

The Prudential Assurance Company Limited



One Hundred and Twenty-second Annual Report
and Statement of Accounts

Year ended 31st December 1970

P00022296

The Prudential Assurance Company Limited

One Hundred and Twenty-second Annual Report and Statement of Accounts Year ended 31st December 1970

Contents

	Page
Directors and Management	2
Notice of Meeting	3
Chairman's Statement	4-10
Directors' Report	11-15
Bonus Declarations	12-13
Dividends	14
Ordinary Branch Life Assurance Accounts	16-17
Industrial Branch Life Assurance Accounts	18-19
General Branch Insurance Accounts	20-21
Profit and Loss Account of the Company	22
Balance Sheet of the Company	23
Certificates to the Accounts	24
Notes on the Accounts	25-27
Accounts of Prudential Unit Trust Managers Limited	28
Report of the Auditors	29
Valuation Report	30-36
Supplementary Information:	
Sources of Investment Income	37
Claims and Surrenders—Life Branches	37
General Branch Insurance Business	38-39
Ten Year Review	40

The Prudential Assurance Company Limited

Directors

Kenneth Ascough Usherwood CBE FIA *Chairman*
Leslie Brown FIA *Deputy Chairman*
Desmond Arthur Reid *Deputy Chairman*
John Anthony Tristram Barstow DSO TD DL
The Rt Hon Lord Caccia GCMG GCVO
The Rt Hon Lord Coleraine PC
Walter Frank Gardner CBE FIA
Bruce Wilfred Goodman FCA
Sir John Nicholson Hogg TD
Sir John Serocold Paget Mellor bt
Reginald Edgar Montgomery
Maurice Petherick
Frank Mitchell Redington FIA

Chief General Manager

R H Owen FIA

General Managers

D S Craigen BA
W G Haslam DFC
J L Maxted LLM

Assistant General Managers

F B Corby MA FIA
E W Cunnah
L Gordon FCII
J E G English FCII

Agency Managers

A L Davis
A L Martin

Industrial Branch Administration Manager

J W Whittle DSC VRD

Life Manager: Ordinary Branch

S A Ryder

Chief Controller

H A Metcalf MBE ERD ACII

Senior Solicitor

M A R George

Deputy Senior Solicitor

C F Whitehorn

President for Canada

A P Bodiley MBE FCII

Chief Actuary

R S Skerman FIA

Deputy Actuaries

Miss M C Allanach FIA
F G Wood FIA ACII
K N Yeldham FIA

Group Pensions Manager

J G Haslam FIA

Deputy Group Pensions Managers

D E Fellows FIA
M H Hill
F A Lewis FIA

Data Processing Manager

G A Brown TD FIA FBCS

Marine Underwriter

C E R Taylor

Aviation Underwriter

C R Jeffs

General Manager for Southern Africa

H G James FIA

Joint Secretaries and Investment Managers

H G Clarke BSc FIA
A F Murray MA FIA

Deputy Investment Managers

E P Hatchett FIA
P E Moody FIA
L C Polke AIA

Assistant Secretaries

R J Males AACCA
C M Stray FCIS

Senior Assistant Investment Managers

R E Artus MA
D Sirkett BSc FIA
G J Tifford FIA

Chief Surveyor

M R Dunnett FRICS

Deputy Chief Surveyor

E E Chapman MBE FRICS

Senior Medical Officer

E H Hudson MA MB BCH FRCP

General Manager for Australia and New Zealand

R B Levey FIA

The Prudential Assurance Company Limited

Notice is Hereby Given

that the Annual General Meeting of this Company will be held at the Registered Office of the Company, No. 142 Holborn Bars London EC1N 2NH, on Thursday 20th May 1971 at 12.15 p.m. for the following purposes:

To receive the Directors' Report and Statement of Accounts for the year ended 31st December 1970

To re-elect and elect Directors

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

In connection with the re-election of Directors special notice has been given to the Company, pursuant to the Companies Act 1948, that separate resolutions will be moved proposing the re-election of Leslie Brown FIA and The Rt Hon Lord Coleraine PC who retire by rotation and who will be aged 68 and 70 respectively at the date of the Meeting.

By order of the Board of Directors,

H G CLARKE,
A F MURRAY,
Joint Secretaries.

142 Holborn Bars London EC1N 2NH
27th April 1971

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

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

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

Chairman's Statement

The fact that this is the first annual statement to appear over my name as chairman gives me the opportunity to thank my predecessor, Sir John Mellor, for the five years' service he gave as chairman. Those of us who served with him owe him sincere gratitude for the way in which he led and guided our discussions. Happily, he remains a member of the Board.

We have this year to say goodbye to Mr. Maurice Petherick, who retires by rotation and is not offering himself for re-election. He has been a director for 18 years, and a deputy chairman for three of those years. We shall remember him with affection, and with respect for his robust common sense and independence of mind. We wish him very well.

During the year we have appointed as a director Mr. Bruce Goodman. Some of us have known him a long time as he has been many years with Marks & Spencer, latterly as a vice-chairman and joint managing director. We know that he will contribute, as indeed he has already done, materially to our proceedings.

When the Articles of Association were amended in May last shareholders will remember giving power to grant or make provision for pensions to Directors, former Directors, or the dependants of either. At that time it was said that it was not, under the then conditions, the intention to establish a scheme, and indeed to do so would, under the Inland Revenue rules, have been virtually impossible.

The Revenue, following the 1970 Finance Act, has however changed its practice and in these circumstances it was decided to introduce a scheme which came into force on 31st December last. The scheme provides for example that an ordinary Director who has completed 15 years' service when he retires (and has attained at least age 70) will qualify for a pension of a quarter of fees averaged over the three years preceding retirement.

Following the change in Revenue practice, we felt that provision of this kind is essential if we are to obtain in modern conditions the services of directors of standing.

In the year 1970 there was a substantial increase in premium income in all Branches. We are passing through a period of unusually rapid expansion in the range of contracts which we supply to meet the differing needs of individuals for life assurance cover, for a savings medium, and for general insurance of many kinds. The high level of inflation naturally has had an adverse effect on our expenses. These factors amongst others make increasingly important the function of forward planning and to this we have given, and are continuing to give, special attention.

Ordinary Branch

In the United Kingdom the annual premium income from new business in the Ordinary Branch amounted to over £16 millions, an increase of £900,000 compared with 1969. This increase reflected an improvement in annual premiums from individual assurances combined with development of group pension scheme business. The number of new individual policies issued increased by 10,000 to 201,000.

Chairman's Statement *continued*

In May of last year we introduced the Pru-Plus Investment Plan, a ten year term with-profits endowment assurance designed primarily as a savings contract from which a high interest yield can be expected. This has produced an encouraging response particularly from those aged over forty.

Considerations for immediate annuities and single premiums amounted together to £7½ millions, of which £700,000 was in respect of Pru-Trust Life Bonds—single premium assurances linked to the Prudential Unit Trust.

In our overseas branches annual premium income from new business increased by £½ million to £8 millions. Considerations for immediate annuities and single premiums together rose by nearly £2 millions to £3½ millions; a substantial proportion of this increase arose in our Canadian branch. There was a satisfactory increase in new annual premiums in Australia and New Zealand and continued good progress in Singapore and Malaysia.

In three territories, however, there were unwelcome developments. In Zambia we have been prevented by legislation from writing new business after the end of 1970, and our existing Ordinary Branch business, on which the annual premium income is some £800,000, will be nationalised by the end of 1971.

Legislation in Uganda precluded the Company from issuing new policies there after 17th June 1970 except through a locally incorporated subsidiary in which the Ugandan Government would take a 60 per cent. shareholding. The premium income on our life business in Uganda was small, being £300,000 for the last full year of operations, and we concluded that the potential for development there did not justify taking the action required to remain in business.

In the Sudan our business is also being nationalised. We ceased to transact new business there in 1956 and only some 100 policies are involved.

Pension Scheme Business

An important development affecting our group pensions business has been the recent introduction of a unit-linked pension plan for the larger pension schemes. A new wholly owned subsidiary, Prudential Pensions Ltd., has been formed and has been authorised by the Department of Trade and Industry to transact this business in Great Britain.

The new plan is to be used in combination with our group with profit deferred annuity policy. It enables part of the pension contributions to be invested in either or both of two funds—an equity fund and a property fund—and is designed to meet the needs of those employers who wish to direct a greater proportion of their pension investment into the equity and property markets and to participate more directly in changes in the capital values of those investments.

The change of Government last June caused the disappearance of the Crossman Plan for National Superannuation and Social Insurance. The present Government is committed to a completely different approach to national pensions and its stated aim is to encourage the provision of pensions through the medium of occupational schemes. Any employees for whom "adequate" pension provision is not available through such schemes will be catered for by means of a Government fall-back scheme. Until the Government's specific intentions are published, particularly with details as to the standard of adequacy and the form the fall-back scheme is to take, uncertainty must continue to have an inhibiting effect on our new business. Statements made on behalf of the present Government indicate that occupational schemes will become the major partner in association with the State for the provision of pensions. Prospects for the further development of our pension scheme business are therefore encouraging.

Industrial Branch

Life assurances effected in this Branch have for many years been whole life and endowment assurances similar to those issued in the Ordinary Branch, the only essential difference being that premiums are collected at more frequent intervals at the policyholders' homes. The average new policy now carries a premium of more than £1 payable every four weeks and a sum assured of nearly £250.

Without home service, many people would not make any regular saving or provision for their dependants. The demand for this service is demonstrated by the yearly premium income under new policies issued in 1970 which was nearly £15 millions—8 per cent. higher than for 1969—and by the total premiums collected in this Branch during 1970 which amounted to no less than £88 millions.

The special Pru-Ten 10 year savings plan, which we introduced in this Branch last May, has proved popular as a means of saving on very favourable terms for income tax payers who value home service.

The conversion to Decimal Currency of the large numbers of longstanding policies which carry small weekly premiums posed unique problems. In practice the changeover has proceeded very smoothly. The Company has however been involved in the provision of special training courses and payments have been made to the Field Staff for the extra time devoted to altering the records of many millions of policies. It is estimated that, since preparatory work began, conversion to Decimal Currency will have given rise to extra costs of nearly £1½ millions for all branches combined.

