The Prudential Assurance Company Limited

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

Year ended 31st December 1973

The Prudential Assurance Company Limited

Incorporated in England Regd. No. 15454

142 Holborn Bars London EC1N 2NH

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Contents

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The Prudential Assurance Company Limited

President
Sir John Serocold Paget Mellor BT

Directors
Kenneth Ascough Usherwood CBE FIA *Chairman*
Leslie Brown FIA *Deputy Chairman*
Sir John Nicholson Hogg TD *Deputy Chairman*
John Anthony Tristram Barstow DSO TD DL
The Rt Hon Lord Caccia GCMG GCVO
Harry Gordon Clarke FIA
The Rt Hon Lord Coleraine PC
Reginald Edgar Montgomery
Angus Fraser Murray CBE FIA
The Rt Hon Lord O'Brien of Lothbury GBE PC
The Rt Hon James Edward Ramsden
Frank Mitchell Redington FIA
Desmond Arthur Reid
The Rt Hon Lord Strathalmond CMG OBE TD
Sir Peter Frank Dalrymple Tennant CMG OBE

Chief General Manager
W G Haslam DFC

Joint Secretaries and Investment Managers
E P Hatchett FIA
P E Moody FIA

Deputy Investment Managers
R E Artus MA
G J Titford FIA

Assistant Secretaries
R J Males ACCA
C M Stray FCIS

Senior Assistant Investment Managers
B Medhurst MA FIA
D Sirkett BSc FIA

Taxation Manager
E J Braybrook ACCA ACIS

Chief Surveyor
M R Dunnett FRICS

Deputy Chief Surveyor
E E Chapman MBE FRICS

General Manager for Australia and New Zealand
R B Levey FIA

General Managers
D S Craigen BA
J L Maxted LLM

Deputy General Manager
F B Corby MA FIA

Assistant General Manager and Actuary (Overseas)
F G Wood FIA ACII

Assistant General Managers
D C Bourdon FIA
A L Davis
J H J Day FCII
J E G Inglish FCII
A L Martin
H A Metcalf MBE ERD ACII
J W Whittle DSC VRD

Agency Managers
L D Cary
J H Long
P R Meikle ACII
S A Ryder
F M Simpson ACII

Deputy Manager – Management Services
J Hasloch ACCA ACII

Chief Legal Adviser
C F Whitehorn

President for Canada
A P Bodiley MBE FCII

Chief Actuary
R S Skerman CBE FIA

Actuary (UK)
Miss M C Allanach FIA

Group Pensions Manager
D E Fellows FIA

Deputy Group Pensions Managers
M H Hill
J L Savage BSc FIA

Deputy Actuary (UK)
C E Barton FIA

Senior Fire and Accident Manager
A W McOwan FCII

Marine Underwriter
L A Noakes

Aviation Underwriter
C R Jeffs

General Manager for Southern Africa
H G James

The Prudential Assurance Company Limited

Incorporated in England Regd. No. 15454

Notice is Hereby Given

that the Annual General Meeting of this Company will be held at
the Registered Office of the Company, No. 142 Holborn Bars London EC1N 2NH
on Thursday 16th May 1974 at 12.15 p.m. for the following purposes:

To receive the Directors' Report and Statement of Accounts for the year ended 31st December 1973

To re-elect and elect Directors

To transact any other business proper to the Annual General 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 Kenneth Ascough Usherwood CBE FIA who retire by rotation and who will be aged 71 and 69 respectively at the date of the Meeting.

By order of the Board of Directors
E P HATCHETT,
P E MOODY,
Joint Secretaries.

142 Holborn Bars London EC1N 2NH
23rd April 1974

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

At the Board Meeting which follows the General Meeting and in accordance with normal practice, Mr Leslie Brown will retire from the office of Deputy Chairman which he will have held for four years. He will retain his seat on the Board. It is the intention of the Directors to elect Mr Gordon Clarke as a Deputy Chairman.

Since the end of the year the death has occurred of Mr Bruce Goodman. Although he was on the Board for less than four years, we greatly regret the loss of his advice, based on his wide experience. His association with the Company, however, goes back many years, during which he held high office with Marks & Spencer Ltd. We have lost a true and kindly friend.

This year, Lord Coleraine retires by rotation and is not seeking re-election. He was appointed a Director in 1961 and the services he has given to the Company since that time have been of much value.

During the year the Directors appointed the Right Honourable Lord O'Brien of Lothbury GBE PC to be a Director of the Company. In accordance with the Articles of Association, he now retires and offers himself for election. In recommending the shareholders to elect him to the Board we are confident that the Company will continue to derive great benefit from his exceptional knowledge of financial affairs.

Mr R H Owen retired from the office of Chief General Manager at the end of the year, and the Directors are recommending his election to the Board. Mr Owen has had a distinguished career with the Company over 44 years and in 1968 he became the Company's Chief Executive in which capacity he has led the Company successfully through a period of great change.

During the year three other members of the Management have retired: Mr K N Yeldham, Deputy Actuary, Mr E W Cunnah, Assistant General Manager, and Mr F A Lewis, Deputy Group Pensions Manager. In their respective fields of responsibility, they have each made a significant contribution to the Company over many years.

On the retirement of Mr Owen, the Directors appointed Mr W G Haslam DFC to be Chief General Manager. Mr Haslam, who joined the Company in 1933, has served in many areas of its organisation and since 1969 has been directly responsible for research, planning and development, three essential elements in the Company's continuance in the forefront of the British insurance industry.

I would like to congratulate Mr R S Skerman, Chief Actuary of the Company, who was awarded the CBE in the New Year's Honours List for services to the insurance industry.

As a result of retirements and changes made in the structure of the Management, the following appointments and promotions have also been made:

Mr F B Corby	Deputy General Manager
Mr F G Wood	Assistant General Manager and Actuary (Overseas)
Miss M C Allanach	Actuary (UK)
Mr D C Bourdon Mr A L Davis Mr A L Martin Mr H A Metcalf Mr J W Whittle	Assistant General Managers
Mr J L Savage	Deputy Group Pensions Manager
Mr J H Long Mr P R Meikle Mr F M Simpson	Agency Managers
Mr J Hasloch	Deputy Manager (Management Services)
Mr C E Barton	Deputy Actuary (UK)

I opened my remarks to shareholders last year by saying that it was to be hoped that the Authorities would give great weight in their priorities to the containing of inflation. In the event the annual rate of decline in the purchasing power of the pound accelerated from 1972's 7·1% to 9·6%. This disturbing outcome was not, of course, confined to this country: high rates of price inflation are now common throughout the international economic system. It is not possible to isolate our economy completely from world wide inflationary trends, but that does not absolve us from our duty to make the most strenuous efforts to minimise their impact in order to reduce their divisive and debilitating effect on our society. Inflation is the direct cause of many sources of conflict in the industrial and social fields and serves also to exacerbate older problems of which it is not the prime cause. The economy's ability to provide goods and services has been growing modestly in recent years, but the inflationary process tends to redistribute the power to command a share of these goods and services in a manne P00018279 accords neither with social equity nor economic sense.

Such a background can produce ill-considered responses, where criticism of a symptom of the trouble may be met by actions whose long-term impact can only make the basic problem worse. For example, one of the principal effects of the ban on new permits for office building in the South East introduced in 1964 was to contribute greatly to the sharp upward pressure on rental levels. Yet such a ban was re-introduced last December, although high commercial rents in this region are already a matter causing widespread concern. The social and economic stresses caused by inflation are giving rise to a number of such problems and, as this occurs, it is to be feared that the Authorities may feel under pressure to be seen to be taking action, even if the action taken is of a kind which in the long run may do further damage.

We have followed with keen interest the growing discussion of the changing way in which a company's role might be viewed. Legally companies exist for the purpose of producing benefits for their shareholders. But they do so by employing people and by providing goods or services to other people. In practice, to fulfil its primary legal function satisfactorily any large company must take account of the interests of its employees and provide a service to the public which secures it continuing support in a competitive environment. We are convinced that the enlightened pursuit of the long-term interests of shareholders by a good management presupposes proper concern for the interests of employees and consumers. It does not, however, follow from this that a company pursuing its own enlightened self-interest will always be acting in the interests of society as a whole. This may not be so, for example, when companies do not bear the full social costs of their activities and such questions will have to receive more attention in the future than has previously been the case.

There have been a number of proposals that interests other than those of the shareholder should be more formally represented in the management structures of companies, and such suggestions have been pressed particularly in the case of employees' interests. The condition of industrial relations in this country is such that any path which appears to offer a prospect of producing a greater recognition of the wide areas of common interest is worth careful examination.

It is doubtful whether, for the time being at least, a substantial contribution to resolving these deep-seated troubles would be made by formal representation of employees' interests at board level. Neither should we lightly discard the traditional view that all members of a board have a primary duty to further the general good of their company, interpreted in a wide and responsible fashion, rather than to represent some sectional interest. It seems more promising that improvements should be sought rather by changed attitudes to communications and employee participation in decision taking at shop floor and intermediate levels. We have ourselves recently set up within every department of our clerical organisation joint staff/management consultative committees. It is too early to judge how valuable a development this will prove, but we expect it to provide a means for improving communications throughout our clerical organisation and for increasing the " openness " of our operations to suggestions and criticism from all levels of the staff.

We are confident that in matters of company staff relations the Prudential starts from a very sound base. Over many years the Company has earned a reputation for dealing generously with its staff in such matters as payment during illness, and has shown consideration to staff facing temporary domestic or other difficulties. Similarly, we have long been prepared to allow staff who undertake public service as Justices of the Peace, or in local government, to do so without prejudice to their position with the Company.

