

The Prudential Assurance Company

LIMITED

(INCORPORATED IN ENGLAND.)

EIGHTY-NINTH ANNUAL REPORT

Year ending 31st December, 1937.



Directors :

SIR EDGAR HORNE, BART., *Chairman*

SIR GEORGE LEWIS BARSTOW, K.C.B.,
GUY PHILIP HARBEN, O.B.E., } *Deputy-Chairmen*

ARTHUR RHYS BARRAND, F.I.A.

JOHN ROY LANCASTER

SIR NIGEL GEORGE DAVIDSON, C.B.E.

HERBERT HARVEY MOSELEY,
B.C.L.

ERNEST DEWEY

LT.-COL. PERCY LESTER REID,
O.B.E.

SIR LAURENCE NUNNS GUILLEMARD,
G.C.M.G., K.C.B.

SIR GEORGE STUART

MAJOR WILLIAM GUY HORNE

ROBERTSON, K.C.

Joint Secretaries :

P. C. CRUMP, O.B.E., F.I.A. E. H. LEVER, F.I.A.

Assistant Secretaries :

G. GOODMAN, F.I.A. C. W. A. RAY, A.L.A.A.

Joint Actuaries :

C. C. H. DRAKE, F.I.A. C. S. KELHAM, F.I.A.

Assistant Actuaries :

W. J. FULFORD, F.I.A. W. E. HUSTWITT, F.I.A.

Assistant Managers :

F. H. GARRAWAY, O.B.E., M.C.

F. W. MORGAN, M.C.

H. S. LANE, M.C.

H. H. REDMAN

F. D. McMILLAN

A. H. WINDSOR, C.M.G.

Deputy General Managers :

E. J. W. BORRAJO, M.B.E., A.I.A.

E. F. SPURGEON, F.I.A.

General Manager :

SIR JOSEPH BURN, K.B.E., F.I.A.



Chief Office : HOLBORN BARS, LONDON, E.C. 1.

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OFFICES IN THE UNITED KINGDOM

Chief Office : **HOLBORN BARS, LONDON, E.C. 1.**

City Office :—Lloyd's Building, Leadenhall Street, E.C. 3.

332-336, Holloway Road, N.7.
178, Finchley Road, N.W.3.
271 & 273, Whitechapel Road, E.1.
Central Park Rd., East Ham, E.6.
415, High Street, Stratford, E.15.
189, Hoe St., Walthamstow, E.17.
High Street, Lewisham, S.E.13.

30, Green's End, Woolwich, S.E.18.
362-6, North End Road, Fulham, S.W.6.
12 & 13, South Side, Clapham Common, S.W.4.
4 & 5, Station Parade, Balham, S.W.12.
25 & 27, Oxford Street, W.1.
28, New Broadway, Ealing, W.5.
46, High Road, Chiswick, W.4.
101, Ladbroke Grove, W.11.

Aberdeen	Cardiff	Greenock	Margate	Southampton
Abertillery	Carlisle	Grimsby	Merthyr Tydfil	Southend-on-Sea
Accrington	Chatham	Guildford	Middlesbrough	Southport
Altrincham	Chelmsford	Hallifax	Motherwell	South Shields
Ammanford	Cheltenham	Hamilton	Neath	Stafford
Arbroath	Chester	Hanley	Nelson	Stirling
Ashton-under-Lyne	Chesterfield	Harrogate	Newbury	Stockport
Ayr	Coatbridge	Hastings	Newcastle-on-Tyne	Stockton-on-Tees
Banbury	Colchester	Haverfordwest	Newport, Mon.	Stoke-on-Trent
Barnsley	Colwyn Bay	Hawick	Newton Abbot	Sunderland
Barnstaple	Consett	Hereford	Northampton	Sutton
Barrow	Coventry	Hertford	North Shields	Swansea
Bath	Crewe	Hertford	North Shields	Swindon
Bathgate	Croydon	High Wycombe	Norwich	Tamworth
Batley	Darlington	Huddersfield	Nottingham	Taunton
Bedford	Derby	Hull	Oldham	Tonbridge
Belfast	Dewsbury	Inverness	Oswestry	Ton Pentre, Glam.
Birkenhead	Doncaster	Ipswich	Oxford	Torquay
Birmingham	Doncaster	Keighley	Paisley	Truro
Bishop Auckland	Douglas (I. of M.)	Kendal	Perth	Tunbridge Wells
Blackburn	Dover	Kettering	Peterborough	Wakefield
Blackpool	Dumbarton	Kilmarnock	Plymouth	Wallasey
Blaydon-on-Tyne	Dumfries	Kirkcaldy	Pontypridd	Walsall
Blyth	Dundee	Lancaster	Portsmouth	Warrington
Bolton	Dunfermline	Lancaster	Preston	Watford
Boston	Durham	Leeds	Pudsey	Wednesbury
Bournemouth	Eastbourne	Leicester	Reading	West Bromwich
Bradford	Edinburgh	Leigh, Lancs.	Redhill	West Hartlepool
Brighouse	Ely	Lewes	Rochdale	Weston-super-Mare
Brighton	Enfield	Lichfield	Rotherham	Weymouth
Bristol	Exeter	Lincoln	Rugby	Wigan
Bristol North	Falkirk	Liverpool	Ryde	Winchester
Bromley, Kent	Folkestone	Llanelli	St. Helens	Wolverhampton
Burnley	Gareton	Long Eaton	Salisbury	Worcester
Bury	Gateshead	Loughborough	Scarborough	Workington
Bury St. Edmunds	Glasgow	Lowestoft	Seaham Harbour	Worsop
Caernarvon	Gloucester	Luton	Selby	Worthing
Caerphilly	Gorton	Macclesfield	Sheffield	Wrexham
Cambridge	Gravesend	Maidstone	Shipley	York
Canterbury	Grays	Manchester	Shrewsbury	
	Great Yarmouth	Mansfield	Sittingbourne	

HEAD OFFICES OVERSEAS :

AUSTRALIA AND NEW ZEALAND : Herald Building, 66, Pitt Street, Sydney, N.S.W.

