UDENTIAL CORPORATION PLC ANNUAL REPORT 1990

# PRUDENTIAL CORPORATION


PRUDENCE, REPRESENTING THE CARDINAL VIRTUE OF WISE CONDUCT, HAS BEEN PORTRAYED IN MANY DIFFERENT WAYS DURING THE HISTORY OF PRUDENTIAL. HER QUALITIES OF WISDOM, CONFIDENCE AND HONEST SELF-APPRAISAL ARE AS RELEVANT TODAY AS THEY WERE WHEN PRUDENTIAL WAS FOUNDED IN 1848.

PRUDENTIAL

Prudential is one of the world's largest and strongest financial services groups. Its main businesses are life assurance, pensions, general insurance (called property and casualty in many countries), investment management, unit trusts and reinsurance. It has more than eight million customers and is Britain's biggest institutional investor with funds under management in excess of £43 billion.

In all its core businesses Prudential seeks to be a leading provider of services with a reputation for security and integrity, for value for money and quality of service.

In promoting its businesses Prudential's aims are:

- to increase profitability and earnings per share and thus reward our *shareholders*, encourage investment and facilitate further expansion;
- to give *customer* satisfaction through high quality products accompanied by high standards of service, courtesy and fair dealing;
- to provide our *staff* with the leadership, training and working conditions essential to their success and to operate personnel policies based on ability with no discrimination on grounds of sex, marital status, creed, race, nationality or disability;
- to abide by the spirit of laws as well as their letter and to be a significant contributor to the development and well-being of the wider *community* in which we operate.

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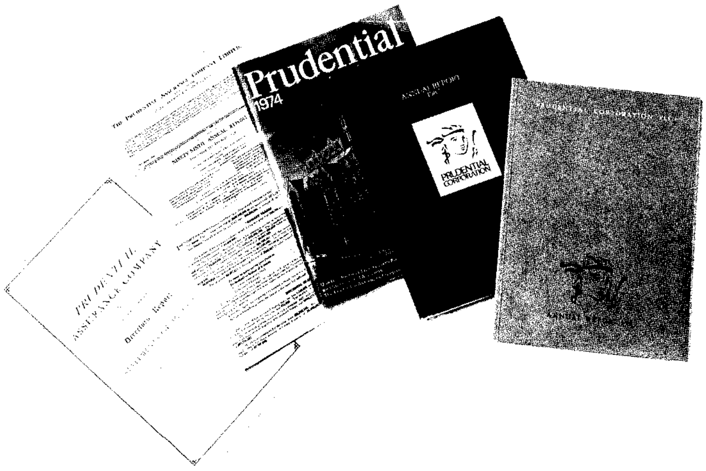
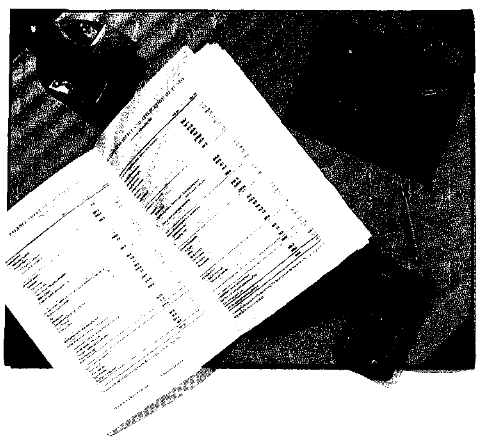



THIS ANNUAL REPORT IS THE LATEST IN THE LONG SERIES DETAILING THE PROGRESS OF PRUDENTIAL.

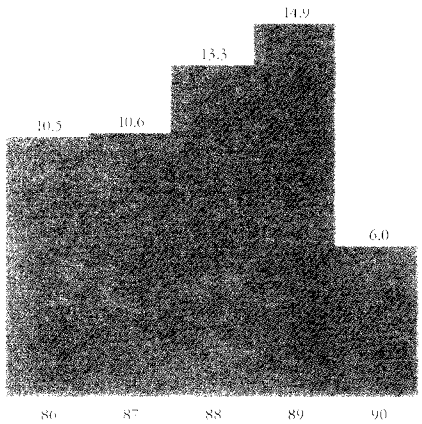
IN THESE PAGES, IN ADDITION TO THE DETAILED FINANCIAL REPORT, WE DESCRIBE THE KEY EVENTS OF 1990, PROVIDE A FLAVOUR OF THE OPPORTUNITIES AVAILABLE TO THE GROUP AND EXPLAIN A LITTLE OF THE COMPLEXITIES OF OUR BUSINESS.



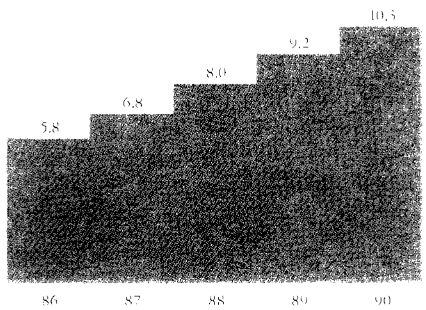
# FINANCIAL HIGHLIGHTS

| PROFIT SUMMARY | 1990 | 1989 |
|---|---|---|
| Profit on ordinary activities before tax | **£243.8m** | £385.5m |
| Profit on ordinary activities after tax | **£111.2m** | £274.9m |
| Profit attributable to shareholders after extraordinary items | **£144.0m** | £274.9m |
| Earnings per share | **6.0p** | 14.9p |
| Dividend per share | **10.3p** | 9.2p |

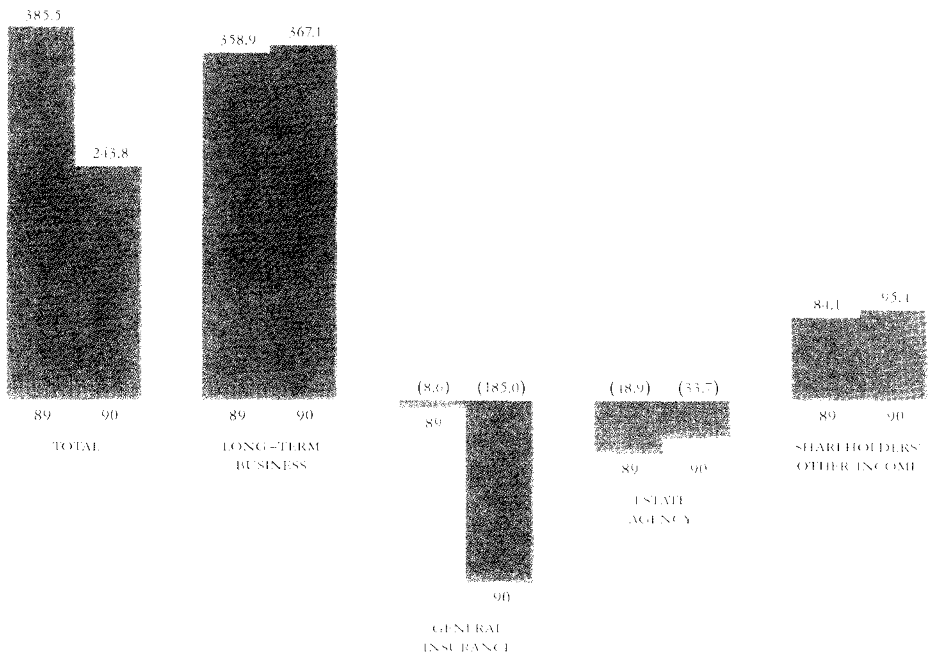
EARNINGS PER SHARE *pence*




DIVIDEND PER SHARE *pence*




PROFIT BEFORE TAX *£ millions*



1990 was a difficult and disappointing year for Prudential. Our profit before tax fell by 37 per cent to £243.8 million and earnings per share fell to 6.0 pence from 14.9 pence. We have however increased our total dividend for the year to 10.3 pence per share, an increase of 12 per cent over 1989. This dividend is well covered by the profits from long-term business and our decision reflects our confidence in the continuing strength of that business as well as in our ability to bring about a material improvement in the profitability of our other activities.

Our long-term business continued the good progress of recent years, notwithstanding the fall of investment returns and stock market values associated with developing recession in our major markets. Total premium income from life and pensions business exceeded £5 billion for the first time. Long-term profits increased to £367.1 million from £358.9 million.

In the United Kingdom, as elsewhere, sharp falls in equity and property values clearly affected

the performance of the funds backing our with-profits contracts but the financial strength of those funds meant that we were able to cushion the impact on our policyholders. We maintained or increased the amounts payable on policies becoming claims at the longest durations, with small reductions at the shortest terms.

The bonuses which we declare are aimed to ensure that on a claim arising the policyholder is provided with the results of investing premiums in the pool of assets comprising the fund. Part of the bonuses are declared as guaranteed additions to the policy, and the level has regard particularly to the long-term rate of interest. Given the acceptance by Government of policies designed to reduce the rate of inflation, it is our view that interest rates are likely to move lower. It was therefore realistic to reduce the rates of these guaranteed additions in the United Kingdom. We are confident that, through the operation of the bonus system, we shall continue to give our policyholders a good return on their invested premiums.

The strength of our long-term funds is of great value to our shareholders as well as being of considerable benefit to our policyholders. At present this is not reflected in our accounts. We have taken a lead in developing a more consistent and meaningful way of presenting results for the life insurance industry and once this is agreed, I hope before the end of this year, it is our intention to adopt it.

SINCE OUR EARLIEST DAYS, PROTECTION OF THE FAMILY AND ITS MEMBERS AGAINST FINANCIAL HARDSHIP HAS BEEN A PRINCIPAL CONCERN FOR PRUDENTIAL.

In his Chairman's Statement last year my predecessor, Lord Hunt, mentioned the downturn in the general insurance cycle. That downturn was even more pronounced in 1990 and results were also very significantly affected by the unfavourable conditions under which general insurance business operated. Both our direct business through Prudential Assurance and our reinsurance business through Mercantile and General were affected, and in the latter case results worsened as more information became available in relation to earlier years' claims.

ALTHOUGH OUTWARDLY TODAY'S FAMILY IS DIFFERENT FROM THOSE WE SERVED IN THE PAST, THE NEED FOR PROTECTION, LONG-TERM SAVING AND EFFECTIVE INVESTMENT REMAINS.

In consequence, the general insurance result was very bad with a loss of £185.0 million compared with a loss of £8.6 million in 1989. Premium income at £1,155 million was unchanged as the downturn in the insurance cycle made it difficult to secure higher premiums on existing business and to acquire new business on acceptable terms.

Whilst the results of general insurance business are cyclical, losses of the order seen in 1990 cannot be sustained. A number of significant price increases have already been made and other steps are being taken to improve the results. The improvement in premium levels which has already occurred in certain sections of the reinsurance market is, I hope, a first step in a more general improvement of market conditions.

Following the very heavy losses incurred in our estate agency business in 1989, we carried out a detailed review of that business. That review led to the decision announced in July to close 175 branches, followed by the later decision announced in November to sell the remaining branches. We are now well on the way to completing this process. The 1990 accounts reflect the full costs of the decisions made and we expect no charges to future profit in this respect.

We are convinced that the decision to discontinue estate agency business, painful and embarrassing as it was having regard to the

resources we had committed to it, was the right course for us. When we reviewed how our estate agency business could be restored to profit we also considered how appropriate it was to Prudential in current circumstances. Our decision to enter estate agency was part of our strategy to enhance our distribution capability for our insurance and savings products. However, developments which are taking place in distribution channels in Prudential and in the market as a whole led us to the conclusion that the additional sales from this source would not be sufficient to justify further investment of management and financial resources to enable the estate agency chain to operate at a satisfactory level of profit, given our current assessment of the housing market in the 1990s.

The development of legislation in the European Community in the financial services area, notably in relation to insurance, has lagged behind that in other areas in the run up to the

Common Market. Nevertheless this is now proceeding with more urgency and the direction seems clear: that is that a United Kingdom based insurance company will in due course be able to sell its products in another member state without the necessity of developing an insurance base there. As Community legislation develops we shall be making efforts to develop the sale of our pension and savings products in other countries in the Community.

There has been considerable debate on the subject of the encouragement of wider individual ownership of shares. We well understand the objective that in this way there would be a better understanding of the importance of the profitability of business. At the same time we believe that unless an individual has sufficient assets to create a sensibly diversified portfolio it is preferable that he should spread his risks by investment in collective investment funds such as with-profits and unit-linked insurance policies, unit trusts and personal equity plans.

For very many years the auditors to the Corporation have been Deloitte Haskins & Sells. In the autumn of 1989, the United Kingdom arm of that firm merged with Coopers & Lybrand, whilst its overseas practices merged with Touche Ross. As a consequence, we were faced with using a number of different auditing firms around the Group. In these circumstances, the board decided to review its future audit arrangements and we will be recommending at our forthcoming Annual General Meeting that Price Waterhouse be appointed as auditors to the Corporation in place of the existing merged firm of Coopers & Lybrand Deloitte. We also intend to appoint them as auditors to most of our subsidiary companies.

Three directors retire at the Annual General Meeting. The Rt Hon James Ramsden, who became a director in 1972 and was Deputy Chairman from 1976-1982, has served through a period of very considerable change in the Group's affairs. Mr Peter Moody, a director since 1981 and Deputy Chairman from 1984-1988, had previously had a distinguished career with Prudential, retiring in 1980 as Joint Secretary and Group Chief Investment Manager. Sir Ronald Dearing joined the board in 1987 and it is unfortunate that pressure of other duties has led to his being able to serve for only one term. We have much benefited from their wise advice and I thank them all.

Sir Alex Jarratt completes his term as Deputy Chairman at the Annual General Meeting but he will remain on the board. The directors intend to elect Mr Michael Abrahams to succeed him as Deputy Chairman.

For my last five years as Group Chief Executive it was a privilege to work with Lord Hunt as Chairman. He remains on the board, but I would like to take this opportunity of thanking him for the support which he gave to me. I also thank all Prudential staff throughout the world for the efforts they have made in such a demanding year.

SIR BRIAN CORBY 19 APRIL 1991

*Sir Brian Corby, Chairman of Prudential Corporation.*

*Mick Newmarch, Chief Executive of Prudential Corporation.*

## CHIEF EXECUTIVE'S REVIEW

My first year as Chief Executive was a difficult one. The general economic environment in which we operated was poor, both in the United Kingdom and in our main overseas markets. As a consequence our life assurance, pensions and investment businesses traded in subdued markets and we suffered falls in the value of our investment portfolios. The poor economic conditions were also reflected in high levels of theft and fire claims in our general insurance businesses. More grievously our general insurance businesses were severely affected by violent wind storms in the United Kingdom and North Western Europe in the early part of the year, serious flooding in the United Kingdom and a summer drought which exacerbated problems of subsidence. Overall our general insurance business turned in an appallingly bad loss. Also during the year we took a number of difficult and unpalatable decisions.

Yet, as I shall attempt to describe to you, I believe we also made substantial progress during the year towards strengthening the Group for the future.

I wish to deal in some detail with actions we are taking in our major businesses to improve their competitive positions for the medium and longer term future and give my perspective on some of the difficult decisions of last year.

### LONG-TERM FUNDS

We announced Bonus Declarations for our United Kingdom with-profits policies at the same time as these results. These declarations are a combination of reversionary and terminal bonuses. Reversionary or guaranteed bonuses once declared are a permanent addition to the policy and are determined each year having regard to our assessment of long-term interest rates. Present levels of guaranteed bonuses are not supported by current interest rates, and looking ahead it is likely that economic policies designed to minimise inflation will persist. On this basis fixed interest rates are likely to move lower rather than higher. We came to the conclusion that reductions in reversionary bonuses are not only inevitable but that we firmly believe they should come down sooner rather than later. We have therefore decided that it is appropriate to make a reduction this year.

Terminal bonuses are valid for up to one year only and apply to policies becoming claims by death or maturity during that year. They are designed to reflect the performance of our property and equity investments which can of course fluctuate in value. Despite the sharp fall in investment values during 1990 the strength of our funds has enabled us to maintain the amounts payable to endowment assurance and other participating policyholders who have held their policies longest, although some reductions have been made at shorter terms. The total cost of bonuses allocated to our with-profits policyholders was £1,574 million which compares with £1,499 million in 1989.