As substantial shareholders in many industrial and commercial companies we are necessarily in the position of having to make up our minds on whether to accept bid and merger proposals. The main responsibility for deciding whether a proposed bid or merger would be contrary to the interests of a dynamic and competitive economy rests with the Authorities and their operation of the legislation concerned with monopolies and mergers. But the fact that the Authorities decide that a bid need not be harmful in its impact is not the same as their saying that it is likely to be positively beneficial. This still remains an area in which we have to exercise our own judgment. In situations where a proposed merger seems likely to result in a better balance of industrial or commercial activities, or to improve the management available to one of the parties, and the bid has the blessing of both managements, we would expect to support the principle of the bid, although we still need to be satisfied that proper regard has been paid to the interests of employees and that the terms are reasonable. Where companies with a good record are the subject of a bid opposed by the incumbent management, we are inclined to support that management, unless we firmly believe that the merger would be generally beneficial or that the terms offered are substantially more generous than are justified by the company continuing to operate independently. There is on our part no preconceived preference for size as such which influences us to accept bids. Our approach aims at combining a proper degree of scepticism as to the effectiveness of mergers in producing a more efficient economy, with the knowledge that we have a duty to invest the resources placed with us by millions of savers to the best advantage. This whole field is an immensely difficult one, and we cannot claim that all the mergers which we have supported have worked out satisfactorily either from the point of view of industrial efficiency or the return to us as shareholders. This applies as much to agreed mergers as to contested bids.

There has been some criticism of the extent to which the funds of the major investing institutions have in recent years been employed to purchase existing commercial buildings or to finance new ones. Frequently such crit P00018280 emanates from sources heavily committed to the advocacy of a more highly regulated economy. In a sens is ironic in that of all the available kinds of physical investment which we might help finance none is so extensively and comprehensively subject to regulation by public bodies as is the construction of new commercial buildings. One can only believe that the true burden of the complaint is that investment elsewhere in our society has been inadequate and that investing institutions should in some way have facilitated higher levels of investment in other areas. Industry and commerce, the principal alternative field of investment for insurance funds, is not one in which investing institutions can be themselves initiators of investment on a significant scale. However, the terms on which finance is available must influence the development by others of such investment plans. Within a free market system such terms are set by the cumulative assessment of a large number of individuals and institutions as to the level of return which can reasonably be expected from investment in various types of asset. In deciding terms on which they will provide capital investors must take account of the general inflationary situation: if inflation is proceeding at the rate of 10 per cent. per annum how can people or institutions be expected to be keen to advance money at rates, which after deduction of tax, may show no real return at all? On the other side of the coin industrial and commercial managements have seen the rate of return on new investment decline to the point where it barely covers the rising cost of capital. Industry finances its investment programme to a very substantial extent from its own cash flow. In the conditions just described it may well decide to seek little finance for investment beyond what can be generated internally. There is no reason to believe, however, that if money is sought by industry on competitive terms it will not be forthcoming. With many uncertainties as to future prospects there has been a lack of demand from industry which has limited the extent to which institutional investors have been called upon to provide funds for new capital investment programmes.

The year saw the passage through Parliament of the Insurance Companies Amendment Act 1973 which made substantial changes in the law regulating the conduct of insurance companies and to which I made reference in my statement last year. A particular feature of the Act is that it requires the separation of assets attributable to long-term business. While such a separation has been a feature of the Prudential's constitution for very many years, the requirement in the Act that for certain purposes long-term business must be regarded as a whole may make appropriate certain detailed changes in our Articles of Association.

Capital and Reserves

The shareholders' Capital has been increased during the year by more than 19 million new shares which were issued to effect the acquisition of Edger Investments Limited, a property development company, and Beaver Trust Limited, a small investment trust. The assets of these companies are regarded as very suitable investments for the insurance funds and the shareholdings have for the most part been transferred to these funds. As a consequence of the issue of the new shares at a substantial premium over the nominal value there has been a significant increase in the capital and reserve base of the Company which supports the growth of our business.

Your Directors believe that the capital of insurance subsidiaries of the Company should normally be held as part of the Shareholders' funds and the whole share capital of the Mercantile and General Reinsurance Company is now so held.

The Mercantile and General is expanding in the USA and as part of its plans has acquired the Prudential Insurance Company of Great Britain (located in New York) which had been a subsidiary of our General insurance funds.

Following the re-arrangement of our share capital and the creation of a single class of ordinary shares in 1970 it was no longer necessary to maintain separate Additional and Contingency reserves for general insurance and as from 1st January 1973 these reserves were added to the Group General reserve. This has caused a reduction in the investment income previously attributable to General insurance business and a corresponding increase in the investment income arising directly in the Profit and loss account.

Ordinary Life Assurance

New Premium income for the Company in the United Kingdom from individual policies amounted in total to £50·7 million. Of this figure, new annual premiums accounted for over £15 million, an increase of 4 per cent. over the record results of 1972.

Considerations for immediate annuities and single premiums totalled £35·5 million, as against only £12 million in 1972. This large increase resulted from the sales of our High Income Bond.

The Prudential Personal Retirement Plan which offers a variety of benefits to those, mainly the self-employed, who have the responsibility for making their own pension arrangements, maintained its popular appeal and produced a new annual premium income of £2·7 million, an increase of 16 per cent. over last year's figure.

We are one of the leading underwriters of group pension schemes in the United Kingdom and there has been further good progress in the past year. Premiums for such schemes now exceed £55 million per annum.

The Social Security Act 1973 makes company pension schemes an integral part of the social security system for it will require every employer to provide a new earnings related pension for his employees either th P00018281 company pension scheme meeting certain standards or, in the absence of such a scheme, through the State Reserve Scheme. If company pension schemes are to fill this new role successfully, it is important that really worthwhile schemes—and not those just meeting minimum " recognition " standards—be developed. To help explain the requirements of the new legislation and to encourage the development of company pension schemes in general, the Company Pensions Information Centre was formed by a number of life offices, including ourselves, last July.

Present indications are that the great majority of employers who have schemes with us will seek " recognition " under the new Act. However, nearly all schemes need modification in some degree to meet the detailed requirements of the Act and it is vital that employers agree to the appropriate changes in good time if there is to be any hope of meeting the April 1975 deadline. It is therefore to be hoped that the uncertainties arising from the new Government's statement that certain provisions of the Act are unacceptable will soon be resolved.

To meet the needs of those employers who do not yet have a pension scheme of their own, we have developed new forms of contract. In particular, we introduced last year the Prudential Company Pension Scheme which is designed primarily for small employers and associated groups of employers. For larger employers we have attractive forms of with-profit and unit-linked contracts and, through our association with the John Hancock Mutual Life Insurance Company of Boston and other insurers in the International Group Programme, can help to meet the world-wide employee benefit needs of multinational companies.

Prudential Pensions Ltd, the wholly owned subsidiary which manages pension business where the investment returns are directly linked to separate equity, fixed interest and property funds, has shown marked growth, the funds under management increasing during the year from £7·5 million to £21·8 million. Although much of this growth stems from funds transferred from our deferred annuity pension schemes, the very good investment performance over the first three years is now attracting wider attention.

In our Overseas Branches the new annual premiums for individual assurances increased by 3½ per cent. in terms of local currencies, with particularly good results in Canada, New Zealand and Southern Africa.

New annual and single premiums for group life and pension business overseas increased by over 65 per cent. compared with 1972, most of the increase arising in Canada and South Africa. The range of contracts available in this field has been expanded considerably in recent years and in Australia, Canada and South Africa we can now arrange for pension schemes to be funded through the medium of conventional with profits policies, deposit administration arrangements, or managed funds.

Factors outside our control have substantially reduced the volume of new life business which we could obtain in Kenya and we have recently decided, with regret, to cease writing new business there altogether. We shall however continue to provide full service to our existing policyholders and seek to expand our non-life portfolio.

In some Overseas branches it has been possible to increase bonus rates but in Australia it has been necessary to reduce the reversionary bonus rates for non-superannuation business. These reductions arise solely from the substantial increase in tax payable on life assurance business as a result of changes introduced by the 1973 Australian Budget. Fortunately, the return from our investments in Australia was higher in 1973 thus enabling us to increase the bonus rates for superannuation business, and to reduce the bonus rates for non-superannuation business by less than would otherwise have been the case.

The life branch of the Mercantile and General continued to make good progress. Life premium income grew to £19·5 million from £16·5 million. The life business written by our Belgian subsidiary, L'Escaut, is still small but it is pleasing to record the substantial increase, of more than 50 per cent. in new annual premiums written.

Industrial Life Assurance

Premium income rose by more than 6 per cent. to reach £104 million although new premium income, amounting to £18 million, increased by only 2 per cent. as compared with 1972. However, in 1973 the continuing reorganisation of our agency staff resulted in the absorption of 600 agencies with its consequent demand on the time of the supervisory staff. Agency absorptions in 1974 will be kept to an absolute minimum. As I said last year, I am convinced that there is a continuing need for the service provided by this branch of our business and I mention later the steps we are taking to strengthen the effectiveness of our sales organisation as a whole.

General Insurance

The Company's premium income amounted to £99 million, an increase of £16 million or 19 per cent. over 1972. The total premium income for the Group increased by £30 million (23 per cent.) to £159 million.

The underwriting profit of the Company was £4,120,000 compared with £3,532,000 in 1972 and the overall Group underwriting profit increased to £4,014,000 compared with £2,000,000 last year.

A detailed statement of the Company's General Insurance business appears on pages 38 and 39.

In the United Kingdom the Company had a satisfactory year overall with premium income exceeding **£50** million for the first time. The property account in particular again produced a good profit. Our considerable portfolio of domestic business and the virtual absence during the year of adverse weather conditions were material factors in this result. The motor account was again profitable benefiting from the mild winters. This account is particularly vulnerable to inflationary trends and most careful attention has to be paid to premium levels and to underwriting experience at all times.

Overseas, our business continued to expand at a satisfactory rate. Our operations for the year however resulted in an underwriting loss in spite of improved experience in many territories, notably Australia and South Africa where profits were achieved.