CANADA : Lewis Building, 465, St. John Street, Montreal.

INDIA, BURMA AND CEYLON : Clive Buildings, Calcutta.

MALAYA : 16, 17 & 18, Mercantile Bank Building, Singapore.

NEAR EAST : 14, Sharia Soliman Pasha, Cairo.

SOUTH AFRICA, EAST AFRICA, NORTHERN AND SOUTHERN RHODESIA :

Prudential Assurance Building, 90 & 92, Fox Street, Johannesburg.

In addition the Company has Branch Offices or Agencies in the following countries and states :—

Argentina	Finland	Nyasaland
Australia	France	Palestine
Belgium	Germany	Philippine Islands
Brazil	Greece	Poland
Burma	Holland	Portugal
Canada	India	Siam
Ceylon	Japan	South Africa
China	Kenya	Southern Rhodesia
Colombia	Malaya	Sudan
Cuba	Malta	Sweden
Cyprus	Newfoundland	Tanganyika
Denmark	New Zealand	Trinidad
Dutch East Indies	Northern Rhodesia	Uganda
Egypt	Norway	U.S.A.
Eire		

THE
PRUDENTIAL ASSURANCE COMPANY
LIMITED

EIGHTY-NINTH ANNUAL REPORT

Year ending 31st December, 1937.

THE DIRECTORS have the honour to submit their Report and Accounts for 1937.

The Assets of the Company amount to £330,415,840 as compared with £315,923,771 at 31st December, 1936.

The Income from all sources during 1937 was £54,635,180 as compared with £52,889,774 in 1936.

ORDINARY BRANCH.

The number of life assurance policies issued during the year was 99,337, assuring the sum of £32,457,832, and producing an annual premium income of £1,421,272.

The number of life assurance policies in force on 31st December, 1937, was 1,034,049, assuring with bonus £265,723,573 and producing an annual premium income of £12,665,997.

The immediate annuities payable were 12,519 in number, and amounted to £936,970 per annum. In addition there were 62,100 deferred and contingent annuities, securing £1,295,121 per annum and producing an annual premium income of £589,275.

The total amount received for premiums and consideration for annuities granted was £14,603,131. The total claims for the year amounted to £11,907,356. There were 10,626 death claims for sums assured, including bonuses, of £2,857,944 and 47,128 matured endowment assurances for sums assured, including bonuses, of £9,049,412.

The surplus is £3,672,278, including the sum of £596,428 brought forward from last year, and has been allocated as follows:—

	£
To bonus to participating policyholders	2,729,683
To dividend to holders of A shares	288,198
To Special contingency fund	15,100
To be carried forward	639,297

The Directors have declared that, as regards each participating policy issued out of the Ordinary branch which was in force on 31st December, 1937 (including participating policies issued by Overseas branches), there shall, as at 31st December, 1937 (or at a later date if the policy so provides), be added to the original participating sum assured (or otherwise applied as provided in the policy) a reversionary bonus of

- (1) £2 6s. per cent. if a Whole Life Assurance.
- (2) £2 0s. per cent. if an Endowment Assurance.

INDUSTRIAL BRANCH.

The number of policies issued during the year was 2,444,651 assuring a sum of £66,191,627.

The number of policies becoming free policies during the year was 435,770. The number of free policies which became claims was 395,691.

The total number of policies in force at the end of the year including 4,590,715 free policies was 27,938,867, under which the maximum sum assured together with declared bonus was £580,316,823, producing an annual premium income of £23,118,759. The average duration of the whole life premium paying policies in force exceeds 18 years.

The premiums received during the year were £22,296,696, being an increase of £840,666 over those for 1936. The sum of £13,893,779 under 1,338,376 policies was paid during the year on claims by death or maturity or in respect of surrenders. The number of endowment assurance policies which matured was 115,705.

The surplus is £6,584,448, including the sum of £588,864 brought forward from last year, and has been allocated as follows:—

	£
To bonus to participating policyholders	4,044,192
To dividend to holders of A shares	894,094
To bonus to members of outdoor staff	706,629
To Special contingency fund	297,000
To be carried forward	642,533

Since the initiation of the profit sharing scheme, the total cash amount which has been allotted for provision of bonuses to the Industrial branch policyholders is £51,397,927.

The important changes in the organization of the work of the Industrial branch (at Chief Office, the District Offices, and among the Superintendency and Agency Staff) have resulted in a continuous decrease in the rate of expense in this branch. In 1920 the expense ratio was 40.5 per cent. of the premiums received. Since then the ratio has fallen each year and in 1937 was reduced to 22.7 per cent.