As well as being of considerable benefit to our with-profits policyholders the strength of our long-term funds confers great advantage on our shareholders. However, this value is not adequately reflected in our accounts and consideration of how best to achieve an improvement has been debated by the actuarial and accounting professions over many years. During 1990, with the Association of British Insurers, we took a lead in proposing a more meaningful and valuable way for the industry to present its results. These proposals are now under active consideration within the industry. During 1991 we expect an industry wide position to be proposed and adopted and we then envisage reporting on the new basis in respect of 1991. We are confident that the new proposals will help dispel some of the mists which have surrounded life assurance accounting until now.

UNITED KINGDOM STRONGHOLD

Our Home Service Division remains our largest and most important United Kingdom business. I am optimistic that a number of developments within this division will allow it to improve its leading position in the overall life and pensions market.

The most significant of these changes is the initiative to reorganise the structure and operating practices of our staff in the field. Tony Freeman and his management team are aiming to improve the overall performance of our direct sales organisation both to expand the level of business done with our existing customers and to enlarge the number of new customers attracted to Prudential. In simple terms we have embarked on the splitting of the role of our traditional agent into two. Once all the intended changes have been made we shall have created six thousand Customer Service Representatives whose role will be to attend to all the day-to-day needs of our customers.

Alongside the Customer Service Representatives and working closely with them will be three thousand Financial Consultants, carefully trained to provide comprehensive financial advice and products. Together they will meet the needs of all our customers.

Since the middle of the last century, Prudential has drawn substantial competitive advantage from its ownership of a well organised direct salesforce depending for its success upon providing persistent customer satisfaction rather than relying on exploitative selling techniques. We intend this to continue through the modernisation which we are now pursuing.

We have also embarked upon a number of initiatives to maximise shorter term opportunities and improve our longer term competitiveness. For example we are keen to, and determined to, improve "persistency". By this I mean we intend to reduce the numbers of policies surrendered or lapsed, since good persistence is in the interests of both ourselves and our customers.

In the personal pensions market, sales of "rebate only" business created by people opting out of State Earnings-Related Pension Schemes have now levelled off. In total over four and a half million people in the United Kingdom

THROUGHOUT OUR HISTORY PRUDENTIAL HAS BEEN QUICK TO EMBRACE NEW TECHNOLOGY IN THE QUEST TO IMPROVE EFFICIENCY. IMPROVEMENT IN PROVIDING AN ACCURATE AND TIMELY SERVICE WILL ALWAYS BE AN ENDURING PREOCCUPATION FOR ALL OUR BUSINESSES.

chose to opt out; it is pleasing for us to record that half a million of those are Prudential customers. Due to further legislative simplification a new market opportunity is emerging in the pensions area – that for 'free-standing additional voluntary contributions' (FSAVCs) which are policies that allow the topping up of pensions provisions for those already in a company pension scheme. Twelve million employees in the United Kingdom are in this position, and we believe most would benefit from further provision for their retirement. While some will, and should, opt to top up through their company's own Additional Voluntary Contribution scheme, many will increase benefits by taking the FSAVC route. We are confident that we are particularly well placed to win an important share of this new product opportunity.

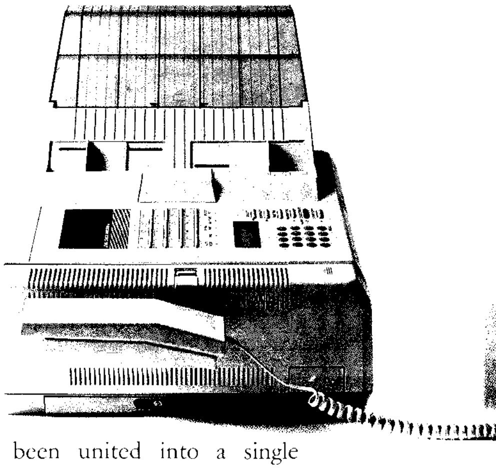
DEVELOPMENTS IN MODERN TECHNOLOGY ARE CONTINUOUSLY ASSESSED IN TERMS OF THEIR POTENTIAL TO IMPROVE OUR OPERATIONS.

## DISTRIBUTION DEVELOPMENTS

Despite the very great potential I see for the Home Service Division I am determined also to see the Group become much more effective in selling Prudential's life, pensions and investment products through other major United Kingdom distribution channels.

In pursuit of this ambition, I asked Keith Bedell-Pearce, previously Director of Field Operations and Marketing for the Home Service Division, to become Chief Executive of Prudential Financial Services. This division has full responsibility for the selling and marketing of all Prudential life and savings products through all United Kingdom distribution channels outside the Home Service Division.

As a first step, following a careful review of the previously separate businesses of Prudential Corporate Pensions and Prudential Holborn, the new team has made a number of early organisational changes. Firstly, all broker sales



operations have been united into a single business to provide a very sharp focus on the broker distribution channel. Secondly, the remaining operations of these two divisions have been reorganised into two further distinct units: a life and pensions operation and a unit trust and personal equity plan business. These changes simplify very considerably the areas of overlap which existed previously, eliminating duplication of resource.

In the meantime our attention to the important corporate pensions market is undiminished, with Prudential Corporate Pensions showing growth last year in all its business sectors. However, we have been moving away increasingly from providing a simple corporate pensions service. Rather, we are now offering our customers a compendium of discrete products and services allowing them to choose the combination most appropriate to their particular requirements. In addition this area of the market will benefit from the likely growth of Additional Voluntary Contributions as individuals, encouraged by their employers, become more aware of the need to provide adequately for their retirement.

The overall market for unit trusts during 1990 continued to suffer from subdued investor interest in equity based products and our own range of unit trusts and PEPs was not immune. Though levels of "repurchases" showed a welcome reduction, levels of new sales remained very low.

## ESTATE AGENCY DISPOSAL

The most serious problem we faced during 1990 concerned our estate agency operation. The losses we had sustained during 1989 and were expecting to suffer during 1990 demanded that we make an urgent and rigorous review of this business.

It became clear at an early stage that we had to close those branches which were incurring crippling losses and which, our analyses convinced us, were beyond retrieval. Consequently, 175 branches were closed in July. Our continuing review of the remainder of the network led us to the conclusion that the level of investment which would be necessary to put the network back on its feet, and then to improve it, would not bring sufficient benefit to our shareholders to justify such use of their resources. We decided, therefore, that the only option realistically left open to us was to leave the business. In November last year we announced our intention of seeking buyers for the remainder of the network — an unpalatable but necessary decision.

In retrospect we can now see that this business was inappropriately managed as market conditions became much worse than anything forecast. It also became clear to us that the opportunity for Prudential to cross sell to an estate agency focussed customer base was much less significant than had been contemplated during the original strategic studies. Finally, from bitter experience we were forced to recognise that estate agency is, par excellence, a locally based entrepreneurial business operationally and emotionally unsuited to centralised corporate control.

As this review is written we have found buyers for all but 100 of the branches remaining after the July closures. I am confident that these will be dealt with perhaps by the time this review is read and that shortly we should make a complete withdrawal in an orderly manner, albeit in a much less buoyant market than existed at the time that the network was constructed. I am confident that the provisions made in the 1990 accounts will be sufficient to meet all the costs which will be incurred during the final closure arrangements.

ABOVE AVERAGE GROWTH IN THE VALUE OF THE ASSETS UNDER OUR MANAGEMENT IS FUNDAMENTAL TO THE SUCCESS OF ALL PRUDENTIAL'S BUSINESSES.

## GROWTH IN AMERICA

At the other end of the corporate scale Jackson National Life, our life assurance subsidiary in the USA, posted another year of substantial growth for the Group. Growth at Jackson rests upon a number of strengths. The company sells its products through a large independent agency force — presently numbering in excess of 90,000 — serviced by thirteen Jackson regional offices covering 42 states of the USA. Jackson's marketplace requires the company to remain competitive on the quality of its products to the ultimate customer, the level of reward to its salesmen, the quality of its marketing, administration and agent service and finally on the quality and innovation of its product design.

Last year, however, was not trouble free for Jackson. Some part of its product competitiveness stems from the policy of making controlled investment in non-investment grade, sometimes termed "junk" bonds. 1990 proved a difficult year for the non-investment grade market in the USA as the slowing economy put severe pressure on many companies prompting either default or a refinancing of their highly geared positions, to the detriment of the original bondholders. We looked very closely at Jackson's exposures and concluded that we should set up a reserve to cover potential defaults in Jackson's own bond portfolio. Despite this leading to a charge to current year profits, Jackson's profits were unchanged from 1989.

I have devoted a great deal of my own time to Jackson during 1990 and plan to continue to do so in the future. With David Pasant, Jackson's President and Chief Executive Officer, I have agreed a change in reporting lines so that he and I have a direct relationship as seems appropriate for such an important Corporation subsidiary.

CAREFUL RESEARCH AND ANALYSIS LEADS US TO LONG-TERM INVESTMENT DECISIONS AS AN INVESTOR, RATHER THAN A SPECULATOR.

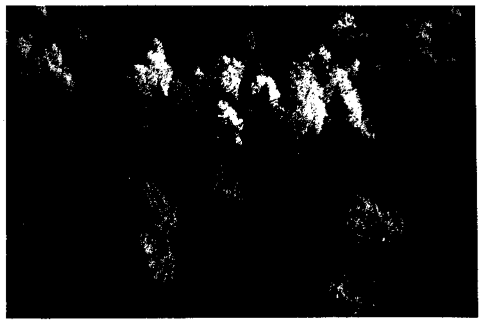
## INTERNATIONAL PROGRESS

Details of our other overseas businesses are included in the Review of Operations and I will not offer any great detail here. Suffice it to say that under the control of Brian Medhurst, our International Division Managing Director, good progress is being made in many territories.

In Europe we have wholly or majority owned life operations in Italy, Prudential Vita; in Holland, Prudential Leven; and in the Republic of Ireland, Prudential Life of Ireland. All are making progress often in difficult markets. The developments now being seen in insurance legislation in Europe are encouraging and one can now look forward to the day, though still some way off, when the Group can realistically expect to provide products from its United Kingdom based businesses for sale in other member states.

Elsewhere in the world our embryo businesses in Singapore and Hong Kong grow ever lustier. Our introduction of new, younger management teams into these formative markets is producing good results.

By contrast, during 1990, we took action to reduce our international property and casualty business. In the latter half of the year we sold



L'Escaut, our Belgian subsidiary, on the view that the prospects for that particular market place seemed poor given local deregulation.

### REINSURANCE

A major resource of the Corporation is our reinsurance subsidiary Mercantile and General. During 1990 long-term business showed buoyant growth. Underlying profits from this business increased to £66 million, enhanced by a non-recurrent release of reserves following the transfer of the Canadian business to a new local subsidiary.

General reinsurance business did not escape the ravages of 1990, in particular the storms in North Western Europe. The results were also affected by the need to strengthen reserves for marine business, including £16 million in respect of the Piper Alpha disaster, and provisions established for asbestos related and environmental pollution claims arising under cancelled treaties written many years ago.

Again during 1990, with John Lock and his colleagues we have done a great deal to refine our management information flows to the centre of the Corporation. I am confident that we are now firmly focussed on the critical pulses of the reinsurance business and that as conditions in these markets improve — as the recent renewal season suggests is now occurring — we shall be able to promote a significant recovery in our affairs.

### GENERAL INSURANCE LOSSES

As regards our general insurance business in the United Kingdom we have already alluded to the awful results achieved in 1990 and our belief that such results cannot be sustained in the future. We can expect some amelioration of conditions as the underwriting cycle turns up, allowing premium rate increases. However, it is clearly imperative that we also ensure that the way we manage these businesses allows the expectation of acceptable results for our shareholders over time.

Recognising that we operate in a cyclical business which was catastrophically impacted by weather last year we must, however, reassure ourselves that the foundations of our own businesses are soundly constructed.

### FUND MANAGEMENT ADVANTAGE

The final core Group business of fund management is ultimately at the heart of all our businesses. The efficient management of the funds gathered by all of our selling and marketing businesses is fundamentally necessary to provide us with long-term competitive advantage. Hugh Jenkins has now run Prudential Portfolio Managers for a little over eighteen months. I am glad to see he is well into his stride.

During the course of 1990 we created PPM America, based in Chicago, and we have recruited a very professional team of fund managers and analysts. This team has taken responsibility for the day-to-day management of Jackson's US$10 billion portfolio and we are very satisfied with the way the resource is maturing.

### SUMMARY

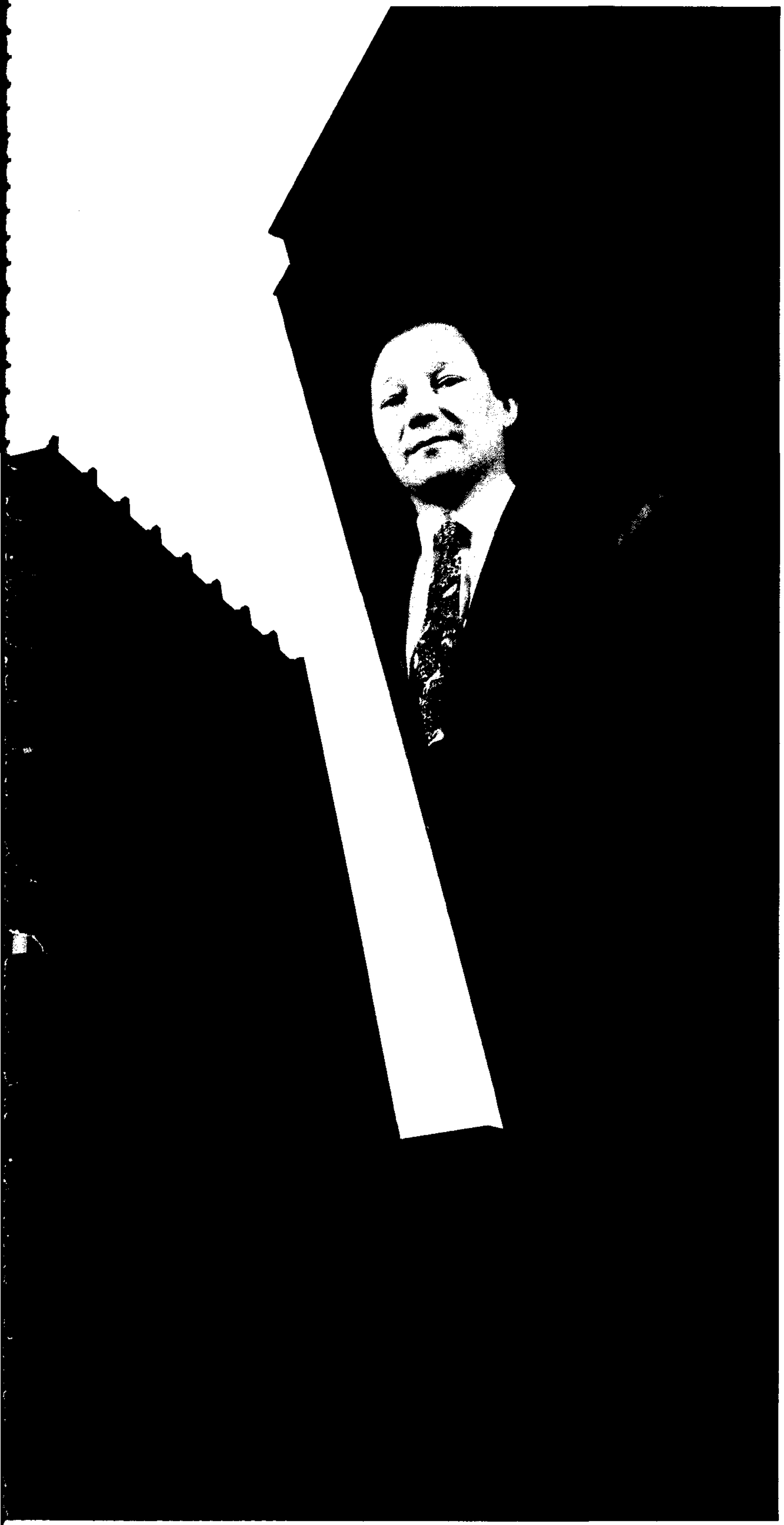
I am conscious of the length of this report and I am equally conscious of the many important facets of our businesses and our operating environment which I have not mentioned. Nevertheless, I was anxious to give you my insights into the condition of our core businesses. I should like to conclude by mentioning the central resources I control with Michael Lawrence, the Group Finance Director, and Peter Nowell, the Group Chief Actuary designate. During 1990 in particular the central team devoted significant time and attention to creating an environment of key performance indicators agreed with all our management teams and by which their achievements will be measured and rewarded. We believe the system will allow well-informed central control and challenge which stops short of bureaucracy and intrusion. We are confident that we have made substantial progress towards the construction of a powerful but sensitive control operation.