In Canada severe competition and a marked deterioration in loss experience in the motor and property classes in the second half of the year resulted in a heavy underwriting loss for the market as a whole. Our own results reflected this general trend. In Europe satisfactory profits were achieved in Holland and Denmark, and improvement was evident in France and Italy although the latter country still produced an underwriting loss. Overseas business written in the London market was again profitable.

The aviation and marine account for 1971 closed with an overall surplus, a good profit in aviation being partially offset by a loss in marine business. In order to maintain the fund at an appropriate level, no transfer has been made from this account.

The General insurance premiums written by the Mercantile and General increased by 28 per cent. to £46 million. There was a substantial improvement in the underwriting results of the fire and miscellaneous accounts which showed only a small loss compared with a loss of over £1·5 million in the previous year, and it was again possible to transfer £0·5 million from the marine and aviation account to Profit and loss account. The much improved results have enabled an amount of £1 million to be transferred to inner reserves.

L'Escaut achieved a very satisfactory growth in premium income which amounted to £10·7 million in 1973 compared with £7 million in 1972. There were however signs of deteriorating underwriting experience in the fire and workmen's compensation classes.

The net surplus for the Group was £7,320,000 compared with £5,080,000 for the previous year. This year, following the transfer of the General insurance Additional reserve and Contingency funds to the Group's General reserve, the whole of the surplus has been transferred to Profit and loss account for appropriation.

Development of Marketing Arrangements

At the end of last year we changed our agency management organisation in the United Kingdom to provide two management teams, one responsible for the administration of our large field force and the other responsible for marketing. I am glad to say that we have obtained Union co-operation for the introduction of changes, based on Management by Objectives, in the methods of management of our field force. The intention behind all of these changes is to improve the effectiveness of our marketing effort.

I have in previous reports made reference to the trials designed to test possible new forms of agency organisation and remuneration. These are continuing during 1974 with some modifications suggested by our experience so far. During this year we shall continue to analyse the results and consider to what extent structural changes need to be made to adapt our present form of agency organisation, which has served us well for many years, to the changing circumstances of the United Kingdom market.

Improvements in Office Efficiency

Since 1970 the Company has been operating in the United Kingdom a productivity arrangement within our clerical organisation under which savings in staff costs resulting from changes in organisational structure and working procedures are shared with the staff. This arrangement has brought material benefits to the Company and the staff. Perhaps of greater importance, the staff now have a direct incentive to support our continuing efforts to meet the problems which face a labour intensive organisation such as ours, for by their acceptance of changes in organisation and methods, notwithstanding an increased volume of business, we have been able to reduce our office staff strength by approximately 15 per cent. since 1970. A significant contribution to staff reductions and cost savings has arisen and will continue to arise both from computerisation of major sectors of the Company's administration, and from the decentralisation of the Ordinary Branch Administration to Reading which was commenced two years ago and will be completed during 1974.

Bonus Declarations

The rates of bonus declared on the Company's policies have already been reported in the press. Th P000018283 be found in the accompanying Report of the Chief Actuary.

In the United Kingdom the rates of terminal bonus payable on assurances in both the Ordinary and Industrial Branches and on Ordinary Branch with profit group and retirement annuities have been increased. These increases reflect our continuing aim, through our bonus declarations, to enable participating policyholders to share in the benefits achieved from the investment of a large proportion of our funds in ordinary shares and property. Overall the market value of our investments fell during 1973 but this largely reflected an increase in the market rate of interest and to that extent does not have an adverse effect upon our financial strength since our assets and liabilities are broadly matched as to term. The increases in our terminal bonuses took account of the increased dividends received from our equity investments during the year, and the increased rental values of our properties.

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	Reversionary Bonuses	Terminal Bonus	Sum Assured and bonuses on maturity	Total premiums paid*
	£	£	£	£
1939	761	833	2,594	992
1949	654	610	2,264	1,109
1959	468	310	1,778	1,094

*The cost to the policyholders will have been reduced by the life assurance relief of income tax.

The cost of the terminal bonuses mentioned above, as well as part of the bonuses on individual and group pension and certain overseas policies, has been met out of the unrealised appreciation in the value of our investments.

Investments

In the United Kingdom unemployment fell in 1973, and output rose quite strongly, in continuing response to the expansionary fiscal and monetary policies adopted by the Authorities in 1971 and 1972. However, by the autumn it was clear that the buoyancy of the economy was giving rise to stresses of the kind that had led to several previous phases of growth in this country having to be halted. Internally these problems were reflected in the accelerating rate of price inflation. Overseas our trading position worsened as the terms of trade swung dramatically against us whilst the volume of our imports rose strongly in response to the buoyant home economy. The then Government's response to these developments was to impose some extra restraint on the growth of public sector expenditure and to assert its confidence in the likelihood that equilibrium could be re-established without recourse to further deflationary moves.

The correctness or otherwise of this assessment was made academic by a series of developments which entirely altered the dimensions of the problems facing us. The October war in the Middle East saw the threat of a failure of oil supplies to match the levels required to maintain industrial activity on a growth path, and although the severity of the likely shortfall in supply later became less marked, it was clear that we have to expect our imported oil supplies to cost us much more than in the past. In addition to these developments the third phase of the Government's counter-inflationary policy for prices and incomes was challenged by the National Union of Mineworkers.

Against this background the value of securities showed marked falls over the year. The FT/Actuaries All Share Index declined by 31 per cent., while long-term interest rates (2½ per cent. Consols) rose from 9·85 per cent. to 12·26 per cent. The property market was initially hesitant, became firm when the Authorities indicated that they had no long run intention of restricting commercial rents, and then weakened towards the end of the year after the announcement of a special tax on profits from property development. Nonetheless, over the year as a whole there was a significant increase in property values, supported primarily by the continuing increase in up-to-date rental levels.

Your Company's investment transactions on behalf of its United Kingdom insurance funds last year are summarised in the following table:—

Investment transactions of the Company's United Kingdom insurance funds in 1973

	Purchases	*Sales or redemptions*	*Net investment*	*1972*
	£m	£m	£m	£m
British Government Securities	53	4	49	*12*
Other fixed interest securities including mortgages on property	27	28	−1	*−9*
Ordinary stocks and shares	89	40	49	*119*
Property investments	60	5	55	*25*
Total	229	77	152	[illegible]

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This table deals only with the allocation of funds arising in the normal way of business, and excludes the effect of transactions described on page 6, i.e. assets acquired by the allotment of new Prudential shares and various subsequent inter-group re-arrangements.

The investment of new money in the three basic types of asset (fixed interest, ordinary shares and real property) was more evenly spread than for some years. The increase in investment in fixed interest reflects the substantial rise in yields obtainable. The level of equity investments was markedly lower than in the previous year.

An important departure occurred in the latter part of the year when, following the fall in the Hong Kong market to about a third of its spring peak, we took a significant holding in Jardine Matheson, the leading Hong Kong trading house and a lesser stake in a small number of other top class companies based on Hong Kong. On the other hand, we continued the process of reducing our investments in Japan. When this process has finished, our Japanese holdings will comprise principally the surplus arising out of the successful investment of the original loans which financed our entry into this market during its weak period in the latter half of 1971. There were also net additions to our holdings in the USA and EEC countries.

The total new net investment of the United Kingdom insurance funds is of the same order as in 1972, but the money available to us for investment was rather greater, so that we ended the year with a substantial increase in the uninvested balance.

In the property field, over half of our net investment reflected commitments entered into prior to 1973 to finance developments, and a further £7·5 million was invested in first class agricultural properties, bringing our total acreage to over 12,500, bought at an average price per acre of £765.

New investments of the insurance funds of our Overseas branches were as below:—

	£m 1973	£m *1972*
Public Sector Debt	15	*15*
Debentures	10	*4*
Mortgages	10	*10*
Ordinary shares	16	*13*
Property	8	*6*
	59	*48*

These values are expressed in sterling and the apparent growth in value of net new investment between 1972 and 1973 has been boosted by some £7 million as a result of sterling depreciation over the period. Allowing for this and the growth of uninvested cash balances the funds available for investment showed a growth last year of some 15 per cent.

Profit and Loss Accounts and Dividends

The Profit and loss accounts on page 22 combine transfers from the Life and General businesses and other items of income and outgo with the balances brought forward from the previous year. An allocation of £2,300,000 has been made to General insurance Investment reserve account.

A final dividend of 2·738p per share has been declared which is payable on the 16th May. This dividend will carry under the 1974 Budget proposals the right to a tax credit of 33/67ths. The total dividend for the year, including the interim dividend of 1·85p, which carried the right to a tax credit of 3/7ths, amounts to 4·588p per share. This total dividend for the year represented at the date of declaration the maximum allowed under the Counter-Inflation legislation. The cost of these dividends is £10,426,000, which is less than the cost of dividends last year of £10,556,000 because provision had to be made for the 1972 interim dividend to be paid subject to deduction of income tax, i.e. gross.

The General reserve has been increased by £3,350,000 which follows our normal practice of building up reserves as our General insurance business increases. A balance of £1,058,000 has been carried forward.

The success of a company depends to a great extent upon the efforts of the staff individually and collectively. In times of continuing change and increasing challenge to meet market competition it is essential to have the goodwill and co-operation of the staff in the conduct of the Company's affairs, and so I want to thank all staff, in whatever capacity, at home and overseas for the contribution they have made during the past year. I had hoped this year to be able to report that our staff in Northern Ireland were operating in easier conditions but this is not yet the case and so once again special thanks are due to them.

K A USHERWOOD,
Chairman

10*th April*, 1974.

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1666-011

Directors' Report for the year ended 31st December 1973

Principal Activity

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

Share Issues

Last year it was reported that at 31st December 1972, 55,840 5p shares fully paid remained to be allotted in respect of the Company's offer for shares of The Mercantile and General Reinsurance Company Limited. The final allotment in respect of these shares took place on 17th April 1973.

Pursuant to an offer dated 1st June 1973 to holders of 3,600,000 Ordinary shares of 25p fully paid of The Beaver Trust Limited the Company allotted on 5th July 1973 2,400,000 5p shares credited as fully paid.