The Directors have declared that in respect of all participating policies (except those in the State of Eire) issued by the Prudential out of the Industrial branch on which premiums were being paid on 31st December, 1937, there shall be added to the original sum assured a reversionary bonus at the following rate:—

£1 12s. per cent.

- (1) in respect of policies issued before 1937.
- (2) in respect of policies issued in 1937 on completion of payment of one year's premiums.

The Directors have declared that in respect of all participating policies in the State of Eire issued by the Prudential out of the Industrial branch on and after 1st January, 1923, on which premiums were being paid on 31st December, 1937, there shall be added to the original sum assured a reversionary bonus at the following rate:—

£1 per cent.

- (1) in respect of policies issued before 1937.
- (2) in respect of policies issued in 1937 on completion of payment of one year's premiums.

In the case of policies in the State of Eire issued by the Prudential out of the Industrial branch before 1st January, 1923, on which premiums are being paid on 10th March, 1938, and which are entitled to participate under the Bonus Distribution Scheme, becoming claims by death or maturity of endowment between 11th March, 1938, and 9th March, 1939, both dates inclusive, there shall be paid as part of the claim a bonus addition to the sum otherwise payable as follows:—

Premiums paid for	Amount of claim increased by
Less than 35 years	£ 22 15 0 per cent.
35 years and less than 40 years	25 0 0 " "
40 " " " 45 " " " "	30 0 0 " "
45 " " " " 50 " " " "	35 0 0 " "
50 " " " " 55 " " " "	40 0 0 " "
55 " " " " 60 " " " "	50 0 0 " "
60 " " " " 65 " " " "	60 0 0 " "
65 " " " " 70 " " " "	65 0 0 " "
70 " " " upwards	70 0 0 " "

In the case of Whole Life Assurance and Endowment Assurance policies issued by the British Widows' Assurance Company Limited out of its Industrial branch, on which premiums are being paid on 10th March, 1938, and which terminate on becoming claims by death or maturity of Endowment between 11th March, 1938, and 9th March, 1939, both dates inclusive, provided 5 years' premiums have been paid, there shall be paid as part of the claim a bonus addition to the sum otherwise payable as follows:—

Premiums paid for	Amount of claim increased by
5 years and less than 10 years	£ 5 0 0 per cent.
10 " " " " 15 " " " "	7 10 0 " "
15 " " " upwards	10 0 0 " "

This declaration, as was the case last year, adheres to the method of allotting bonuses adopted by the British Widows' Assurance Company Limited but still further enlarges the scope.

GENERAL BRANCH.

The premiums received during the year, after deduction of the reinsurances, were £2,638,268, being an increase of £32,795 over those for 1936. These figures do not include the fire insurance business written by the Company's American subsidiary, The Prudential Insurance Company of Great Britain, located in New York.

The capital sum insured under sinking fund policies is £9,613,291 as compared with £10,156,574 in 1936, *i.e.*, a decrease of £543,283.

The Company undertake duties as trustees in respect of issues of debentures and debenture stocks, and as trustees and executors of estates. The total amount of such debentures, debenture stocks and estates at the end of the year exceeded £85,000,000.

The surplus is £539,538, including the sum of £257,590 brought forward from last year, and has been allocated as follows:—

	£
To General branch Investment reserve fund	100,000
To General branch additional reserve fund	47,600
To Profit and loss account for income tax and National defence contribution	45,000
To dividends to holders of A shares and B shares	133,333
To be carried forward	213,605

The valuation of the contracts in all branches has been made by Mr. C. C. H. Drake, F.I.A., and Mr. C. S. Kelham, F.I.A., upon the bases stated in their valuation report. In the Industrial branch the valuation has been strengthened by a change of basis.

The Directors have declared in respect of the profits of the year 1937 a final dividend on the A shares at the rate of 14s. 5½d. per share. This dividend, together with the interim dividend of 5s. per share paid in September, 1937, makes a total of 19s. 5½d. per A share for the year. The shareholders' profits from the Ordinary and Industrial branches provide 18s. 11d. of this dividend (of which 5s. has already been paid) and the remaining 6½d. is from the General branch profits. The Directors have also declared a dividend on the B shares out of the General branch profits at the rate of 2s. 0d. per share. The dividends now declared on both the A and the B shares are payable free of income tax to the shareholders who are on the register on 10th March, 1938.

The Directors deplore the loss of their colleague, SIR JOHN HENRY LUSCOMBE, who died on 3rd April last. Sir John had been a Director for over 31 years.

The vacancy in the directorate has been filled by the appointment of SIR GEORGE STUART ROBERTSON, K.C., a qualified shareholder, who now offers himself for election.

The retiring Directors are Messrs. GUY PHILIP HARBEN, O.B.E., JOHN ROY LANCASTER, ERNEST DEWEY and HERBERT HARVEY MOSELEY, B.C.L., who offer themselves for re-election.

MAJOR AUBREY DU PLAT THOROLD COLE, who had been one of the Auditors of the Company since 1935, retired during the past year and the Directors appointed MAJOR LAWRENCE WILFRED BIRD, D.S.O., O.B.E., a qualified shareholder, to fill the vacancy.

MR. HENRY ROGERS GRAY and MAJOR LAWRENCE WILFRED BIRD offer themselves for re-appointment as Auditors.

Messrs. DELOITTE, PLENDER, GRIFFITHS & Co. have examined the securities, and their certificate is appended to the balance sheet.