We are determined that two principles will guide our actions. Firstly, we shall take no major business decisions without the most professional and rigorous analysis we can muster. Secondly, our analysis will be undertaken by central and divisional teams of the highest calibre.

At the beginning of my Review I stated that 1990 had been a difficult year. For me, it was also a rewarding one. While I spent much time in London I have also met a very large number of our senior managers from all around the world and I am confident that we are equipped with a management team which augurs well for our future. Most particularly I am confident that all my senior colleagues, whilst recognising their responsibilities also to our policyholders, customers and employees, are fully aware of their obligations to manage their affairs so as to create value for our shareholders.

MICK NEWMARCH 19 APRIL 1991

*1991 will see considerable development at Prudential Financial Services. Keith Bedell-Pearce (right) has recently been promoted to Chief Executive, and has been joined by Trevor Pullen (left) as Operations Director. As the division for both Prudential Holborn and Prudential Corporate Pensions, Prudential Financial Services will become the focus for all distribution in the United Kingdom, other than through the Home Service sales force. We recognise the need to build and be effective through all methods of distribution to the financial services market.*



*Prudential Corporation Group Finance Director Michael Lawrence has played a significant role during the year in developing the Corporation's central control mechanisms. Also, as Chairman of the Association of British Insurers steering group on life profit reporting, he has been instrumental in industry moves towards a more true and fair view of the emergence of shareholders' profit over the lifetime of life assurance contracts.*

Total premiums from our core life assurance and pensions businesses rose 10 per cent to £5,280 million, exceeding the £5 billion mark for the first time. The underlying growth was 21 per cent in original currency terms. Increases were attained in all our major territories and worldwide, new annual premiums rose five per cent to £663 million, and single premiums 11 per cent to £2,618 million.

Long-term profits show an increase to £367 million. United Kingdom long-term profits rose to £244 million, reflecting the continued growth of the life fund. In America, Jackson National Life maintained its profitability in a difficult market. Long-term business profits from our reinsurance subsidiary Mercantile and General increased to £66 million.

In the difficult general insurance market, worldwide premiums of £1,155 million were the same as 1989. Downward pressures on rates restricted growth on existing business and limited the acquisition of new business.

The worldwide underwriting loss of £318 million includes a net charge of £89 million for the cost of the storms across North Western Europe in January and February. In the United Kingdom, there has been strong competition on rates and poor claims experience in a number of areas, including subsidence, fire and theft claims. The need to increase claims reserves has caused a deterioration in the general insurance result of Mercantile and General.

We have been considering how best to ensure that we improve our overall general insurance performance. Various actions have already been taken, for example a number of significant price increases have been implemented both during the year and early in 1991; other remedial actions are being taken.

These accounts reflect the full cost of the decision made during 1990 to withdraw from the estate agency business. We have incurred trading losses of £34 million together with £41 million of run-off and closure costs. We expect no further charges to future profits in this respect.

Shareholders' other income includes the investment return on shareholders' funds. A reorganisation of the equity investments in our shareholders' portfolio resulted in realised gains of £36 million.

The tax charge for the year appears very high in relation to the profit on ordinary activities before tax, when compared with last year. This has happened because for United Kingdom tax purposes Prudential is two very different businesses, which are taxed completely separately. Our long-term businesses have made profits and our profit and loss account includes tax at normal rates on these profits; losses on our general insurance and estate agency businesses cannot be set fully against the long-term profits, to reduce the overall tax charge.

In addition to the trading profit, an extraordinary profit of £33 million was made, comprising a profit of £86 million from the sale of our Belgian subsidiary L'Escaut, less the closure costs of the estate agency business already mentioned and some overseas insurance agencies, together totalling £53 million.

## UNITED KINGDOM

### LONG-TERM BUSINESS

Total revenue premiums from our United Kingdom long-term business increased by 14 per cent to £2,402 million. Profits rose to £244 million from £241 million last year.

During the year there was a significant downturn in the United Kingdom economy which restricted the level of discretionary spending power available in the markets in which we operate. In addition, the continuing depressed state of the housing market hindered the sale of mortgage-related endowment products.

Despite these adverse conditions we achieved a four per cent increase in total new annual premiums to £339 million, with total single premiums increasing 19 per cent to £926 million.

Sales of annual premium personal pensions reduced by £5 million to £134 million. This follows a period of very strong sales resulting from changes in legislation in 1988, following which it was inevitable that there should eventually be a slight slow down. However, we remain market leader in this very important segment of our business with 12 per cent of the market.

Annual premium assurances include our mortgage-related low cost endowments, other endowment savings products and all of our pure life assurance policies. Sales of these products increased from £137 million to £162 million largely as a result of a successful marketing campaign, Savings 2000, to sell ten year endowments to take advantage of the fact that they would mature at the turn of the century. In total, sales of savings endowments rose from £31 million to £57 million. Sales of our mortgage-related endowment held up well in the prevailing housing market conditions, reducing only slightly to £32 million from £33 million last year.

Sales of Industrial Branch policies, those policies for which premiums are collected four weekly by personal visits to the policyholder, continue to provide a significant steady source of income, amounting to £65 million, the same as in 1989.

Single premium pensions of £405 million were 50 per cent up on 1989, and include £272 million of government rebates for individuals contracting out of the State Earnings-Related Pension Scheme. Rebates include £74 million from customers signing contracts for the first time in 1990. This represented a 19 per cent share of the market for non-linked contracts for this type of business.

Other single premium pension sales include £90 million for policies sold by Prudential Holborn, a significant improvement over £40 million last year.

THE TEA CADDY HAS BEEN THE TRADITIONAL HOME FOR SAVINGS.

Lack of investor confidence in the stockmarkets during the second half of the year restricted sales of linked corporate pensions business, but this was offset by increases in single premium annuities.

Bonus declarations for our United Kingdom with-profits policies were announced at the same time as these results and although some policy proceeds have reduced, the size of the life fund has continued to increase. This means that the total bonuses allocated over all policies have increased over last year, with a consequent increase in shareholder profits. Profits from our main with-profits fund rose seven per cent to £139 million while Industrial business provided a further £76 million.

### GENERAL INSURANCE

A loss of £109 million was incurred by our United Kingdom general insurance operations on premiums of £537 million.

Both personal and commercial lines of business suffered weather-related losses, incurring total costs of £30 million for subsidence and £59 million for the storms in January and February. The severity of these storms can best be demonstrated by the fact that in excess of 125,000 claims were paid. These cost a total of £94 million, against which we were able to reclaim £35 million from reinsurance policies which we hold specifically to cover such incidents.

Competition was intense in commercial lines with rates insufficient to counter the effect of increased claims. The cost of fire claims was high but was in line with industry experience. The worst ever fire damage losses since records began were reported by the Association of British Insurers in 1990. Industry wide, claims of over £1 billion were more than a quarter up on 1989 figures.

Unacceptable levels of loss were incurred on a number of large fleets of vehicles, and we have reduced our exposure to this type of business.

Conditions in the United Kingdom commercial property market worsened during the year, which caused a number of claims to be made under mortgage protection policies. This is not a significant part of our general insurance portfolio, but we consider it necessary to provide £12 million against potential claims.

We have also looked closely at our private household insurance and decided to simplify considerably the types of policy we sell. Our new product has proved very successful in its test launch areas, and we expect significant benefits from it in the future.

GENERATIONS OF SAVERS HAVE, HOWEVER, RECOGNISED THE LIFE ASSURANCE CONTRACT AS A FAR BETTER MEANS TO PROVIDE FOR THE LONGER TERM. IT GIVES ACCESS TO THE BENEFITS OF COLLECTIVE INVESTMENT FOR MILLIONS OF PEOPLE.

In order to improve the performance of our general insurance business, we raised most personal and some commercial rates during the year and made further increases at the beginning of 1991. Recent rate increases in the market as a whole represent encouraging signs that the bottom of the cycle may have been reached.

## OTHER TRADING ACTIVITIES

Profits from our investment management division fell by £9 million to £7 million, as falling stock markets reduced the value of funds under management on which fees are earned; also our property investment operations were restructured at a cost of £5 million. The division opened an office in Chicago during the year to take over the management of Jackson's investment portfolio. Set up costs reduced profits by £1 million.

During the year, two new unit trusts were launched — Cash Haven trust and the Pacific Markets trust — and the range of options available to investors in personal equity plans (PEPs) was widened. Sales of unit trusts suffered in line with the entire unit trust industry. PEPs sales, boosted by the increased product range and legislative changes, increased to £18 million from £2 million in 1989. The fall in markets following the beginning of the Gulf crisis further affected investor confidence which was already proving very slow to return after the 1987 market crash. A loss of £1 million was made against the £2 million profit in 1989 on the combined unit trust and PEP business.

The losses incurred by the estate agency business from normal trading activities prior to the announcement of branch closures or sales have been included within profit on ordinary

activities and amount to £34 million. Losses since the announcement in mid-November of the decision to sell the business, together with closure costs and sale expenses, have been treated as an extraordinary charge. In total these amount to £41 million.

**INTERNATIONAL**

LONG-TERM BUSINESS

Total revenue premiums from our International long-term businesses rose by four per cent to £2,365 million. The underlying premium growth in original currencies of 24 per cent is masked by the relative strength of sterling during the year. Profit totalled £57 million in 1990, broadly in line with 1989 in underlying currencies.

In America, Jackson National Life has continued its impressive sales growth, reflecting the maintenance of its competitive position and the expansion of its agency network. A further three new regional offices were opened during the year and Jackson is now operating in 42 states of the 48 in which it is licensed. Total premiums of US$2,844 million are 35 per cent above those for 1989, although the relative weakness of the dollar during the year reduces this to 12 per cent in sterling terms. Jackson sells mostly annuity and term assurance products, and invests in fixed interest securities on the US bond market to back the policies. It buys bonds in the market with the aim of holding them until maturity, with the average outstanding period to maturity being 6 to 7 years. Because of this aim, Jackson does not trade its bonds widely, and short-term falls in their market value do not have an adverse impact on profits. However, if the company issuing a bond goes into default Jackson may incur a loss, and we now have reserves of US$235 million in the balance sheet to cover potential defaults within the portfolio. Profits of US$53 million are at the same level as last year.

Premiums of C$664 million in Canada show an 11 per cent increase over 1989 as a result of increased single premium annuity sales but declined by seven per cent after translation into sterling. Profits of C$15 million were five per cent below last year.

IN EARLIER TIMES, THE PRUDENTIAL ASSURANCE COMPANY AGENTS COLLECTED PREMIUMS IN CASH IN STOUT LEATHER BAGS.

Strong sales in Australia of a new unit-linked bond and competitive rates on non-linked group schemes contributed to an increase in revenue premiums of 22 per cent to A$932 million. Profits increased 21 per cent in dollar terms to A$38 million largely through growth in the amount of business in force in the with-profits fund.

Single premiums in Ireland, where much of the income is in unit-linked bonds, were badly affected by falling investor confidence throughout the year and particularly during the Gulf crisis, and as a result revenue premiums fell by 35 per cent to £62 million and profits fell by 18 per cent to £4 million.

Prudential Leven in Holland saw premiums rise by 36 per cent to £37 million, and Prudential Vita in Italy almost doubled its premiums to £11 million. In the Far East the combined premiums of the Singapore and Hong

Kong operations rose 24 per cent to £48 million.

GENERAL INSURANCE

Total gross written premiums from our International businesses of £314 million represent a nine per cent fall against last year, accounted for by the strength of sterling and the sale of our Belgian subsidiary L'Escaut in September. In Canada, our largest overseas operation, premiums rose five per cent in local currency. Growth has been limited, as competitors seeking to increase market share have been slow to follow our rate increases and we have not sought to acquire new business at potentially uneconomic rates.

During the year a review was carried out into the profitability of some of our overseas general insurance operations. It was decided that overcapacity and state legislation in the Belgian market meant that it was unlikely that L'Escaut would ever be able to make significant profits for the Corporation, and that it should therefore be sold. The French insurer AGF purchased L'Escaut. For similar reasons, it was decided to close some of our smaller overseas agencies. L'Escaut was sold for £156 million, and the profit of £86 million together with the agency closure costs are shown within extraordinary items.

The total ordinary trading loss for the year of £16 million is accounted for by losses incurred by L'Escaut prior to its sale, and by the London Market operations. Both were significantly affected by the early year storms, which cost £12 million. Canada's result improved over 1989, largely as a result of mild winter weather, despite an increase in claims provisions of £3 million as a result of new taxes.

**REINSURANCE**

LONG-TERM BUSINESS

Gross revenue premiums increased by 21 per cent to £514 million (36 per cent in underlying currencies). Good growth has been achieved in our life business, and there has also been a further significant increase in medical expenses business in the US.

A large amount of our North American business was written through the Canadian branch of Mercantile and General United Kingdom. The nature of this business was such that the emergence of profit had been restricted because of the need to maintain reserves on a United Kingdom statutory basis. However, following the transfer of the Canadian business of the branch to a new local subsidiary there has been a non-recurrent release from reserves in 1990 which is included in the profit of £66 million.

The 1989 profit of £51 million included a release of reserves following a reassessment of the level of reserves held against potential AIDS claims.

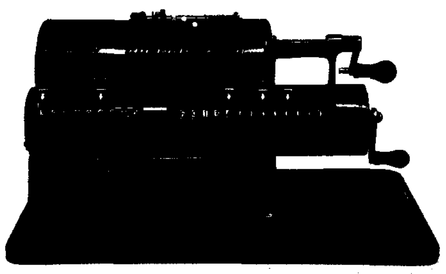
GENERAL INSURANCE

Gross written premiums show a five per cent reduction to £304 million, but there was a nine per cent increase in underlying currencies.

The trading loss for the year of £60 million reflects a £22 million deterioration in the underwriting result to £110 million and a £10 million fall in investment return. The storms in January and February cost a net £18 million, after

THE LEATHER BAGS HAVE LONG SINCE BEEN REPLACED BY MORE APPROPRIATE METHODS. THE LATEST ELECTRONIC COLLECTING BOOK SPEEDS OPERATIONS AND IMPROVES EFFICIENCY.

transferring £8 million from the catastrophe reserve. In addition, we have added £49 million to



PREPARATION OF ANY FINANCIAL ANALYSIS OF OUR BUSINESS USED TO BE A TIME CONSUMING AFFAIR, AIDED ONLY BY MECHANICAL CALCULATING MACHINES.

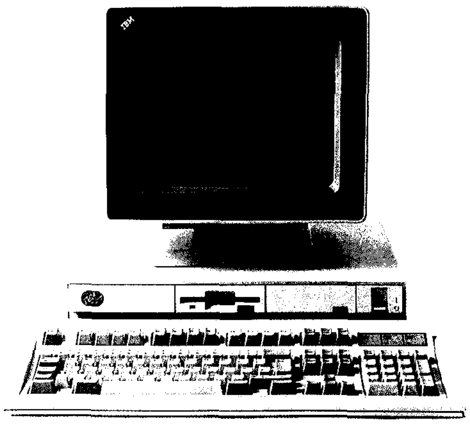
our reserves in respect of prior year claims in the light of further information. These include asbestos related claims, pollution and Piper Alpha.

**FINANCIAL POSITION**

The financial position of the Group has been affected by the fall in stockmarket values during the year and the lower earnings. Funds under management at the year end totalled £43 billion compared to £47 billion last year. The general insurance solvency margin of the Prudential Assurance Group was 45 per cent (1989 65 per cent) and of the Mercantile and General Group, 64 per cent (1989 101 per cent). Total shareholders' funds were £503 million at the year end, but have since benefited as world stockmarkets have risen. Interest payments on shareholder borrowings were covered 8.5 times by profit before interest. Corporate expenditure was held at approximately the same level as 1989, as the benefits of making all service areas within the Group into profit centres charging market rates for their services began to be felt.