Pursuant to an offer dated 16th August 1973 to holders of 9,774,814 Ordinary shares of 25p fully paid of Edger Investments Limited the Company allotted on 20th September 1973 16,617,184 5p shares credited as fully paid.

All of the 19,073,024 shares allotted rank *pari passu* with the existing shares of the Company.

Accounts

Particulars of the subsidiary companies whose figures are included in the Group accounts are given in note 3 on the accounts on page 26. Comparative figures for 1972 do not include Edger Investments Limited, which became a subsidiary in 1973. The accounts included for The Mercantile and General Reinsurance Company Limited relate to the year ended 31st December 1972. Other information in respect of the accounts is given on pages 25 to 29 and 37 to 40.

The Balance sheet total of the tangible assets is, Company £3,130,213,000 (*£2,775,119,000*) and Group £3,318,324,000 (*£2,935,930,000*). Income from all sources as shown in the Revenue and Profit and loss accounts for 1973, including part of unrealised appreciation of investments in the two life accounts, amounted to, Company £687,816,000 (*£592,228,000*) and Group £794,706,000 (*£671,993,000*).

Ordinary Life Assurance business

	Company		*Group*	
	1973	*1972*	1973	*1972*
	£000	*£000*	£000	*£000*
New business for the year was				
Annual premium income	39,006	*33,936*	44,490	*38,095*
Single premiums and considerations	44,004	*17,842*	46,022	*20,392*
Business in force at the end of the year was				
Annual premium income	209,515	*184,505*	232,234	*203,420*
Sums assured, including bonus	10,422,936	*8,971,751*	12,934,005	*10,950,239*
Annuities per annum (including bonus and amounts to be purchased by future recurrent single premiums)	329,942	*279,909*	350,285	*295,387*

P00018286

The Group Revenue account on page 16 shows that surplus for distribution was £100,852,000 (*£90,245,000*) and that of this amount £94,834,000 (*£83,393,000*) was allocated to policyholders for bonuses leaving £6,018,000 (*£6,852,000*) for transfer to Group Profit and loss account. The amount transferred to Group Profit and loss account for 1972 included a transfer of £1,500,000 following the triennial valuation of the life and annuity fund of a subsidiary.

The Directors have declared the following bonuses on Prudential 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 £3·40 per £100 sum assured.

A terminal bonus on policies issued in 1972 or earlier, which become claims by death or maturity of endowment between 1st April 1974 and 31st March 1975 inclusive, at rates varying from £0·40 per £100 sum assured for policies issued in 1972 to £108 per £100 sum assured for policies issued in 1923 and earlier.

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

Industrial Life Assurance business

New business for the year was

	Company	
	1973	*1972*
	£000	*£000*
Annual premium income	18,106	*17,778*

Business in force at the end of the year was

	1973	*1972*
Annual premium income	108,774	*102,030*
Sums assured, including bonus	2,291,392	*2,173,817*

The Revenue account on page 18 shows that surplus for distribution was £54,587,000 (*£51,337,000*) and that of this amount £51,334,000 (*£48,231,000*) was allocated to policyholders for bonuses, leaving £3,253,000 (*£3,106,000*) for transfer to Profit and loss account. Industrial life assurance business is not carried on by any of the subsidiary companies included in the Group accounts.

P00018287

1666-013

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 1972 or earlier which become claims by death or maturity of endowment between 1st April 1974 and 31st March 1975 inclusive, at rates varying from £0·40 per £100 sum assured for policies issued in 1972 to £108 per £100 sum assured for policies issued in 1923 and earlier.

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

General Insurance business

Premium income, net of outward reinsurances was

Company		Group	
1973	*1972*	1973	*1972*
£000	*£000*	£000	*£000*
99,192	*83,225*	158,901	*129,267*

The Group Revenue account on page 20 shows that the net surplus amounted to £7,320,000 (*£5,080,000 before transferring £3,500,000 to Additional reserve fund*) which was transferred to Group Profit and loss account.

Geographical Distribution

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

	Company		*Group*	
	Ordinary life business	General business	Ordinary life business	General business
	%	%	%	%
United Kingdom	68·1	53·2	68·4	41·5
Europe (other than UK)	0·5	7·1	0·9	19·1
Australia and New Zealand	13·1	7·7	12·7	8·2
Canada	10·0	23·3	9·4	17·9
South Africa	6·1	2·3	6·1	3·2
United States of America	—	1·2	0·2	1·9
Other territories	2·2	5·2	2·3	8·2
	100·0	100·0	100·0	100·0

Trusteeships

The amount of debenture and loan stocks for which the Company acts as trustee exceeded £1,609,000 P00018288 (*£1,505,000,000*) at the end of the year.

Profit and loss accounts

The accounts on page 22 combine transfers from the life and general businesses and other items of income and outgo not dealt with in the life and general accounts with the balances brought forward from 1972.

As a consequence of the changes referred to in note 5 on page 28 the investment income for 1973 includes the earnings on the augmented general reserve and the transfer from the General insurance revenue account is correspondingly less.

Investment income relating to the Company for the year was £3,344,000 (*£1,363,000*) against which interest has been charged amounting to £2,096,000 (*£449,000*). Of the amount of £2,096,000 for 1973, £1,465,000 is non-recurrent and represents interest on a loan from the Ordinary life account to finance the transfer at 1st January 1973 of the controlling interest in Mercantile and General Reinsurance Company Limited to the portfolio of investments held against the Shareholders' funds as referred to in the Chairman's statement. This loan was liquidated when the investments in The Beaver Trust Limited and Edger Investments Limited acquired by the share issues referred to on page 11 were transferred to the Ordinary life account.

Dividends declared by the Company for the year total £10,426,000 (*£10,556,000*). The 1972 interim dividend is shown gross in accordance with previous tax laws whereas subsequent dividends are shown as the amount on which shareholders resident in the United Kingdom will be entitled to a tax credit. After making transfers to General insurance Investment reserve account of £2,300,000 (*nil*), to General reserve of £3,350,000 (*£2,500,000*) and to the Inner reserve of a subsidiary of £1,000,000 (*£539,000*) this leaves a balance of £1,058,000 (*£911,000*) to be carried forward.

As the Company is exempt from certain disclosures under Part III of Schedule 2, Companies Act, 1967, earnings per share have not been given since such information is not appropriate for life assurance business.

Dividends

The Directors have declared a final dividend for 1973 of 2·738p per share payable on 16th May 1974 to shareholders on the Register at close of business on 18th April 1974. This dividend will carry under the 1974 Budget proposals the right to a tax credit of 33/67ths amounting to 1·349p per share. The total dividend for the year, including the interim dividend of 1·85p paid in January 1974 amounts to 4·588p per share. This represented at the date of declaration an increase of 5 per cent over the dividend paid in respect of 1972 and is the maximum allowed by the Counter-Inflation legislation.

Directors

The Directors deeply regret the death on 2nd April 1974, of their colleague Bruce Wilfred Goodman CBE FCA who was appointed to the Board in July 1970.

The Directors retiring by rotation are Leslie Brown FIA, Kenneth Ascough Usherwood CBE FIA, Angus Fraser Murray CBE FIA and The Rt Hon James Edward Ramsden. They offer themselves for re-election.

The Rt Hon Lord Coleraine PC also retires by rotation but does not offer himself for re-election.

The Rt Hon Lord O'Brien of Lothbury GBE PC who was appointed a Director as from 29th November 1973 retires in accordance with the Articles of Association and offers himself for election.

The Directors recommend the election of Ronald Hugh Owen FIA.

Directors' Shareholdings

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

	Shares of 5p each			
	On 1.1.73 or subsequent appointment		On 31.12.73	
	Beneficially Held	Other Interest	Beneficially Held	Other Interest
K A Usherwood	4,000	2,448	4,000	2,448
L Brown	5,280		5,280	
Sir J N Hogg	3,660	6,336	3,660	6,336
J A T Barstow	15,000	47,122	15,000	45,394
Lord Caccia	5,036		5,036	
H G Clarke (elected 17.5.73)	4,020		4,020	
Lord Coleraine	3,480		3,480	
B W Goodman	3,000		3,000	
R E Montgomery	3,480		3,480	
A F Murray	2,000	810	2,000	810
Lord O'Brien of Lothbury (appointed 29.11.73)			2,000	
J E Ramsden	2,000	9,528	2,000	8,676
F M Redington	3,480		4,000	
D A Reid	115,237	485,761	161,562	452,015
Lord Strathalmond (appointed 18.1.73)			2,000	
Sir P F D Tennant (appointed 18.1.73)	1,200		2,000	

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

Between 31st December 1973 and 26th March 1974 the shareholding under "Beneficially Held" of Mr D A Reid has been reduced by 5,000 shares.

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

Other Shareholdings

As far as the Directors were aware at 25th March 1974 no person had a shareholding of 10 per cent or more of the share capital of the Company.

Employees

The average number of persons employed by the Company and its subsidiaries in the United Kingdom in each week of 1973 was 22,358 and the aggregate remuneration paid or payable in respect of these employees during 1973 amounted to £53,267,754.

Donations

During the year £54,686 has been given by the Company and its subsidiaries for charitable purposes in the United Kingdom and £20,560 overseas.

Auditors

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

K A USHERWOOD,

Chairman.

P00018290

Holborn Bars
10th April 1974.