EDGAR HORNE,
Chairman.

HOLBORN BARS,

24th February, 1938.

REVENUE ACCOUNTS OF THE GENERAL BRANCH—continued.

Miscellaneous Insurance Business.

		£	s.	d.			£	s.	d.
Amount of miscellaneous insurance fund at the beginning of the year :—					Claims under policies paid and outstanding ..		193,400	0	9
Reserve for unexpired risks	£148,220	0	0		Commission		75,236	17	3
Less adjustment in exchange	8,849	0	0		Expenses of management		91,887	3	10
					Transfer to Profit and loss account		28,498	19	2
				139,371	0	0			
Premiums				366,325	6	10			
Fees				19,323	19	5			
Interest and dividends ..	£12,797	5	8		Amount of miscellaneous insurance fund at the end of the year :—				
Less income tax	2,564	10	11		Reserve for unexpired risks, being 40 per cent. of the premium income for the year		146,730	0	0
				10,232	14	9			
				£535,753	1	0			
							£535,753	1	0

Sinking Fund Insurance Business.

		£	s.	d.			£	s.	d.
Amount of sinking fund insurance fund at the beginning of the year ..	£3,601,164	0	0		Claims under policies paid and outstanding ..		104,653	1	8
Less adjustment in exchange	20	0	0		Surrenders		14,347	18	0
				3,601,144	0	0			
Premiums				132,121	3	10			
Interest and dividends ..	£154,213	19	7		Commission		328	17	10
Less income tax	30,904	3	4		Expenses of management		2,135	14	8
				123,309	16	3			
				£3,856,575	0	1			
							£3,856,575	0	1

Marine Insurance Business.

		£	s.	d.			£	s.	d.
Amount of marine insurance fund at the beginning of the year ..				332,262	14	4			
Premiums, after deduction of reinsurances, commission, discounts, brokerages and returns	98,343	8	1		Claims under policies paid and outstanding ..		71,192	11	4
Interest and dividends ..	£14,460	10	4		Expenses of management		11,237	17	8
Less income tax	2,897	17	2		Income tax		3,939	10	0
				11,562	13	2			
				£442,168	15	7			
							£442,168	15	7

COMMON CONTINGENCY FUND ACCOUNT

for the Year ending 31st December, 1937.

		£	s.	d.			£	s.	d.
Amount of Common contingency fund at the beginning of the year ..				2,666,441	9	5			
Interest and dividends ..	£81,784	15	5		Amount of Common contingency fund at the end of the year ..		2,733,142	19	3
Less income tax	15,083	5	7						
				66,701	9	10			
				£2,733,142	19	3			
							£2,733,142	19	3

SPECIAL CONTINGENCY FUND ACCOUNT

for the Year ending 31st December, 1937.

		£	s.	d.			£	s.	d.
Amount of Special contingency fund at the beginning of the year ..				4,193,478	15	3			
Interest and dividends ..	£165,704	6	11		Amount of Special contingency fund at the end of the year ..		4,630,113	5	9
Less income tax	41,169	16	5						
				124,534	10	6			
Transfer from Ordinary branch Revenue account				15,100	0	0			
Transfer from Industrial branch Revenue account				297,000	0	0			
				£4,630,113	5	9			
							£4,630,113	5	9

SHARE PREMIUM ACCOUNT

for the Year ending 31st December, 1937.

	£	s.	d.		£	s.	d.
Balance of Premium brought forward at the beginning of the year	438,856	2	0	Expenses relating to extension of business abroad	76,999	19	10
Interest and dividends	17,534	15	11	Balance of Premium at the end of the year	372,847	10	3
Less income tax	6,743	7	10				
	10,791	8	1				
	<u>449,647</u>	<u>10</u>	<u>1</u>		<u>449,647</u>	<u>10</u>	<u>1</u>

PROFIT AND LOSS ACCOUNT

for the Year ending 31st December, 1937.

	£	s.	d.		£	s.	d.
Balance from last year's account:—				Final dividend to holders of A shares in respect of 1936	877,083	6	8
Ordinary branch	202,520	0	0	Dividend to holders of B shares in respect of 1936	100,000	0	0
Industrial branch	641,230	0	0	Interim dividend to holders of A shares in respect of 1937	312,500	0	0
General branch	390,922	10	2	Income tax (General branch)	30,000	0	0
Transfer from Ordinary branch Revenue account	288,198	0	0	National defence contribution (General branch)	15,000	0	0
Transfer from Industrial branch Revenue account	894,093	13	4	Transfer to General branch Revenue account:—			
Transfer from General branch Revenue accounts:—				Motor vehicle insurance	42,743	7	8
Fire insurance	98,332	16	7	Transfer to Investment reserve fund (General branch)	100,000	0	0
Sickness and accident insurance	45,726	12	10	Transfer to General branch additional reserve fund	47,600	0	0
Employers' liability insurance	4,000	3	9	Balances carried to:—			
Miscellaneous insurance	28,498	19	2	(a) Ordinary branch			
Sinking fund insurance	23,201	7	11	Balance sheet	212,022	6	4
Marine insurance	71,832	1	8	Industrial branch			
Interest of the General branch not carried to other accounts	66,407	19	1	Balance sheet	657,769	7	0
Less income tax	13,308	0	4		869,791	13	4
	53,099	18	9	being allocation of profits for 1937 to holders of A shares.			
				(b) General branch Balance sheet, being allocation of profits for 1937:—			
				to holders of A shares	33,333	6	8
				to holders of B shares	100,000	0	0
					133,333	6	8
				and amount carried forward	213,604	9	10
					346,937	16	6
				after transferring—			
				£312,100 0 0 to Special contingency fund,			
				allocating—			
				£706,628 17 9 to or on behalf of members of the Company's outdoor staff,			
				and reserving for bonus—			
				£2,729,683 0 0 to policyholders, Ordinary branch and			
				£4,044,192 6 6 to policyholders, Industrial branch.			
	<u>2,741,656</u>	<u>4</u>	<u>2</u>		<u>2,741,656</u>	<u>4</u>	<u>2</u>