During the year we have made use of commercial paper borrowings to provide a flexible source of finance and reduce the cost of borrowings, and, as part of this programme, have repurchased the remaining £47 million of the Group's sterling floating rate note debt.

THE POWER OF MODERN COMPUTING IS NOW ALLOWING CONSIDERABLE IMPROVEMENTS IN TERMS OF ANALYSIS AND FINANCIAL REPORTING.



# DIRECTORS

**SIR BRIAN CORBY** FIA
*Chairman*
(AGE 61) A director since 1983. Chairman since 1990. Former Group Chief Executive. Director of the Bank of England. President of the Confederation of British Industry. Chairman of the South Bank Board. Former Chairman of the Association of British Insurers.

**SIR TREVOR HOLDSWORTH** FCA
*Deputy Chairman*
(AGE 63) A director since 1986 and Deputy Chairman since 1988. Chairman of Allied Colloids and National Power. Former Chairman of GKN. Former President of the Confederation of British Industry.

**SIR ALEX JARRATT** CB
*Deputy Chairman*
(AGE 67) A director since 1985 and Deputy Chairman since 1987. Chairman of Smiths Industries. Deputy Chairman of Midland Bank. Director of ICI.

**MICHAEL NEWMARCH**
*Group Chief Executive*
(AGE 52) An executive director since 1985. Group Chief Executive since 1990.

**MICHAEL ABRAHAMS** MBE
(AGE 53) A director since 1984. Director of John Waddington, Dalepak and Drummonds. Former Deputy Chairman of John Crowther Group.

**RONALD ARTUS** CBE FSIA
(AGE 59) A director since 1984. Former Group Chief Investment Manager. Director of Celltech, Electrocomponents and General Electric Company.

**MARY BAKER**
(AGE 54) A director since 1988. Director of Avon Cosmetics and Barclays. Former Chairman of the London Tourist Board.

**THE RT HON LORD BUTTERFIELD** OBE DM FRCP
(AGE 71) A director since 1981. Chairman of the Croucher Foundation (Hong Kong). Former Regius Professor of Physic, University of Cambridge. Former Master of Downing College. Vice-Chancellor of Cambridge University from 1983 to 1985.

**SIR RONALD DEARING** CB
(AGE 60) A director since 1987. Chairman of Northern Development Company. Chairman of The Polytechnics and Colleges Funding Council. Chairman of the Financial Reporting Council. Director of British Coal. Former Chairman of Post Office Corporation.

**ANTHONY FREEMAN** FCA FCMA
(AGE 53) An executive director since 1985. Director of LAUTRO.

**THE HON SIR VICTOR GARLAND** KBE FCA
(AGE 56) A director since 1984. Member of the Australian Federal Parliament from 1969 to 1981, holding various ministerial posts. High Commissioner for Australia in the UK from 1981 to 1983. Director of a number of investment trusts. Vice Chairman of the South Bank Board.

**THE RT HON LORD HUNT OF TANWORTH** GCB
(AGE 71) A director since 1980. Chairman from 1985 to 1990 and Deputy Chairman from 1982 to 1985. Secretary of the Cabinet from 1973 to 1979. Chairman of Banque Nationale de Paris plc.

**HUGH JENKINS** FRICS FPMI
(AGE 57) An executive director since 1989.

**MICHAEL LAWRENCE** FCA
(AGE 47) An executive director since 1988.

**JOHN LOCK** FCII
(AGE 60) An executive director since 1988.

**BRIAN MEDHURST** FIA
(AGE 56) An executive director since 1985.

**PETER MOODY** CBE FIA
(AGE 72) A director since 1981 and Deputy Chairman from 1984 to 1988. Chairman of Prudential Staff Pensions. Former Joint Secretary and Group Chief Investment Manager. Director of Laird Group. Former President of the Institute of Actuaries.

**JULIUS NEAVE** CBE JP DL
(AGE 71) A director since 1982. Former Managing Director, Mercantile and General Reinsurance. Past President of the Geneva Association, past President of the Chartered Insurance Institute and former Chairman of the Reinsurance Offices Association.

**THE RT HON JAMES RAMSDEN**
(AGE 67) A director since 1972 and Deputy Chairman from 1976 to 1982. Member of Parliament from 1954 to 1974, holding various ministerial posts. Chairman of the London Clinic.

**COLIN SOUTHGATE**
(AGE 52) A director since 1989. Chairman and Chief Executive of Thorn EMI. Director of Lucas Industries, PowerGen and the Bank of England. Vice Chairman of the South Bank Board.

# DIRECTORS' REPORT

for the year ended 31 December 1990

## PRINCIPAL ACTIVITY AND BUSINESS REVIEW

Prudential Corporation plc is the Group holding company and the principal activity of its subsidiary undertakings is the provision of financial services, including the transaction of insurance and reinsurance business of all classes in the United Kingdom and overseas. Particulars of principal subsidiary undertakings are given on page 45.

Since the year end the Group has disposed of certain of its estate agency operations. The Group's business is reviewed in the Chairman's Statement on pages 4 to 6, the Chief Executive's Review on pages 9 to 15 and the Review of Operations on pages 23 to 28.

## ACCOUNTS

The consolidated balance sheet on page 34 shows the state of affairs of the Group at 31 December 1990. The Company's balance sheet appears on page 35 and the consolidated profit and loss account on page 33. There is a five year review of the Group on pages 48 and 49.

## DIRECTORS

The present directors are shown on page 29.

Mr F G Wood retired on 30 May 1990.

The directors retiring by rotation at the Annual General Meeting are Mrs M E Baker, Mr J A Freeman, Sir Alex Jarratt, Mr M J Lawrence and Mr B Medhurst. They offer themselves for re-election. Sir Ronald Dearing also retires by rotation but does not offer himself for re-election. Mr P E Moody and Mr J E Ramsden retire at the Annual General Meeting.

The service contracts of Mr J A Freeman, Mr M J Lawrence and Mr B Medhurst are not for a fixed period but are terminable on not less than three years' prior written notice given by the employer.

A statement of directors' interests is set out on page 47.

## DIVIDENDS

The directors have declared a final dividend for 1990 of 6.8 pence per share payable on 29 May 1991 to shareholders on the register at the close of business on 11 April 1991. The dividend for the year, including the interim dividend of 3.5 pence per share paid in 1990, amounts to 10.3 pence per share compared with 9.2 pence per share for 1989. The total cost of dividends for 1990 was £191.8 million requiring a transfer of £41.9 million from retained profit.

## EMPLOYEES

The following information is given in respect of employees of the Group in the United Kingdom only. The policy towards employees overseas is the same but the practical application of the policy varies according to local requirements.

*Number of Employees*

The average number of persons employed by the Group in the United Kingdom in each week of 1990 was 29,757 and their total remuneration was £543.1 million.

*Equal Opportunity*

Group policy is to recruit, develop and employ staff on the basis of the suitability of their qualifications and experience to the work to be performed, regardless of sex, marital status, creed, race, nationality or disability. Full consideration is given to continuing the employment of staff who become disabled and to providing training and career development opportunities to disabled employees.

During 1990, this policy was furthered by initiatives including targeted advertising intended to attract more women and ethnic minorities into the field sales force; the introduction of job sharing; production of a staff maternity booklet and measures designed to ease the return to work of women who have been away from paid employment for some time.

*Employee Involvement*

Arrangements continued in 1990 to communicate with employees on issues which concern them, and to develop channels through which employees' views can be sought, including the further use of employee attitude surveys. The introduction of new working arrangements and technology to support Home Service Field Operations involved particular use of communication groups to ensure staff involvement. For the eighth year running employees were invited to participate in the Prudential Savings-Related Share Option Scheme. The board of the trustee company of the Prudential Staff Pension Scheme has directors elected by the members of the scheme.

COMMUNITY SUPPORT

During the year the Company and its subsidiary undertakings made direct charitable donations of £1,002,000 in the United Kingdom and £197,000 overseas.

Some 300 community organisations in the United Kingdom, concerned with a variety of issues including medical research and health care, education, training and employment, and social issues such as AIDS, homelessness and child abuse, benefited from central support. A substantial number received more modest donations through the divisional office network.

During the year, 15 members of staff participated in the secondment programme, which represented a further contribution of £305,000 to charitable projects.

AUDITORS

The Company's auditors, Coopers & Lybrand Deloitte, will retire at the conclusion of the Annual General Meeting.

A resolution proposing the appointment of Price Waterhouse as auditors to the Company will be put to the Annual General Meeting.

ANNUAL GENERAL MEETING – SPECIAL BUSINESS

The authority given to the directors in May 1986 to allot the unissued share capital of the Company up to a nominal amount of £44,678,121 expires on the date of the forthcoming Annual General Meeting. The board recommends that this authority be renewed for a further five years and an ordinary resolution will be proposed to authorise the board to allot the unissued share capital up to a maximum nominal amount of £26,811,095 during this period.

SHAREHOLDERS

The number of registered shareholders at 31 December 1990 was 63,198 (60,662). As far as the directors were aware, at 5 April 1991 no person had a shareholding of three per cent or more of the share capital of the Company.

An analysis of shareholdings in the Company at 31 December is given below:

| | 1990 % | 1989 % |
|---|---|---|
| Banks and other nominee companies | **55.8** | 54.0 |
| Insurance companies | **15.2** | 16.2 |
| Pension funds | **9.9** | 11.0 |
| Investment trusts and unit trusts | **0.6** | 0.6 |
| Other corporations | **5.2** | 4.0 |
| Individuals | **13.3** | 14.2 |
| | **100.0** | 100.0 |

CLOSE COMPANY PROVISIONS

The close company provisions of the Income and Corporation Taxes Act 1988 do not apply to the Company.

By order of the board of directors

P R Rawson

Secretary

19 April 1991

# NOTICE OF MEETING

Prudential Corporation Public Limited Company. Incorporated and Registered in England and Wales. Registered number 1397169.

Notice is hereby given that the Annual General Meeting of the Company will be held at the Plaisterers Hall, 1 London Wall, London EC2Y 5JU on Wednesday 29 May 1991 at 11.30 am for the following purposes:

## ORDINARY BUSINESS

1. To receive and consider the Directors' Report and the Accounts for the year ended 31 December 1990.
2. To re-elect as directors, Mrs M E Baker, Mr J A Freeman, Sir Alex Jarratt, Mr M J Lawrence, and Mr B Medhurst.
3. To appoint auditors.

To transact any other business proper to be transacted at the said meeting not being special business.

In connection with the appointment of auditors, special notice has been given to the Company, pursuant to the Companies Act 1985, that a resolution will be moved proposing the appointment of Price Waterhouse as auditors to the Company in place of the retiring auditors Coopers & Lybrand Deloitte.

## SPECIAL BUSINESS

*Ordinary Resolution*

THAT the directors be and they are hereby generally and unconditionally authorised to exercise the power of the Company to allot relevant securities (within the meaning of Section 80 of the Companies Act 1985) up to an aggregate nominal amount of £26,811,095 and this authority shall (unless previously revoked or renewed) expire five years after the date of the passing of this resolution and by such authority the directors may make offers or agreements which would or might require the allotment of relevant securities after the expiry of such period.

By order of the board of directors

P R Rawson
Secretary
1 Stephen Street, London W1P 2AP

2 May 1991

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, on a poll, vote instead of him; a proxy need not be a member of the Company.

The register of directors' interests kept under the Companies Act 1985 will be available for inspection at the meeting. Copies of the service contracts of executive directors (which are not expiring or determinable without compensation within one year) will be available for inspection at the transfer office of the Company, 1 Stephen Street, London W1P 2AP, during business hours on any weekday (excluding Saturdays and bank holidays) from the date of this notice until the date of the meeting and will be available for inspection at the Plaisterers Hall for 30 minutes prior to, and at, the meeting.

# FINANCIAL CALENDAR

| | |
|---|---|
| Payment of 1990 final dividend | 29 May 1991 |
| Annual General Meeting | 29 May 1991 |
| Announcement of 1991 interim results | 11 September 1991 |
| Payment of 1991 interim dividend | 28 November 1991 |
| Announcement of 1991 full year results | 24 March 1992 |

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

year ended 31 December 1990

| | Note | 1990 £m | 1989 £m |
|---|---|---|---|
| PROFIT/(LOSS) BEFORE TAX FROM | | | |
| Long-term business | 1 | **367.1** | 358.9 |
| General insurance | 2 | **(185.0)** | (8.6) |
| Estate agency | | **(33.7)** | (48.9) |
| Shareholders' other income | 3 | **95.4** | 84.1 |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAX | | **243.8** | 385.5 |
| Tax | 4 | **(132.5)** | (110.2) |
| Minority interests | | **(0.1)** | (0.4) |
| PROFIT ON ORDINARY ACTIVITIES AFTER TAX | | **111.2** | 274.9 |
| EXTRAORDINARY ITEMS | 5 | **32.8** | – |
| PROFIT ATTRIBUTABLE TO SHAREHOLDERS AFTER EXTRAORDINARY ITEMS | | **144.0** | 274.9 |
| TRANSFER FROM/(TO) REVALUATION RESERVE | 6 | **5.9** | (28.5) |
| DIVIDENDS | | **(191.8)** | (170.0) |
| TRANSFER (FROM)/TO RETAINED PROFIT | 6 | **(41.9)** | 76.4 |

| | | |
|---|---|---|
| EARNINGS PER SHARE | | |
| Based on earnings of £111.2m (£274.9m) and 1,855.7m (1,846.6m) shares | **6.0p** | 14.9p |

# CONSOLIDATED BALANCE SHEET

31 December 1990

| | Note | 1990 £m | 1989 £m |
|---|---|---|---|
| INVESTMENTS | | | |
| Ordinary shares | | **14,050.5** | 16,195.6 |
| Properties | | **5,169.8** | 6,022.6 |
| British Government securities | | **2,232.3** | 2,345.2 |
| Other fixed income securities | | **9,727.4** | 9,305.7 |
| Mortgages and loans | | **1,270.1** | 1,676.4 |
| Short-term deposits | | **1,828.1** | 1,761.3 |
| | | **34,278.2** | 37,306.8 |
| OTHER ASSETS | | | |
| Fixed assets | | **137.5** | 132.8 |
| Tax recoverable | | **422.9** | 118.3 |
| Debtors | | **1,446.4** | 1,395.1 |
| Bank balances and cash | | **262.1** | 153.9 |
| | | **2,268.9** | 1,800.1 |
| TOTAL ASSETS | | **36,547.1** | 39,106.9 |
| *Less* LIABILITIES | | | |
| Outstanding claims | | **690.6** | 673.5 |
| Bank loans and overdrafts | | **326.9** | 238.8 |
| Other borrowings | | **469.0** | 587.2 |
| Tax | | **116.7** | 62.9 |
| Deferred tax | 4 | **8.8** | 3.3 |
| Final dividend | | **126.6** | 112.9 |
| Other creditors | | **826.6** | 756.2 |
| | | **2,565.2** | 2,434.8 |
| TOTAL ASSETS LESS LIABILITIES | | **33,981.9** | 36,672.1 |
| *Less* INSURANCE FUNDS AND RESERVES | | | |
| Long-term business | | **32,486.7** | 34,823.2 |
| General insurance | | **988.0** | 1,034.0 |
| | | **33,474.7** | 35,857.2 |
| | | **507.2** | 814.9 |
| *Less* MINORITY INTERESTS | | **4.2** | 1.3 |
| | | **503.0** | 813.6 |
| SHAREHOLDERS' CAPITAL AND RESERVES | | | |
| Share capital | 11 | **93.1** | 92.6 |
| Share premium | 11 | **65.3** | 52.0 |
| Reserves | 6 | **344.6** | 669.0 |
| | | **503.0** | 813.6 |

# BALANCE SHEET OF THE COMPANY

31 December 1990

| | Note | 1990 £m | 1989 £m |
|---|---|---|---|
| FIXED ASSETS | | | |
| INVESTMENTS | | | |
| Shares in subsidiary undertakings | 17 | **226.2** | 271.2 |
| Loans to subsidiary undertakings | 17 | **573.2** | 534.6 |
| | | **799.4** | 805.8 |
| CURRENT ASSETS | | | |
| DEBTORS | | | |
| Amounts owed by subsidiary undertakings | | **152.8** | 190.8 |
| Other debtors | | **3.2** | 1.1 |
| BANK BALANCES AND CASH | | **29.7** | – |
| | | **185.7** | 191.9 |
| *Less* LIABILITIES: AMOUNTS FALLING DUE WITHIN ONE YEAR | | | |
| Bank loans and overdrafts | 9 | **2.1** | 41.8 |
| Tax | | **–** | 5.0 |
| Deferred tax | | **–** | 5.1 |
| Amounts owed to subsidiary undertakings | | **200.2** | 48.9 |
| Final dividend | | **126.6** | 112.9 |
| Other creditors | | **7.5** | 1.2 |
| | | **336.4** | 214.9 |
| NET CURRENT LIABILITIES | | **(150.7)** | (23.0) |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | **648.7** | 782.8 |
| *Less* LIABILITIES: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR | | | |
| Amounts owed to subsidiary undertakings | | **325.3** | 363.9 |
| Other borrowings | 9 | **–** | 47.0 |
| | | **323.4** | 371.9 |
| CAPITAL AND RESERVES | | | |
| Share capital | 11 | **93.1** | 92.6 |
| Share premium | 11 | **65.3** | 52.0 |
| Reserves | 6 | **165.0** | 227.3 |
| | | **323.4** | 371.9 |

The accounts on pages 33 to 47 were approved by the board of directors on 19 April 1991.