Bonus Declarations

The rates of bonus declared have already been reported in the Press. Details are given in the Valuation Report of the Chief Actuary.

In the United Kingdom the rates of terminal bonus payable on assurances issued in both the Ordinary and Industrial Branches becoming claims during the next twelve months have again been increased and have been extended to include policies issued in 1969. The increase is smaller than that for last year, but it demonstrates our intention that participating policies should share in profits, whether they arise from investment income or appreciation of asset values, as fully as practicable without being exposed to the consequences of short term fluctuations in market values. Although we give no guarantee, we expect to be able to maintain terminal bonuses on the new scale for the range of policies concerned for claims arising in future years. Part of the cost of the terminal bonuses has again been met by drawing on the margins in the value of our investments. This has been effected by transferring to revenue from the Investment reserve accounts sums of £8.1 millions in the Ordinary Branch (part of which has been used to improve bonuses on group pension and certain overseas policies) and £8.1 millions in the Industrial Branch.

In order to illustrate the effect of these bonuses some examples are given below of the final outcome of participating Ordinary Branch endowment assurances issued in the United Kingdom for a sum assured of £1,000 and maturing this year at age 60.

Year of Issue	Sum assured	Reversionary bonuses	Terminal bonus	Total payment on maturity	Total premiums paid*
	£	£	£	£	£
1936	1,000	720	569	2,289	992
1946	1,000	585	446	2,031	1,059
1956	1,000	434	240	1,674	1,094

*The net cost to the policyholders will have been the total premiums paid less life assurance relief of income tax.

General Branch

Premium income increased by over 15 per cent. and exceeded £50 millions for the first time, but unfortunately an underwriting loss of £260,000 was incurred, as against a profit of £586,000 for 1969 on a comparable basis.

An analysis of the revenue account for the General Branch is shewn on pages 38 and 39.

In the United Kingdom the motor account sustained a considerable underwriting loss. The increases in premiums introduced during 1970 proved insufficient to offset the continued rise in the number of accidents reported and in the average cost of both accidental damage and third party claim settlements. It was therefore thought desirable to increase the unearned premium reserve by a special provision of £500,000. A further substantial increase in premium rates has been made in the current year.

The remainder of our business in the United Kingdom showed a satisfactory increase in premium income and produced a good profit overall. The property account in particular did well, reflecting the continued absence of abnormal weather conditions.

Overseas, a small underwriting profit was achieved overall while premium volume increased by 21 per cent. The overseas content is now some 45 per cent. of the premium income in this Branch. Once again our premium income in Canada increased substantially and a good underwriting profit was obtained. In Southern Africa some heavy losses arose from such causes as storm, flood and earth tremors, and in Australia fire business continued to be unprofitable. In addition these branches showed a deteriorating motor underwriting experience. On the continent of Europe we sustained considerable underwriting losses in Denmark and Italy but elsewhere throughout the world underwriting experience generally showed an improvement.

Our marine business continues to be unprofitable and it has been decided to transfer £150,000 into the marine and aviation account. Marine hull rates have recently been increased, but the revised rates will not influence profits until the 1971 underwriting account closes in 1973.

Gross investment income, other than that allocated to long term contracts, increased to £3,155,000. After allowing for the underwriting loss of £260,000, this provided after taxation a net surplus of £784,000 as against £1,507,000 in 1969. (There were non-recurrent tax charges of some £300,000 in each year.) No transfer has been made to the additional reserve fund for 1970.

Dividends

A final dividend for 1970 of 1.95p per share has been declared and is payable on 20th May next. This dividend, together with the interim dividend of 3d. (equal to 1.25p) paid in November last, makes a total dividend of 3.20p for the year. These dividends relate to the one class of share capital into which the old A and B share capitals were transformed by appropriate resolutions at last year's Annual General Meeting. The total dividends paid for 1969, adjusted for the scrip issues made in connection with the capital reorganisation, were equivalent to 2.94p per share of the revised share capital, the actual payments being equivalent to 3.01p per A Share and 2.43p per B Share. All these amounts are net of income tax.

Comparison with previous years of the proportion of life profits allocated to policyholders is not readily possible, since—following the capital reorganisation last year—no part of the capital of the Company now appears in the Industrial Branch accounts. Allowing for this, the proportion is about the same as last year.

Chairman's Statement *continued*

In the Budget statement on the 30th March the Chancellor proposed a reduction in the rate of Corporation Tax to 40 per cent. for the financial year beginning the 1st April 1970. This change has not been reflected in the Company's accounts as these had been prepared on the 42.5 per cent. basis and decisions had been taken based on the results disclosed before the change was known. It has little effect however on the Company's overall tax position because of the predominance of our life business which has always been taxed under arrangements different from those applicable to a normal trading company.

The proposal to reduce and eventually to abolish Selective Employment Tax is welcomed.

Investments

The marked improvement in Britain's balance of payments position in 1970 was very welcome, but any beneficial effect this might have had in security markets was more than offset by concern at the level of wage increases and the resultant cost inflation which persisted throughout the year. The market prices of both ordinary shares and long-dated fixed interest securities ended the year lower than a year previously. By way of contrast, property investments have again shown some appreciation in value.

New investments for our United Kingdom fund totalled £153 millions, including the reinvestment of the proceeds of sales and redemptions, but excluding self-balancing switches of fixed-interest stocks. Of this amount we invested £71 millions in Ordinary shares, £66 millions in property and £16 millions in fixed interest assets. The difference between our gross and net investment amounted to £76 millions, which was the result of selling £41 millions of government and municipal bonds, £19 millions of Ordinary shares, £6 millions of property and £10 millions of debentures. During the year therefore we were net sellers of £35 millions of fixed interest assets and net purchasers of £52 millions of Ordinary shares and £60 millions of properties.

Our overseas branches made new investments (as defined above) of £36 millions, including £10 millions in Government, provincial and municipal securities, £8 millions in Ordinary shares, £3 millions in property, £4 millions in debentures and £11 millions in mortgages.

The yields on our funds fell from 7.85 per cent. to 7.81 per cent. in the Industrial Branch and from 7.01 per cent. to 6.93 per cent. in the Ordinary Branch. These yields have been affected by our movement in the United Kingdom out of fixed interest securities into Ordinary shares and property which, although in our view advantageous in the long term, has currently reduced our investment income.

As our overseas business expands, the growth of our overseas investments brings increasing problems and responsibilities. I am pleased to record how greatly we value the help we receive from the local advisers on the committees which guide the investment operations of our main overseas branches. We welcomed two additional advisers—in Canada, Mr. Ronald W. Rankin, who has wide experience of investment in North American property; and in Australia, Sir Allen Fairhall, who held a number of ministerial posts in Commonwealth governments prior to his retirement from politics in 1969 and is now a director of a number of Australian companies.

The Role of the Institutional Investor

Those shareholders who follow the financial press will undoubtedly have noticed increasingly widespread calls on institutional investors to play a more positive part in promoting the effectiveness and competence of the managements of companies in which they have shareholdings. You may be interested to know how we see our role in this field.

Chairman's Statement *continued*

Our primary function in respect of Ordinary share investments is to protect the interests of our own policyholders and shareholders. It can reasonably be argued therefore that, if we have doubts about a company's management, the proper reaction should be to sell our holding, but in our case this is unlikely to be possible. Holdings of the size which are typical of our portfolio cannot be easily disposed of at acceptable prices particularly where doubts have arisen about the adequacy of existing management. The fact that we are often one of the largest shareholders in a company therefore makes it inevitable that we will be involved in many difficult situations requiring intervention by shareholders. Our involvement in the past has usually arisen in this way and such occasions have been much more frequent than the relatively few instances which have become a matter of public comment. Indeed I would stress our conviction that problems of this nature often lead to delicate and difficult negotiations, which will have a better chance of success if they can be conducted discreetly.

Though we have in the past always recognised the desirability of vigilance on the part of shareholders, we have had cause to be apprehensive about political reaction to any strong display of influence exercised over companies in which we have holdings. But during the last few years a different consensus appears to have emerged that it would be in the best interests of the country if institutional investors were more vigorous in their efforts to maintain efficient management in the companies in which they invest. This could also be in the best interests of our own policyholders and shareholders and we accept that in practice the brunt of the increased effort must be borne by the large institutions such as ourselves. At the same time we believe that many advocates of more active intervention underestimate the difficulties met with in this field. We do not regard ourselves, and neither should others, as having any particular expertise in the management of industrial companies. Nevertheless, we are increasing our capacity to undertake and maintain closer relationships with companies in which we invest. In this way we should acquire a better understanding of the problems of company management.

Efficiency

In common with most other organisations, the Company had to meet increased costs of many kinds during 1970, particularly staff salaries where we were faced with heavy claims from unions representing the office and the field staff.

While these increases have had a substantial effect on the profitability of the business, we have during the year with the co-operation of all concerned increased our efforts to improve efficiency, and the value of this work, which we have been doing continuously over recent years, is now becoming evident. Notwithstanding increases in our business, we have taken advantage of the natural wastage of staff and now employ fewer office staff than a year ago. This result has come about partly by close attention to work methods and organisation and partly by the major computer projects becoming effective after a long period of planning. The comprehensive system dealing with Ordinary Branch policies is now fully productive and that for the Industrial Branch will be in full operation before the end of this year. These developments will mitigate the effect of the general rise in costs, but we regard them as steps in a continuing process and further measures are being actively examined.

We are also looking into the organisation of our Field Staff in the United Kingdom, on whom we rely for the actual production and servicing of most of our business.

These efforts to arrange our affairs with the utmost economy are in the joint interests of policyholders, shareholders and staff.

Management

Mr. A. S. Clarke, a Deputy Actuary, retired at the end of 1970 after more than 46 years' service. In the last 25 years he has been concerned with our Ordinary Branch business in the United Kingdom and his wise guidance has been of great value. Miss M. C. Allanach was promoted a Deputy Actuary and has taken over his duties. She is the first woman to have become a member of the Management.