STATEMENT OF DEPOSITS in respect of LIFE ASSURANCE outside the UNITED KINGDOM and the STATE OF EIRE on the 31st December, 1937.

AUSTRALIA	£50,000 Australia 3½% Registered Stock, 1954/59.	POLAND	£155,200 Poznan 7% Loan, 1928.
CANADA	£605,000 4% Funding Loan, 1960/90. \$175,000 Canada 3½% 15-year Bonds.		\$10,000 National Economic Bank of Poland 7% Gold Mortgage Bonds.
NEW ZEALAND	£50,000 New Zealand 4½% Inscribed Stock, 1948/58.		Zl. 120,000 Bank Gospodarstwa Krajowego 8% Bonds.
PALESTINE	£1,000 3½% Conversion Loan.		Zl. 933,000 Bank Rolny (Government Land Bank) 4½% Bonds.
SOUTH AFRICA	£10,000 Union of South Africa 4½% Stock, 1955/75.		Zl. 50,000 Polish 3% Premium Investment Loan, 1935.
SOUTHERN RHODESIA	£5,000 3½% Conversion Loan.		Zl. 269,500 Polish 6% National Loan.
TASMANIA	A £5,000 Australia 3½% Inscribed Stock, 1943.		Zl. 445,705 Poznan Real Estate Credit Society 4½% Mortgage Bonds.
VICTORIA	A £5,000 Australia 3½% Inscribed Stock, 1943.		\$100,000 Poznan Real Estate Credit Society 7% Mortgage Loan.
			Zl. 226,500 Warsaw 6% 25-year Investment Gold Zloty Loan, 1935.
			Zl. 293,600 Warsaw Real Estate Credit Society 4½% Mortgage Bonds.
			Zl. 644,000 Mortgages,
			Zl. 714,323 Property.
			Zl. 147,348 Cash.

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LIABILITIES.	Ordinary Branch.		Industrial Branch.		General Branch.		Common Contingency Fund.		Special Contingency Fund.		Share Premium Account.		Total.	
	£	s. d.	£	s. d.	£	s. d.	£	s. d.	£	s. d.	£	s. d.	£	s. d.
Authorised capital:—														
1,250,000 A shares of £1 each ..	£1,250,000													
1,000,000 B shares of £1 each ..	1,000,000													
	£2,250,000													
Issued capital:—														
1,250,000 A shares of £1 each, fully paid ..	£1,250,000	0 0	1,250,000	0 0	—		—		—		—		1,250,000	0 0
1,000,000 B shares of £1 each, 4s. paid ..	200,000	0 0	—		200,000	0 0	—		—		—		200,000	0 0
Share premium account ..	—		—		—		—		—		372,647	10 3	—	
Life assurance fund—Ordinary branch ..	119,341,889	0 5	—		—		—		—		—		119,341,889	0 5
Industrial assurance fund ..	—		186,195,821	10 0	—		—		—		—		186,195,821	10 0
General branch insurance funds:—														
Fire insurance fund ..	—		—		381,154	0 0	—		—		—		—	
Sickness and accident insurance fund ..	—		—		220,721	0 0	—		—		—		—	
Employers' liability insurance fund ..	—		—		149,997	0 0	—		—		—		—	
Motor vehicle insurance fund ..	—		—		298,357	0 0	—		—		—		—	
Miscellaneous insurance fund ..	—		—		146,730	0 0	—		—		—		—	
Sinking fund insurance fund ..	—		—		3,711,908	0 0	—		—		—		—	
Marine insurance fund ..	—		—		283,966	14 11	—		—		—		—	
Additional reserve fund ..	—		—		1,143,376	0 0	—		—		—		—	
Total ..	—		—		—		—		—		—		6,336,209	14 11
Investment reserve funds ..	2,500,000	0 0	2,500,000	0 0	100,000	0 0	—		—		—		5,100,000	0 0
Common contingency fund ..	—		—		—		2,733,142	19 3	—		—		2,733,142	19 3
Special contingency fund ..	—		—		—		—		4,630,113	5 9	—		4,630,113	5 9
Claims admitted or intimated but not paid:—														
Life assurance ..	646,037	5 0	160,759	7 0	—		—		—		—		806,796	12 0
Fire insurance ..	—		—		227,653	9 8	—		—		—		227,653	9 8
Motor vehicle insurance ..	—		—		417,192	0 0	—		—		—		417,192	0 0
Miscellaneous insurance ..	—		—		153,096	0 0	—		—		—		153,096	0 0
Sinking Fund ..	—		—		1,572	0 0	—		—		—		1,572	0 0
Annuities due and unpaid ..	6,363	13 0	—		—		—		—		—		6,363	13 0
Outstanding commission and expenses ..	111,286	18 7	100,000	0 0	15,000	0 0	—		—		—		226,286	18 7
Premiums received in advance ..	21,910	13 8	—		—		—		—		—		21,910	13 8
Amounts due to other companies on reinsurance account:—														
General branch:—														
Fire insurance ..	—		—		121,708	12 5	—		—		—		—	
Sickness and accident insurance ..	—		—		291	13 0	—		—		—		—	
Motor vehicle insurance ..	—		—		147	19 9	—		—		—		—	
Miscellaneous insurance ..	—		—		5,114	19 3	—		—		—		—	
Marine insurance ..	—		—		7,704	4 0	—		—		—		—	
Total ..	—		—		—		—		—		—		134,967	8 5
Amounts due to subsidiary companies ..	—		100	0 0	26,819	7 9	—		—		—		26,919	7 9
Deposit as security for return of investments lent ..	22,435	0 0	104,000	0 0	—		—		—		—		126,435	0 0
Sundry creditors ..	25,314	9 0	1,541	3 2	6,392	12 10	—		—		—		33,248	5 0
Reserve for income tax ..	16,763	4 1	—		71,128	8 1	648	2 3	3,333	2 3	4,343	13 6	96,316	5 2
Reserve for National defence contribution ..	—		—		15,000	0 0	—		—		—		15,000	0 0
Loans on policies within their surrender values, due to reassuring companies ..	33,182	0 0	—		—		—		—		—		33,182	0 0
Bonus allocation to members of Company's outdoor staff ..	£706,628	17 9	—		—		—		—		—		—	
Add balance brought forward ..	5,449	16 3	—		—		—		—		—		—	
Unclaimed dividends ..	—		712,078	14 0	—		—		—		—		712,078	14 0
Balance standing to credit of Profit and loss account ..	212,022	6 4	657,769	7 0	346,937	16 6	—		—		—		1,216,729	9 10
	122,937,204	10 1	191,682,366	0 11	8,052,040	10 8	2,733,791	1 6	4,633,446	8 0	376,991	3 9	330,415,839	14 11