1666-016

Revenue Accounts
for the year ended 31st December 1973

	Company 1973 £000	Company 1972 £000	Group 1973 £000	Group 1972 £000
Income				
Premiums (other than single premiums)	208,806	*181,058*	230,627	*199,336*
Single premiums and considerations	49,074	*22,575*	62,395	*28,969*
Investment income (see note 1*f* and page 37)	123,196	*108,484*	131,299	*114,010*
Increase in value of investments related to linked business (see note 1*c*)	—	*3,491*	—	*4,028*
Part of unrealised appreciation of investments (see note 1*c*)	19,900	*16,000*	19,900	*16,000*
	400,976	*331,608*	444,221	*362,343*
Outgo				
Claims and surrenders (see page 37)	132,854	*112,674*	144,574	*122,553*
Annuities	26,096	*21,955*	27,219	*22,938*
Commission	16,480	*13,391*	19,444	*15,866*
Expenses	29,582	*25,208*	31,678	*26,948*
Selective employment tax	82	*341*	89	*351*
Taxation (see note 1*g*)	6,657	*8,021*	6,845	*8,467*
Decrease in value of investments related to linked business (see note 1*c*)	4,537	—	5,750	—
Transfer to investment reserve account (see note 1*b*)	1,282	—	1,282	—
Consolidation adjustment (see note 1*a*)	—	—	96	—
	217,570	*181,590*	236,977	*197,123*
Excess of Income over Outgo	183,406	*150,018*	207,244	*165,220*
Provision for increase in liability to policyholders	82,637	*61,247*	106,433	*74,940*
Surplus for year	100,769	*88,771*	100,811	*90,280*
Surplus carried forward last year	1,277	*1,242*	1,277	*1,242*
this year	1,236	*1,277*	1,236	*1,277*
increase in surplus carried forward	−41	*35*	−41	*35*
Surplus for distribution	100,810	*88,736*	100,852	*90,245*
Provision for policyholders' bonuses	94,803	*83,367*	94,834	*83,393*
Balance to Profit and loss account (page 22)	6,007	*5,369*	6,018	*6,852*

Fund Accounts
for the year ended 31st December 1973

	Company 1973 £000	Company 1972 £000	Group 1973 £000	Group 1972 £000
Amount of fund at beginning of year	1,688,408	*1,508,709*	1,783,420	*1,590,767*
Exchange adjustment (see note 1*e*)	52,898	*39,095*	55,733	*38,335*
	1,741,306	*1,547,804*	1,839,153	*1,629,102*
deduct in respect of Pakistan class business	—	*4,045*	—	*4,045*
	1,741,306	*1,543,759*	1,839,153	*1,625,057*
increase in surplus carried forward	−41	*35*	−41	*35*
	1,741,265	*1,543,794*	1,839,112	*1,625,092*
Increase in fund for year:				
Provision for increase in liability to policyholders	82,637	*61,247*	106,433	*74,940*
Provision for policyholders' bonuses	94,803	*83,367*	94,834	*83,393*
Amount of fund at end of year	1,918,705	*1,688,408*	2,040,379	*1,783,425*

Balance Sheets
31st December 1973

	Company 1973 £000	Company 1972 £000	Group 1973 £000	Group 1972 £000
Funds				
Life assurance fund	1,918,705	*1,688,408*	2,040,379	*1,783,425*
Contingency fund	14,000	*14,000*	14,000	*14,000*
	1,932,705	*1,702,408*	2,054,379	*1,797,425*
Investments				
British Government and British Government guaranteed securities	211,556	*170,968*	221,343	*177,624*
Other fixed income securities	396,896	*354,582*	429,829	*385,832*
Ordinary stocks and shares	606,178	*557,603*	650,267	*593,292*
Prudential Unit Trust units	8,675	*10,261*	8,675	*10,261*
Freehold and leasehold properties, rent charges and ground rents	447,152	*373,192*	479,883	*388,699*
Mortgages on property	189,365	*182,092*	197,842	*190,504*
Loans on policies and other loans	63,944	*58,890*	64,080	*59,060*
Subsidiaries (see notes 1*a* and 3)				
Fixed income securities	3,479	*2,337*	3,479	*2,337*
Ordinary stocks and shares	22,107	*4,654*	12,617	*1,407*
	1,949,352	*1,714,579*	2,068,015	*1,809,016*
Current assets				
Deposits at interest at home and overseas	2,449	*2,357*	2,449	*2,357*
Commission paid in advance	10,115	*8,778*	10,115	*8,778*
Outstanding premiums	6,221	*5,219*	6,346	*5,227*
Outstanding and accrued interest, dividends, rents and fees	23,127	*20,534*	23,367	*20,624*
Amounts due on reassurance account	—	—	4,379	*3,674*
Amounts due from subsidiaries	11	*78*	3	*75*
Tax recoverable	7,087	*6,825*	6,228	*6,873*
Other debtors	1,807	*2,833*	3,815	*3,772*
Bank balances and cash:				
Deposits	16,067	*6,539*	22,458	*7,873*
Current account and cash	3,334	*1,413*	3,892	*1,845*
(Market value of assets, Company £2,308,717,000 *—1972 £2,327,765,000*, Group £2,481,467,000*—1972 £2,437,596,000*) (see note 1*c*)	2,019,570	*1,769,155*	2,151,067	*1,870,114*
Less:				
Current liabilities				
Outstanding claims and annuities	15,487	*13,823*	18,728	*16,192*
Outstanding commission and expenses	3,658	*3,150*	3,658	*3,150*
Premiums received in advance	2,371	*2,276*	2,371	*2,276*
Amounts due on reassurance account	—	—	201	*58*
Amounts due to subsidiaries	3,831	*1,290*	3,710	*1,281*
Promissory notes in overseas currencies (see note 6)	6,456	*10,650*	6,456	*10,650*
Unsecured loans in overseas currencies (see note 6)	41,257	*26,652*	41,257	*26,652*
Other creditors	11,300	*8,906*	14,613	*12,430*
Loan stock of a subsidiary (see note 6)	—	—	1,127	—
Bank overdraft	2,505	—	4,567	—
	86,865	*66,747*	96,688	*72,689*
	1,932,705	*1,702,408*	2,054,379	*1,797,425*

Revenue Account
for the year ended 31st December 1973

	Company 1973 £000	1972 £000
Income		
Premiums	104,406	*97,678*
Investment income (see note 1 *f* and page 37)	62,656	*60,419*
Part of unrealised appreciation of investments (see note 1*c*)	13,500	*13,500*
	180,562	*171,597*
Outgo		
Claims and surrenders (see page 37)	93,474	*93,935*
Expenses	36,448	*33,889*
Selective employment tax	166	*703*
Taxation (see note 1 *g*)	7,988	*9,531*
	138,076	*138,058*
Excess of Income over Outgo	42,486	*33,539*
Provision released on reduction in liability to policyholders	11,984	*17,690*
Surplus for year	54,470	*51,229*
Surplus carried forward last year	1,680	*1,788*
this year	1,563	*1,680*
decrease in surplus carried forward	117	*108*
Surplus for distribution	54,587	*51,337*
Provision for policyholders' bonuses	51,334	*48,231*
Balance to Profit and loss account (page 22)	3,253	*3,106*

Fund Account
for the year ended 31st December 1973

	1973	1972
Amount of fund at beginning of year	800,352	*769,919*
decrease in surplus carried forward	117	*108*
	800,235	*769,811*
Increase in fund for year:		
Provision released on reduction in liability to policyholders	−11,984	*−17,690*
Provision for policyholders' bonuses	51,334	*48,231*
Amount of fund at end of year	839,585	*800,352*

Balance Sheet
31st December 1973

	Company 1973 £000	1972 £000
Funds		
Life assurance fund	839,585	*800,352*
Contingency fund	21,500	*21,500*
	861,085	*821,852*
Investments		
British Government and British Government guaranteed securities	164,626	*158,251*
Other fixed income securities	127,415	*133,881*
Ordinary stocks and shares	344,440	*338,678*
Freehold and leasehold properties, rent charges and ground rents	190,684	*164,029*
Mortgages on property	56,861	*52,030*
Other loans	3,526	*3,595*
Subsidiaries (see note 3)		
Ordinary stocks and shares	670	*670*
	888,222	*851,134*
Current assets		
Outstanding premiums	—	*114*
Outstanding and accrued interest, dividends, rents and fees	8,534	*8,580*
Amounts due from subsidiaries	505	*165*
Tax recoverable	5,322	*4,753*
Other debtors	686	*3,347*
Bank balances and cash:		
Deposits	17,210	*3,225*
Current account and cash	2,704	*430*
(Market value of assets £1,325,396,000—*1972 £1,483,806,000*) (see note 1*c*)	923,183	*871,748*
Less: **Current liabilities**		
Outstanding claims	2,690	*2,430*
Outstanding commission and expenses	1,414	*910*
Premiums received in advance	386	—
Amounts due to subsidiaries	807	*809*
Unsecured loans in overseas currencies (see note 6)	48,957	*40,260*
Other creditors	5,563	*5,487*
Bank overdraft	2,281	—
	62,098	*49,896*
	861,085	*821,852*

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1666-018

General Insurance Business

Revenue Accounts
for the year ended 31st December 1973

	Company 1973 £000	Company *1972 £000*	Group 1973 £000	Group *1972 £000*
Income				
Premiums	99,192	*83,225*	158,901	*129,267*
Investment income allocated to long term funds (see page 37)	322	*262*	565	*426*
	99,514	*83,487*	159,466	*129,693*
Outgo				
Claims	55,373	*44,532*	87,005	*71,988*
Commission	14,016	*11,615*	28,117	*22,075*
Expenses	19,896	*16,679*	23,739	*19,894*
Selective employment tax	41	*163*	56	*186*
Overseas taxes other than on profits	535	*446*	535	*446*
	89,861	*73,435*	139,452	*114,589*
Excess of Income over Outgo	9,653	*10,052*	20,014	*15,104*
Provision for increase in liability to policyholders	5,533	*6,520*	16,000	*13,104*
Gross Underwriting Profit	4,120	*3,532*	4,014	*2,000*
Investment income (other than allocated to long term funds) (see notes 1f and 5 and page 37)	5,338	*4,460*	8,557	*6,911*
Gross surplus	9,458	*7,992*	12,571	*8,911*
Taxation (see note 1*g*)	4,367	*3,005*	5,251	*3,831*
Net surplus for year	5,091	*4,987*	7,320	*5,080*
Transfer to Additional reserve fund	—	*3,500*	—	*3,500*
Balance to profit and loss account (page 22)	5,091	*1,487*	7,320	*1,580*

Fund Accounts
for the year ended 31st December 1973

	Company 1973 £000	Company *1972 £000*	Group 1973 £000	Group *1972 £000*
Amount of fund at beginning of year	39,563	*31,808*	96,225	*82,925*
Exchange adjustment (see note 1*e*)	802	*1,235*	4,302	*201*
	40,365	*33,043*	100,527	*83,126*
Increase in fund for year:				
Provision for increase in liability to policyholders	5,533	*6,520*	16,000	*13,104*
Amount of fund at end of year	45,898	*39,563*	116,527	*96,230*

A detailed statement of the Company's General Insurance business appears on pages 38 and 39.