Chairman's Statement *continued*

Mr. G. W. Eley, an Assistant General Manager, retired in February 1971. He also started his career with the Company more than 46 years ago and for many years has been concerned with the development of our General Branch business overseas. His experience and judgment have contributed much to the Company's affairs. Mr. J. E. G. English was promoted an Assistant General Manager to succeed him.

Mr. R. E. Artus and Mr. D. Sirkett have been promoted Senior Assistant Investment Managers. Mr. C. F. Whitehorn has been promoted Deputy Senior Solicitor.

The prosperity of the Company stems from the aggregate of the efforts of individual members of the staff at all levels. The impressive figures in the Report and Accounts lend force to the thanks and appreciation which we extend to the staff at home and overseas for their contribution to the Company's affairs. A special acknowledgment should be made this year to the manner in which the staff at home—particularly those who provide home service for Industrial Branch policies—have overcome so successfully the problems of conversion to Decimal Currency.

K A USHERWOOD,

Chairman.

15th April 1971.

Directors' Report for the year ended 31st December 1970

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

The Balance sheet total of the Company's assets is £2,306,025,000 (£2,153,005,000) and income from all sources for 1970 amounted to £475,794,000 (£442,222,000).

Details of shares issued in connection with the amalgamation of the A and B share capital into one class of shares are given in Note I on the Accounts on page 25.

The following information is in respect of the business of the Life and General branches of the Company only and does not include figures relating to the Company's subsidiaries unless specifically mentioned.

Accounts

Following the changes in the capital structure the presentation of the accounts of the Company has been revised. The supplementary information on pages 37 to 39 now given in addition to the Notes on the Accounts on pages 25 to 27 provides detailed information for shareholders and allows the Accounts of the three branches on pages 16 to 21 to be presented in a simpler form. Comparative figures for 1969 have been adjusted to bring them into line with the form of presentation adopted for this year.

All amounts in the accounts, with the exception of the subsidiary's accounts annexed on page 28, are shown to the nearest £1,000.

The Ordinary Branch

The Revenue account on page 16 shows that surplus for distribution was £67,604,000 (£61,126,000) and that of this amount £64,055,000 (£57,795,000) has been allocated to policyholders for bonuses, leaving £3,549,000 (£3,331,000) for transfer to Profit and loss account.

New business for the year was

	Number of policies or contracts	Sums assured £000	Annuities per annum £000	Single premiums and Considerations £000	Annual premium income £000
United Kingdom business					
Assurances	196,465	1,046,832	—	1,132	10,013
Annuities	4,821	—	37,049	6,527	6,156
Overseas business					
Assurances	67,100	388,041	—	242	6,315
Annuities	274	—	12,221	3,265	1,854
Total	268,660	1,434,873	49,270	11,166	24,338

Directors' Report *continued*

Business in force at the end of the year was

	1970		1969	
	United Kingdom £000	Overseas £000	United Kingdom £000	Overseas £000
Life assurance business				
Sums assured, including bonus	4,569,962	2,298,968	4,073,583	2,067,427
Annual premium income	70,833	43,519	67,032	40,032
Deferred and contingent annuities				
Amount of annuities per annum (including bonus and amounts to be purchased by future recurrent single premiums)	179,765	36,351	161,060	31,512
Annual premium income	33,015	6,875	30,023	6,172
Immediate annuities				
Amount of annuities per annum	16,066	1,653	14,474	1,285

The Directors have declared the following bonuses on participating life assurance policies of classes issued in the United Kingdom, the Channel Islands and the Isle of Man:

A reversionary bonus at the rate of £3.25 per £100 sum assured.

A terminal bonus on policies issued in 1969 or earlier which become claims by death or maturity of endowment between 1st April 1971 and 31st March 1972 inclusive, at rates varying from £0.30 per £100 sum assured for policies issued in 1969 to £70 per £100 sum assured for policies issued in 1923 and earlier.

Further details of these bonuses and those on all other classes of policy are shown in the Chief Actuary's Valuation report which appears on pages 30 to 36.

The Industrial Branch

The Revenue account on page 18 shows that surplus for distribution was £44,029,000 (£42,339,000) and that of this amount £41,717,000 (£40,031,000) has been allocated to policyholders for bonuses, leaving £2,312,000 (£2,308,000) for transfer to Profit and loss account.

New business for the year was

Number of policies	Sums assured £000	Annual premium income £000
1,128,727	263,858	14,849

Business in force at the end of the year was

	1970 £000	1969 £000
Sums assured, including bonus	1,994,782	1,912,760
Annual premium income	91,691	87,258

Directors' Report *continued*

The Directors have declared the following bonuses on participating policies:

A reversionary bonus at the rate of £2.60 per £100 sum assured.

A terminal bonus on policies issued in 1969 or earlier which become claims by death or maturity of endowment between 1st April 1971 and 31st March 1972 inclusive, at rates varying from £0.30 per £100 sum assured for policies issued in 1969 to £70 per £100 sum assured for policies issued in 1923 and earlier.

Details of these bonuses are shown in the Chief Actuary's Valuation report which appears on pages 30 to 36.

The General Branch

The Revenue account on page 20 shows that net surplus was £784,000 which has been transferred to Profit and loss account. In 1969 net surplus was £1,507,000 of which £750,000 was used to augment the Additional reserve fund and £757,000 was transferred to Profit and loss account.

Premium income net of reinsurances for the year was

	1970 £000	1969 £000
United Kingdom business	30,127	26,964
Overseas business	24,278	20,007
Total	54,405	46,971

Trusteeships

The amount of debenture and loan stocks for which the Company acts as trustee exceeded £1,214,000,000 (£1,105,000,000) at the end of the year.

Geographical Distribution

The Company's business for 1970 based on premium income was located as follows:

	Ordinary Branch %	Industrial Branch %	General Branch %
United Kingdom	67.9	100.0	55.4
Australia and New Zealand	10.1	—	6.3
Canada	11.5	—	22.5
South Africa	7.0	—	2.2
Other territories	3.5	—	13.6
	100.0	100.0	100.0

Profit and loss account

The account on page 22 combines the transfers from the Ordinary, Industrial and General branches with other items of income and outgo not dealt with in the accounts of the branches and the balances referred to in Note 3 on the Accounts on page 25.

Dividends for the year, net of income tax, total £6,528,000 (£6,000,000) and the special distribution, net of income tax, made in accordance with the terms of the Capital reorganisation approved at the Annual General Meeting held on 21st May 1970 amounted to £4,369,000 leaving a balance of £659,000 (£4,362,000) to be carried forward.

Dividends

The Directors have declared a final dividend for 1970 of 1.95p per share, net of income tax, payable on 20th May 1971 to shareholders on the Register at close of business on 22nd April 1971. This dividend together with the interim dividend of 3d. (1.25p) per share, net of income tax, paid in November 1970 represents a total dividend of 3.20p per share for the year. The equivalent gross of this total dividend for 1970 calculated at the appropriate rates of income tax of 41.25% for the interim and 38.75% for the final dividend is 5.31p.

The total dividends, net of income tax, paid for 1969 adjusted for scrip issues in connection with the capital reorganisation approved at the Annual General Meeting held on 21st May 1970 were equivalent to 2.94p per share of the revised share capital, the actual payments being equivalent to 3.01p per A share and 2.43p per B share. The equivalent gross of these dividends calculated at the income tax rate of 41.25% was 5.00p, 5.12p and 4.14p respectively.

In addition to the above, special distributions of 9.6d. and 4.43d., both net of income tax, were made to A and B shareholders respectively on 28th May 1970 in accordance with the Special Resolution referred to in Note 3 on the Accounts on page 25.

Directors

The Directors retiring by rotation are Leslie Brown FIA, The Rt Hon Lord Coleraine PC and Kenneth Ascough Usherwood CBE FIA. They offer themselves for re-election.

Maurice Petherick also retires by rotation but does not offer himself for re-election.

Bruce Wilfred Goodman FCA who was appointed a Director as from 9th July 1970 retires in accordance with the Articles of Association and offers himself for election.

Charles William Allan Ray retired on 21st May 1970.

Directors' Report *continued*

Directors' Shareholdings

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

	On 1.1.70 or subsequent appointment				On 31.12.70	
	Beneficially Held		Other Interest		Beneficially Held	Other Interest
	A Shares	B Shares	A Shares	B Shares	Shares of 1s. (5p)	Shares of 1s. (5p)
	1s.	1s.	1s.	1s.		
K A Usherwood	1,600	500	1,360		4,000	2,448
L Brown	1,600	2,000			5,280	
D A Reid	71,798	5,000	296,631		115,236	535,734
J A T Barstow	7,000	4,000	27,690		17,400	49,962
Lord Caccia	3,520	500			5,036	3,000
Lord Coleraine	1,600	500			3,480	
W F Gardner	3,200	2,000	800		8,160	1,440
B W Goodman (appointed 9.7.70)					2,000	
Sir J N Hogg	1,000	200	4,420		2,040	7,956
Sir J S P Mellor	30,640	10,000			67,152	
R E Montgomery	1,600	500			3,480	
M Petherick	8,000	7,500			23,400	
F M Redington	1,600	500			3,480	

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

The total of the interests of the Directors and their families does not exceed 5 per cent. of the share capital of or voting control of the Company.

Employees

The average number of persons employed by the Company and its subsidiaries in the United Kingdom in each week of 1970 was 24,618 and the aggregate remuneration paid or payable in respect of these employees during 1970 amounted to £39,841,238.

Donations

During the year £37,983 has been given by the Company and its subsidiaries for charitable purposes in the United Kingdom and £8,804 overseas.

Auditors

Deloitte & Co., the present Auditors of the Company, are willing to continue in office.

K A USHERWOOD,

Chairman.

