the deficiency has been made as it is considered to be of a temporary nature.

Notes on the Accounts continued

6 Particulars of subsidiary companies are as follows :

Name	Class of Share held	Proportion held	Country of incorporation and Principal Operation unless otherwise stated
Included in group accounts			
Compagnie d'Assurance de l'Escaut S.A.	Shares n.p.v.	100%	Belgium
Edger Investments Limited	Ordinary Shares 25p	100%	England
The Mercantile and General Reinsurance Company Limited	Shares £1	100%	Scotland (Operating principally in UK)
Mercantile and General Reinsurance (Holdings) Limited	Shares £1	100%	England
Prudential Pensions Limited	Shares £1	100%	England
Vanbrugh Life Assurance Limited	Ordinary Shares £1	100%	England
Not included in group accounts			
A.W.G. (Holborn) Limited	Ordinary Shares 25p	100%	England
Barnard Enterprises Limited	Shares £1	100%	England
Beaver Securities Limited	Ordinary Shares £1	100%	England
The Beaver Trust Limited	Ordinary Shares 25p	100%	England
Greville Insurance Limited	Shares £1	100%	England
La Prudential Compagnia Italo—Britannica di Assicurazioni s.p.a.	Shares L10,000	100%	Italy
Paramet Corporation Limited	Common Shares n.p.v.	100%	Canada
Pru Limited	Ordinary Shares 5p	100%	England
Prudential Australian Superannuation Limited	Ordinary Shares A\$2	100%	Australia
Prudential New Zealand Superannuation Limited	Ordinary Shares NZ\$1	100%	New Zealand
Prudential Nominees Limited	Shares £1	100%	England
Prudential Unit Trust Managers Limited	Shares £1	100%	England
Prupac Limited	Ordinary Shares 10p	100%	England
Riccarton Mall Limited	Ordinary Shares NZ\$1	100%	New Zealand
Rue de Treves Estates SA	Shares n.p.v.	100%	Belgium
Societa Italo-Britannica di Assicurazioni s.r.l.	Shares	100%	Italy
Stocklund Property Limited	Shares £1	100%	England
Tibart Limited	Ordinary Shares 25p	100%	Scotland

The accounts of the subsidiaries not consolidated in group accounts have been omitted as the amounts involved are not significant : some of these subsidiaries are investments of the life funds. Based on the rates of exchange ruling on 31 December 1975 the net aggregate amounts of profit of these subsidiaries are

For 1975	For previous years
£	£
-90,222	408,826
-16,918	215

(not included in the Company's accounts)
(included in the Company's accounts)

The businesses carried on by subsidiaries of the companies listed do not principally affect the amount of profit of the Group or the amount of its assets and in view of the number of subsidiaries involved details relating to individual companies are not shown.

7 The Group, in the investment portfolios of its separate businesses, holds shares in the following companies, other than subsidiaries, in which the holding of at least one class of equity shares amounts in nominal value to one fifth or more of the nominal value of the issued shares of that class.

Notes on the Accounts continued

Name	Issued capital and total reserves	Proportion held %	Country of Incorporation and Principal Operation unless otherwise stated
Agencia de Seguros Anglo Portuguesa Limitada	Esc. 100,000 Shs	50.0	Portugal
Bridge Spring Pty Limited	Shs 16,000 A\$1	25.0	Australia
Bridge Street Properties Pty Limited	Shs 15,000 A\$1	33.3	Australia
Broadstone Investment Trust Limited	£2,401,993 Ord Shs 20p	24.7	England
	£600,000 3.5% Cum Pref Stk	45.0	
	£500,000 3.85% Cum 2nd Pref Stk	—	
	£747,500 4% Deb Stk 1974/79	36.9	
	£935,000 5½% Deb Stk 1979/84	5.4	
	£367,100 6½% Deb Stk 1982/87	—	
	£2,485,051 4½% Convert Unsec'd Loan Stk 1988/93	—	
	£5,389,357 Reserves	—	
Cadedge Development Limited	100 Shs £1	49.0	England
	£9,385 Reserves	—	
Cadedge Investments Limited	50,000 Shs £1	49.0	England
	£172,363 Reserves	—	
Chedger Development Limited	£879,208 Sec'd Loans	—	
	100 Shs £1	49.0	England
Chedger Investments Limited	£24,206 Reserves	—	
	10,000 Shs £1	49.0	England
	£1,070 Reserves	—	
Cleveland Offshore Fund NV	£196,000 Sec'd Loans	—	
	US\$153,300 Shs US\$100	32.6	Netherlands Antilles (operating principally in USA)
		—	Canada
Coast Underwriters Limited	1,500 Common Shs C\$1	30.0	
	C\$69,947 Reserves	—	
Columbus Insurance Company Limited	50,000 Shs £1	35.0	Bermuda
Commonwealth (Cayman) Insurance Company Limited	110,000 Shs US\$1	45.5	Cayman Islands
Credit & Guarantee Insurance Company Limited	800,000 Shs £1	25.0	England
M & G Computer Systems Limited	600 Shs C\$1	20.0	Canada
Newcastle & Gateshead Water Company	£249,635 4.2% Max Ord Stk	28.0	England
P. W. Nominees Limited	100 Shs £1	50.0	England
Reinsurance Group Managers Limited	4,000 Shs £1	25.0	England
Richard Costain Properties Limited	250,000 Ord Shs £1	25.0	England
	£4,812,540 6¾% 1st Mtge Deb Stk 2002	100.0	
	£159,961 Reserves	—	
Thames House Estate Limited	1,000,000 Shs £1	25.0	England
	£116,180 3¼% 1st Mtge Deb Stk 1983	21.4	
	£1,418,217 Reserves	—	
Triton Petroleum Limited	99,996 Ord Shs £1	23.5	England
	£514,350 Interest free Unsec'd Loan Stock	23.5	
	£27,400,000 Ord Stk	26.5	England
United Dominions Trust Limited	£500,000 4½% Cum Pref Stk	6.3	
	£1,000,000 4½% 2nd Cum Pref Stk	6.5	
	£1,000,000 4½% 3rd Cum Pref Stk	4.5	
	£11,200,000 8¾% Cap Bds (US\$) 1988	—	
	£6,900,000 9¾% Notes (US\$) 1978/89	—	
	£9,100,000 8% Notes (Sw Fcs) 1979	—	
	£15,000,000 16% Conv Subordinated Unsec'd Loan Stk 1979/81	44.4	
	£15,000,000 partly paid 17% Conv Subordinated Unsec'd Loan Stk 1979/81	75.0	
	£9,200,000 Reserves	—	
Western Properties SA	999,000 Commn Stk Shs US\$1	22.2	Panama (operating principally in USA)
	US\$21,691,871 Loan Capital	—	
	US\$7,555,644 Reserves	—	
Westpool Investment Trust Limited	£1,905,225 Shs 25p	31.9	England
	£132,500 4% 1st Deb Stk 1975/80	22.6	
	£314,480 5% 1st Deb Stk 1985/90	23.8	
	£405,000 5¾% 1st Deb Stk 1983/88	12.3	
	£1,523,000 5% Conv Unsec'd Loan Stk 1989/94	—	
	£5,479,308 Reserves	—	
William Irwin (Holdings) Limited	169,070 Ord Shs £1	—	England
	100,000 25% Conv Prefd Ord Shs £1	25.0	
	£938,559 Reserves	—	