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A Shares—This capital is liable in respect of contracts in all branches of the Company's business, but is included in the Industrial branch accounts pursuant to sec. 3 of The Prudential Assurance Company Act, 1875.
Common contingency fund—In accordance with clause 132 (b) of the Articles of Association this fund may be applied to any one or more branches, as determined by the Directors.
The values of the assets are determined, under the Articles of Association of the Company, by the Directors. The aggregate value of the Stock Exchange securities in each Branch, taken at middle market prices as at 31st December, 1937, exceeded the book value stated above. We certify that in our belief the assets set forth in the Balance Sheet are, in the aggregate, fully of the value stated therein.
The gross amount of the Directors' remuneration for the year (including fees from a subsidiary company) was £51,496 6s. 10d.
Specific deposits of life assurance assets, Ordinary branch, have been made with various Dominion, Colonial and Foreign Governments under local laws as security to holders of policies issued, as set out on a separate schedule, and part of the assets (investments and cash) of the General branch has been deposited under local laws in places out of the United Kingdom on account of fire, casualty and marine insurance business.
Certain stocks have been deposited with the Company as security for return of investments lent.
No part of any fund has been applied directly or indirectly for any purposes other than those of the class of business to which the fund is applicable.

J. BURN, { *General Manager.* } C. C. H. DRAKE, } *Joint Actuaries.* } P. C. CRUMP, } *Joint Secretaries.* }
C. S. KELHAM, }

We report that we have examined the foregoing accounts and have obtained all the information and explanations that we have required and in our opinion such accounts are correct and the foregoing Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state of the Company's affairs according to the best of our information and the explanations given to us and as shown by the books of the Company.
No part of any fund has been applied directly or indirectly for any purposes other than those of the class of business to which the fund is applicable.
We have investigated the methods of calculating and apportioning the expenses of management and the accounts thereof and in our opinion the accounts show a fair and equitable apportionment of the expenses between the Industrial and other branches of the Company's business.

H. R. GRAY, } *Auditors.* }
L. W. BIRD, }

on the 31st December, 1937.