Holborn Bars
15th April 1971

Ordinary Branch Life Assurance Business

Revenue Account for the year ended 31st December 1970

	1969	£000	1969	£000
Income				
Premiums		161,941		149,600
Consideration for immediate annuities		4,559		5,456
Investment income (see note 9 and page 37)		90,293		83,711
Transfer from investment reserve account (see note 12)		8,100		5,800
Total income		264,893		244,567
Outgo				
Claims and surrenders (see page 37)		94,294		85,738
Annuities		16,976		14,773
Commission		9,726		9,124
Expenses		19,717		18,092
Selective employment tax		639		607
Taxation (see note 10)		9,964		9,155
Decrease in book value of investments related to linked business		554		228
Total outgo		151,870		137,717
Excess of Income over Outgo		113,023		106,850
Provision for increase in liability to policyholders		45,272		45,706
Surplus for year		67,751		61,144
Surplus carried forward last year		1,143		1,125
this year		1,290		1,143
deduct increase		147		18
Surplus for distribution		67,604		61,126
Provision for policyholders' bonuses		64,055		57,795
Balance to Profit and loss account (page 22)		3,549		3,331

Fund Account for the year ended 31st December 1970

Amount of fund at beginning of year	1,282,593	1,179,754
Exchange adjustment (see note 8)	6,513	-680
	1,289,106	1,179,074
add increase in surplus carried forward	147	18
	1,289,253	1,179,092
Increase in fund for year:		
Provision for increase in liability to policyholders	45,272	45,706
Provision for policyholders' bonuses	64,055	57,795
Amount of fund at end of year	1,398,580	1,282,593

16

Balance Sheet 31st December 1970

	1969	£000	1969	£000
Funds				
Contingency fund		14,000		14,000
Life assurance fund		1,398,580		1,282,593
		1,412,580		1,296,593
Investments				
British Government and British Government guaranteed securities		102,075		128,403
Other fixed income securities		336,975		325,089
Ordinary stocks and shares		378,486		331,264
Prudential Unit Trust units		3,193		1,382
Freehold and leasehold properties, rent charges and ground rents		316,986		255,747
Mortgages on property		181,208		174,968
Loans on Company's policies and other loans		66,907		59,298
Subsidiaries (see note 13)				
Fixed income securities		2,753		1,255
Ordinary stocks and shares		13,716		7,821
		1,402,299		1,285,227
Current assets				
Deposits at interest at home and abroad		826		80
Commission paid in advance		5,809		5,170
Outstanding premiums		5,786		4,181
Outstanding and accrued interest, dividends, rents and fees		14,822		13,927
Amounts due from subsidiaries		12		10
Tax recoverable		3,066		5,737
Other debtors		1,377		3,369
Balances at Bankers and cash in hand:				
Deposits (including sterling certificates of deposit)		21,127		11,969
Current account and cash in hand		1,624		2,515
		1,456,748		1,332,185
Less:				
Current liabilities				
Outstanding claims		11,319		9,993
Annuities due and unpaid		31		16
Outstanding commission and expenses		2,144		1,998
Premiums received in advance		1,547		1,203
Amounts due to subsidiaries		1,271		486
Promissory notes in overseas currencies (see note 9)		10,444		4,166
Unsecured loans in overseas currencies (see note 9)		11,530		11,497
Other creditors		5,882		6,233
		44,168		35,592
		1,412,580		1,296,593

17

P00022312

Industrial Branch Life Assurance Business

Revenue Account for the year ended 31st December 1970

	1969	1969
	£000	£000
Income		
Premiums	88,162	84,418
Investment income (see note 9 and page 37)	55,383	53,826
Transfer from Investment reserve account (see note 12)	8,100	8,200
Total income	151,645	146,444
Outgo		
Claims and surrenders (see page 37)	85,320	78,555
Expenses	28,584	25,723
Selective employment tax	1,442	1,368
Taxation (see note 10)	11,109	10,863
Total outgo	126,455	116,509
Excess of Income over Outgo	25,190	29,935
Provision released on reduction in liability to policyholders	18,612	12,443
Surplus for year	43,802	42,378
Surplus carried forward last year	2,025	1,986
this year	1,798	2,025
deduct increase/add decrease	+227	-39
Surplus for distribution	44,029	42,339
Provision for policyholders' bonuses	41,717	40,031
Balance to Profit and loss account (page 22)	2,312	2,308

Fund Account for the year ended 31st December 1970

Amount of fund at beginning of year	720,787	693,160
add increase/deduct decrease in surplus carried forward	-227	+39
	720,560	693,199
Increase in fund for year:		
Provision released on reduction in liability to policyholders	-18,612	-12,443
Provision for policyholders' bonuses	41,717	40,031
Amount of fund at end of year	743,665	720,787

Balance Sheet 31st December 1970

	1969	1969
	£000	£000
Funds		
Contingency fund	21,500	21,500
Life assurance fund	743,665	720,787
Total Funds	765,165	742,287
Investments		
British Government and British Government guaranteed securities	160,396	171,053
Other fixed income securities	142,316	146,725
Ordinary stocks and shares	256,299	232,814
Freehold and leasehold properties, rent charges and ground rents	146,320	142,075
Mortgages on property	42,095	40,665
Other loans	4,867	3,271
Subsidiaries (see note 13)		
Ordinary stocks and shares	670	181
Total Investments	752,963	736,784
Current assets		
Outstanding premiums	267	426
Outstanding and accrued interest, dividends, rents and fees	5,729	6,226
Amounts due from subsidiaries	11	1
Tax recoverable	2,972	3,563
Other debtors	1,029	1,479
Balances at Bankers and cash in hand:		
Deposits (including sterling certificates of deposit)	6,507	5,836
Current account and cash in hand	3,351	562
Total Current Assets	772,829	754,877
Less:		
Current liabilities and for 1969 A share capital (see note 1)		
A share capital	—	5,000
Outstanding claims	2,011	1,803
Outstanding commission and expenses	792	659
Amounts due to subsidiaries	805	193
Other creditors	4,056	4,935
Total Current Liabilities	7,664	12,590
Total Assets less Current Liabilities	765,165	742,287

General Branch Insurance Business

Revenue Account for the year ended 31st December 1970

	1969	1969
	£000	£000
Income		
Premiums	54,405	46,971
Investment income allocated to long term funds (see page 37)	250	246
Total income	<u>54,655</u>	<u>47,217</u>
Outgo		
Claims	31,691	26,891
Commission	7,461	6,566
Expenses	11,896	10,216
Selective employment tax	313	298
Overseas taxes other than on profits	276	221
Total outgo	<u>51,637</u>	<u>44,192</u>
Excess of Income over Outgo	3,018	3,025
Provision for increase in liability to policyholders	3,278	2,439
Gross Underwriting Loss (1969 Profit)	260	586
Investment income (other than allocated to long term funds) (see page 37)	3,155	2,845
Gross surplus	2,895	3,431
Taxation (see note 10)	2,111	1,924
Net surplus for the year	784	1,507
Transfer to Additional reserve fund	—	750
Balance to Profit and loss account (page 22)	<u>784</u>	<u>757</u>

Fund Account for the year ended 31st December 1970

Amount of fund at beginning of year	22,899	20,505
Exchange adjustment (see note 8)	320	—45
	<u>23,219</u>	<u>20,460</u>
Increase in fund for year:		
Provision for increase in liability to policyholders	3,278	2,439
Amount of fund at end of year	<u>26,497</u>	<u>22,899</u>

A detailed statement of General branch business appears on pages 38 and 39.

Balance Sheet 31st December 1970

	1969	1969
	£000	£000
Funds		
Contingency fund	1,000	1,000
Insurance fund	26,497	22,899
Additional reserve fund	7,900	7,900
	<u>35,397</u>	<u>31,799</u>
Investments		
British Government and British Government guaranteed securities	7,357	7,356
Other fixed income securities	24,238	21,333
Ordinary stocks and shares	10,721	10,100
Property	205	33
Mortgages on property	1,764	1,224
Other loans	1,032	305
Subsidiaries (see note 13)		
Ordinary stocks and shares	2,004	2,000
	<u>47,321</u>	<u>42,351</u>
Current assets		
Deposits at interest at home and abroad	1,005	1,562
Agents' balances	1,645	1,447
Outstanding premiums	7,540	5,642
Outstanding and accrued interest, dividends, rents and fees	431	409
Amounts due on reinsurance account	2,626	2,231
Amounts due from subsidiaries	440	428
Other debtors	392	427
Balances at Bankers and cash in hand:		
Deposits	3,516	2,806
Current account and cash in hand	600	831
	<u>65,516</u>	<u>58,134</u>
Less:		
Current liabilities and for 1969 B share capital (see note 1)		
B share capital	—	1,000
Outstanding claims	23,193	19,704
Outstanding commission and expenses	1,816	1,345
Premiums received in advance	224	198
Amounts due on reinsurance account	1,590	1,286
Amounts due to subsidiaries	52	31
Taxation	2,136	1,391
Other creditors	1,108	1,380
	<u>30,119</u>	<u>26,335</u>
	<u>35,397</u>	<u>31,799</u>

Profit and Loss Account of the Company for the year ended 31st December 1970

	£000	1969
Balance at beginning of year (see note 3)	4,362	3,736
Transfer from Ordinary branch revenue account	3,549	3,331
Industrial branch revenue account	2,312	2,308
General branch revenue account	784	757
Interest on deposits with Ordinary and Industrial branches	250	351
Investment income	710	—
Trustee and executor fees	150	132
	12,117	10,615
 <i>Less:</i>		
Expenses	95	57
Taxation (see note 10)	466	196
Special distribution (see note 3) (equivalent gross £7,437,000)	4,369	—
Interim dividend (equivalent gross £4,340,000—1969 £3,901,000)	2,550	2,292
Final dividend (equivalent gross £6,495,000—1969 £6,312,000)	3,978	3,708
	11,458	6,253
 Balance at end of year	659	4,362