Notes on the Accounts continued

The results of the foregoing companies attributable to the Shareholders' interest therein are not of sufficient significance to be included in the Group accounts except to the extent of dividends receivable.

The Group also holds shares in a further 41 companies in which the holding exceeds one tenth. In view of the number involved details relating to individual companies are not shown.

8 The aggregate amount of the Company's Directors' emoluments for the year was Company £121,889 (£110,533), Group £128,977 (£118,747). In addition contributions made to pension schemes for Directors were Company £25,000 (£25,000), Group £25,911 (£25,650).

The emoluments of each person who has been Chairman during the financial year so far as attributable to the period during which he was Chairman were Mr K A Usherwood £8,205 (£20,000) and Mr R H Owen £14,692 (Nil).

The emoluments of all Directors including emoluments from subsidiaries were as follows:

Over £	Up to £	Number of Directors	
		1975	1974
—	2,500	1	2
2,500	5,000	1	2
5,000	7,500	8	8
7,500	10,000	—	3
10,000	12,500	1	1
12,500	15,000	3	—
15,000	17,500	1	—
17,500	20,000	—	1

9 Employees of the Company in the United Kingdom whose emoluments exceeded £10,000 in the financial year were as follows:

Over £	Up to £	Number of Employees	
		1975	1974
10,000	12,500	99	25
12,500	15,000	23	13
15,000	17,500	11	3
17,500	20,000	3	1
20,000	22,500	—	1
22,500	25,000	2	1
25,000	27,500	—	1
27,500	30,000	2	1
30,000	32,500	1	1
37,500	40,000	1	—

10 The remuneration of the auditors of the Company and its subsidiaries excluding V.A.T. amounted to £245,061 (£195,510) of which the remuneration in respect of the Company excluding overseas branches amounted to £69,500 (£46,500).

11 The Group is committed to capital contracts for settlement after 31 December 1975 of £3,800,000 (£4,780,000) and expenditure authorised but not contracted for of £9,210,000 (Nil). Also, certain guarantees have been given in respect of retirement benefits for the Staff and benefits for their relatives and dependants, and in respect of a letter of credit for US\$577,778.

Signatures to the Accounts

W G Haslam, *Chief General Manager*

R S Skerman, *Chief Actuary.*

R E Artus, }
P E Moody, } *Joint Secretaries.*

R H Owen, *Chairman.*

J N Hogg, *Director.*

Strathalmond, *Director.*

22 April 1976

P00003958³

1755-035

Report of the Auditors

Report of the Auditors to the members of The Prudential Assurance Company Limited

In our opinion, based on our examination and on the reports of the auditors of certain subsidiaries not audited by us, the accounts set out on pages 20 to 33 comply with the provisions of the Companies Acts 1948 and 1967 applicable to insurance companies.