Sir Brian Corby, Chairman  M G Newmarch, Chief Executive

# SHAREHOLDERS' SOURCE AND APPLICATION OF FUNDS

year ended 31 December 1990

| | 1990 £m | 1989 £m |
|---|---|---|
| MOVEMENTS IN SHAREHOLDERS' CAPITAL AND RESERVES | | |
| Profit attributable to shareholders after extraordinary items | **144.0** | 274.9 |
| Current year investment (losses)/gains | **(188.4)** | 187.1 |
| Averaged gains transfers | **(24.6)** | (61.8) |
| Other reserve movements | **(63.6)** | (41.2) |
| Issues of shares | **13.8** | 16.3 |
| Dividends† | **(191.8)** | (170.0) |
| | **(310.6)** | 205.3 |
| MOVEMENTS IN NET ASSETS | | |
| INVESTMENTS | | |
| Net cash invested | **(33.4)** | (68.2) |
| Realised and unrealised investment (losses)/gains: insurance companies | **(101.1)** | 163.5 |
| non-insurance companies | **(36.9)** | 46.1 |
| Exchange translation and other movements | **(154.3)** | 64.2 |
| | **(325.7)** | 205.6 |
| GENERAL INSURANCE FUND AND PROVISIONS | | |
| General insurance fund | **46.0** | (159.1) |
| Outstanding claims | **(18.5)** | (132.4) |
| | **27.5** | (291.5) |
| OTHER ASSETS/LIABILITIES | | |
| Fixed assets | **(1.4)** | 26.0 |
| Debtors | **52.9** | 134.4 |
| Net tax recoverable | **74.7** | 18.8 |
| Other borrowings | **(49.9)** | 14.0 |
| Other creditors | **(106.2)** | 41.2 |
| Minority interests | **(2.9)** | 1.0 |
| | **(32.8)** | 235.4 |
| NET LIQUID FUNDS | | |
| Bank balances and cash | **24.8** | 52.5 |
| Bank loans and overdrafts | **(4.4)** | 3.3 |
| | **20.4** | 55.8 |
| | **(310.6)** | 205.3 |
| SHAREHOLDERS' CAPITAL AND RESERVES | | |
| Shareholders' capital and reserves at beginning of year | **813.6** | 608.3 |
| Movement for year (see above) | **(310.6)** | 205.3 |
| Shareholders' capital and reserves at end of year | **503.0** | 813.6 |

† Dividends paid in the year totalled £178.1m (£155.0m). The figure shown in the statement is the amount provided in the accounts for the current year's dividends.

# ACCOUNTING POLICIES

### (A) DISCLOSURE REQUIREMENTS

The consolidated accounts are prepared in accordance with the provisions of section 255 of, and Schedule 9 to, the Companies Act 1985 which cover the disclosures applicable to insurance companies. The accounts are prepared in accordance with applicable accounting standards and with the statement of recommended practice issued by the Association of British Insurers. The balance sheet of the Company is prepared in accordance with the provisions of Schedule 4 to the Companies Act 1985, which apply to companies generally. The Company has taken advantage of the exemption under section 230 of the Companies Act 1985 from presenting its own profit and loss account.

### (B) BASIS OF CONSOLIDATION

The Group accounts incorporate the assets, liabilities and results of the Company and all its significant subsidiary undertakings.

The results of subsidiary undertakings acquired or disposed of are normally brought into the accounts from the date of acquisition or up to the date of disposal.

### (C) LONG-TERM BUSINESS

Premiums and annuity considerations are accounted for when due, except for unit-linked business where premiums are accounted for when the liabilities arising from those premiums are created.

Maturity claims are accounted for on the policy maturity date. Annuities are accounted for when the annuity becomes due for payment. Surrenders are accounted for when paid. Death claims and all other claims are accounted for when notified.

Tax on long-term business activities is charged to the long-term business funds.

Long-term profits are allocated from surpluses determined as the result of annual actuarial valuations. For non-linked business, the amount of surplus allocated to shareholders is determined by the directors of the companies concerned in accordance with the Articles of Association. For linked and long-term accident and disability business the whole of the surplus arising is allocated to shareholders.

The transfer of shareholders' profit from the long-term business revenue account to the profit and loss account is grossed up by attributable tax.

### (D) GENERAL INSURANCE

*(i) Underwriting results*

The underwriting results of general insurance are determined on an annual basis, except that:

- Fire and accident proportional reinsurance business is dealt with mainly on a deferred annual basis.
- Marine and aviation business and accident non-proportional reinsurance business are dealt with mainly on a three year funded basis.
- Fire non-proportional reinsurance business is dealt with on a funded basis, profits being recognised after one to three years.

For business dealt with on an annual basis, premiums written are accounted for in the year in which the risks are assumed. The unearned proportion of the premiums and acquisition costs incurred in writing business relating to periods of risk beyond the financial year end are deferred to subsequent accounting periods. Claims comprise the settlement and handling costs of paid and outstanding claims arising from events occurring in the year and adjustments to prior years' claims provisions.

For all funded business and business dealt with on a deferred annual basis, premiums and claims are recorded in the accounting period in which they are notified.

*(ii) Insurance provisions*

For business dealt with on an annual basis, unearned premiums are calculated mainly on a proportional basis having regard to the premiums in force each month. The proportion of commission and other acquisition expenses relating to unearned premiums is carried forward as deferred acquisition expenses. For business dealt with on a deferred annual basis, unearned premiums are calculated on the basis of individual contract terms.

Outstanding claims comprise provisions for the settlement and handling costs of all claims incurred up to but not paid at the financial year end whether reported or not.

For all funded business, premiums less claims paid and expenses relating to the open years of account are carried forward and increased if necessary so that the funds for each year are sufficient to meet the estimated costs of all outstanding liabilities, including claims incurred but not reported and the claims expected on unexpired risks.

Provisions are made as necessary for estimated future losses relating to unexpired risks at the financial year end and for underwriting losses expected to arise on open years of account for deferred annual and funded business.

Certain liabilities are discounted to take account of the estimated periods over which premiums are received and claims paid.

## ACCOUNTING POLICIES

*(continued)*

### (E) OTHER INCOME

Estate agency income earned on property sales is recognised on the date of exchange of contracts. Initial charges on the sale of unit trusts are credited to income on the associated contract date. Other investment management fee income is recognised on an accruals basis.

### (F) TAX

Tax is charged on all profits and income earned to date less reliefs. Provision under the liability method is made for deferred tax arising from timing differences other than those considered likely to continue into the foreseeable future. Deferred tax is not provided on earnings retained overseas and no provision is made for tax which would become payable if investments were realised at the values shown.

### (G) INVESTMENTS

*(i) Investment income*

Investment income is shown after deducting interest payable and directly related investment expenses. Income arising on assets matching general insurance technical reserves is credited to the general insurance revenue account.

*(ii) Investment valuations*

Listed investments are shown at market value. Properties are shown at open market value as valued by the Group's qualified surveyors or by professional external valuers. Unlisted investments and long-term mortgages and loans are shown at directors' valuation. Short-term loans are shown at par. Shares in subsidiary undertakings are shown at cost less provisions for diminution in value.

*(iii) Investment gains and losses*

*– Long-term business funds*

For non-linked business, realised gains and losses and tax thereon are carried to investment reserve. Unrealised gains and losses are carried to revaluation reserve. Transfers are made from time to time between investment reserve and the long-term business revenue account or insurance fund. In the life business funds of certain subsidiary undertakings, transfers are made from revaluation reserve to the revenue account. The amount of any transfer is determined by the directors of the companies concerned.

For linked business, investment gains and losses are dealt with in the revenue account.

*– General insurance and shareholders' funds*

Insurance company realised and unrealised gains and losses are taken to deferred realised gains reserve and to revaluation reserve respectively. These gains and losses are then averaged over five years and transferred from these reserves to investment return within the revenue account and the profit and loss account. The unrealised element is subsequently transferred to revaluation reserve.

Non-insurance company realised gains and losses are included in shareholders' other income. Unrealised gains and losses are taken to revaluation reserve.

### (H) EXCHANGE RATES

Foreign currency revenue transactions, assets and liabilities are translated at rates of exchange ruling at the end of the year, except for certain revenue transactions which are translated at rates of exchange ruling at the dates of the respective transactions. Exchange gains and losses are dealt with mainly in long-term investment reserves and retained profit.

### (I) GOODWILL

Goodwill is written off against reserves in the year of acquisition.

### (J) FIXED ASSETS AND DEPRECIATION

Major items of capital expenditure on computer equipment, vehicles, furniture and office equipment are capitalised and depreciated by equal annual instalments over their estimated useful lives.

### (K) LEASED ASSETS

Assets held under finance leases are capitalised at their fair market value. Commitments under these leases are included within other creditors.

### (L) PENSION COSTS

The charge to revenue in respect of employers' contributions to defined benefit schemes is calculated on a basis which spreads the pension costs over the service lives of scheme members. Contributions in respect of defined contribution schemes are charged to revenue when incurred.

## 1 LONG-TERM BUSINESS REVENUE ACCOUNT

| | Note | 1990 £m | 1989 £m |
|---|---|---|---|
| Gross premium income | | **5,279.9** | 4,791.2 |
| *Less* reassurance | | **90.0** | 70.0 |
| Net premium income | | **5,189.9** | 4,721.2 |
| Investment income | 7 | **2,284.4** | 2,063.2 |
| Transfer from investment and revaluation reserves | | **964.9** | 1,528.6 |
| (Decrease)/increase in value of investments related to linked business | | **(561.1)** | 538.2 |
| | | **7,878.1** | 8,851.2 |
| Gross claims and surrenders | | **3,107.9** | 2,717.1 |
| *Less* reassurance | | **38.1** | 38.5 |
| Net claims and surrenders | | **3,069.8** | 2,678.6 |
| Commission | | **418.7** | 399.6 |
| Expenses | | **662.4** | 633.3 |
| Tax | 4 | **97.3** | 161.2 |
| Increase in insurance liability | | **1,816.7** | 3,232.0 |
| | | **6,064.9** | 7,104.7 |
| Surplus for distribution | | **1,813.2** | 1,746.5 |
| Policyholders' bonuses | | **1,574.2** | 1,499.4 |
| Shareholders' profit after tax | | **239.0** | 247.1 |
| Shareholders' tax | 4 | **128.1** | 111.8 |
| Transfer to consolidated profit and loss account | | **367.1** | 358.9 |

## 2 GENERAL INSURANCE REVENUE ACCOUNT

| | Note | 1990 £m | 1989 £m |
|---|---|---|---|
| Gross premiums written | | **1,155.0** | 1,155.0 |
| *Less* reinsurance | | **129.5** | 117.9 |
| Net premiums written | | **1,025.5** | 1,037.1 |
| *Less* increase in insurance liability | | **70.6** | 115.3 |
| | | **954.9** | 921.8 |
| Gross claims | | **1,088.4** | 836.9 |
| *Less* reinsurance | | **220.8** | 157.4 |
| Net claims | | **867.6** | 679.5 |
| Commission | | **180.9** | 183.2 |
| Expenses | | **229.9** | 216.3 |
| Deferred acquisition expenses | | **(5.8)** | (6.9) |
| | | **1,272.6** | 1,072.1 |
| Underwriting result | | **(317.7)** | (150.3) |
| Investment return | 7 | **132.7** | 141.7 |
| Transfer from consolidated profit and loss account | | **(185.0)** | (8.6) |

## 3 SHAREHOLDERS' OTHER INCOME

| | Note | 1990 £m | 1989 £m |
|---|---|---|---|
| Investment return | 7 | **148.0** | 135.1 |
| Corporate expenditure | | **(25.8)** | (24.7) |
| Interest on borrowings | 12 | **(32.3)** | (44.0) |
| | | **89.9** | 66.4 |
| Trading results from: | | | |
| Investment management | | **6.7** | 16.0 |
| Unit trusts and personal equity plans | | **(1.2)** | 1.7 |
| Transfer to consolidated profit and loss account | | **95.4** | 84.1 |

## 4 TAX

(i) Tax charged in the profit and loss account and in the long-term business revenue account.
The table below gives details of the tax charged on all profits and income earned to date included in the consolidated profit and loss account on page 33 and in the long-term business revenue account (see note 1 on page 39).

| | Long-term business | | General insurance and shareholders | |
|---|---|---|---|---|
| | 1990 £m | 1989 £m | 1990 £m | 1989 £m |
| Corporation tax | **43.5** | 32.8 | **(47.0)** | (27.1) |
| Double tax relief | **(3.6)** | (2.4) | **(6.8)** | (7.4) |
| | **39.9** | 30.4 | **(53.8)** | (34.5) |
| Tax on transfer of averaged realised gains (see note 6) | | | **14.5** | 14.1 |
| Tax on franked investment income | **81.9** | 55.8 | **5.9** | 6.0 |
| Overseas tax | **49.2** | 48.8 | **19.4** | 17.6 |
| | **171.0** | 135.0 | **(14.0)** | 3.2 |
| Prior year adjustments | **(60.8)** | 21.0 | **6.4** | 1.0 |
| | **110.2** | 156.0 | **(7.6)** | 4.2 |
| Deferred tax | | | | |
| Current year | **(11.9)** | 5.7 | **(1.3)** | (8.0) |
| Prior years | **(1.0)** | (0.5) | **13.3** | 2.2 |
| | **97.3** | 161.2 | **4.4** | (1.6) |
| Shareholders' attributable tax | **(128.1)** | (111.8) | **128.1** | 111.8 |
| | **(30.8)** | 49.4 | **132.5** | 110.2 |

The long-term business charge in 1990 has been reduced by £91.1m due to the utilisation of exceptional tax losses arising in the previous year.

(ii) Tax (credited to)/charged against reserves.
Tax credited to reserves was £35.0m (charge of £46.9m), as follows:

| | Revaluation reserve | | Other reserves | |
|---|---|---|---|---|
| | 1990 £m | 1989 £m | 1990 £m | 1989 £m |
| Current tax | **–** | – | **(41.4)** | 54.3 |
| Deferred tax | **4.2** | 1.5 | **2.2** | (8.9) |
| | **4.2** | 1.5 | **(39.2)** | 45.4 |

(iii) Deferred tax in the balance sheets.
Deferred tax in the balance sheet of the Company relates to short-term timing differences. Deferred tax in the consolidated balance sheet relates to:

| | Potential liability 1990 £m | Amount provided 1990 £m | Potential liability 1989 £m | Amount provided 1989 £m |
|---|---|---|---|---|
| Short-term timing differences | **41.1** | **40.7** | 34.3 | 33.3 |
| Life assurance acquisition expenses | **(16.8)** | **(16.3)** | – | – |
| Unrelieved losses carried forward | **(8.6)** | **(16.1)** | – | – |
| Capital allowances | **13.6** | **(0.7)** | 19.5 | (4.7) |
| General insurance business reserves | **(20.5)** | **1.2** | (31.4) | (25.3) |
| | **8.8** | **8.8** | 22.4 | 3.3 |

The maximum tax payable if investments were disposed of at the values shown is £695m (£1,767m). No provision has been made in the accounts for these amounts.