ASSETS.	Ordinary Branch.		Industrial Branch.		General Branch.		Common Contingency Fund.		Special Contingency Fund.		Share Premium Account.		Total.	
	£	s. d.	£	s. d.	£	s. d.	£	s. d.	£	s. d.	£	s. d.	£	s. d.
Mortgages on property within the United Kingdom	8,104,995	9 4	2,767,134	10 10	—	—	—	—	—	—	—	—	10,872,130	0 2
Mortgages on property within the State of Eire	13,415	2 0	—	—	—	—	—	—	—	—	—	—	13,415	2 0
Mortgages on property out of the United Kingdom	3,176,755	18 0	2,461,619	14 1	16,000	0 0	—	—	—	—	—	—	5,654,375	12 1
Loans without specific security within the United Kingdom	—	—	102,500	0 0	—	—	—	—	—	—	—	—	102,500	0 0
Loans without specific security out of the United Kingdom	566,505	9 4	262,500	0 0	—	—	—	—	—	—	—	—	829,005	9 4
Loans on parochial and other public rates	1,281,667	7 6	7,749,803	14 8	—	—	—	—	—	—	—	—	9,031,471	2 2
Loans on Life interests	24,349	18 0	—	—	—	—	—	—	—	—	—	—	24,349	18 0
Loans on Reversions	1,454	14 8	—	—	—	—	—	—	—	—	—	—	1,454	14 8
Loans on Stocks and shares	4,105,188	16 7	5,177,271	13 0	—	—	—	—	—	—	—	—	9,282,460	9 7
Loans on Company's policies within their surrender values	5,066,708	17 5	—	—	—	—	—	—	—	—	—	—	5,066,708	17 5
Loans to Educational institutions secured on income	131	6 4	—	—	—	—	—	—	—	—	—	—	131	6 4
Loans to subsidiary companies	719,162	17 5	1,604,772	1 7	—	—	—	—	—	—	—	—	2,323,924	19 0
Investments:—														
Deposits with the High Court:—														
£17,122 14s. 3½% War Stock	16,043	19 11	—	—	—	—	—	—	—	—	—	—	16,043	19 11
£20,000 3½% War Stock	—	—	19,956	16 8	—	—	—	—	—	—	—	—	19,956	16 8
£22,000 3% Local Loans Stock	—	—	—	—	19,000	0 0	—	—	—	—	—	—	19,000	0 0
£22,000 3½% War Stock	—	—	—	—	22,000	0 0	—	—	—	—	—	—	22,000	0 0
Deposits with the Supreme Court of Judicature in State of Eire:—														
£20,000 3½% War Stock	19,956	16 8	—	—	—	—	—	—	—	—	—	—	19,956	16 8
£20,000 3½% War Stock	—	—	—	—	20,000	0 0	—	—	—	—	—	—	20,000	0 0
British Government securities	33,029,307	13 11	50,650,572	14 2	2,082,962	12 7	2,212,811	16 4	3,141,121	1 0	322,617	9 10	91,439,413	7 10
Securities issued under the Trade Facilities Acts and Railway (Agreement) Act, 1935	1,821,100	0 0	3,711,569	1 0	225,581	5 0	—	—	—	—	—	—	5,758,250	6 0
Debentures in subsidiary companies issued under the Trade Facilities Acts	—	—	400,000	0 0	—	—	—	—	—	—	—	—	400,000	0 0
Bank of England stock	330,000	0 0	130,000	0 0	—	—	—	—	—	—	—	—	460,000	0 0
Municipal and county securities, United Kingdom	1,792,293	9 0	3,484,762	1 8	693,190	5 10	36,517	1 2	58,406	1 8	—	—	6,065,169	19 4
Public Board securities	2,023,280	11 0	3,644,207	4 6	241,453	5 0	122,600	0 0	45,000	0 0	—	—	6,076,541	0 6
Dominion, Indian and Colonial Government securities	3,873,273	13 7	4,304,870	2 11	596,283	4 10	123,340	0 0	330,255	18 8	—	—	9,228,023	0 0
Dominion provincial securities	346,067	17 10	333,203	18 7	—	—	—	—	115,000	0 0	—	—	794,276	16 5
Dominion, Indian and Colonial municipal securities	1,567,513	9 2	1,249,714	9 2	—	—	—	—	19,366	5 0	4,250	10 0	2,840,844	13 4
Foreign Government securities	4,104,474	4 0	4,192,153	2 6	411,762	16 8	—	—	—	—	—	—	8,708,385	3 2
Foreign provincial securities	193,216	9 7	366,789	11 1	20,492	13 2	—	—	—	—	—	—	580,498	13 10
Foreign municipal securities	675,087	6 2	698,056	13 4	97,579	9 11	—	—	—	—	—	—	1,470,723	9 5
Railway and other debentures and debenture stocks and gold and sterling bonds—Home and Foreign	16,490,931	9 7	29,994,326	16 9	1,457,559	2 3	84,315	13 7	140,830	3 9	—	—	43,167,663	5 11
Debentures and debenture stock in subsidiary companies	175,000	0 0	500,000	0 0	—	—	—	—	—	—	—	—	675,000	0 0
Railway and other preference and guaranteed stocks and shares	11,280,140	5 3	17,316,978	17 7	462,483	7 11	—	—	57,000	0 0	—	—	29,116,602	10 9
Preference shares in subsidiary companies	70,698	0 0	170,073	7 0	—	—	—	—	—	—	—	—	240,771	7 0
Railway and other ordinary stocks and shares	15,386,395	10 8	21,290,976	14 4	165,072	3 8	—	—	—	—	—	—	36,842,444	8 8
Ordinary shares in subsidiary companies	507,384	3 10	436,103	9 10	625,504	0 0	—	—	—	—	—	—	1,568,991	13 8
Rent charges	73,776	0 2	—	—	—	—	—	—	—	—	—	—	73,776	0 2
Freehold ground rents and Scotch feu duties	—	—	7,552,004	10 9	—	—	—	—	—	—	—	—	7,552,004	10 9
Leasehold ground rents	—	—	3,531	1 6	—	—	—	—	—	—	—	—	3,531	1 6
House property:—														
Office premises	—	—	3,412,522	8 4	—	—	—	—	—	—	—	—	3,412,522	8 4
Properties within the United Kingdom	1,581,049	7 0	11,453,725	9 11	—	—	—	—	—	—	—	—	13,034,774	16 11
Properties out of the United Kingdom	739,612	18 8	10,000	0 0	—	—	—	—	—	—	—	—	749,612	18 8
Life interests	35,429	4 1	—	—	—	—	—	—	—	—	—	—	35,429	4 1
Reversions	136,240	13 4	—	—	—	—	—	—	—	—	—	—	136,240	13 4
Debitors' balances	—	—	—	—	283,547	8 1	—	—	—	—	—	—	283,547	8 1
Outstanding premiums	474,846	4 9	288,526	9 3	66,718	16 11	—	—	—	—	—	—	830,091	10 11
Outstanding interest, dividends and rents	233,793	7 0	169,321	11 4	—	—	—	—	—	—	—	—	403,114	18 4
Interest, dividends and rents accrued but not payable	536,444	4 8	671,844	8 2	—	—	—	—	—	—	—	—	1,208,288	12 10
Amounts retained at home and abroad by ceding companies under reinsurance treaties and sums due on reinsurance account	—	—	—	—	317,510	1 9	—	—	—	—	—	—	317,510	1 9
Amounts due from subsidiary companies	25,023	11 7	20,059	18 3	43,640	16 11	—	—	—	—	—	—	88,724	6 9
Ready debtors	37,704	0 11	6,425	17 3	709	15 3	—	—	—	—	—	—	44,839	13 5
Amounts receivable	50,000	0 0	47,083	0 0	—	—	—	—	—	—	—	—	97,083	0 0
Marine stamps	—	—	—	—	270	15 8	—	—	—	—	—	—	270	15 8
On deposit:—														
In the United Kingdom	1,000,000	0 0	3,200,000	0 0	—	—	—	—	—	—	—	—	4,200,000	0 0
Abroad	353,773	12 0	—	—	55,001	16 10	—	—	—	—	—	—	408,775	8 10
In hand and on current account:—														
In the United Kingdom	572,119	2 0	1,806,134	14 4	86,710	14 8	154,206	10 5	726,666	17 11	50,123	3 11	3,395,961	3 3
Abroad	324,155	1 10	21,359	16 7	40,985	17 9	—	—	—	—	—	—	386,500	16 2
In transit	746	5 4	—	—	—	—	—	—	—	—	—	—	746	5 4
	122,937,204	10 1	191,682,366	0 11	8,052,040	10 8	2,733,791	1 6	4,633,446	8 0	376,991	3 9	330,415,839	14 11