Balance Sheets
31st December 1973

	Company 1973 £000	Company *1972 £000*	Group 1973 £000	Group *1972 £000*
Funds and Reserves				
Insurance funds	45,898	*39,563*	116,527	*96,230*
Additional reserve fund (see note 5)	—	*13,150*	—	*13,150*
Contingency fund (see note 5)	—	*1,000*	—	*1,000*
	45,898	*53,713*	116,527	*110,380*
Reserve retained in a subsidiary (see notes 1*a* and 3)	—	—	—	*1,638*
	45,898	*53,713*	116,527	*112,018*
Investments				
British Government and British Government guaranteed securities	11,534	*14,231*	20,013	*21,205*
Other fixed income securities	35,462	*32,340*	54,699	*48,262*
Ordinary stocks and shares	25,512	*27,028*	60,232	*55,257*
Freehold property	241	*237*	1,370	*1,369*
Mortgages on property	3,038	*2,420*	5,631	*4,070*
Other loans	49	*189*	49	*191*
Subsidiaries (see notes 1*a* and 3)				
Ordinary stocks and shares	—	*2,028*	—	—
	75,836	*78,473*	141,994	*130,354*
Current assets				
Deposits at interest at home and overseas	1,672	*2,279*	1,672	*2,279*
Agents' balances	3,427	*2,206*	5,257	*3,551*
Outstanding premiums	14,135	*12,269*	14,779	*12,861*
Outstanding and accrued interest, dividends, rents and fees	836	*788*	1,190	*1,070*
Amounts due on reinsurance account	4,774	*3,261*	20,688	*17,981*
Amounts due from subsidiaries	558	*323*	—	*33*
Other debtors	1,172	*903*	3,212	*4,438*
Bank balances and cash:				
Deposits	9,311	*2,269*	10,607	*3,113*
Current account and cash	1,119	*1,207*	2,785	*2,681*
(Market value of assets, Company £112,940,000 —*1972 £118,247,000*, Group £222,452,000—*1972 £201,129,000*) (see note 1*e*)	112,840	*103,978*	202,184	*178,361*
Less:				
Current liabilities				
Outstanding claims	47,318	*36,695*	56,234	*43,548*
Outstanding commission and expenses	3,576	*3,266*	3,589	*3,266*
Premiums received in advance	255	*242*	547	*477*
Amounts due on reinsurance account	4,405	*2,922*	10,433	*9,160*
Amounts due to subsidiaries	107	*46*	92	*46*
Taxation	4,886	*3,764*	5,892	*4,268*
Unsecured loans in overseas currencies (see note 6)	2,258	*852*	2,258	*852*
Other creditors	4,137	*2,478*	6,612	*4,726*
	66,942	*50,265*	85,657	*66,343*
	45,898	*53,713*	116,527	*112,018*

Profit and Loss Accounts
for the year ended 31st December 1973

	Company		*Group*	
	1973 £000	*1972 £000*	1973 £000	*1972 £000*
Transfer from Ordinary life assurance revenue account	6,007	*5,369*	6,018	*6,852*
Industrial life assurance revenue account	3,253	*3,106*	3,253	*3,106*
General insurance revenue account	5,091	*1,487*	7,320	*1,580*
Investment and other income (see note 1*f* and page 14)	1,248	*914*	1,722	*1,287*
Trustee and executor fees	178	*162*	178	*162*
Taxation (see note 1*g*)	663	*1,745*	493	*1,552*
	16,440	*12,783*	18,984	*14,539*
Less:				
Expenses	217	*158*	219	*161*
Transfer to General insurance Investment reserve account	2,300	—	2,692	—
Profits of subsidiaries applicable to outside shareholders	—	—	2	*48*
Consolidation adjustment (see note 1*a*)	—	—	1,148	*1,166*
	2,517	*158*	4,061	*1,375*
	13,923	*12,625*	14,923	*13,164*
Balance at beginning of year	911	*1,342*	911	*1,342*
Balance for appropriation	14,834	*13,967*	15,834	*14,506*
Interim dividend — (*1972 gross*)	4,204	*5,100*	4,204	*5,100*
Final dividend payable (see page 14)	6,222	*5,456*	6,222	*5,456*
Dividends for the year	10,426	*10,556*	10,426	*10,556*
	4,408	*3,411*	5,408	*3,950*
Transfer to General reserve	3,350	*2,500*	3,350	*2,500*
Inner reserve of a subsidiary	—	—	1,000	*539*
Balance at end of year	1,058	*911*	1,058	*911*

P00018294

Balance Sheets of the Company and of the Group

31st December 1973

	Company 1973 £000	Company 1972 £000	Group 1973 £000	Group 1972 £000
Capital, Reserves and Funds				
Capital (see note 2)				
Issued and fully paid 227,258,684 (*1972 208,185,660*)				
Shares of 5p each	11,363	*10,409*	11,363	*10,409*
Share premium account (see note 2)	34,744	*8,080*	34,744	*8,080*
General reserve (see note 5)	20,000	*2,500*	20,000	*2,500*
Reserve retained in a subsidiary (see notes 1*a* and 3)	—	—	—	*1,638*
Profit and loss account	1,058	*911*	1,058	*911*
Special contingency fund	4,858	*4,858*	4,858	*4,858*
Ordinary life assurance funds	1,932,705	*1,702,408*	2,054,379	*1,797,425*
Industrial life assurance funds	861,085	*821,852*	861,085	*821,852*
General insurance funds	45,898	*53,713*	116,527	*110,380*
	2,911,711	*2,604,731*	3,104,014	*2,758,053*
Investments				
British Government and British Government guaranteed securities	387,716	*343,450*	406,902	*357,382*
Other fixed income securities	573,243	*529,794*	627,903	*578,466*
Ordinary stocks and shares	991,550	*930,922*	1,078,060	*996,526*
Prudential Unit Trust units	8,675	*10,261*	8,675	*10,261*
Freehold and leasehold properties, rent charges and ground rents	639,421	*537,458*	673,439	*554,203*
Mortgages on property	249,264	*236,542*	260,516	*246,666*
Loans on policies and other loans	68,519	*62,674*	68,655	*62,846*
Subsidiaries (see notes 1a and 3)				
Fixed income securities	3,479	*2,337*	3,479	*2,337*
Ordinary stocks and shares	65,167	*23,050*	13,337	*2,127*
	2,987,034	*2,676,488*	3,140,966	*2,810,814*
Current assets				
Deposits at interest at home and overseas	4,121	*4,636*	4,121	*4,636*
Agents' balances	3,427	*2,206*	5,257	*3,551*
Commission paid in advance	10,115	*8,778*	10,115	*8,778*
Outstanding premiums	20,356	*17,602*	21,125	*18,202*
Outstanding and accrued interest, dividends, rents and fees	32,635	*30,038*	33,229	*30,409*
Amounts due on reinsurance account	4,774	*3,261*	25,156	*21,709*
Amounts due from subsidiaries	1,074	*566*	61	*76*
Tax recoverable	6,930	*9,618*	5,105	*9,122*
Other debtors	5,513	*6,441*	8,923	*9,018*
Bank balances and cash:				
Deposits	47,088	*12,333*	54,950	*14,549*
Current account and cash	7,146	*3,152*	9,316	*5,066*
(Market value of total tangible assets, Company £3,820,028,000 —*1972 £3,963,506,000* Group £4,078,661,000—*1972 £4,142,025,000*) (see note 1*c*)	3,130,213	*2,775,119*	3,318,324	*2,935,930*
Less:				
Current liabilities				
Outstanding claims and annuities	65,495	*52,948*	77,652	*62,170*
Outstanding commission and expenses	8,656	*7,332*	8,670	*7,332*
Premiums received in advance	3,012	*2,518*	3,304	*2,753*
Amounts due on reinsurance account	4,405	*2,922*	10,723	*9,238*
Amounts due to subsidiaries	5,000	*2,145*	4,654	*2,134*
Promissory notes in overseas currencies (see note 6)	6,456	*10,650*	6,456	*10,650*
Unsecured loans in overseas currencies (see note 6)	101,197	*74,996*	101,197	*74,996*
Other creditors	9,069	*6,321*	13,877	*10,069*
Interest of outside shareholders in subsidiaries	—	—	34	95
Loan stock of a subsidiary (see note 6)	—	—	1,127	—
Bank overdraft	4,786	—	6,848	—
Dividends	10,426	*10,556*	10,426	*10,556*
	218,502	*170,388*	244,968	*189,993*
	2,911,711	*2,604,731*	3,073,356	*2,745,[illegible]*
Goodwill arising on consolidation (see note 1*a*)	—	—	30,658	*12,[illegible]*
	2,911,711	*2,604,731*	3,104,014	*2,758,053*

Certificates to the Accounts of the Company

I certify that in my opinion the aggregate amount of the liabilities in relation to long term business at 31st December 1973 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 assets at 31st December 1973 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 1973 of the realisable domestic assets, all free from mortgage or charge, was at least equal to the aggregate of the values at that time of the domestic liabilities as defined in Section 15(6) of the Insurance Companies Amendment Act 1973,

(3) the aggregate amount of the premiums relating to general business included in the Revenue accounts is £94,675,000 (this figure excludes premiums relating to long term business),

(4) the amount of the minimum solvency margin applicable in the period immediately following the end of the financial year 1973 was £9,718,000,

(5) in our opinion the aggregate of the amounts of the assets as stated in the Balance sheet exceeded the liabilities at 31st December 1973 after taking into account all prospective and contingent liabilities but not liabilities in respect of share capital by £72,023,000,

(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 1973 in relation to that business (including those in respect of risks to be borne after 31st December 1973 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 1973 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 8 of the Insurance Companies Amendment Act 1973 and to the Articles of Association of the Company.