## 5 EXTRAORDINARY ITEMS

| | 1990 £m | 1989 £m |
|---|---|---|
| Extraordinary income | | |
| Profit on sale of Compagnie d'Assurance de l'Escaut SA (L'Escaut) | **86.1** | – |
| Extraordinary charges | | |
| Closure costs of estate agency operations | **(41.3)** | – |
| Closure costs of overseas insurance agencies | **(12.0)** | – |
| Extraordinary profit before and after tax | **32.8** | – |

Closure costs of estate agency operations incorporate the full costs of disposal, including costs not yet incurred, net of estimated sale proceeds.
No tax is payable on the sale of L'Escaut due to the availability of losses.
Goodwill of £5.0m in respect of L'Escaut and of £226.4m in respect of estate agency operations was written off to reserves at the time of acquisition.

## 6 RESERVES

| GROUP | Revaluation reserve £m | Deferred realised gains reserve £m | Retained profit £m | Total £m |
|---|---|---|---|---|
| Balance at beginning of year | **311.7** | **83.9** | **273.4** | **669.0** |
| Transfer to profit and loss account | | | **(41.9)** | **(41.9)** |
| Current year investment gains/(losses) | | | | |
| Insurance companies: unrealised and realised | **(130.4)** | **29.3** | | **(101.1)** |
| Non-insurance companies: unrealised | **(73.0)** | | | **(73.0)** |
| Tax on realised gains | | **(14.3)** | | **(14.3)** |
| Averaged losses/(gains) | | | | |
| Transfer from/(to) general insurance revenue account (see note 7) | **11.3** | **(22.3)** | | **(11.0)** |
| Transfer to shareholders' other income (see note 7) | **(5.4)** | **(22.7)** | | **(28.1)** |
| Tax on transfer of realised gains | | **14.5** | | **14.5** |
| Transfer to profit and loss account | **(5.9)** | | | **(5.9)** |
| Transfer on sale of L'Escaut | **(5.1)** | **(24.3)** | **29.4** | |
| Exchange losses | | | **(33.7)** | **(33.7)** |
| General insurance claims handling expenses | | | **(15.9)** | **(15.9)** |
| Other movements | **(0.9)** | | **(13.1)** | **(14.0)** |
| Balance at end of year | **102.3** | **44.1** | **198.2** | **344.6** |

An additional provision of £18.1m was made for general insurance claims handling expenses. The prior year element of £15.9m has been charged directly to reserves.

| COMPANY | Capital reserve £m | Profit and loss account £m | Total £m |
|---|---|---|---|
| Balance at beginning of year | **129.0** | **98.3** | **227.3** |
| Transfer of capital reserve | **(129.0)** | **129.0** | |
| Profit for the year | | **146.5** | **146.5** |
| Dividend | | **(191.8)** | **(191.8)** |
| Exchange losses | | **(17.0)** | **(17.0)** |
| Balance at end of year | – | **165.0** | **165.0** |

During 1990 Court approval was obtained for the Company to be released from an undertaking given when the capital reserve was established in 1986. Accordingly the balance on the reserve is now distributable and has been transferred to the profit and loss account.

## 7 INVESTMENT RETURN

| LONG-TERM BUSINESS | 1990 £m | 1989 £m |
|---|---|---|
| Investment income | **2,381.1** | 2,143.2 |
| *Less* investment expenses | **96.7** | 80.0 |
| | **2,284.4** | 2,063.2 |
| Current year investment gains/(losses): realised | **237.4** | 633.7 |
| unrealised | **(3,412.5)** | 3,024.8 |
| | **(890.7)** | 5,721.7 |

| | General insurance | | Shareholders | |
|---|---|---|---|---|
| GENERAL INSURANCE AND SHAREHOLDERS | 1990 £m | 1989 £m | 1990 £m | 1989 £m |
| Investment income | **124.0** | 121.0 | **85.4** | 78.4 |
| *Less* investment expenses | **2.3** | 2.6 | **1.6** | 1.7 |
| | **121.7** | 118.4 | **83.8** | 76.7 |
| Averaged investment gains/(losses) of insurance companies: realised | **22.3** | 21.1 | **22.7** | 26.3 |
| unrealised | **(11.3)** | 2.2 | **5.4** | 26.3 |
| Current year realised investment gains of non-insurance companies | | | **36.1** | 5.8 |
| | **132.7** | 141.7 | **148.0** | 135.1 |

## 8 BALANCE SHEETS

| | | Long-term business | | General insurance and shareholders | |
|---|---|---|---|---|---|
| | Note | 1990 £m | 1989 £m | 1990 £m | 1989 £m |
| INVESTMENTS | | | | | |
| Ordinary shares | | **13,514.0** | 15,414.0 | **536.5** | 781.6 |
| Properties | | **5,132.8** | 5,982.3 | **37.0** | 40.3 |
| British Government securities | | **2,138.7** | 2,144.9 | **93.6** | 200.3 |
| Other fixed income securities | | **8,915.2** | 8,376.7 | **812.2** | 929.0 |
| Mortgages and loans | | **1,212.8** | 1,604.5 | **57.3** | 71.9 |
| Short-term deposits | | **1,425.7** | 1,519.7 | **402.4** | 241.6 |
| | | **32,339.2** | 35,042.1 | **1,939.0** | 2,264.7 |
| OTHER ASSETS | | | | | |
| Fixed assets | | **34.4** | 28.3 | **103.1** | 104.5 |
| Tax recoverable | | **314.4** | 105.8 | **108.5** | 12.5 |
| Debtors | | **1,023.5** | 954.3 | **769.4** | 716.5 |
| Bank balances and cash | | **177.0** | 93.6 | **85.1** | 60.3 |
| | | **1,549.3** | 1,182.0 | **1,066.1** | 893.8 |
| TOTAL ASSETS | | **33,888.5** | 36,224.1 | **3,005.1** | 3,158.5 |
| *Less* LIABILITIES | | | | | |
| Outstanding claims | 10 | **139.8** | 141.2 | **550.8** | 532.3 |
| Bank loans and overdrafts | 9 | **314.0** | 230.3 | **12.9** | 8.5 |
| Other borrowings | 9 | **13.0** | 181.1 | **456.0** | 406.1 |
| Tax | | **99.8** | 53.7 | **16.9** | 9.2 |
| Deferred tax | | **21.5** | 29.6 | **(12.7)** | (26.3) |
| Final dividend | | | | **126.6** | 112.9 |
| Other creditors | | **813.7** | 765.0 | **359.4** | 266.9 |
| | | **1,401.8** | 1,400.9 | **1,509.9** | 1,309.6 |
| TOTAL ASSETS LESS LIABILITIES | | **32,486.7** | 34,823.2 | **1,495.2** | 1,848.9 |
| *Less* GENERAL INSURANCE FUND | 10 | | | **988.0** | 1,034.0 |
| MINORITY INTERESTS | | | | **4.2** | 1.3 |
| | | **32,486.7** | 34,823.2 | **503.0** | 813.6 |
| LONG-TERM BUSINESS FUNDS AND RESERVES | | | | | |
| Insurance funds | | **26,697.0** | 25,097.9 | | |
| Investment and revaluation reserves | | **5,789.7** | 9,725.3 | | |
| SHAREHOLDERS' CAPITAL AND RESERVES | | | | **503.0** | 813.6 |
| | | **32,486.7** | 34,823.2 | **503.0** | 813.6 |

## 9 BORROWINGS

| | Company | | Long-term business | | General insurance and shareholders | |
|---|---|---|---|---|---|---|
| | 1990 £m | 1989 £m | 1990 £m | 1989 £m | 1990 £m | 1989 £m |
| Bank loans and overdrafts (repayable on demand) | **2.1** | 41.8 | **314.0** | 230.3 | **12.9** | 8.5 |
| Secured loans: | | | | | | |
| Canadian dollar borrowings (10.5% to 13%) | **–** | – | **6.5** | 14.4 | **1.1** | 1.4 |
| Australian dollar borrowings (13.5% to 18.6%) | **–** | – | **5.2** | 137.3 | **–** | – |
| US dollar mortgage 1989-1991 (8%) | **–** | – | **1.3** | 1.5 | **–** | – |
| Unsecured loans: | | | | | | |
| Sterling commercial paper 1991 (13.1% to 14.2%) | **–** | – | **–** | – | **44.6** | – |
| Eurodollar commercial paper 1991 (7.8% to 8.4%) | **–** | – | **–** | – | **82.2** | – |
| SF200m 4.75% Guaranteed Bonds 1988-1998 | **–** | – | **–** | – | **73.0** | 87.4 |
| DM300m 6% Guaranteed Notes 1987-1997 | **–** | – | **–** | – | **104.0** | 110.0 |
| £150m 9.375% Guaranteed Bonds 2007 | **–** | – | **–** | – | **150.0** | 150.0 |
| Floating Rate Notes 1995 | **–** | 47.0 | **–** | – | **–** | 57.0 |
| Other | **–** | – | **–** | 27.9 | **1.1** | 0.3 |
| Total other borrowings | **–** | 47.0 | **13.0** | 181.1 | **456.0** | 406.1 |
| Total borrowings | **2.1** | 88.8 | **327.0** | 411.4 | **468.9** | 414.6 |
| Borrowings are repayable as follows: | | | | | | |
| Within one year or on demand | **2.1** | 54.8 | **320.2** | 355.0 | **140.8** | 21.8 |
| Between one and two years | **–** | – | **5.6** | 44.3 | **1.1** | – |
| Between two and five years | **–** | – | **1.2** | 7.6 | **–** | 1.4 |
| After five years | **–** | 34.0 | **–** | 4.5 | **327.0** | 391.4 |
| | **2.1** | 88.8 | **327.0** | 411.4 | **468.9** | 414.6 |

The Group has entered into a number of swap transactions in respect of the unsecured loans of the general insurance and shareholders' funds. As a result of these transactions, the effective liabilities for all the unsecured loans are US$476.9m, DM300.0m and £103.8m. The weighted average rate of interest payable on these loans is 8.5%.

Under the terms of the Group's arrangements with its main United Kingdom banker, the bank has a right of set off between credit balances, other than those of long-term funds, and all overdrawn balances of those Group undertakings with similar arrangements.

## 10 GENERAL INSURANCE TECHNICAL RESERVES

| | Gross 1990 £m | Reinsurance 1990 £m | Net 1990 £m | Gross 1989 £m | Reinsurance 1989 £m | Net 1989 £m |
|---|---|---|---|---|---|---|
| Unearned premiums | **343.2** | **14.0** | **329.2** | 364.5 | 17.0 | 347.5 |
| Deferred acquisition expenses | **(65.6)** | **–** | **(65.6)** | (69.2) | – | (69.2) |
| | **277.6** | **14.0** | **263.6** | 295.3 | 17.0 | 278.3 |
| Reinsurance and other funds | **965.2** | **240.8** | **724.4** | 991.5 | 235.8 | 755.7 |
| | **1,242.8** | **254.8** | **988.0** | 1,286.8 | 252.8 | 1,034.0 |
| Outstanding claims | **598.2** | **47.4** | **550.8** | 605.3 | 73.0 | 532.3 |

Discounting has been applied to accident non-proportional reinsurance and discrete liability class direct business at the rate of 5% per annum. These liabilities have been discounted over their mean terms, of between three and seven years. The overall effect of discounting is to reduce the general insurance fund at 31 December 1990 by £85.1m (£79.8m) and to increase Group profit before tax by £10.6m (£5.1m).

## 11 SHARE CAPITAL AND SHARE PREMIUM

Authorised share capital is £120,000,000 in 2,400,000,000 shares of 5p each.

| Issued shares of 5p each fully paid | Number of shares | Share capital £m | Share premium £m |
|---|---|---|---|
| Balance at beginning of year | **1,851,318,010** | **92.6** | **52.0** |
| Shares issued to acquire estate agency businesses | **1,963,267** | **0.1** | **3.2** |
| Shares issued under share option schemes | **6,190,167** | **0.3** | **6.6** |
| Shares issued in lieu of dividends | **1,834,526** | **0.1** | **3.5** |
| Balance at end of year | **1,861,305,970** | **93.1** | **65.3** |

Options outstanding under the Savings-Related and Executive Share Option Schemes at 31 December 1990 were:

| Option period ending | Number of shares | Option price pence per share |
|---|---|---|
| 1991 | **2,498,817** | **71.9 – 80.3** |
| 1992 | **1,009,510** | **105.0** |
| 1993 | **1,013,335** | **160.9** |
| 1994 | **1,415,995** | **157.2** |
| 1995 | **2,240,385** | **128.2 – 149.0** |
| 1996 | **3,813,616** | **167.0 – 177.1** |
| 1997 | **18,873,732** | **156.0 – 199.0** |
| 1998 | **2,777,500** | **150.0 – 166.4** |
| 1999 | **4,283,800** | **190.0 – 200.5** |
| 2000 | **6,555,945** | **192.5 – 197.0** |

## 12 INTEREST ON BORROWINGS

| | Long-term business | | General insurance and shareholders | |
|---|---|---|---|---|
| | 1990 £m | 1989 £m | 1990 £m | 1989 £m |
| Interest on borrowings repayable within 5 years | **69.9** | 53.6 | **5.0** | 2.0 |
| Interest on other borrowings | **–** | – | **28.3** | 42.6 |
| | **69.9** | 53.6 | **33.3** | 44.6 |
| Charged to: | | | | |
| Long-term business revenue account | **69.9** | 53.6 | | |
| General insurance revenue account | | | **1.0** | 0.6 |
| Shareholders' other income | | | **32.3** | 44.0 |
| | **69.9** | 53.6 | **33.3** | 44.6 |

Interest charged to the long-term business revenue account and to the general insurance revenue account is deducted from investment income.

## 13 PENSION COSTS

The Group operates a number of pension schemes around the world. The major schemes are of the defined benefit type with scheme assets held in separate trustee administered funds.

The Group's main United Kingdom scheme, which covers 74% of scheme members in service within the Group, was valued as at 5 April 1990 by a qualified actuary who is an employee of the Group. The projected accrued benefits method was used and the principal actuarial assumptions adopted were investment return 9.5% per annum, pensionable earnings growth 8.0% per annum, increases to pensions in payment 4.5% per annum and dividend growth 4.5% per annum.

The market value of scheme assets at that date was £2,059m and the actuarial value of the assets was sufficient to cover 128% of the benefits that had accrued to members, allowing for expected future increases in earnings. As a result of the actuarial valuation, the employer's contribution rate was reduced from 16.0% to approximately 8.0% of pensionable earnings with effect from 1 December 1990, thereby spreading the actuarial surplus over the average remaining service lives of current employees after allowing for expected future increases in earnings.

The total pension cost for the Group was £68.9m (£69.1m) of which £2.8m (£5.1m) related to overseas schemes.

## 14 SUBSIDIARY UNDERTAKINGS

Particulars of principal subsidiary undertakings, wholly owned unless otherwise stated, are as follows:

| Name | Class of share held | Country of incorporation or place of registration and principal operation |
|---|---|---|
| Jackson National Life Insurance Company* | Common Shares US$1.15 | United States of America |
| The Mercantile and General Reinsurance Company plc* | Shares £1 | Scotland (operating principally in England) |
| The Prudential Assurance Company Limited | Shares 25p | England and Wales |
| Prudential Corporation Canada* | Common Shares C$1 | Canada |
| Prudential Holborn Limited* | Ordinary Shares £1 | England and Wales |
| Prudential Life of Ireland Limited* | Ordinary Shares IR£1 (95%) | Republic of Ireland |
| Prudential Pensions Limited* | Shares £1 | England and Wales |
| Prudential Portfolio Managers Limited | Ordinary Shares £1 | England and Wales |
| Prudential Property Services Limited | Ordinary Shares £1 | England and Wales |

*owned by a subsidiary undertaking of the Company.

The principal activity of these subsidiary undertakings is insurance with the exception of Prudential Holborn Limited, a financial services company, Prudential Portfolio Managers Limited, an investment management company, and Prudential Property Services Limited, a company providing estate agency and other related services.

Other subsidiary undertakings which do not materially affect the profit of the Group or the amount of its assets are not shown.

During 1990 the financial year end of Prudential Property Services Limited was changed from 31 December to 30 June in order to assist with the orderly disposal of the business. The last accounting period ended on 30 June 1990. The Group accounts incorporate this company's management accounts for the full year.