The certificates and notes on pages 24 to 27 form

Balance Sheet of the Company

31st December 1970

	1969	
Capital, Reserves and Funds	£000	£000
Capital (see note 1):		
Authorised 250,000,000 Shares of 1s. each (5p)	12,500	—
—1969 120,000,000 Shares of 1s. each	—	6,000
	<hr/>	<hr/>
Issued and fully paid 204,000,000 Shares of 1s. each (5p)	10,200	—
—1969 100,000,000 A Shares of 1s. each	—	5,000
20,000,000 B Shares of 1s. each	—	1,000
Profit and loss account	659	4,362
Special contingency fund (see note 2)	4,858	8,904
Ordinary branch funds	1,412,580	1,296,593
Industrial branch funds	765,165	742,287
General branch funds	35,397	31,799
	<hr/>	<hr/>
	2,228,859	2,089,945
	<hr/>	<hr/>
Investments		
British Government and British Government guaranteed securities	269,828	309,687
Other fixed income securities	511,372	495,465
Ordinary stocks and shares	652,267	577,657
Prudential Unit Trust units	3,193	1,382
Freehold and leasehold properties, rent charges and ground rents	463,511	397,855
Mortgages on property	225,067	216,857
Loans on Company's policies and other loans	72,806	62,874
Subsidiaries (see note 13)		
Fixed income securities	2,753	1,255
Ordinary stocks and shares	16,540	10,052
	<hr/>	<hr/>
	2,217,337	2,073,084
Current assets		
Deposits at interest at home and abroad	1,831	1,642
Agents' balances	1,645	1,447
Commission paid in advance	5,809	5,170
Outstanding premiums	13,593	10,249
Outstanding and accrued interest, dividends, rents and fees	21,165	20,567
Amounts due on reinsurance account	2,626	2,231
Amounts due from subsidiaries	463	439
Tax recoverable	4,140	8,046
Other debtors	3,145	5,531
Balances at Bankers and cash in hand:		
Deposits (including sterling certificates of deposit)	31,150	20,611
Current account and cash in hand	3,121	3,988
	<hr/>	<hr/>
(Market value of total assets £2,701,482,000—1969 £2,633,199,000) (see note 11)	2,306,025	2,153,005
Less:		
Current liabilities		
Outstanding claims	36,523	31,500
Annuities due and unpaid	31	16
Outstanding commission and expenses	4,753	4,002
Premiums received in advance	1,771	1,401
Amounts due on reinsurance account	1,590	1,286
Amounts due to subsidiaries	2,128	710
Promissory notes in overseas currencies (see note 9)	10,444	4,166
Unsecured loans in overseas currencies (see note 9)	11,530	11,497
Other creditors	4,418	4,774
Final dividend	3,978	3,708
(equivalent gross £6,495,000—1969 £6,312,000)		
	<hr/>	<hr/>
	77,166	63,060
	<hr/>	<hr/>
	2,228,859	2,089,945
	<hr/>	<hr/>

Pages 24 to 27 form an integral part of these accounts.

Certificates to the Accounts

I certify that in my opinion the aggregate amount of the liabilities of the Company in relation to its long term business at 31st December 1970 did not exceed the aggregate amount of those liabilities as shown in the Balance sheet.

R S SKERMAN, *Chief Actuary.*

We certify that:

(1) in our opinion the value of the Company's assets at 31st December 1970 was in the aggregate at least equal to the aggregate of the amounts thereof shown in the Balance sheet. For the purposes of this certificate values of the quoted Stock Exchange securities have been taken at middle market prices as at that date and the values of other assets have been estimated by the Directors,

(2) in our opinion the aggregate of the market values at 31st December 1970 of the Company's realisable domestic assets, all free from mortgage or charge, was at least equal to the aggregate of the values at that time of the Company's domestic liabilities as defined in Section 65(9) of the Companies Act 1967,

(3) the aggregate amount of the premiums relating to general business included in the Revenue accounts is £51,113,212 (this figure excludes premiums relating to long term business),

(4) the amount of the minimum solvency margin applicable to the Company in the period immediately following the end of the financial year 1970 was £5,361,321,

(5) in our opinion the aggregate of the amounts of the Company's assets as stated in the Balance sheet exceeded the Company's liabilities at 31st December 1970 after taking into account all prospective and contingent liabilities but not liabilities in respect of share capital by £24,616,953,

(6) in our opinion the fund at the end of the year in relation to marine, aviation and transport business transacted in the current year was sufficient to meet all the liabilities outstanding at 31st December 1970 in relation to that business (including those in respect of risks to be borne by the Company after 31st December 1970 in relation to that business),

(7) in our opinion the funds at the end of the year in relation to marine, aviation and transport business transacted in the last preceding year and in previous years were each sufficient to meet all the liabilities outstanding at 31st December 1970 in relation to the relevant business,

(8) in our opinion no part of the Ordinary life assurance fund, the Industrial life assurance fund, the Long term sickness and accident insurance fund or the Sinking fund insurance fund has been used directly or indirectly for any purpose for which it should not have been used having regard to the provisions of Section 3 of the Insurance Companies Acts 1958 to 1967 and to the Articles of Association of the Company.

R H OWEN, *Chief General Manager.*

K A USHERWOOD, *Chairman.*

R S SKERMAN, *Chief Actuary.*

L BROWN, *Director.*

H G CLARKE, }
A F MURRAY, } *Joint Secretaries.*

COLERAINE, *Director.*

15th April 1971.

Notes on the Accounts

1 At the Annual General Meeting held on 21st May 1970 resolutions were passed to increase, as at 5th June 1970, the authorised capital by 130,000,000 shares of 1s. each (5p) of which 84,000,000 were to be issued as fully paid up shares by capitalising £4,200,000 from the Special contingency fund. Of the new fully paid up shares 80,000,000 were issued to the A shareholders on the basis of four for five A shares and 4,000,000 to the B shareholders on the basis of one for five B shares both in respect of holdings at the close of business on 23rd April 1970. As from 5th June 1970 all shares rank *pari passu* in all respects without distinguishing letters.

The capital of the Company is liable in respect of contracts in all branches of the Company's business.

For the purposes of 1969 comparative figures the A share capital and the B share capital have been grouped with current liabilities in the Industrial and General branch Balance sheets respectively.

The market value of Prudential shares at 6th April 1965 relevant to the calculation of long term capital gains adjusted for the above issue of new shares is now:

Shares 1s. each (5p) in respect of A shares in issue prior to 10/3/65	81.425p
Shares 1s. each (5p) in respect of 3 for 1 capitalisation of A shares on 10/3/65	81.075p
Shares 1s. each (5p) in respect of B shares	77.344p

2 The balance of the Special contingency fund of £4,858,000 (£8,904,000) is after capitalising £4,200,000 (*nil*) (Note 1), charging expenses of £38,000 (*nil*) in this respect and crediting net investment income of £192,000 (£369,000).

3 In the Profit and loss account on page 22, balances standing to the credit of the Shareholders' account (A shares), the Shareholders' account (General branch) and the General branch Profit and loss account at 1st January 1970 amounting to £3,745,000, £493,000 and £124,000 respectively have been consolidated and are represented by the amount of £4,362,000 shown as Balance at beginning of year. The comparative figures for 1969 have been prepared in the same way but in addition the amounts of the interim and final dividends to A and B shareholders for that year have been amalgamated.

The special distribution of £4,369,000 was made on 28th May 1970 in accordance with Special Resolution No. 2 passed at the Annual General Meeting held on 21st May 1970 from the balances of the shareholders' accounts together with £131,000 net interest accruing to the Shareholders' account (A shares).

4 The Company is committed to capital contracts for settlement after 31st December 1970 of £3,600,000 (£5,710,000) and expenditure authorised but not contracted for of £35,000 (£60,000). Also, certain guarantees have been given by the Company in respect of retirement benefits for the Staff and benefits for their relatives and dependants.

5 The aggregate amount of the Directors' emoluments for the year, including emoluments from subsidiary companies was £77,916 (£78,500). In addition a contribution of £25,000 (*nil*) has been made to the pension scheme for Directors.

The emoluments of each person who has been Chairman during the financial year so far as attributable to the period during which he was Chairman were Sir J S P Mellor £5,852 (£15,000) and Mr K A Usherwood £9,148 (*nil*).

The emoluments of all Directors were as follows:

Over	Up to	Number of Directors	
£	£	1970	1969
—	2,500	1	—
2,500	5,000	9	7
5,000	7,500	—	4
7,500	10,000	3	1
10,000	12,500	1	—
12,500	15,000	—	1

Notes on the Accounts *continued*

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

Over £	Up to £	Number of Employees	
		1970	1969
10,000	12,500	7	2
12,500	15,000	2	1
15,000	17,500	1	—
17,500	20,000	—	3
20,000	22,500	3	—
22,500	25,000	—	1
25,000	27,500	1	—

7 The remuneration of the auditors for the year was £81,701 (£69,155) of which £49,701 (£41,655) related to that payable to local auditors overseas.

8 Life, fire and accident business transactions in overseas currencies have been included in the accounts at the rates of exchange ruling on 31st December 1970 and the funds brought forward at the beginning of the year in the Ordinary and General branch accounts on pages 16 and 20 respectively, have been adjusted for the difference in the rates of exchange at the beginning and end of the year.

Currency liabilities overseas including loans from overseas bankers, promissory notes and unsecured loans in overseas currencies are, with minor exceptions, covered by corresponding currency assets and these liabilities and assets (other than those subsequently mentioned) have been converted at rates of exchange ruling on 31st December 1970. The book values of certain investments in overseas currency held at Chief Office partly on Chief Office investment account and partly as cover for overseas liabilities, other than the shareholding in the American subsidiary referred to in note 13 which is included at dollar cost converted to sterling at the rate of exchange ruling on 31st December 1970, have been based on the rates of exchange ruling on the dates of acquisition.

Overseas interest received or paid by the Company's Chief Office and overseas currency transactions included in the marine, aviation and transport account have been brought in at rates of exchange based on those ruling on the dates of the respective transactions. The profit on exchange in the marine, aviation and transport account, noted in the analysis of General branch insurance business on pages 38 and 39, arises from the revaluation of currency assets at the rates of exchange ruling on 31st December 1970.

9 Investment income is shown less amounts written off terminable securities and after payment of interest of £1,325,000 (£1,595,000) and £ nil (£2,000) by the Ordinary and Industrial branches respectively, on bank loans, promissory notes and unsecured loans. The promissory notes and unsecured loans in overseas currencies shown under current liabilities in the Balance sheets fall due for settlement by 1975 and 1974 respectively.