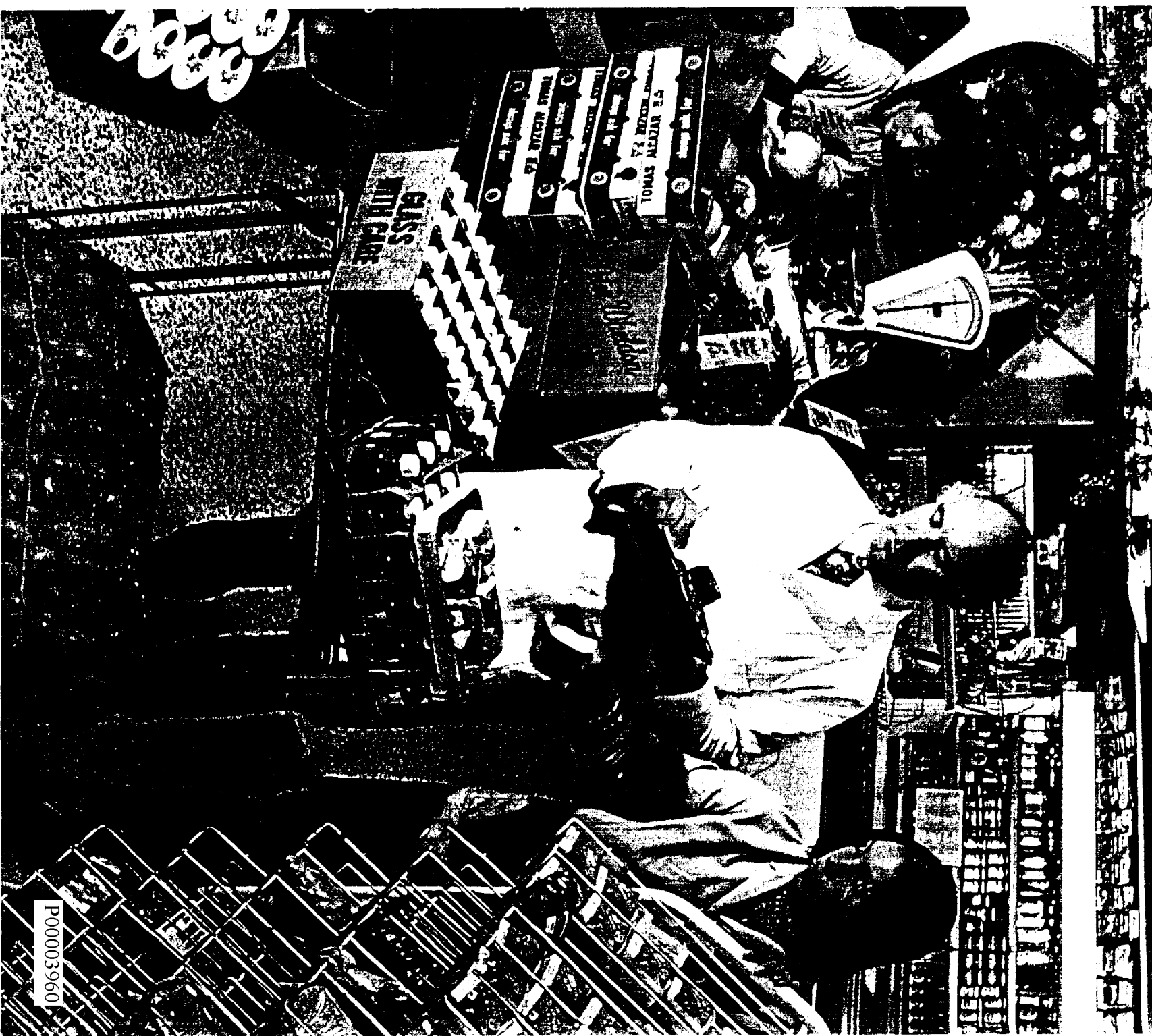
No part of any fund of the Company has been applied, directly or indirectly, for any purpose other than the class of business to which the fund is applicable. We have examined the methods of apportioning the expenses of management and in our opinion the apportionment of these expenses between the Industrial and other businesses of the Company has been made on a fair and equitable basis.

Deloitte & Co.,
Chartered Accountants

London
22 April 1976

In the Prudential 'Plan for Life', provision can be made for liability under Capital Transfer Tax. Reg Findlay, seen here in his Prestwich, Manchester, supermarket with his two daughters Kathryn and Elizabeth, holds a Joint Life and Last Survivor Assurance for this purpose. The 'Plan' includes a Prudential Personal Retirement Policy. Mr Findlay has been a policyholder with the Company since 1946 and his house and its contents are also insured with us.

TKET GARDEN



P00003960

1755-037

Valuation Report on the Company's business

To the Directors of The Prudential Assurance Company Limited.

I have the honour to submit my report on the valuation as at 31 December 1975 of the life assurances and annuities and other insurance contracts of the Company.

Ordinary Branch

The number of contracts in force was 3,116,259 producing an annual premium income of £267,018,899. Sums assured with bonuses amounted to £14,652,003,224. Deferred and contingent annuities with bonuses amounted to £412,759,056 per annum including amounts of annuity to be purchased by future recurrent single premiums. Annuities in course of payment amounted to £37,245,900.

The interest earned in 1975 represents a gross rate of 7.83 per cent on the Ordinary Branch fund.

The methods of valuation used for the main classes of assurance business other than investment-linked business were:

Business issued in the United Kingdom, the Channel Islands and the Isle of Man

The net premium method valuing net premiums calculated on the valuation basis.

Business issued in other territories

The modified net premium method valuing net premiums calculated on the valuation basis with an addition to allow for part of the initial expenses.

The whole of the difference between the value of the future office premiums and of the premiums valued has been reserved for future expenses and profits.

For income and other temporary benefits the net liability was based on the premiums paid.

For investment-linked assurances the net liability was based on the value at 31 December 1975 of the units allocated. Assurance benefits included in investment-linked contracts were valued as temporary benefits.

The tables of mortality used for assurances were:

Table of mortality

Business issued in:

United Kingdom, the Channel Islands, the Isle of Man, Australia and New Zealand

A1949/52 Ult

Canada: Without profits issued after 31 December 1960

A1949/52 Ult

Other

A1924/29 Ult

South Africa and Rhodesia

SA 56/62 Ult

Other territories

A1924/29 Ult

The net rates of interest used for assurances were:

Rate of interest

Business issued in:

United Kingdom, the Channel Islands and the Isle of Man:

With-profits

3%

Without profits

3½%

Australia

3½%

New Zealand:

With-profits

4%

Without profits

4½%

Canada:

Without profits issued after 31 December 1960

3½%

Other

3%

South Africa and Rhodesia:

With-profits: Second Series: Retirement Fund

4½%

Other

4%

Kenya, Tanzania and Uganda:

With-profits: Retirement Fund

4¼%

Other

3½%

Without profits

3¾%

Other territories

3½%

The methods of valuation used for deferred annuities secured by annual or recurrent single premiums during the period of deferment other than cash accumulation and investment-linked business were:

Individual deferred annuities and pension-unit schemes

The net premium method valuing net premiums calculated on the valuation basis.

Group with-profits deferred annuities, United Kingdom without profits group deferred annuities (associated with with-profits schemes) and Prudential company pension schemes

The net liability is the value of the annuity purchased by the premiums paid to date.

Valuation Report continued

Other group deferred annuities

The gross premium method valuing premiums equal to 95 per cent of the office premiums.