## 15 COMMITMENTS

The Group is committed to capital expenditure not provided of £5.4m (£5.3m) and expenditure authorised but not contracted of £3.7m (£7.2m) in respect of purchases of fixed assets (other than investments).

## 16 AUDITORS' REMUNERATION

The remuneration of the auditors amounted to £2,461,000 (£2,405,000).

## 17 INVESTMENTS OF THE COMPANY

| | Shares in subsidiary undertakings £m | Loans to subsidiary undertakings £m |
|---|---|---|
| Balance at beginning of year | **271.2** | **534.6** |
| Exchange rate movements | **–** | **(56.9)** |
| Advances of new capital | **75.0** | **95.5** |
| Provision for diminution in value of investment in Prudential Property Services Limited | **(120.0)** | **–** |
| Balance at end of year | **226.2** | **573.2** |

## 18 EXCHANGE RATES

The principal rates of exchange used for translation were:

| | Currency | Value of Sterling 1990 | Value of Sterling 1989 |
|---|---|---|---|
| Australia | A$ | **2.50** | 2.04 |
| Canada | C$ | **2.24** | 1.87 |
| Republic of Ireland | IR£ | **1.09** | 1.04 |
| United States of America | US$ | **1.93** | 1.61 |

## 19 DIRECTORS' EMOLUMENTS

Aggregate directors' emoluments including pension contributions were £2,929,155 (£2,517,434), of which £333,029 (£301,102) were in respect of services as directors. Excluding pension contributions, the emoluments of the Chairmen during their respective periods of office were: Lord Hunt £31,250 (£68,750) and Sir Brian Corby £43,750. The emoluments of the highest paid director were £543,673 (£379,651). The emoluments of individual directors, including the Chairmen and the highest paid director, fell into the following bands:

| Emoluments £ £ | Number of directors 1990 | 1989 | Emoluments £ £ | Number of directors 1990 | 1989 |
|---|---|---|---|---|---|
| 5,001 to 10,000 | **1** | 3 | 190,001 to 195,000 | **—** | 3 |
| 10,001 to 15,000 | **—** | 5 | 195,001 to 200,000 | **—** | 1 |
| 15,001 to 20,000 | **8** | 3 | 200,001 to 205,000 | **1** | — |
| 20,001 to 25,000 | **—** | 1 | 205,001 to 210,000 | **1** | — |
| 30,001 to 35,000 | **3** | 2 | 220,001 to 225,000 | **1** | 1 |
| 40,001 to 45,000 | **1** | — | 230,001 to 235,000 | **1** | — |
| 65,001 to 70,000 | **—** | 1 | 260,001 to 265,000 | **1** | — |
| 135,001 to 140,000 | **1** | — | 310,001 to 315,000 | **—** | 1 |
| 170,001 to 175,000 | **—** | 1 | 375,001 to 380,000 | **—** | 1 |
| 185,001 to 190,000 | **1** | — | 540,001 to 545,000 | **1** | — |

## 20 LOANS TO AND TRANSACTIONS WITH DIRECTORS

| (i) LOANS | Liability at 31 Dec 1990 £ | Max liability during 1990 £ | Liability at 1 Jan 1990 £ |
|---|---|---|---|
| HOUSE PURCHASE LOANS | | | |
| J A Freeman | **—** | **30,000** | **30,000** |
| J Lock | **30,000** | **30,000** | **30,000** |
| M G Newmarch | **—** | **29,950** | **29,950** |

The house purchase loans are secured on the personal residences of the directors and repayment will be made from endowment policies. Interest on different portions of the loans ranges from 3.5% to 10.0%, the terms being no more favourable than those which were normally available to members of the staff when the loans were made. There is no interest due and unpaid at 31 December 1990 on any of the above loans.

During the year certain interests in mortgage advances which had been made to employees and directors were transferred to a building society. The terms of the transfer provide for interest on all loans to be paid at an agreed commercial rate of interest but employees and directors continue to enjoy a beneficial rate of interest.

(ii) TRANSACTIONS

In 1987 the Company and Mr Newmarch jointly purchased a residence in London at a total price (excluding the expenses of purchase) of £772,500, of which Mr Newmarch contributed £225,000. The property is held by Prudential Leasing Services Limited (a wholly owned subsidiary undertaking of the Company) and Mr Newmarch, under the terms of a Trust Deed which apportions the expenses of maintenance and the proceeds of sale of the premises in the same proportions in which the purchase price was shared.

No other contract of significance subsisted at any time during the year in which a director is or was, for Stock Exchange purposes, materially interested.

## 21 DIRECTORS' INTERESTS

| | Interest in shares of 5p each of the Company | | Options to subscribe for shares of 5p each in the Company: The Prudential Savings-Related Share Option Scheme | | | | The Prudential Executive Share Option Scheme | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1 Jan 1990 | 31 Dec 1990 | 1 Jan 1990 | Granted in 1990 | Exercised in 1990 | 31 Dec 1990 | 1 Jan 1990 | Granted in 1990 | Exercised in 1990 | 31 Dec 1990 |
| M D Abrahams | **12,000** | **12,000** | | | | | | | | |
| R E Artus | **15,595** | **16,357** | | | | | **263,200** | | | **263,200** |
| Mrs M E Baker | **2,500** | **2,500** | | | | | | | | |
| Lord Butterfield | **12,183** | **12,401** | | | | | | | | |
| Sir Brian Corby | **7,420** | **26,558** | **3,520** | | **3,520** | | **143,000** | | **143,000** | |
| Sir Ronald Dearing | **2,500** | **2,500** | | | | | | | | |
| J A Freeman | **6,534** | **13,303** | **11,699** | **2,403** | **6,670** | **7,432** | **272,000** | **157,000** | | **429,000** |
| Sir Victor Garland | **2,500** | **2,500** | | | | | | | | |
| Sir Trevor Holdsworth | **5,261** | **5,518** | | | | | | | | |
| Lord Hunt of Tanworth | **13,250** | **13,250** | | | | | | | | |
| Sir Alex Jarratt | **12,000** | **12,000** | | | | | | | | |
| H R Jenkins | **2,500** | **2,544** | | | | | | **491,100** | | **491,100** |
| M J Lawrence | **2,500** | **2,500** | **4,830** | | | **4,830** | **445,100** | **45,000** | | **490,100** |
| J Lock | **2,500** | **2,500** | **13,015** | **5,769** | | **18,784** | **303,700** | **115,000** | | **418,700** |
| B Medhurst | **24,780** | **22,170** | **11,640** | **2,403** | **6,670** | **7,373** | **269,900** | **150,000** | | **419,900** |
| P E Moody | **12,000** | **12,000** | | | | | | | | |
| J A S Neave | **1,404,695** | **1,392,695** | | | | | | | | |
| M G Newmarch | **3,183** | **3,337** | **13,015** | **4,807** | | **17,822** | **367,600** | **270,000** | | **637,600** |
| J E Ramsden | **14,400** | **14,400** | | | | | | | | |
| C G Southgate | **25,000** | **25,184** | | | | | | | | |

Except as stated above none of the directors had any interest in shares in, or debentures of, any Group company either at the beginning of the year or at the end of the year, or were granted or exercised any right to subscribe for shares in, or debentures of, any Group company during the year.

All interests disclosed above are beneficial interests except for 1,048 shares held by Mr Medhurst at 31 December 1990. With the exception of the interests of Mr Lock, who exercised an option to acquire 6,670 shares under the Prudential Savings-Related Share Option Scheme and who subsequently sold 3,500 shares, and Mr Newmarch, who also exercised an option to acquire 6,670 shares under the Prudential Savings-Related Share Option Scheme, there have been no changes in directors' interests between 31 December 1990 and 5 April 1991.

# REPORT OF THE AUDITORS

to the members of Prudential Corporation plc

We have audited the accounts on pages 33 to 47 in accordance with Auditing Standards.

In our opinion, the balance sheet of the Company gives a true and fair view of the state of the Company's affairs at 31 December 1990 and has been properly prepared in accordance with the Companies Act 1985, and the consolidated accounts have been properly prepared in accordance with the provisions of the Companies Act 1985 applicable to insurance companies.

Coopers & Lybrand Deloitte
Chartered Accountants

London

19 April 1991

# FIVE YEAR REVIEW

| | 1990 £m | 1989 £m | 1988 £m | 1987 £m | 1986 £m |
|---|---|---|---|---|---|
| **SUMMARY OF RESULTS** | | | | | |
| Profit/(loss) before tax from | | | | | |
| Long-term business | **367.1** | 358.9 | 200.4 | 153.9 | 145.5 |
| General insurance | **(185.0)** | (8.6) | 87.4 | 41.0 | 18.3 |
| Estate agency | **(33.7)** | (48.9) | 17.2 | 4.5 | (2.1) |
| Shareholders' other income | **95.4** | 84.1 | 47.6 | 60.6 | 89.2 |
| Profit on ordinary activities before tax | **243.8** | 385.5 | 352.6 | 260.0 | 250.9 |
| Tax | **(132.5)** | (110.2) | (107.9) | (67.7) | (71.3) |
| Minority interests | **(0.1)** | (0.4) | (0.2) | (0.2) | (1.1) |
| Profit on ordinary activities after tax | **111.2** | 274.9 | 244.5 | 192.1 | 178.5 |
| Extraordinary items | **32.8** | – | – | – | – |
| Profit attributable to shareholders after extraordinary items | **144.0** | 274.9 | 244.5 | 192.1 | 178.5 |
| Transfer from/(to) revaluation reserve | **5.9** | (28.5) | (13.0) | (17.6) | (44.4) |
| Dividends | **(191.8)** | (170.0) | (147.5) | (124.4) | (105.2) |
| Transfer (from)/to retained profit | **(41.9)** | 76.4 | 84.0 | 50.1 | 28.9 |
| **SHARE STATISTICS** | | | | | |
| Earnings per share | **6.0p** | 14.9p | 13.3p | 10.6p | 10.5p |
| Dividend per share | **10.3p** | 9.2p | 8.0p | 6.8p | 5.8p |
| Market price at 31 December | **196.0p** | 236.5p | 152.5p | 164.2p | 141.6p |
| **INVESTMENTS AT MARKET VALUE** | | | | | |
| Long-term business | **32,339.2** | 35,042.1 | 27,350.0 | 23,528.2 | 22,741.1 |
| General insurance and shareholders | **1,939.0** | 2,264.7 | 2,059.1 | 1,952.5 | 1,974.7 |
| Total investments | **34,278.2** | 37,306.8 | 29,409.1 | 25,480.7 | 24,715.8 |
| **FUNDS AND RESERVES** | | | | | |
| Long-term business funds and reserves | **32,486.7** | 34,823.2 | 27,087.4 | 23,032.2 | 22,476.4 |
| General insurance fund | **988.0** | 1,034.0 | 874.9 | 825.6 | 823.8 |
| Shareholders' capital and reserves | **503.0** | 813.6 | 608.3 | 506.3 | 581.3 |

Where necessary, earnings per share, dividend per share and share price take account of the sub-division of the shares effected on 25 May 1988.

| | 1990 £m | 1989 £m | 1988 £m | 1987 £m | 1986 £m |
|---|---|---|---|---|---|
| **LONG-TERM BUSINESS** | | | | | |
| ORDINARY LONG-TERM BUSINESS | | | | | |
| New business: annual premiums | **598.2** | 567.4 | 431.7 | 294.5 | 253.7 |
| single premiums | **2,594.7** | 2,343.2 | 1,765.2 | 1,335.1 | 820.7 |
| Gross premium income | **4,874.2** | 4,381.0 | 3,385.7 | 2,672.6 | 2,049.8 |
| Transfer from investment and revaluation reserves | **627.4** | 888.6 | 497.4 | 452.2 | 339.0 |
| Commission and expenses | **865.8** | 827.1 | 661.2 | 497.8 | 377.8 |
| Investment income | **1,975.9** | 1,773.5 | 1,369.2 | 1,090.3 | 915.3 |
| Policyholders' bonuses | **1,105.4** | 1,035.8 | 778.5 | 669.4 | 656.5 |
| Shareholders' profit before tax | **291.2** | 283.7 | 160.3 | 119.4 | 110.9 |
| INDUSTRIAL LIFE BUSINESS | | | | | |
| New business: annual premiums | **64.8** | 65.4 | 66.0 | 81.9 | 78.3 |
| single premiums | **23.7** | 21.7 | 15.8 | 4.2 | 0.8 |
| Gross premium income | **405.7** | 410.2 | 411.6 | 392.7 | 373.4 |
| Transfer from investment and revaluation reserves | **337.5** | 640.0 | 217.0 | 227.0 | 198.0 |
| Commission and expenses | **215.3** | 205.8 | 176.1 | 166.4 | 158.4 |
| Investment income | **308.5** | 289.7 | 274.7 | 255.9 | 264.6 |
| Policyholders' bonuses | **468.8** | 463.6 | 341.8 | 323.2 | 320.9 |
| Shareholders' profit before tax | **75.9** | 75.2 | 40.1 | 34.5 | 34.6 |
| **GENERAL INSURANCE** | | | | | |
| Gross premiums written | **1,155.0** | 1,155.0 | 995.6 | 969.2 | 967.3 |
| Underwriting result | **(317.7)** | (150.3) | (27.6) | (72.8) | (99.9) |
| Investment income | **121.7** | 118.4 | 96.3 | 92.1 | 86.1 |
| Averaged investment gains | **11.0** | 23.3 | 18.7 | 21.7 | 32.1 |
| (Loss)/profit before tax | **(185.0)** | (8.6) | 87.4 | 41.0 | 18.3 |
| **SHAREHOLDERS' OTHER INCOME** | | | | | |
| Investment income | **83.8** | 76.7 | 56.3 | 62.3 | 61.5 |
| Averaged investment gains of insurance companies | **28.1** | 52.6 | 33.2 | 32.3 | 40.7 |
| Current year realised investment gains of non-insurance companies | **36.1** | 5.8 | 6.2 | 7.7 | 3.3 |
| Corporate expenditure | **(25.8)** | (24.7) | (12.6) | (16.9) | (9.9) |
| Interest on borrowings | **(32.3)** | (44.0) | (39.6) | (37.3) | (12.4) |
| Trading results from | | | | | |
| Investment management | **6.7** | 16.0 | 8.0 | 6.4 | 1.4 |
| Unit trusts and personal equity plans | **(1.2)** | 1.7 | (3.9) | 6.1 | 4.6 |
| Total income before tax | **95.4** | 84.1 | 47.6 | 60.6 | 89.2 |

| LONG-TERM BUSINESS | New business: Annual premiums 1990 £m | Annual premiums 1989 £m | Single premiums 1990 £m | Single premiums 1989 £m | Gross premium income 1990 £m | Gross premium income 1989 £m | Profit before tax 1990 £m | Profit before tax 1989 £m |
|---|---|---|---|---|---|---|---|---|
| ANALYSIS BY TERRITORY | | | | | | | | |
| United Kingdom | | | | | | | | |
| Individual business | | | | | | | | |
| Pensions | **134.0** | 138.8 | **405.4** | 270.2 | **855.2** | 619.8 | **56.1** | 48.2 |
| Endowment/Annuity | **162.0** | 137.1 | **39.9** | 27.5 | **883.1** | 826.4 | **167.8** | 168.9 |
| Linked | **11.2** | 11.7 | **91.2** | 88.1 | **156.7** | 160.3 | **0.3** | 4.6 |
| Corporate pensions | **32.0** | 38.2 | **389.3** | 390.0 | **506.5** | 492.6 | **19.3** | 19.1 |
| Total United Kingdom | **339.2** | 325.8 | **925.8** | 775.8 | **2,401.5** | 2,099.1 | **243.5** | 240.8 |
| Australia | **45.1** | 55.4 | **197.0** | 200.3 | **372.7** | 372.9 | **15.1** | 15.3 |
| Canada | **16.0** | 17.9 | **182.3** | 190.8 | **296.4** | 319.5 | **6.6** | 8.3 |
| Republic of Ireland | **8.1** | 8.2 | **30.4** | 68.5 | **61.7** | 95.2 | **4.0** | 4.9 |
| USA | **86.1** | 83.9 | **1,170.3** | 1,028.5 | **1,473.5** | 1,310.7 | **27.2** | 32.9 |
| Other countries | **30.3** | 30.4 | **51.9** | 52.6 | **160.2** | 170.2 | **4.5** | 5.7 |
| Total International | **185.6** | 195.8 | **1,631.9** | 1,540.7 | **2,364.5** | 2,268.5 | **57.4** | 67.1 |
| Mercantile and General Reinsurance | **138.2** | 111.2 | **60.7** | 48.4 | **513.9** | 423.6 | **66.2** | 51.0 |
| Group Total | **663.0** | 632.8 | **2,618.4** | 2,364.9 | **5,279.9** | 4,791.2 | **367.1** | 358.9 |
| ANALYSIS BY TYPE OF BUSINESS | | | | | | | | |
| Pensions | **172.0** | 182.5 | **802.0** | 663.1 | **1,393.6** | 1,145.6 | **75.4** | 67.3 |
| Endowment/Annuity | **387.4** | 346.8 | **1,608.2** | 1,487.0 | **3,317.9** | 3,105.7 | **274.1** | 272.0 |
| Linked | **20.8** | 23.9 | **206.7** | 214.5 | **315.7** | 328.5 | **4.7** | 10.2 |
| Permanent health | **82.8** | 79.6 | **1.5** | 0.3 | **252.7** | 211.4 | **12.9** | 9.4 |
| Group Total | **663.0** | 632.8 | **2,618.4** | 2,364.9 | **5,279.9** | 4,791.2 | **367.1** | 358.9 |

Total net premium income amounted to £5,189.9m (£4,721.2m).