Signatures to the Certificates and Accounts

W G HASLAM, *Chief General Manager.* K A USHERWOOD, *Chairman.*

R S SKERMAN, *Chief Actuary.* J N HOGG, *Director.*

E P HATCHETT, P E MOODY, *Joint Secretaries.* JAMES RAMSDEN, *Director.*

P00018296

10th April 1974.

Notes on the Accounts

1 Accounting policies:

(*a*) The Group accounts include the whole of the relevant business of the subsidiaries referred to in the first part of note 3 below, but the share capital of such subsidiaries is not in every case an asset of one or other of the branches to which the business relates.

Goodwill shown in the Balance sheet on page 23 arising on consolidation of certain subsidiaries represents the difference between the Balance sheet values of the investments in such subsidiaries and their net asset values at their dates of acquisition reduced by their undistributed post-acquisition profits which, except in the case of The Prudential Insurance Company of Great Britain (located in New York), referred to in note 3, are shown as consolidation adjustments in the Ordinary life revenue and Profit and loss accounts.

(*b*) In the Company's accounts and with minor exceptions in the Group accounts, profits and losses on realisation of assets and exchange differences, other than exchange differences on marine, aviation and transport insurance business, less any relative taxes, have been carried to Investment reserve accounts. The transfer to Investment reserve account shown in the Ordinary life business revenue account on page 16 is in respect of an overseas branch.

(*c*) The Balance sheet values of the investments, with the exception of those related to linked business, are in the main at cost increased by, in the life branches, unrealised appreciation transferred to the Revenue accounts and adjusted in all branches by the application of the balances of the Investment reserve accounts referred to in note (*b*) above. The values of investments related to linked business are included at market value and the amount shown in the Revenue account on page 16 corresponds to the movement for the year in the values of the linked business assets. The market values of the assets shown on the Balance sheets are based on market quotations where available (allowing 75 per cent. of dollar premium where appropriate) and in all other cases on values estimated by the Directors of the respective companies of the Group. Tax on capital gains that would arise if the assets were realised at the value shown is estimated in total to be not greater than Company £120m., Group £145m. of which the following applies to the separate businesses.

	Ordinary life	Industrial life	General business
	£m.	£m.	£m.
Company	50	70	—
Group	65	70	10

(*d*) The liabilities of the life and long term sickness and accident business are determined annually by actuarial methods.

For the Company's fire and accident insurances (other than long term sickness and accident contracts) reserves in respect of unearned premiums are calculated on a proportional basis having regard to the premiums written each month, with a deduction of 20 per cent. for expenses. In addition unexpired risk reserves are held for property and motor vehicle insurance to cover the estimated excess of liabilities over the unearned premium reserves. Funds are maintained at a level considered sufficient to meet the liabilities of the Group under marine, aviation, transport and reinsurance business. For the last treaty year the fire and accident proportional reinsurance account of one subsidiary is dealt with on an open year basis.

(*e*) Life, fire and accident business transactions in overseas currencies have been included in the accounts at the rates of exchange ruling on 31st December 1973 and the funds brought forward at the beginning of the year in the Ordinary life and General business 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 1973. 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 Belgian subsidiary referred to in note 3 which is included at currency cost converted to sterling at the rate of exchange ruling on 31st December 1973) 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 insurance business on pages 38 and 39, arises from the revaluation of currency net assets at the rates of exchange ruling on 31st December 1973.

In the Group accounts such items in respect of the subsidiaries have, with minor exceptions, been dealt with on a similar basis.

(*f*) Investment income, which has been adjusted in respect of United Kingdom dividends deferred for tax reasons, is shown less amounts written off terminable and other securities and after payment of interest £3,103,000 (*£2,722,000*), £3,544,000 (*£1,736,000*), £169,000 (*£6,000*) and £631,000 (*£449,000*) in the Ordinary life, Industrial life, General business and Profit and loss accounts respectively, on bank loans, promissory notes and unsecured loans and also on debentures in the Ordinary life account of £21,000 (*nil*). In the Profit and loss account for 1973 there was a further charge of £1,465,000 as referred to on page 14.

(*g*) Taxation has been charged on all profits and income earned to date, less reliefs (income tax 38·75 per cent corporation tax first quarter 40 per cent remainder 52 per cent or tax credit on UK dividends received 30 per cent). The General business and Profit and loss account are combined for the purpose of assessment to tax and accordingly should be read together.

	Ordinary life		Industrial life		General business		Profit and loss	
	1973	*1972*	1973	*1972*	1973	*1972*	1973	*1972*
Company	£000	*£000*	£000	*£000*	£000	*£000*	£000	*£000*
Corporation tax—on income	204	*177*	740	*1,227*	4,012	*2,603*	−1,036	*−89*
—attributable to UK dividends	2,693	—	5,471	—	339	—	512	—
Income tax—on investment income	143	*5,947*	2,089	*8,391*	−41	*654*	577	*520*
—withheld from dividend payments	—	—	—	—	—	—	—	*−1,976*
	3,040	*6,124*	8,300	*9,618*	4,310	*3,257*	53	*−1,545*
Less Double taxation relief	—	—	245	*230*	416	*144*	103	—
	3,040	*6,124*	8,055	*9,388*	3,894	*3,113*	−50	*−1,545*
Overseas tax	4,129	*2,694*	284	*230*	478	*10*	48	—
Adjustments re prior years	−512	*−797*	−351	*−87*	−5	*−118*	−661	*−200*
	6,657	*8,021*	7,988	*9,531*	4,367	*3,005*	−663	*−1,745*
Group								
Corporation tax—on income	236	*197*	740	*1,227*	4,959	*3,255*	−874	*31*
—attributable to UK dividends	2,693	—	5,471	—	339	—	523	—
Income tax—on investment income	143	*6,297*	2,089	*8,391*	86	*784*	601	*563*
—withheld from dividend payments	—	—	—	—	—	—	—	*−1,976*
	3,072	*6,494*	8,300	*9,618*	5,384	*4,039*	250	*−1,382*
Less Double taxation relief	1	*3*	245	*230*	784	*250*	166	*17*
	3,071	*6,491*	8,055	*9,388*	4,600	*3,789*	84	*−1,399*
Overseas tax	4,286	*2,775*	284	*230*	656	*161*	84	*47*
Adjustments re prior years	−512	*−799*	−351	*−87*	−5	*−119*	−661	*−200*
	6,845	*8,467*	7,988	*9,531*	5,251	*3,831*	−493	*−1,552*

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

2 The Company's authorised Share Capital is £12,500,000 in 250,000,000 shares of 5p each.
During the year 19,073,024 5p shares, credited as fully paid were issued as detailed in the Directors' report on page 11 bringing the total of shares issued to 227,258,684. The Share Premium account has been increased by the excess of the offer value of the shares issued over their nominal value less the relevant expenses.

3 Particulars of subsidiary companies are as follows:

Name	*Class of Share held*	*Proportion held*	*Country of Incorporation and Principal Operation unless otherwise stated*
Included in group accounts			
Compagnie d'Assurance de l'Escaut S.A.	Shares n.p.v.	100%	Belgium
Edger Investments Limited	Ordinary Shares 25p	100%	England
The Mercantile and General Reinsurance Company Limited	Shares £1	100%	Scotland (Operating principally in UK)
Mercantile and General Reinsurance (Holdings) Limited	Shares £1	100%	England
Prudential Pensions Limited	Shares £1	100%	England

P00018298

1666-024

The Prudential Insurance Company of Great Britain (located in New York), to which company the reserve retained in a subsidiary in 1972 related, was acquired from the parent company by the Mercantile and General Reinsurance Company Limited during 1973. This reserve has been utilised in writing down goodwill on consolidation.

To avoid undue delay in the publication of the Company's accounts the figures of The Mercantile and General Reinsurance Group, including The Prudential Insurance Company of Great Britain, dealt with in the Group accounts relate to the year ended 31st December 1972 and for the Australian subsidiaries of that Group to the year ended 30th June 1972.

Not included in group accounts

A.W.G. (Holborn) Limited	Ordinary Shares 25p Deferred Shares 25p	100% 100%	England
Barnard Enterprises Limited	Shares £1	100%	England
Beaver Securities Limited	Ordinary Shares £1	100%	England
The Beaver Trust Limited	Ordinary Shares 25p	100%	England
Cleveland Offshore Fund NV	Shares US$100	66·7%	Netherlands Antilles (Operating principally in USA)
Murray & Co. Limited	Common Shares n.p.v.	100%	Canada
Paramet Corporation Limited	Common Shares n.p.v.	100%	Canada
Pru Limited (formerly R.P.D. Investments Limited)	Ordinary Shares 5p	100%	England
Prudential Australian Superannuation Limited	Shares $2	100%	Australia
Prudential Nominees Limited	Shares £1	100%	England
Prudential Unit Trust Managers Limited	Shares £1	100%	England
Prupac Limited (formerly Partin Investments Limited)	Ordinary Shares 10p	100%	England
Riccarton Mall Limited	Ordinary Shares $1	100%	New Zealand
Societa Italo-Britannica de Assicurazioni s.r.l.	Shares	100%	Italy
Stocklund Property Limited	Shares £1	100%	England

In connection with the redevelopment of the island site formerly occupied mainly by the store of A. W. Gamage Limited, the Company purchased on 27th February 1973 all the shares of A. W. G. (Holborn) Limited with an option of re-sale to the vendors.