10 Taxation, as detailed below, including Schedule F tax on dividends has been charged on all profits and income earned to date at the corporation tax rate of 42.5% and the income tax rate of 41.25% (38.75% for Schedule F tax on the final dividend) less appropriate reliefs. The amounts charged include in the Ordinary branch £1,300,000, Industrial branch £900,000 and General branch £300,000 Schedule F income tax attributable to the special distribution paid in 1970.

	Ordinary branch		Industrial branch		General branch		Profit and loss	
	1970	1969	1970	1969	1970	1969	1970	1969
	£000	£000	£000	£000	£000	£000	£000	£000
Corporation tax	435	1,450	2,276	2,949	1,325	1,303	146	196
Less Double taxation relief	137	136	194	224	554	465	—	—
	298	1,314	2,082	2,725	771	838	146	196
Income tax	7,245	5,730	8,896	7,968	836	601	320	—
Overseas tax	2,383	2,157	270	240	593	465	—	—
Adjustment for prior years	38	—46	—139	—70	—89	20	—	—
	9,964	9,155	11,109	10,863	2,111	1,924	466	196

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

Notes on the Accounts *continued*

11 The market value of the total assets shown on the Balance sheet of the Company on page 23 is based on market quotations where available (allowing 75% of dollar premium where appropriate) and in all other cases on values estimated by the Directors. No allowance has been made for any tax on capital gains that would arise if the assets were realised at the value shown.

12 Profits and losses on realisation of assets together with adjustments to book values and exchange differences, other than exchange differences on marine, aviation and transport insurance business, less any relative taxes, have been carried to Investment reserve accounts out of which transfers have been made to revenue accounts. The balances of the Investment reserve accounts have been applied in arriving at the Balance sheet values of assets.

13 Particulars of subsidiary companies are as follows:

<i>Name</i>	<i>Class of Share held</i>	<i>Proportion held</i>	<i>Country of Incorporation</i>
(a) Prudential Unit Trust Managers Limited	Shares £1	100%	England
(b) Murray & Co. Limited	Common Shares n.p.v.	100%	Canada
Prudential Australian Superannuation Limited	Shares \$2	100%	Australia
The Prudential Insurance Co. of Great Britain (located in New York)	Shares \$100	100%	U.S.A.
Societa Italo-Britannica di Assicurazioni s.r.l.	Shares	100%	Italy
(c) City of London Properties Pty. Limited	Shares \$2	100%	Australia
The Mercantile and General Reinsurance Company Limited	Shares £1 "A" Shares £1	80.6% 49.3%	Scotland
Paramet Corporation Limited	Common Shares n.p.v.	100%	Canada
Partin Investments Limited	Ordinary Shares 2s.	100%	England
Prudential Nominees Limited	Shares £1	100%	England
Riccarton Mall Limited	Ordinary Shares \$1	100%	New Zealand
R.P.D. Investments Limited	Ordinary Shares 1s.	100%	England
Stocklund Property Limited	Shares £1	100%	England
(d) Prudential Pensions Limited	Shares £1	100%	England

The accounts of the subsidiary under (a) above, which manages the Prudential Unit Trust, are annexed on page 28.

The accounts of the subsidiaries under (b) above have not been included in the group accounts as the amounts involved are insignificant. Based on the rates of exchange ruling on 31st December 1970 the net aggregate amount of profits for these subsidiaries are:

<i>For 1970</i>	<i>For previous years</i>	
£	£	
69,102	1,747,618	(not included in the Company's accounts)
53,698	44,125	(included in the Company's accounts)

With the approval of the Department of Trade and Industry the group accounts do not include the accounts of the subsidiaries under (c) above and the particulars of such subsidiaries otherwise required to be given in accordance with paragraphs 15(4) and (6) of the Eighth Schedule to the Companies Act, 1948 are omitted.

The Company's holding in The Mercantile and General Reinsurance Company Limited is, except for direct holdings of 5.5% of the Shares £1 and 7.6% of the "A" Shares £1, through Mercantile and General Reinsurance (Holdings) Limited, a company incorporated in England. The whole of that company's share capital, consisting of Ordinary Shares £1 is held partly in the Ordinary branch and partly in the General branch. The businesses carried on by The Mercantile and General Reinsurance Company Limited and its subsidiaries do not principally affect the amount of profit of The Prudential Assurance Company Limited or the amount of its assets and in view of the number of subsidiaries involved details relating to individual companies are not shown.

Prudential Pensions Limited under (d) above was incorporated on 26th October 1970 and the first accounts will cover the period ending 31st December 1971.

14 The Company, in its investment portfolio, holds shares in 44 companies, other than subsidiaries, in which the holding of at least one class of equity shares exceeds in nominal value one tenth of the nominal value of the issued shares of that class. The businesses carried on by these companies do not principally affect the amount of the profit of the Company or the amount of its assets and in view of the number involved details relating to individual companies are not shown.

Accounts of Subsidiary Company

Prudential Unit Trust Managers Limited

Profit and Loss Account for the year ended 31st December 1970

	1970			1969	
	£	£		£	£
Interest	4,008	7,418	Balance brought forward	10,188	—
Balance carried to Balance sheet	19,695	10,188	Loss arising from the management of the Prudential Unit Trust	13,265	17,356
			Auditors' remuneration in respect of the company	250	250
	<u>£23,703</u>	<u>£17,606</u>		<u>£23,703</u>	<u>£17,606</u>

Balance Sheet as at 31st December 1970

	1970			1969	
	£	£		£	£
Authorised and Issued capital— 50,000 Shares of £1 each, fully paid	50,000	50,000	Preliminary expenses not written off	2,289	2,289
Less Balance of Profit and loss account	19,695	10,188	Current assets—		
	<u>30,305</u>	<u>39,812</u>	Stock of units at cost	840	17,903
Current liabilities—			Amount due from Parent company	—	40,382
Amount due to Midland Bank Executor and Trustee Co. Ltd. for creation of units	—	48,258	Other debtors	6,968	3,538
Amount due to Parent Company	6,847	—	Balance at Bankers	31,250	32,138
Other creditors	4,195	8,180			
	<u>£41,347</u>	<u>£96,250</u>		<u>£41,347</u>	<u>£96,250</u>

This Company is a wholly owned subsidiary of The Prudential Assurance Company Limited.

Sales of new and repurchased units during the year realised the sum of £2,275,845 (£2,901,858).

The operating loss for the year of £13,265 (£17,356) does not include any charge for preliminary expenses (£5,871).

Losses for taxation purposes available against future profits are estimated at £18,000.

Comparative figures for 1969 are for the period 5th August 1968 to 31st December 1969.

9
-
6
0
-
6
-
=

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

In our opinion the accounts set out on pages 16 to 28 comply with the provisions of the Companies Acts, 1948 and 1967 applicable to insurance companies.

The accounts of certain subsidiaries have been audited by other auditors.

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

DELOITTE & CO.,
Chartered Accountants.

London

15th April 1971

Valuation Report

To the Directors of The Prudential Assurance Company Limited.

I have the honour to submit my report on the valuation as at 31st December 1970 of the life assurances and annuities and other insurance contracts of the Company.

Ordinary Branch

The number of contracts in force was 2,552,777 producing an annual premium income of £154,241,558. Sums assured with bonuses amounted to £6,868,929,511; deferred and contingent annuities with bonuses amounted to £216,116,341 per annum including amounts of annuity to be purchased by future recurrent single premiums. Annuities in course of payment amounted to £17,718,639.

The interest earned in 1970 represents a gross rate of £6.93 per cent on the Ordinary branch fund.

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

Business issued in the United Kingdom, the Channel Islands and the Isle of Man	The net premium method valuing net premiums calculated on the valuation basis
Business issued in other territories	The modified net premium method valuing net premiums calculated on the valuation basis with an addition to allow for part of the initial expenses.

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

The tables of mortality used for assurances were:

Business issued in:

United Kingdom, the Channel Islands, the Isle of Man, Australia, New Zealand and Canada without-profits issued after 31st December 1960	A1949/52 Ult
South Africa and Rhodesia	SA56/62 Ult
Kenya, Tanzania, Uganda and Zambia	A1924/29 Ult
Canada: Without-profits issued before 1st January 1961 and with-profits	
Other territories	A1924/29 Ult with a rating up of 3 years

The net rates of interest assumed for assurances were:

	Rate of interest
Business issued in:	
United Kingdom, the Channel Islands and the Isle of Man:	
With-profits	2½%
Without-profits	3%
Australia and New Zealand	
Second Series	3%
Other	3½%

Valuation Report *continued*

Ordinary Branch *continued*

	Rate of interest
Canada:	
Without-profits issued after 31st December 1960	3½%
Other	3%
South Africa, Rhodesia and Zambia:	
With-profits: 1st Series	3½%
2nd Series: Retirement Fund	3¾%
Other	3¾%
Without-profits	4%
Kenya, Tanzania and Uganda:	
With-profits	3½%
Without-profits	3¾%
Other territories	3%

For assurances the whole of the difference between the value of the future office premiums and the value of the future net or modified net premiums has been reserved for future expenses and profits.

Deferred annuities have been valued for the period of deferment by the A1949/52 Ult table of mortality with a rating down of one year in the age. Deferred annuities for the period after deferment and immediate annuities have been valued by the a(55) Ult tables of mortality with additions to the values of the annuities of 3½ per cent for those issued in the United Kingdom, the Channel Islands and the Isle of Man and of 3 per cent for those issued in other territories as provision for future expenses of paying annuities and for the increasing longevity of annuitants.

The rates of interest assumed for annuities were:

	United Kingdom, Channel Islands and Isle of Man	Australia and New Zealand	South Africa, Rhodesia, Zambia, Kenya, Tanzania and Uganda	Other territories (with the exceptions stated below for certain business issued in Canada)
Deferred annuities:				
With-profits:				
Individual	3¾%	—	—	3%
Group	2¾%	—	3%	3%
Pension-unit schemes	4½%	—	—	—
Without-profits:				
Pension business:				
Individual	4¼%	—	—	—
Group	4½%	—	—	—
General business, individual and group:				
During deferment	3¾%	} 3½%	3¾%	3¼%
After deferment	4%			
Immediate annuities	5½%	3½%	5%	3½%
Annuities certain	3½%	—	—	—

For without-profits deferred annuities without surrender values secured by single premiums after 31st December 1966 in Canada the rate was 5½ per cent during deferment and 4 per cent after deferment. For immediate annuities purchased, or vesting from with-profit group business, after 31st December 1966 in Canada the rate was 5½ per cent.