Aust. Can. S.Af. US UK

North America UK & others

| GENERAL INSURANCE | Gross premiums written 1990 £m | Gross premiums written 1989 £m | Underwriting result 1990 £m | Underwriting result 1989 £m | Investment return 1990 £m | Investment return 1989 £m | (Loss) profit before tax 1990 £m | (Loss) profit before tax 1989 £m |
|---|---|---|---|---|---|---|---|---|
| United Kingdom | | | | | | | | |
| Home Service | | | | | | | | |
| Domestic property | **194.3** | 174.1 | **(66.8)** | 5.3 | **9.2** | 11.5 | **(57.6)** | 16.8 |
| Motor | **71.6** | 70.3 | **(12.7)** | (8.7) | **8.4** | 8.1 | **(4.3)** | (0.6) |
| | **265.9** | 244.4 | **(79.5)** | (3.4) | **17.6** | 19.6 | **(61.9)** | 16.2 |
| Commercial and broker | | | | | | | | |
| Personal lines | **43.5** | 44.0 | **(18.8)** | (0.3) | **4.0** | 3.7 | **(14.8)** | 3.4 |
| Commercial lines | **227.6** | 201.9 | **(59.1)** | (14.7) | **26.8** | 19.9 | **(32.3)** | 5.2 |
| | **271.1** | 245.9 | **(77.9)** | (15.0) | **30.8** | 23.6 | **(47.1)** | 8.6 |
| Total United Kingdom | **537.0** | 490.3 | **(157.4)** | (18.4) | **48.4** | 43.2 | **(109.0)** | 24.8 |
| Belgium | **55.0** | 68.6 | **(15.3)** | (12.4) | **6.0** | 9.0 | **(9.3)** | (3.4) |
| Canada | **140.2** | 159.4 | **(9.1)** | (15.0) | **12.3** | 14.6 | **3.2** | (0.4) |
| London market and other countries | **56.0** | 62.3 | **(15.4)** | (8.0) | **10.3** | 9.8 | **(5.1)** | 1.8 |
| Marine and aviation | **62.5** | 55.1 | **(10.5)** | (8.5) | **5.9** | 5.8 | **(4.6)** | (2.7) |
| Total International | **313.7** | 345.4 | **(50.3)** | (43.9) | **34.5** | 39.2 | **(15.8)** | (4.7) |
| Mercantile and General Reinsurance | | | | | | | | |
| Parent company UK | | | | | | | | |
| Fire and accident proportional | **97.2** | 102.9 | **(31.6)** | (4.7) | **9.1** | 15.1 | **(22.5)** | 10.4 |
| Fire and accident non-proportional | **49.3** | 47.3 | **(39.1)** | (20.4) | **18.7** | 22.8 | **(20.4)** | 2.4 |
| Marine and aviation | **32.9** | 41.5 | **(29.1)** | (55.1) | **7.1** | 6.0 | **(22.0)** | (49.1) |
| Overseas subsidiary undertakings | **124.9** | 127.6 | **(10.2)** | (7.8) | **14.9** | 15.4 | **4.7** | 7.6 |
| Total Mercantile and General Reinsurance | **304.3** | 319.3 | **(110.0)** | (88.0) | **49.8** | 59.3 | **(60.2)** | (28.7) |
| Group Total | **1,155.0** | 1,155.0 | **(317.7)** | (150.3) | **132.7** | 141.7 | **(185.0)** | (8.6) |

Total net premiums written amounted to £1,025.5m (£1,037.1m).

Property
CAO
MAT
Inwards Reins

## INVESTMENT MANAGEMENT

| | Long-term business | | General insurance and shareholders | | Other funds under management | | Total | |
|---|---|---|---|---|---|---|---|---|
| | 1990 £m | 1989 £m | 1990 £m | 1989 £m | 1990 £m | 1989 £m | 1990 £m | 1989 £m |
| **MARKET VALUES OF FUNDS UNDER MANAGEMENT** | | | | | | | | |
| Ordinary shares | **13,514.0** | 15,414.0 | **536.5** | 781.6 | **7,020.3** | 7,988.7 | **21,070.8** | 24,184.3 |
| Properties | **5,132.8** | 5,982.3 | **37.0** | 40.3 | **279.7** | 200.7 | **5,449.5** | 6,223.3 |
| British Government securities | **2,138.7** | 2,144.9 | **93.6** | 200.3 | **762.0** | 401.7 | **2,994.3** | 2,746.9 |
| Other fixed income securities | **8,915.2** | 8,376.7 | **812.2** | 929.0 | **239.2** | 277.3 | **9,966.6** | 9,583.0 |
| Mortgages and loans | **1,212.8** | 1,604.5 | **57.3** | 71.9 | **3.9** | 6.7 | **1,274.0** | 1,683.1 |
| Short-term deposits | **1,425.7** | 1,519.7 | **402.4** | 241.6 | **687.0** | 906.2 | **2,515.1** | 2,667.5 |
| | **32,339.2** | 35,042.1 | **1,939.0** | 2,264.7 | **8,992.1** | 9,781.3 | **43,270.3** | 47,088.1 |
| **NET INVESTMENT IN YEAR—FUNDS ARISING IN THE UK** | | | | | | | | |
| Ordinary shares | **671.0** | 405.6 | **(25.2)** | (27.0) | **(94.3)** | 1,253.7 | **551.6** | 1,632.3 |
| Properties | **(152.3)** | (142.5) | **(3.3)** | (6.5) | **—** | 3.7 | **(155.6)** | (145.3) |
| British Government securities | **38.6** | (522.8) | **(92.7)** | 1.0 | **35.5** | (385.4) | **(28.4)** | (907.2) |
| Other fixed income securities | **350.9** | 628.4 | **73.2** | 5.2 | **(1.7)** | 12.3 | **441.8** | 645.9 |
| Short-term deposits | **(92.2)** | 304.4 | **87.3** | (132.0) | **24.3** | 246.8 | **149.8** | 419.2 |
| | **816.0** | 673.1 | **39.3** | (159.3) | **(36.2)** | 1,131.1 | **959.2** | 1,644.9 |
| **NET INVESTMENT IN YEAR—FUNDS ARISING OVERSEAS** | | | | | | | | |
| Ordinary shares | **199.9** | 98.7 | **(70.4)** | (0.2) | **1.2** | 23.4 | **130.7** | 121.9 |
| Properties | **35.6** | 43.8 | **(9.3)** | (0.8) | **—** | — | **26.3** | 43.0 |
| Fixed income securities | **1,555.1** | 1,413.2 | **31.6** | 120.2 | **0.7** | 2.9 | **1,587.4** | 1,536.3 |
| Short-term deposits | **65.8** | 186.2 | **(24.6)** | (28.1) | **(0.2)** | (1.4) | **41.0** | 156.7 |
| | **1,856.4** | 1,741.9 | **(72.7)** | 91.1 | **1.7** | 24.9 | **1,785.4** | 1,857.9 |

| INVESTMENT MANAGEMENT | 1990 £m | 1989 £m |
|---|---|---|
| Net new monies | | |
| Segregated pension funds | **54.5** | 1,286.2 |
| Unit trusts and personal equity plans | **(32.7)** | (4.6) |
| Other funds | **3.6** | 28.7 |
| | **25.4** | 1,310.3 |

## UNIT TRUSTS AND PERSONAL EQUITY PLANS

| | 1990 £m | 1989 £m |
|---|---|---|
| Sales by field staff | **34.9** | 69.7 |
| Other sales | **174.3** | 194.5 |
| Total sales | **209.2** | 264.2 |
| Repurchases | **(241.9)** | (268.8) |
| Net repurchases | **(32.7)** | (4.6) |

# GROUP MANAGEMENT

## GROUP EXECUTIVE

### EXECUTIVE DIRECTORS

MICHAEL NEWMARCH
*Group Chief Executive*

ANTHONY FREEMAN FCA FCMA
*Managing Director, Home Service Division*

HUGH JENKINS FRICS FPMI
*Chief Executive, Prudential Portfolio Managers*

MICHAEL LAWRENCE FCA
*Group Finance Director*

JOHN LOCK FCII
*Managing Director, Mercantile and General Reinsurance*

BRIAN MEDHURST FIA
*Managing Director, International Division*

## GROUP SERVICES

MICHAEL LAWRENCE FCA
*Group Finance Director*

MICHAEL COLE
*Group Taxation Manager*

JAMES JACK CA
*Controller, Group Accounting*

GEOFFREY LEVY FCA
*Controller, Group Financial Review*

DAVID J WESTBY ACIB FCT
*Group Treasurer*

MALCOLM RIVERS FCA
*Group Chief Internal Auditor*

HUGH JARVIS FIA
*Group Chief Actuary*

PETER NOWELL FIA
*Group Chief Actuary, Designate*

DAVID LINNELL FIA FPMI
*Group Actuary and Compliance Officer*

ALAN BRAKEFIELD Solicitor LLB
*Group Legal Advisor*

DON SIRKETT
*General Manager, Group Strategic Planning*

GEOFFREY KEEYS FIPM
*Director of Personnel and Business Services*

ANDREW JONES MIPM
*Group Personnel Policy Manager*

NICHOLAS ALLISTON
*Director of Prudential Business Services*

ANDREW PINDER
*Director of Management Services*

JEREMY WYATT
*Director of Corporate Communications*

PETER RAWSON FCCA
*Group Secretary*

## HOME SERVICE DIVISION

MICHAEL NEWMARCH
*Chairman*

ANTHONY FREEMAN FCA FCMA
*Managing Director*

DEREK AUSTEN FCA
*Finance Director*

COLIN BLYTHE FCCA
*Business Processing Director*

ANDREW PINDER
*Systems Director*

RAOUL PINNELL Dip M
*Marketing Director*

JOHN SAVAGE FIA FPMI
*Director and Actuary*

TERRY SHRIMPTON
*Director and General Manager, Field Operations*

BILL THURSTON
*Personnel Director*

## PRUDENTIAL MORTGAGE COMPANY

DEREK AUSTEN FCA
*Chairman*

WILLIAM MILLS FCCA
*Director and General Manager*

RICHARD FIELD
*Development Director*

## GENERAL INSURANCE DIVISION

ANTHONY FREEMAN FCA FCMA
*Chairman*

JOHN POWELL ACIB
*Managing Director*

GORDON HART FCII
*Business Operations Director*

ANDREW PYE FCII
*Marketing Director*

PHILLIP SMITH FCMA
*Finance Director*

DAVID WEST FBCS
*Information Systems Director*

## PRUDENTIAL FINANCIAL SERVICES

MICHAEL NEWMARCH
*Chairman*

KEITH BEDELL-PEARCE
*Chief Executive*

TREVOR PULLEN
*Operations Director*

*Prudential Holborn*

ALAN WREN
*Managing Director*

STEVE BESENT
*Information Technology Director*

JOHN BROWNE D.Phil. (Oxon)
*Business Planning Director*

DAVE CHEESEMAN FIA
*Chief Actuary*

JUSTIN HARRINGTON FCA
*Finance Director*

TONY KEMPSTER MBA FCII ACIS
*Sales and Marketing Director*

STEPHEN KING
*Personnel Director*

*Prudential Corporate Pensions*

BOB BRIDGES FCII APMI
*Sales Director*

RICHARD GAWTHORNE FCA
*Finance Director*

DAVID GREY FBCS
*Management Services Director*

ROGER HUNT ACII FPMI
*Marketing Director*

KIM LERCHE-THOMSEN FIA
*Money Purchase and Annuities Director*

MIKE SHELLEY FIA
*Chief Actuary*

## PRUDENTIAL PORTFOLIO MANAGERS

MICHAEL NEWMARCH
*Chairman*

HUGH JENKINS FRICS FPMI
*Chief Executive*

LORRAINE BALDRY
*Business Management Director*

RICHARD BREWSTER ACA ATII
*Finance Director*

PAUL BROOKS
*Managing Director, Venture Managers*

CHRISTOPHER CHEETHAM
*Investment Strategy Director*

MICHAEL DENHAM
*Fixed Interest Director*

RODNEY DENNIS
*Equities Director*

CHRISTOPHER EDWARDS FRICS
*Property Portfolio Management Director*

JULIAN GELL
*Personnel Director*

DAVID HANSON FIA
*Administration Director*

HUW JONES
*Corporate Finance Director*

RONNIE SAVAGE
*Information Technology Systems Director*

RUSS SWANSEN
*Executive Vice President (PPM America Inc)*

## JACKSON NATIONAL LIFE

MICHAEL NEWMARCH
*Chairman*

DAVID PASANT
*President and Chief Executive Officer*

JAMES SUTCLIFFE FIA
*Chief Operating Officer*

JOHN KNUTSON
*Finance Director*

## MERCANTILE AND GENERAL REINSURANCE

MICHAEL NEWMARCH
*Chairman*

JOHN LOCK FCII
*Managing Director*

MICHAEL LAWRENCE FCA
*Director*

JOHN AUSTIN
*General Manager*

MICHAEL HARVEY FCA
*General Manager*

ROGER SANSOM FIA
*General Manager*

MICHAEL BROWN FIA ASA
*Chief Actuary and General Manager*

STEPHEN FRANCE FAII
*Managing Director, Australia*

ANTHONY HART FFA AIA ASA
*Managing Director, South Africa*

PAUL HAWKSWORTH
*President, USA Non-Life*

PETER PATTERSON FSA FCIA
*President and Chief Executive Officer, USA Life; Canada Life and Non-Life*

ROBERT HOWE FIA
*Actuary*

## INTERNATIONAL DIVISION

BRIAN MEDHURST FIA
*Managing Director*

ROBIN BARRACLOUGH FCII
*Property and Casualty Director*

GRAHAM CLAY FIA
*Director and Actuary*

ADRIAN DALY FIA
*Regional Director Europe*

ROBERT HEAD ACA ACII
*Finance Director*

### Australia

*The Prudential Assurance Company Limited*

BARRIE MARTIN AAII
*Managing Director*

PIETER FRANZEN AAII FSIA
*General Manager*

### Canada

*The Prudential Assurance Company Limited*

JOHN ROWEN FIIC
*President, Property and Casualty Operations*

MICHAEL BECK FSA FCIA
*President, Life Health and Pensions Operations*

### Holland

*Prudential Leven NV*

JAN TH H de BEER
*Directeur*

### Hong Kong

*The Prudential Assurance Company Limited*

MARK TUCKER ACA
*General Manager*

### Italy

*Prudential Vita SpA*

GIOVANNI BOSSI
*Direttore Generale*

### New Zealand

*The Prudential Assurance Company New Zealand Limited*

BARRIE MARTIN AAII
*Managing Director*

DAVID EVANS
*General Manager*

### Republic of Ireland

*Prudential Life of Ireland Limited*

FRANK MacHUGH
*Managing Director*

WILLIAM HANNAN FIA
*Finance Director and Actuary*

### Singapore

*The Prudential Assurance Company Singapore Pte Limited*

TREVOR PERRY
*Managing Director*

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