The whole of the difference between the value of the future office premiums and of the premiums valued has been reserved for future expenses and profits.

For group cash accumulation deferred annuity business and executive pension business the net liability was the accumulated fund at 31 December 1975.

For investment-linked deferred annuity business the net liability was based on the value at 31 December 1975 of the units allocated.

The tables of mortality used for annuities and additions to the values of annuities were :

	Tables of mortality		Additions to the values of annuities as provision for expenses of payment and mortality improvement	
	In deferment	In possession		
Business issued in : United Kingdom, the Channel Islands and the Isle of Man	A1949/52 Ult rated down one year	a(55) Ult	31½%	
Canada				
Deferred annuities :				
Individual—With-profits	} No allowance for mortality	} a(55) Ult	} 3%	
—Without profits with surrender values				
—Other				
Group	1971 GAM	1971 IAM 1971 GAM	1% 1%	
Immediate annuities :			} For expenses only	
Individual	—	1971 IAM		1%
Group	—	1971 GAM		1%
Other territories	A1949/52 Ult rated down one year	a(55) Ult	3%	

The rates of interest used for annuities were :—

	United Kingdom, Channel Islands & Isle of Man (except as stated below)	Australia & New Zealand	Canada (except as stated below)	S. Africa & Rhodesia (except as stated below)	Other territories (except as stated below)
Deferred annuities :					
With-profits :					
Individual	5%	—	3%	—	—
Group	2¾%	—	3¾%	3¼%	3%
Pension-unit schemes	5%	—	—	—	—
Prudential company pension schemes	4¾%	—	—	—	—
Without profits :					
Pension business	6%	—	—	—	—
General business	5½%	3½%	7½% to 31 December 1989 & 4% thereafter	4%	3¾%
Immediate annuities :					
With-profits	4¾%	—	—	—	—
Without profits	9%	3½%	} 7½% to 31 December 1989 & 4% thereafter	8%	4%
Annuities certain	3½%	—		—	—

For without profits individual deferred annuity bonds issued in the United Kingdom, the cash option was valued using 9 per cent interest during deferment.

For without profits individual deferred annuities with surrender values issued in Canada the rate of interest used was 3½ per cent.

For immediate annuities issued in Rhodesia, Kenya, Tanzania and Uganda the rate of interest used was 5 per cent.

Valuation Report continued

The equivalents in sterling of liabilities in other currencies have been calculated at the rates of exchange ruling on 31 December 1975.

The foregoing bases incorporate major changes. Assets have appreciated substantially during the year, particularly in the United Kingdom, and have been shown in the Balance Sheet at 31 December 1975 at higher values than in the preceding year, but at values which are less than market values in aggregate. This valuation of the assets implies lower rates of interest than were implicit in the valuation at 31 December 1974. Appropriate reductions have, therefore, been made in the rates of interest used for valuing United Kingdom business and some assurances and deferred annuities issued overseas. In order to make allowance for the possibility of reductions in interest rates in the future, the rates used in the valuation provide appropriate margins as compared with those implicit in the valuation of the assets having regard to the relative lengths of term of the assets and liabilities of the business in each country. Net premiums have been valued for assurances and certain deferred annuities issued in the United Kingdom, whereas modified net premiums were valued at the preceding valuation. These changes were made as at 1 January 1975 and resulted in an increase in net liabilities of £313,000,000 which was met by a transfer from the Investment reserve account.

I consider that the Additional reserve which is held in respect of revivals, options and general contingencies for which provision is not otherwise made and as a stabilising fund to facilitate the declaration of equitable bonuses should be reduced from £29,000,000 to £22,500,000 as at 31 December 1975.

The result of the valuation is as follows :

Ordinary branch fund subject to transfers out of surplus on 31 December 1975		£2,231,816,403
Net liability under assurance policies	£1,209,749,478	
Net liability under annuity contracts	878,085,808	
Additional reserve	<u>22,500,000</u>	
Total net liability		2,110,335,286
Surplus emerging at 31 December 1975		121,481,117
Add cost of bonuses allocated during 1975 in anticipation of surplus for that year		<u>9,987,425</u>
Total surplus, including £1,207,108 brought forward from last year		<u>£131,468,542</u>

I consider that for participating assurances issued in the United Kingdom, the Channel Islands and the Isle of Man, part of the surplus should be distributed by way of terminal bonuses varying with the duration of the policies, that the rates of terminal bonus should be increased and that the years of issue to which they apply should be extended to include the years 1973 and 1974.

I also consider that terminal bonuses should be declared for participating assurances issued in Australia, New Zealand, South Africa, Cyprus and Malta and for certain participating annuity and cash accumulation contracts issued in the United Kingdom and South Africa.

I recommend that the following bonuses should be declared on participating policies :

(A) For assurance policies which become claims by death or maturity between 1 April 1976 and 31 March 1977 inclusive, terminal bonuses of which the following are examples :

(1) Policies issued in 1974 or earlier in the United Kingdom, the Channel Islands, the Isle of Man and Malta :						
Year of issue :	1974	1963	1953	1943	1933	1926 or earlier
Rate per cent of sum assured :	0.40	24.60	55.90	82.60	103.60	114.00
(2) Policies issued in 1973 or earlier in Australia :						
Year of issue :		1973	1963	1953	1943	1932 or earlier
Rate per cent of sum assured						
First Series : Superannuation		0.10	1.80	5.60	9.40	15.20
Other		0.06	1.08	5.60	9.40	15.20
Second Series : Superannuation		0.10	1.80	—	—	—
Other		0.06	1.08	—	—	—

Valuation Report continued

(3) Policies issued in 1973 or earlier in New Zealand

Year of issue :	1973	1963	1953	1943	1932 or earlier
Rate per cent of sum assured :					
First Series	0.10	1.50	8.40	14.10	23.00
Second Series	0.10	1.50	—	—	—

(4) Policies issued in South Africa

Whole Life assurances :

1.10 per cent of the reversionary bonus existing at the date of claim for each complete year which the policy has been in force with a maximum of 33.00 per cent.