Ordinary Branch *continued*

For individual deferred annuities and for pension-unit schemes the net premiums valued were calculated on the valuation bases. For group deferred annuities secured by annual premiums the net premiums valued were 95 per cent of the office premiums. For group deferred annuities secured by recurrent single premiums the benefit valued was the amount of annuity purchased by premiums paid to date.

For investment linked benefits the net liability was based on the value at the 31st December 1970 of the units allocated. Assurance benefits included in investment linked contracts were valued as temporary benefits.

The equivalents in sterling of liabilities in other currencies have been calculated at the rates of exchange ruling on 31st December 1970.

The foregoing bases of valuation incorporate changes in the tables of mortality used for assurances issued in the United Kingdom, Channel Islands and the Isle of Man from A24/29 Ult to A49/52 Ult and for assurances issued in South Africa and Rhodesia from A24/29 Ult to SA56/62 Ult. For business issued in South Africa, Rhodesia and Zambia the rate of interest assumed was altered, for Retirement Fund business from 3½ per cent to 3¾ per cent, for without-profit assurances from 3½ per cent to 4 per cent and for immediate annuities from 3½ per cent to 5 per cent. There were several other changes of minor importance.

These changes would have reduced the liabilities on the 1st January 1970 by £4,400,000. I consider that the Additional reserve should be decreased from £25,000,000 to £22,500,000. This reserve is held in respect of revivals, options and general contingencies for which provision is not otherwise made and as a stabilising fund to facilitate the declaration of equitable bonuses on the various classes of policies.

The result of the valuation is as follows:

Ordinary branch fund subject to transfers out of surplus, on 31st December 1970		£1,402,128,822
Net liability under assurance policies	£793,756,277	
Net liability under annuity contracts	520,077,164	
Additional reserve	22,500,000	
Total net liability		1,336,333,441
Surplus emerging at 31st December 1970		65,795,381
Add cost of bonuses allocated during 1970 in anticipation out of surplus for that year		3,098,410
Total Surplus, including £1,142,781 brought forward from last year		<u>£68,893,791</u>

I consider that for participating assurances issued in the United Kingdom, the Channel Islands and the Isle of Man, part of the surplus should again be distributed by way of terminal bonuses varying with the duration of the policies, that the rates of terminal bonus should be increased and that the years of issue to which they apply should be extended to include the year 1969. Although these terminal bonuses relate only to policies which become claims in the ensuing year, I am of the opinion that, other than in exceptional circumstances, terminal bonuses at these increased rates can be maintained on claims arising in later years on such policies issued prior to 1970. The discounted cost of maintaining these bonuses calculated on the bases used in the valuation is £72,000,000.

I also consider that terminal bonuses should be declared for participating assurances issued in Australia, South Africa, Cyprus and Malta.

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

(A) For assurance policies which become claims by death or maturity between 1st April 1971 and 31st March 1972 inclusive terminal bonuses of which the following are examples:

(1) Policies issued in 1969 or earlier in the United Kingdom, the Channel Islands, the Isle of Man, and Malta

Year of Issue:	1969	1961	1951	1941	1931	1923
Rate per cent of sum assured:	0.30	12.00	35.30	51.10	62.30	or earlier 70.00

Valuation Report *continued*

Ordinary Branch *continued*

(2) Policies issued in 1968 or earlier in Australia

Year of issue: Rate per cent of sum assured:	Superannuation			Other than Superannuation		
	1968	1961	1951 or earlier	1968	1961	1951 or earlier
	0.10	1.20	3.20	0.06	0.72	1.92

(3) Policies issued in 1964 or earlier in South Africa

Year of issue: Rate per cent of sum assured:	Whole Life Assurances				Other Assurances			
	1964	1961	1951	1940 or earlier	1964	1961	1951	1940 or earlier
	0.40	1.60	7.20	16.00	0.60	2.40	10.80	24.00

(4) Policies issued in 1968 or earlier in Cyprus

Year of issue: Rate per cent of sum assured:	1968	1961	1951
	0.30	9.80	32.60

(B) For assurance policies, except those of Ceylon class, reversionary bonuses at the following rates.
For policies issued in:

		per cent of sum assured	per cent of existing bonuses	
(a)	the United Kingdom, the Channel Islands, the Isle of Man and Malta	3.25	—	
(b)	Australia:	First series: Superannuation	3.15	—
		Other	2.65	—
	Second series:	Superannuation	2.20	2.20
		Other	1.90	1.90
(c)	New Zealand:	First series	2.25	—
	Second series	1.45	1.45	
(d)	Canada:	Registered	2.20	2.50
	Other	2.10	2.40	
(e)	South Africa:	First series	3.00	1.40
	Second series:	Retirement Fund	2.425	4.70
		Other	2.125	4.20
(f)	Rhodesia:	First series	2.75	—
	Second series:	Retirement Fund	2.425	2.425
		Other	2.125	2.125
(g)	Kenya:	Kenya class	2.30	1.00
	Other	2.30	—	
(h)	Pakistan	2.00	0.50	
(i)	Malaysia and Singapore	3.00	1.25	
(j)	Cyprus	2.80	—	

Bonuses at the same rates as last year are recommended for closed classes in Zambia, Tanzania, Uganda, Sudan, Palestine and India.

Industrial Branch

The number of policies in force, including 5,571,866 free or paid-up policies, was 22,988,889 producing an annual premium income of £91,691,029. The maximum sums assured with bonuses amounted to £1,994,782,363.

The interest earned in 1970 represents a gross rate of £7.80 per cent on the Industrial branch fund.

The table of mortality used for the valuation of all assurances was the English Life Table No. 12, Males. The net rate of interest assumed in the valuation was 2½ per cent. Net premiums have been valued, calculated on the valuation basis, and every policy has been treated as a liability. The whole of the difference between the value of the future office premiums and the value of the future net premiums has been reserved for future expenses and profits.

The foregoing bases incorporate a change in the table of mortality from English Life Table No. 11, Males. This change would have reduced the liabilities on 1st January 1970 by £1,950,000. I consider that the Additional reserve should be reduced from £33,400,000 to £32,000,000. This reserve is held in respect of revivals, options and general contingencies for which provision is not otherwise made and as a stabilising fund to facilitate the declaration of equitable bonuses.

The result of the valuation is as follows:

Industrial branch fund, subject to transfers out of surplus on 31st December 1970		£745,976,630
Net liability under Industrial assurance policies	£668,150,014	
Additional reserve	32,000,000	
Total net liability	<u>700,150,014</u>	
Surplus, including £2,025,096 brought forward from last year		<u>£45,826,616</u>

As in the case of the Ordinary branch, I consider that part of the surplus should again be distributed by way of terminal bonuses varying with the duration of the policies, that the rates of terminal bonus should be increased and that the years of issue to which they apply should be extended to include the year 1969. Although these terminal bonuses relate only to policies which become claims in the ensuing year, I am of the opinion that, other than in exceptional circumstances, terminal bonuses at these increased rates can be maintained on claims arising in later years on such policies issued prior to 1970. The discounted cost of maintaining these bonuses on the bases used in the valuation is £125,000,000.

I recommend that the following bonuses should be declared:

- (A) A terminal bonus on policies issued in 1969 or earlier which become claims by death or maturity between 1st April 1971 and 31st March 1972 inclusive at the same rates as those for Ordinary Branch policies issued in the United Kingdom examples of which are shown on page 32.
- (B) A reversionary bonus at the rate of 2.60 per cent of the sum assured.

An allocation of £41,717,542 to policyholders will be necessary to provide the cost of the recommended bonuses.

General Branch

In respect of fire and accident contracts (other than long term sickness and accident contracts) the unearned premium reserve has been calculated on a proportionate basis having regard to the premiums written each month with a deduction of 20 per cent for acquisition costs. The unearned premium reserve for motor vehicle contracts has been increased by a provision of £500,000.

Individual long term sickness contracts issued in the United Kingdom have been valued by a gross premium method assuming 70 per cent of the Manchester Unity 1893/97 (AHJ) sickness experience and the A1949/52 Ultimate table of mortality with interest at 4 per cent and taking credit for 60 per cent of the future gross premiums. In addition, a reserve of £15,000 is held for contingencies. Individual long term sickness contracts by

General Branch *continued*

level annual premiums issued in Canada, some of which are attached to life policies, have been valued by a net premium method, assuming the Canadian 1952 Inter-Company (period 2 benefit 5) sickness experience increased by 25 per cent for waiver of premium only benefits and by 75 per cent for monthly income benefits combined with waiver of premium benefits and the Commissioners 1941 Standard Ordinary table of mortality with interest at 2½ per cent. For other long term sickness contracts the reserve held is based on the premiums paid.

To many of the policies issued in the life branches there are attached long term additional benefits payable in the event of accident or sickness, the liability for which is borne by the General branch. For these and other long term contracts the provision has been calculated to take account of the liability arising from the right of renewal. In the aggregate the provision so calculated is 54.2 per cent of the premium income for the year.

The marine and aviation fund of £2,193,967 is, in my opinion, a sufficient provision for the liabilities pending under the accounts.

Sinking fund policies have been valued by a gross premium method taking credit for 98 per cent of the future gross premiums. The rate of interest assumed was 3 per cent or the rate of interest employed in the calculation of the premiums, if less than 3 per cent. The policies in force provide for the payment of capital sums amounting to £490,200 at the end of fixed terms of years, and produce an annual premium income of £1,458.

The equivalents in sterling of provisions in other currencies have been calculated at the rates of exchange ruling on 31st December 1970.

The result of the valuation is as follows:

General branch fund, subject to transfers out of surplus, on 31st December 1970		£35,180,490
Provision for fire and accident insurances	£21,581,641	
Provision for long term sickness and accident insurances	2,346,418	
Provision for marine and aviation insurance	2,193,967	
Provision for sinking fund insurance	374,651	
Additional reserve fund	7,900,000	
		<u>34,396,677</u>
Surplus		<u>£783,813</u>

R S SKERMAN,

Chief Actuary.