Life, casualty and sinking fund revenue account transactions in Dominion or foreign currencies have been brought in at the rates of exchange ruling on the 31st December, 1937, with the exception of interest received at or paid by the Company's chief office which has been brought in at the rates ruling on the dates of the respective transactions; the adjustment in exchange item appearing in certain revenue accounts is the difference between the sterling equivalents at the beginning and the end of the year of the insurance fund brought forward at the beginning of the year. Fire and marine revenue account transactions in Dominion or foreign currencies have been brought in at rates of exchange approximating to those current at the dates of the respective transactions. Future variations in the rates of exchange are covered by (a) currency assets maintained so far as possible to the extent of the corresponding liabilities and (b) reserve and contingency funds.

The profits or losses shown in the accounts of subsidiary companies made up to a date within the year ended 31st December, 1937, or in the last previous accounts which became available within that year have been dealt with as follows:—

- (a) profits are included in this Company's revenue accounts to the extent of the dividends received. The Auditors' report on the balance sheet of one company states that it is subject to the accuracy of the valuation of a current asset by the management.
- (b) the loss of one company (whose accounting year ended 31st December, 1936) has been provided from reserves in the accounts of The Prudential Assurance Company Limited.

GEORGE L. BARSTOW,
G. P. HARBEN,
NIGEL G. DAVIDSON, } Directors.

EDGAR HORNE, Chairman.

We have examined the receipts and payments at Chief Office relating to the capital transactions in respect of the mortgages, loans and investments for the year ended 31st December, 1937. We have also examined the deeds, stock and share certificates and bonds in possession of the Company, and have verified by certificates Bankers or other Depositories the securities and Chief Office cash in their custody, which together with the investments, loans and cash appearing in the certified balance sheets received from overseas branches represent the mortgages, loans, investments and cash set out in the above Balance Sheet as at 31st December, 1937.

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DELOITTE, PLENDER, GRIFFITHS & CO., Chartered Accountants.

5, London Wall Buildings, London, E.C.2.

22nd February, 1938.

0814-011

THE
PRUDENTIAL
ASSURANCE COMPANY
LIMITED
(INCORPORATED IN ENGLAND.)
HOLBORN BARS, LONDON, E.C.1.



Directors' Report
and
Statement of Accounts
at 31st December, 1937

NOTICE IS HEREBY GIVEN that the ANNUAL GENERAL MEETING of the Shareholders of this Company will be held at 142, HOLBORN BARS, LONDON, E.C.1, on THURSDAY, the 10th day of March, 1938, at Two o'clock in the afternoon precisely, for receiving the Report of the Directors, for electing Directors and Auditors for the ensuing year, and for transacting such other business as may be contemplated by the Articles of Association of the Company.

By order of the Board of Directors,
P. C. CRUMP,
E. H. LEVER,
Joint Secretaries.

2nd March, 1938.

N.B.—The attention of those Shareholders concerned is drawn to the following Extract from the Memorandum and Articles of Association of the Company:—

61. A holder of less than 250 B Shares shall not in respect of those shares be entitled to receive notice of or to attend or vote at any meeting of the Company.

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