Endowment assurances :

1.70 per cent of the reversionary bonus existing at the date of claim for each complete year which the policy has been in force with a maximum of 51.00 per cent.

(5) Policies issued in 1971 or earlier in Cyprus (a closed class)

Year of issue :	1971	1963	1953	1945
Rate per cent of sum assured :	0.80	10.50	36.30	52.40

(B) For assurance policies, except those issued in Sri Lanka, reversionary bonuses at the following rates :

For policies issued in :		per cent of sum assured	per cent of existing bonuses
(1)	the United Kingdom, the Channel Islands, the Isle of Man and Malta	3.80	—
(2)	Australia :		
	First Series :		
	Superannuation	3.40	—
	Other	2.25	—
	Second Series :		
	Superannuation	2.40	2.40
	Other	1.55	1.55
(3)	New Zealand :		
	Third Series :		
	Superannuation	1.90	1.90
	First Series :		
	Registered	2.45	—
(4)	Canada :		
	Registered	1.60	1.60
	Other	2.40	3.75
(5)	South Africa :		
	First Series	2.20	3.25
	Second Series :		
	Retirement Fund	3.20	1.60
	Other	3.00	4.80
(6)	Rhodesia :		
	First Series	2.35	4.00
	Second Series :		
	Retirement Fund	2.75	—
	Other	2.425	3.30
(7)	Malaysia and Singapore		
	First Series	2.125	3.00
	Second Series	3.00	1.75
		2.25	2.65

Bonuses at the same rates as last year are recommended for closed classes in Kenya, Tanzania, Uganda and Cyprus.

(C) For assurance policies issued in Sri Lanka (a closed class) a bonus on policies which become claims by death or maturity between 1 April 1976 and 31 March 1977 inclusive at the rate of 12.60 per cent of the sum assured.

(D) For individual retirement annuity policies, reversionary bonuses on annuities not yet commenced at the following rates per cent of the annuity being purchased for policies issued in :

(1) United Kingdom and Isle of Man	5.70 simple
(2) Canada	2.50 compound

(E) For group pension annuity policies, reversionary bonuses on pensions not yet commenced, at the following rates per cent of the pension secured, for policies issued in :

(1) United Kingdom, the Channel Islands and the Isle of Man	6.00 compound
(2) Canada	3.40 compound
(3) South Africa	5.05 compound
(4) Rhodesia, Kenya, Tanzania and Uganda	3.25 compound

(F) For pension-unit scheme policies issued in the United Kingdom :
a reversionary bonus on pensions for members who have not reached normal pension age at the following rate per cent of the pension being purchased

4.00 simple

Valuation Report continued

(G) For Prudential Company Pension Scheme policies issued in the United Kingdom :
 a reversionary bonus on pensions not yet commenced (or bonus interest for
 alternative lump sum benefits) at the following rate per cent of pension secured 3.90 compound
 a bonus addition to pensions in course of payment at the following rate per cent of
 pension payable 5.25 compound

(H) For group pension cash accumulation and executive pension policies, bonus interest at the following rates
 per cent for policies issued in :
 (1) United Kingdom 3.90 compound
 (2) South Africa 2.55 compound

(I) For group unit-linked policies issued in Australia, bonus units at the following rates per cent :
 E units 7.416 compound
 F units 10.868 compound

An allocation of £122,182,692 to policyholders will be necessary to provide the cost of the recommended bonuses
 and of those declared in anticipation out of the surplus for 1975.

I also recommend that bonuses at the following rates be granted in anticipation out of surplus for the year 1976 :
 Terminal and final bonuses per cent of the annuity, pension or cash

(A) For individual retirement annuity policies issued in :

(1) United Kingdom & Isle of Man on annuities commencing between 1 April 1976 and 31 March 1977 inclusive
 Terminal : 1.50 for each year in force compound
 Final : 50 compound
 40 compound final at age 55 reducing to 25 compound at age 70

(2) Canada, on annuities commencing between 1 July 1976 and 30 June 1977 inclusive

(B) For group pension annuity policies on pensions commencing between 15 March 1976 and 14 March 1977
 inclusive issued in :

(1) United Kingdom, the Channel Islands and the Isle of Man 125 compound final (subject to
 variation as may be appropriate)
 including 50 terminal
 40 compound final at age 55 reducing to 25 compound at age 70
 75 compound final including 13 terminal
 32 compound final

(2) Canada

(3) South Africa

(4) Rhodesia, Kenya, Tanzania & Uganda

(C) For pension-unit scheme policies issued in the United Kingdom :
 on pensions secured for members who reached normal pension age
 between 1 April 1976 and 31 March 1977 inclusive

54 compound final

(D) For Prudential Company Pension Scheme policies issued in the United Kingdom :
 on pensions commencing between 6 April 1976 and 5 April 1977
 inclusive (or on alternative lump sum benefits payable)

1.00 terminal for each premium year since the member commenced payment
 compound

(E) For group pension cash accumulation and executive pension policies

(1) on amounts withdrawn to secure retirement benefits in the premium
 year ending between 15 March 1976 and 14 March 1977 inclusive
 from premiums not allocated to individual members under policies issued
 in :

United Kingdom

2.00 } for each premium year since
 the amounts were paid
 1.50 } compound

South Africa

(2) on amounts withdrawn to secure retirement benefits commencing
 between 15 March 1976 and 14 March 1977 inclusive from individually
 allocated premiums under policies issued in the United Kingdom 1.00 for each premium year since the
 member commenced payment
 compound

Industrial Branch

The number of policies in force, including 5,307,021 free or paid-up policies, was 19,437,582 producing an
 annual premium income of £129,756,229. The maximum sums assured with bonuses amounted to £2,667,973,769.

The interest earned in 1975 represents a gross rate of £8.87 per cent on the Industrial branch fund.