24th March 1971

Supplementary Information

Sources of Investment Income received during the year

	1969	
	£000	£000
Ordinary Branch		
British Government and British Government guaranteed securities	8,056	9,306
Other fixed income securities, including subsidiaries	24,299	23,399
Ordinary stocks and shares, including subsidiaries	21,432	19,796
Freehold and leasehold properties, rent charges and ground rents	18,907	15,466
Mortgages on property	13,706	12,721
Other sources	3,893	3,023
Total revenue account income	<u>90,293</u>	<u>83,711</u>
Industrial Branch		
British Government and British Government guaranteed securities	10,337	10,981
Other fixed income securities	11,316	11,304
Ordinary stocks and shares, including subsidiaries	19,431	18,613
Freehold and leasehold properties, rent charges and ground rents	11,072	10,137
Mortgages on property	2,377	2,363
Other sources	850	428
Total revenue account income	<u>55,383</u>	<u>53,826</u>
General Branch		
British Government and British Government guaranteed securities	483	420
Other fixed income securities	1,726	1,603
Ordinary stocks and shares, including subsidiaries	747	713
Mortgages on property	130	89
Other sources	319	266
Total revenue account income	<u>3,405</u>	<u>3,091</u>

Claims and Surrenders—Life Branches

	Ordinary branch		Industrial branch	
	1970	1969	1970	1969
	£000	£000	£000	£000
Claims under policies paid and outstanding:				
By death	22,546	20,092	25,910	23,903
By maturity	36,777	33,726	31,751	28,719
	<u>59,323</u>	<u>53,818</u>	<u>57,661</u>	<u>52,622</u>
Surrenders	20,215	18,285	27,659	25,933
Bonuses surrendered for cash	2,916	2,753		
Payments on withdrawal (including amounts re-applied as further premiums) and on scheme transfers under occupational pension schemes	11,840	10,882		
	<u>94,294</u>	<u>85,738</u>	<u>85,320</u>	<u>78,555</u>

Analysis of General Branch Insurance Business for the year ended 31st December 1970 (comparative figures for 1969 in italics)

Income	Property, Motor Vehicle, Sickness and Accident, Pecuniary Loss, Liability										Marine, Aviation and Transport														
	Property £000		Motor Vehicle £000		Sickness and Accident £000		Pecuniary Loss £000		Liability £000		Treaty Reinsurance Accepted £000	Current Year £000		Last Preceding Year £000		Previous Years £000		Total £000		Sinking Fund £000		Total £000			
Amount of fund at beginning of year:																									
Unearned premiums	7,189	6,154	6,927	6,711	726	650	370	296	1,324	1,097	1,407	1,121	—	—	—	—	—	—	—	—	—	—	22,899	20,505	
Provisions	—	—	—	—	*2,055	*1,842	—	—	—	—	—	—	—	—	746	630	922	815	1,668	1,445	1,233	1,189	320	—45	
Exchange adjustment	109	—15	124	—11	51	—5	2	—1	34	—2	—	—11	—	—	—	—	—	—	—	—	—	—	—	—	
Premiums	7,298	6,139	7,051	6,700	2,832	2,487	372	295	1,358	1,095	1,407	1,110	—	—	746	630	922	815	1,668	1,445	1,233	1,189	23,219	20,460	
	18,120	15,782	20,539	17,475	5,138	4,623	1,143	881	3,800	3,314	4,032	3,618	1,431	1,169	178	93	23	5	1,632	1,267	1	11	54,405	46,971	
Amount of fund at end of year:																									
Unearned premiums	8,271	7,189	8,371	6,927	786	726	502	370	1,550	1,324	1,602	1,407	—	—	—	—	—	—	—	—	—	—	26,497	22,899	
Provisions	—	—	500	—	*2,346	*2,055	—	—	—	—	—	—	1,052	746	609	288	533	634	2,194	1,668	375	1,233	—	—	
Investment income allocated to long term funds	17,147	14,732	18,719	17,248	4,838	4,329	1,013	806	3,608	3,085	3,837	3,321	379	423	315	435	412	186	1,106	1,044	859	—33	51,127	44,532	
	—	—	—	—	200	171	—	—	—	—	—	—	—	—	—	—	—	—	—	—	50	75	250	246	
Total (A)	17,147	14,732	18,719	17,248	5,038	4,500	1,013	806	3,608	3,085	3,837	3,321	379	423	315	435	412	186	1,106	1,044	909	42	51,377	44,778	
Outgo																									
Claims	8,343	7,348	14,228	12,692	2,199	2,001	483	443	2,181	1,476	2,207	1,916	330	346	514	433	312	234	1,156	1,013	894	2	31,691	26,891	
Commission	2,367	2,115	2,371	2,018	677	623	41	24	522	451	1,483	1,335	—	—	—	—	—	—	—	—	—	—	—	7,461	6,566
Expenses including taxation other than on profits	5,052	4,431	4,665	3,829	1,315	1,205	369	310	924	818	60	61	99	77	1	2	—	2	†100	†81	—	—	12,485	10,735	
Total (B)	15,762	13,894	21,264	18,539	4,191	3,829	893	777	3,627	2,745	3,750	3,312	429	423	515	435	312	236	1,256	1,094	894	2	51,637	44,192	
Gross underwriting profit (A—B)	1,385	838	—2,545	—1,291	847	671	120	29	—19	340	87	9	—50	—	—200	—	100	—50	—150	—50	15	40	—260	586	

Note

The above statement analyses the General branch insurance figures in the Department of Trade and Industry classifications except that the figures for Sickness and Accident business include long term business and the Transport business written in the Accident department has been included in the Property account.

*For long term business

†After deducting £1,000 profit on exchange (adding £1,000 loss on exchange).

Ten Year Review

	1961 £m.	1962 £m.	1963 £m.	1964 £m.	1965 £m.	1966 £m.	1967 £m.	1968 £m.	1969 £m.	1970 £m.
Ordinary Branch										
New annual premium income	11.6	11.6	12.3	14.2	15.6	17.8	19.6	20.9	22.9	24.3
Total premium income and considerations	78.9	87.2	92.4	101.0	111.1	122.3	138.1	147.1	155.1	166.5
Investment income	35.3	39.1	43.3	49.6	56.9	62.0	69.7	76.2	83.7	90.3
Surplus to policyholders	21.9	24.8	28.3	32.0	36.5	39.5	45.0	51.6	57.8	64.1
Balance sheet value of assets	605.5	661.6	729.7	814.4	899.7	985.2	1,116.9	1,228.1	1,332.2	1,456.7
Market value of assets	700.7	784.5	909.9	954.1	1,045.5	1,079.8	1,303.1	1,580.9	1,533.5	1,604.6
Industrial Branch										
New annual premium income	8.4	9.2	8.8	9.3	10.6	11.4	12.3	12.7	13.8	14.8
Total premium income	60.5	66.4	65.1	67.8	70.7	74.2	77.5	81.2	84.4	88.2
Investment income	34.1	35.1	37.4	41.2	46.0	47.4	49.3	51.4	53.8	55.4
Surplus to policyholders	19.7	20.5	24.5	26.0	29.3	29.9	32.3	36.9	40.0	41.7
Balance sheet value of assets	542.2	560.8	585.5	615.6	648.2	672.1	698.6	730.2	754.9	772.8
Market value of assets	676.2	734.4	822.9	801.9	852.3	827.9	951.0	1,137.7	1,029.1	1,017.9
General Branch										
Premium income	20.1	20.9	22.5	25.7	29.1	31.7	37.3	41.5	47.0	54.4
Gross Underwriting profit	0.5	0.1	-0.5	0.3	0.2	0.5	1.0	0.2	0.6	-0.3
Investment income	1.2	1.2	1.2	1.4	1.7	1.8	2.2	2.5	2.8	3.2
Trading profit net of tax	0.9	0.6	0.4	0.8	1.0	1.2	2.0	1.7	1.5	0.8
Retentions	0.4	0.1	-0.1	—	0.4	0.6	1.3	1.0	0.7	—
Balance sheet value of assets	28.5	28.4	28.6	31.7	35.0	38.3	44.9	51.4	58.1	65.5
Market value of assets	30.2	31.1	33.0	34.6	38.0	40.0	49.6	60.4	62.8	68.4
*Profit and Loss Account										
Surplus from Ordinary branch	1.5	1.6	1.9	2.1	2.4	2.5	2.8	3.1	3.3	3.5
Surplus from Industrial branch	1.3	1.4	1.6	1.7	1.9	1.9	2.0	2.2	2.3	2.3
Surplus from General branch	0.5	0.5	0.5	0.8	0.6	0.6	0.7	0.7	0.8	0.8
†Dividend on shares 1s. (5p)	2.61p	2.84p	3.24p	3.61p	3.96p	3.96p	4.10p	4.24p	5.00p	5.31p

*This statement follows, for the years 1961 to 1969 inclusive, the presentation of the 1970 accounts.

†Gross equivalent of dividend declarations. Declarations on the A and B share capital for 1969 and previous years have been combined and adjusted for scrip issues where appropriate so as to be directly comparable with that for 1970 which excludes the special distributions referred to on page 14 of this Report.

1. Market values of assets are based on market quotations where available (allowing 75% of \$ premium where appropriate) and in all other cases on values estimated by the Directors.
2. No allowance has been made for any tax on capital gains that would arise if the assets were realised at the values shown.
3. The margin between Market values and Balance sheet values is proportionately greater in the Industrial branch than in the Ordinary branch mainly for two reasons:
 - (i) the more rapid growth of the Ordinary branch funds over recent years
 - (ii) overseas currency assets in the Ordinary branch are held to cover overseas currency liabilities, now about 25% of the total liabilities of the branch. The Market value of these assets has not increased to the same extent as that of U.K. assets, particularly in territories where there are local investment restrictions.
4. The margins between Market values and Balance sheet values of assets are not in themselves a guide to the strength of a life assu