The table of mortality used for the valuation of all assurances was the English Life Table No. 12 Males. The net rate
 of interest used in the valuation was 3 per cent. Net premiums have been valued, calculated on the valuation basis,
 and every policy has been treated as a liability. The whole of the difference between the value of the future office
 premiums and the value of the future net premiums has been reserved for future expenses and profits.

Valuation Report continued

The foregoing bases incorporate a major change in the rate of interest. Assets have appreciated substantially during the year and have been shown in the Balance Sheet at 31 December 1975 at higher values than in the preceding year but at values which are less than market values in aggregate. This valuation of the assets implies lower rates of interest than were implicit in the valuation at 31 December 1974. An appropriate reduction has therefore been made in the rate of interest used in the valuation of the liabilities. The relative lengths of term of the assets and liabilities is such that only a small margin in the rate of interest is necessary to allow for the possibility of a reduction in interest rates in the future. The change was made as at 1 January 1975 and resulted in an increase in the net liabilities of £70,000,000 which was met by a transfer from the Investment reserve account.

I consider that the Additional reserve which is held in respect of revivals, options and general contingencies for which provision is not otherwise made and as a stabilising fund to facilitate the declaration of equitable bonuses should be reduced from £20,000,000 to £14,700,000 as at 31 December 1975.

The result of the valuation is as follows:

Industrial branch fund subject to transfers out of surplus on 31 December 1975		£908,312,684
Net liability under Industrial assurance policies	£836,506,275	
Additional reserve	14,700,000	
		<hr/>
Total net liability		851,206,275
Surplus, including £1,291,244 brought forward from last year		<hr/> £57,106,409

I consider that part of the surplus should be distributed by way of terminal bonuses varying with the duration of the policies at the same rates (with some minor increases) and in respect of the same years of issue as those which applied last year.

I recommend that the following bonuses should be declared:

(A) A terminal bonus on policies issued in 1972 or earlier which become claims by death or maturity between 1 April 1976 and 31 March 1977 inclusive of which the following are examples:—

Year of issue:	1972	1963	1953	1943	1933	1926 or earlier
Rate per cent of sum assured:	0.40	18.40	49.50	74.90	95.50	108.00

(B) A reversionary bonus at the rate of 2.60 per cent of the sum assured.

An allocation of £52,530,651 to policyholders will be necessary to provide the cost of the recommended bonuses.

General Branch—Long Term Business

The interest earned in 1975 represents a gross rate of £10.84 per cent on the long term General branch funds.

Individual long term sickness contracts issued in the United Kingdom some of which are attached to life policies have been valued by a gross premium method using, for male lives in non-hazardous occupations, 70 per cent of the Manchester Unity 1893/97 (AHJ) sickness experience and the A1949/52 Ult. table of mortality with interest at 4 per cent and taking credit for 60 per cent of the future office premiums. The reserves are increased by from 30 per cent to 60 per cent for other occupational classes depending on the degree of hazard and by 50 per cent for female lives. In addition, a reserve of £15,000 is held for contingencies.

Individual long term sickness contracts issued in Canada, some of which are attached to life policies have been valued by a net premium method, using the 1964 Commissioners Disability table and the Commissioners 1958 Standard Ordinary table of mortality with interest at 3 per cent. The reserves are increased by 5 per cent for waiver of premium benefits and by 10 per cent or more, depending on occupation class, for monthly income benefits.

Long term accidental death benefits attached to life policies issued in Canada have been valued using the 1959 Accidental Death Benefits table and the Commissioners 1958 Standard Ordinary table of mortality, with interest at 3½ per cent. The reserves are increased by 25 per cent or, if combined with dismemberment benefits, by 75 per cent.

For other long term accident or sickness benefits the reserve was based on the premiums paid and has been calculated to take account of the liability arising from the right of renewal. In the aggregate the provision so calculated is 58.1 per cent of the premium income for the year.

The sinking fund policies in force provide for the payment of capital sums amounting to £136,150 at the end of fixed terms of years, and produce an annual premium income of £678. They have been valued by a gross premium method using interest at 3 per cent or the rate of interest employed in the calculation of the premiums, if less, and taking credit for 98 per cent of the future office premiums.

The equivalents in sterling of liabilities in other currencies have been calculated at the rates of exchange ruling on 31 December 1975.

Valuation Report continued

The result of the valuation is as follows :

General branch long term fund subject to transfers out of surplus on 31 December 1975		£5,516,191
Net liabilities for sickness and accident insurance	£4,731,836	
Net liabilities for sinking fund insurance	77,487	
Total net liabilities	<hr/>	4,809,323
Total surplus		<hr/> £706,868

Certificate as to all Long Term business liabilities

In my opinion the aggregate amount of the liabilities in relation to long term business at 31 December 1975 did not exceed the aggregate amount of those liabilities as shown in the Balance Sheet.

General Insurance—Short Term Business

In respect of fire and accident direct contracts the unearned premium reserve has been calculated on a proportionate basis having regard to the premiums written each month with a deduction of 20 per cent for acquisition costs. In addition, unexpired risk reserves were increased from £1,075,000 for 1974 to £1,250,000 for 1975. Proportional fire and accident treaty reinsurance accepted has been dealt with on a two year basis. Treaty years ended on or before 31 March 1975 have been closed, unearned premium reserves being calculated at 40 per cent of the premiums. Accounts received in respect of subsequent treaty years have been included in the open account the balance of which has been carried forward as a fund. Non-proportional business has been dealt with on a funded basis.

The non-proportional treaty reinsurance accepted fund of £1,531,348 and the marine and aviation fund of £6,528,815 are, in my opinion, sufficient provision for the liabilities.

The equivalents in sterling of provisions and reserves in other currencies have been calculated at the rates of exchange ruling on 31 December 1975.

The result of the valuation is as follows :

General insurance short term fund subject to transfers out of surplus on 31 December 1975		£70,531,528
Provision and reserve for fire and accident direct insurance	£48,753,868	
Provision and reserve for treaty reinsurance accepted insurance	11,878,421	
Provision and reserve for marine and aviation insurance	6,528,815	
Total short term provisions and reserves		67,161,104
Short term surplus		<hr/> £3,370,424

25 March 1976

R S SKERMAN
Chief Actuary

Supplementary Information relating to the Company

Sources of Investment Income received during the year	1975 £000	1974 £000
Ordinary Life Assurance		
British Government and British Government guaranteed securities	21,089	19,225
Other fixed income securities, including subsidiaries	35,034	31,277
Ordinary stocks and shares, including subsidiaries	38,103	33,359
Freehold and leasehold properties, rent charges and ground rents	36,224	27,965
Mortgages on property	18,021	16,048
Other sources	11,612	6,002
Total revenue account income	160,083	133,876

Industrial Life Assurance		
British Government and British Government guaranteed securities	13,678	12,201
Other fixed income securities	11,205	11,264
Ordinary stocks and shares, including subsidiaries	27,099	24,564
Freehold and leasehold properties, rent charges and ground rents	18,532	16,172
Mortgages on property	3,198	2,884
Other sources	1,642	-2,079
Total revenue account income	75,354	65,006

General Insurance	Long-term		Short-term	
	1975 £000	1974 £000	1975 £000	1974 £000
British Government and British Government guaranteed securities	77	41	1,070	964
Other fixed income securities	295	207	4,816	2,954
Ordinary stocks and shares, including subsidiaries	74	60	1,983	1,261
Freehold and leasehold properties, rent charges and ground rents	—	—	13	27
Mortgages on property	—	—	401	291
Other sources	207	64	1,391	839
Total revenue account income	653	372	9,674	6,336

Claims and Surrenders—Life Assurance	Ordinary		Industrial	
	1975 £000	1974 £000	1975 £000	1974 £000
Claims :				
By death	37,652	32,305	32,289	31,479
By maturity	51,010	48,677	43,715	41,159
	88,662	80,982	76,004	72,638
Surrenders	34,788	32,395	29,071	29,090
Bonuses surrendered for cash	5,189	4,351	—	—
Payments under occupational pension schemes :				
Transfers to Prudential Pensions Ltd.	24,351	6,828	—	—
Other transfers and payments on withdrawal (including amounts re-applied as further premiums)	21,703	16,232	—	—
Total revenue account claims and surrenders	174,693	140,788	105,075	101,728

Investment Portfolios

The distribution of the investment portfolios, on a market value percentage basis, held on Chief Office account in respect of Life assurance and General insurance was as follows:

	Ordinary life		Industrial life		Long-term General		Short-term	
	1975	1974	1975	1974	1975	1974	1975	1974
Fixed interest investments	29	39	25	27	52	71	51	70
Ordinary stocks and shares	39	24	44	29	48	29	46	29
Property investments	32	37	31	44	—	—	3	1

Ordinary life assurance and General insurance is also transacted overseas where in many territories investment policy is restricted by legislation, with the result that overseas portfolios are concentrated more in fixed interest investments.

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1755-045

Supplementary Information relating to the Company continued

Analysis of the Short-term Business of the Company year ended 31 December 1975

Comparative figures for 1974 in colour

Income	Property		Motor Vehicle		Sickness and Accident		Pecuniary Loss		Liability	
	£000		£000		£000		£000		£000	
Amount of fund at beginning of year:										
Unearned premiums	14,970	14,147	16,114	15,285	1,320	1,216	985	806	3,406	3,039
Provisions	*500	*300	*450	*200	—	—	*75	—	*50	—
Exchange adjustment	543	-169	798	-205	30	-36	20	-5	201	-99
	16,013	14,278	17,362	15,280	1,350	1,180	1,080	801	3,657	2,940
Premiums	46,198	35,173	51,470	40,519	3,775	3,089	2,437	2,470	11,177	8,250
	62,211	49,451	68,832	55,799	5,125	4,269	3,517	3,271	14,834	11,190
Amount of fund at end of year:										
Unearned premiums	19,441	14,970	20,930	16,114	1,633	1,320	941	985	4,559	3,406
Provisions	*600	*500	*450	*450	*125	—	—	*75	*75	*50
Total (A)	42,170	33,981	47,452	39,235	3,367	2,949	2,576	2,211	10,200	7,734
Outgo										
Claims	24,756	19,838	31,441	28,207	2,141	1,565	1,051	2,046	5,391	4,234
Commission	6,436	4,626	6,086	4,672	847	644	-1	85	1,644	1,174
Expenses including taxation other than on profits	14,053	10,620	10,525	8,181	1,000	799	839	719	2,553	2,039
Total (B)	45,245	35,084	48,052	41,060	3,988	3,008	1,889	2,850	9,588	7,447
Gross underwriting profit (A—B)	-3,075	-1,103	-600	-1,825	-621	-59	687	-639	612	287

*Unexpired risk reserve.

‡After deducting £280,000 (£14,000) profit on exchange.

Marine, Aviation and Transport (MAT)

Treaty Reinsurance Accepted £000		Total excl MAT £000	Marine, Aviation and Transport (MAT)									Total £000	
			Current Year £000	Last Preceding Year £000	Previous Years £000		Total MAT £000			Total £000			
—	—	48,167	41,622	—	—	—	—	—	—	—	53,761	45,896	
10,297	6,629	2,239	—	—	2,528	1,846	3,066	2,428	5,594	4,274	2,239	—	
647	80		-434									-434	
10,944	6,709	50,406	41,188	—	—	2,528	1,846	3,066	2,428	5,594	4,274	56,000	45,462
5,640	10,498	120,697	99,999	3,945	3,689	728	510	134	-7	4,807	4,192	125,504	104,191
16,584	17,207	171,103	141,187	3,945	3,689	3,256	2,356	3,200	2,421	10,401	8,466	181,504	149,653
—	—	60,632	48,167	—	—	—	—	—	—	—	—	67,161	53,761
11,878	10,297		2,736	2,528	1,632	1,233	2,161	1,833	6,529	5,594			
4,706	6,910	110,471	93,020	1,209	1,161	1,624	1,123	1,039	588	3,872	2,872	114,343	95,892
2,741	5,139	67,521	61,029	1,050	1,108	1,957	1,516	972	692	3,979	3,316	71,500	64,345
1,892	3,618	16,904	14,819	—	—	—	—	—	—	—	—	16,904	14,819
206	179	29,176	22,537	239	303	17	7	-113	-4	1143	1306	29,319	22,843
4,839	8,936	113,601	98,385	1,289	1,411	1,974	1,523	859	688	4,122	3,622	117,723	102,007
-133	-2,026	-3,130	-5,365	-80	-250	-350	-400	180	-100	-250	-750	-3,380	-6,115

Ten Year Review of the Company

	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966
	£m.	£m.	£m.	£m.	£m.	£m.	£m.	£m.	£m.	£m.
Ordinary Life Assurance										
New annual premium income	53.5	48.1	39.0	33.9	28.7	24.3	22.9	20.9	19.6	17.8
Total premium income and considerations	298.5	259.4	257.9	203.6	189.7	166.5	155.1	147.1	138.1	122.3
Investment income	160.1	133.9	123.2	108.5	97.4	90.3	83.7	76.2	69.7	62.0
Surplus to policyholders	122.2	81.8	94.8	83.4	71.9	64.1	57.8	51.6	45.0	39.5
Balance sheet value of assets	2,317.7	1,757.6	2,019.6	1,769.2	1,585.5	1,456.7	1,332.2	1,228.1	1,116.9	985.2
Market value of assets	2,357.1	1,780.8	2,308.7	2,327.8	1,985.3	1,604.6	1,533.5	1,580.9	1,303.1	1,079.8
Industrial Life Assurance										
New annual premium income	25.5	22.1	18.1	17.8	15.0	14.8	13.8	12.7	12.3	11.4
Total premium income	122.3	111.8	104.4	97.7	92.2	88.2	84.4	81.2	77.5	74.2
Investment income	75.4	65.0	62.7	60.4	56.8	55.4	53.8	51.4	49.3	47.4
Surplus to policyholders	52.5	45.9	51.3	48.2	44.2	41.7	40.0	36.9	32.3	29.9
Balance sheet value of assets	984.3	864.8	923.2	871.7	812.6	772.8	754.9	730.2	698.6	672.1
Market value of assets	1,255.7	902.7	1,325.4	1,483.8	1,308.7	1,017.9	1,029.1	1,137.7	951.0	827.9
*General Insurance										
Premium income	131.3	109.1	99.2	83.2	65.3	54.4	47.0	41.5	37.3	31.7
Gross underwriting profit	-2.0	-4.7	4.1	3.5	1.5	-0.3	0.6	0.2	1.0	0.5
Investment income	9.7	6.3	5.3	3.2	2.6	2.3	2.1	1.8	1.6	1.3
Balance sheet value of assets	173.8	131.3	112.8	89.8	68.5	56.6	49.2	43.2	37.7	32.4
Market value of assets	182.9	131.5	112.9	102.1	79.3	59.1	53.2	50.8	41.6	33.8
*Profit and Loss Account										
Surplus from Ordinary life	8.0	5.6	6.0	5.4	5.5	4.8	4.6	3.7	3.5	3.2
Surplus from Industrial life	3.5	3.2	3.3	3.1	2.9	3.1	3.0	2.6	2.5	2.4
Surplus from General insurance	4.1	1.4	5.1	4.3	2.1	0.3	1.0	1.3	1.6	0.9
Investment income	4.7	3.0	1.4	2.3	2.4	2.0	1.0	0.9	0.7	0.6
Retained profits	3.3	0.6	5.8	5.6	2.4	0.7	0.7	1.0	1.3	0.6
†Dividend on shares of 5p	8.33p	7.71p	6.73p	6.24p	5.88p	5.31p	5.00p	4.24p	4.10p	3.96p

*These statements follow, for the years 1966 to 1972 inclusive, the form of presentation of the accounts for subsequent years and consequently retentions previously shown under General insurance are now included in the Profit and loss statement. Investment income in the two statements and the values of assets in the General insurance statement have been correspondingly adjusted.

†Gross equivalent of dividend declarations including imputed tax for 1972 final and subsequently. Declarations on the A and B share capital for 1969 and previous years have been combined and adjusted for scrip issues where appropriate so as to be directly comparable with those for subsequent years. The figure for 1970 excludes the special distributions made in that year.

1 Market values of assets up to 1974 were based on market quotations where available (allowing 75 per cent. of the investment currency premium where appropriate) and in all other cases on values estimated by the Directors. For 1975 refer to note 1c page 28.

2 No allowance has been made for any tax on capital gains that would arise if the assets were realised at the values shown.

3 The margin between Market values and Balance sheet values is proportionately greater for Industrial life than for Ordinary life mainly for two reasons:

(i) the more rapid growth of the Ordinary life funds over recent years.

(ii) overseas currency assets of the Ordinary life are held to cover overseas currency liabilities, now about 30 per cent of the total liabilities of the branch. The Market value of these assets has not changed to the same extent as that of U.K. assets, particularly in territories where there are local investment restrictions.

4 The margins between Market values and Balance sheet values of assets are not in themselves a guide to the strength of a life assurance fund.



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Overleaf

Bowater Corporation is one of the largest paper groups in the world and the Prudential has looked after their pension arrangements for nearly 40 years. The Company operates schemes for their executive, general staff, and works operatives. Bowater has a worldwide operation including North America, Europe, the Far East and Australasia. The modern plant shown here is the Containers factory at Stevenage in Hertfordshire.

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