The accounts of the subsidiaries not included in group accounts have been omitted as the amounts involved are not significant. Based on the rates of exchange ruling on 31st December 1973 the net aggregate amount of profits of these subsidiaries are

For 1973	For previous years	
£	£	
−10,003	146,205	(not included in the Company's accounts)
−13,965	64,533	(included in the Company's accounts)

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

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

Name	*Issued capital and total reserves*	*Proportion held* %	*Country of Incorporation and Principal Operation unless otherwise stated*
Agencia de Seguros Anglo Portuguesa Limitada	Esc. 100,000 Shs	50·0	Portugal
Broadstone Investment Trust Ltd.	£2,400,000 Ord. Shs. 20p	24·8	England
	£600,000 5% Cum. Pref. Stk.	45·0	
	£500,000 5½% Cum. 2nd Pref. Stk.	12·1	
	£750,000 4% Deb. Stk. 1974/79	36·7	
	£970,000 5½% Deb. Stk. 1979/84	5·0	
	£447,100 6½% Deb. Stk. 1982/87	—	
	£2,500,000 4½% Convert. Unsec'd. Loan Stk. 1988/93	—	
	£11,818,095 Reserves		
Cadedge Development Ltd.	£100 Shs. £1 £4,232 Reserves	49·0	England
Cadedge Investments Ltd.	£50,000 Shs. £1 £18,806 Reserves	49·0	England
Chedger Development Ltd.	£100 Shs. £1 £25,918 Reserves	49·0	England
Chedger Investments Ltd.	£10,000 Shs. £1 £952 Reserves	49·0	England
Coast Underwriters Ltd.	1,500 Common Shs. C$1 C$32,058 Reserves	30·0	Canada
Columbus Insurance Co. Ltd.	£50,000 Shs. £1 £50,765 Reserves	35·0	Bermuda

P00018299

1666-025

Name	*Issued capital and total reserves*	*Proportion held* %	*Country of Incorporation and Principal Operation unless otherwise stated*
Commonwealth (Cayman) Insurance Co. Ltd.	110,000 Shs. US$1	45·0	Cayman Islands
M. & G. Computer Systems Ltd.	600 Shs. C$1	20·0	Canada
Newcastle & Gateshead Water Company	£249,635 6% Max Ord. Stk.	28·0	England
P. W. Nominees Ltd.	£100 Shs. £1	50·0	England
Reinsurance Group Managers Ltd.	£4,000 Shs. £1	25·0	England
Richard Costain Properties Ltd.	£250,000 Ord. Shs. £1	25·0	England
	£4,978,500 6⅜% 1st Mtge. Deb. Stk. 2002	100·0	
	£1,383 Reserves		
Richard Costain Properties (No. 2) Ltd.	£100 Ord. Shs. £1	25·0	England
	£16,961 Reserves		
Thames House Estate Ltd.	£1,000,000 Shs. £1	25·0	England
	£285,922 3½% 1st Mtge. Deb. Stk. 1983	62·9	
	£1,198,003 Reserves		
United Dominions Trust Ltd.	£27,380,000 Ord. Stk.	26·6	England
	£500,000 4½% Cum. Pref. Stk.	6·3	
	£1,000,000 4½% 2nd Cum. Pref. Stk.	6·5	
	£1,000,000 4½% 3rd Cum. Pref. Stk.	4·5	
	£55,500,000 Reserves		
Western Properties SA	675,000 Common Stk. Shs. US$1	22·2	Panama (Operating principally in USA)
	US$6,042,469 Reserves		
Westpool Investment Trust Ltd.	£1,905,000 Shs. 25p	31·9	England
	£150,000 1st 4% Deb. Stk. 1975/80	20·0	
	£400,000 1st 5% Deb. Stk. 1985/90	18·8	
	£500,000 1st 5¼% Deb. Stk. 1983/88	10·0	
	£1,524,000 5% Convert. Unsec'd. Loan Stk. 1989/94	—	
	£6,273,414 Reserves		

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

The Group also holds shares in a further 33 companies in which the holding exceeds one tenth. In view of the number involved details relating to individual companies are not shown.

5 The General branch Additional reserve and Contingency funds totalling £14,150,000 at the end of 1972 were transferred to the Company's General reserve on 1st January 1973 and the investment income earned on these funds for the year has been included in the Profit and loss account.

6 The promissory notes and unsecured loans in overseas currencies shown under current liabilities in the Balance sheets fall due for settlement by 1975 and 1978 respectively. The loan stock of a subsidiary is a 6 per cent 1st Mortgage Debenture Stock 1993/98.

7 The aggregate amount of the Company's Directors' emoluments for the year was Company £109,715 (*£91,725*), Group £117,748 (*£97,967*). In addition contributions made to the pension scheme for Directors were Company £25,000 (*£25,000*), Group £25,650 (*£25,650*).

The emoluments of the Chairman in the financial year amounted to £20,000 (*£20,000*).

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

Over	Up to	Number of Directors	
£	£	1973	*1972*
—	2,500	1	*1*
2,500	5,000	1	*2*
5,000	7,500	9	*6*
7,500	10,000	2	*2*
10,000	12,500	2	*1*
17,500	20,000	1	*1*

P00018300

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

Over	Up to	Number of Employees	
£	£	1973	*1972*
10,000	12,500	17	*10*
12,500	15,000	3	*4*
15,000	17,500	2	*1*
17,500	20,000	1	*2*
20,000	22,500	1	*1*
22,500	25,000	2	*2*
32,500	35,000	1	*1*

9 The remuneration of the auditors of the Company and its subsidiaries excluding V.A.T. amounted to £150,045 (*£114,710*) of which the remuneration in respect of the Company excluding overseas branches amounted to £41,500 (*£38,000*).

10 The Group is committed to capital contracts for settlement after 31st December 1973 of £2,120,000 (*£2,950,000*) and there is no expenditure authorised but not contracted for (*£20,000*). Also, certain guarantees have been given in respect of retirement benefits for the Staff and benefits for their relatives and dependants, and in respect of a bank loan of U.S. $5,000,000 to the Prudential Staff Pension Scheme.

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

In our opinion, based on our examination and on the reports of the auditors of certain subsidiaries not audited by us, the accounts set out on pages 16 to 29 comply with the provisions of the Companies Acts 1948 and 1967 applicable to insurance companies.

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

DELOITTE & CO.,
Chartered Accountants.

London
10th April 1974

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1666-027

Valuation Report on the Company's business

To the Directors of The Prudential Assurance Company Limited.

I have the honour to submit my report on the valuation as at 31st December 1973 of the life assurances and annuities and other insurance contracts of the Company.

Ordinary Branch

The number of contracts in force was 2,881,659 producing an annual premium income of £209,515,018. Sums assured with bonuses amounted to £10,422,936,133. Deferred and contingent annuities with bonuses amounted to £300,798,132 per annum including amounts of annuity to be purchased by future recurrent single premiums. Annuities in course of payment amounted to £29,143,690.

The interest earned in 1973 represents a gross rate of £6·95 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.

For investment-linked business the net liability was based on the value at the 31st December 1973 of the units allocated. Assurance benefits included in investment-linked contracts were valued as temporary benefits.

The tables of mortality used for assurances were:

	Table of Mortality
Business issued in:	
United Kingdom, the Channel Islands, the Isle of Man, Australia, New Zealand and Canada without-profits issued after 31st December 1960	A1949/52 Ult
South Africa and Rhodesia	SA 56/62 Ult
Canada: Without-profits issued before 1st January 1961 and with profits; Other territories	A1924/29 Ult

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	2¾%
Without-profits	3¼%
Australia and New Zealand	3½%
Canada:	
Without-profits issued after 31st December 1960	3½%
Other	3%
South Africa, Rhodesia and Zambia:	
With-profits: First Series	3½%
Second Series: Retirement Fund	3¾%
Other	3¼%
Without-profits:	4%
Kenya, Tanzania and Uganda:	
With-profits: Retirement Fund	4¼%
Other	3½%
Without-profits:	3¾%
Other territories	3½%

For assurances the whole of the difference between the value of the future office premiums and the valu P00018302 future net or modified net premiums has been reserved for future expenses and profits.

1666-028

Ordinary Branch *continued*

The methods of valuation used for deferred annuities during the period of deferment other than investment-linked business were:

Individual deferred annuities and pension-unit schemes secured by annual premiums	The net premium method valuing net premiums calculated on the valuation basis.
Group deferred annuities secured by recurrent single premiums and United Kingdom without-profit group deferred annuities (associated with with-profit schemes) secured by annual premiums	The net liability is the value of the annuity purchased by the premiums paid to date.
Other group deferred annuities secured by annual premiums	The gross premium method valuing premiums equal to 95 per cent of the office premiums.

For group cash accumulation policies the net liability was the accumulated fund at 31st December 1973.

For investment-linked business the net liability was based on the value at the 31st December 1973 of the units allocated.

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	Canada (except as stated below)	South Africa, Rhodesia, Kenya, Tanzania and Uganda	Other territories
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 (except UK deferred annuity bonds) and group:					
During deferment After deferment	3¼% 4%	3½%	3¼%	3¾%	3¾%
Immediate annuities	7%	3½%	4%	5%	4%
Annuities certain	3½%	—	6¼%	—	—

For United Kingdom individual deferred annuity bonds the cash option was valued using 7 per cent interest during deferment.

For certain business issued in Canada the rates of interest assumed were:

	Purchased or vested in: 1967 and 1968	1969 and subsequent years
Deferred annuities without-profits secured by single premium		
Individual without surrender values and group:		
During deferment	5½%	6¼%
After deferment	4%	4%
Immediate annuities:		
Purchased, vested from with-profit deferred annuities and vested from without-profit individual deferred annuities with surrender values	5½%	6¼%

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1666-029

Ordinary Branch *continued*

The equivalents in sterling of liabilities in other currencies have been calculated at the rates of exchange ruling on 31st December 1973.

The foregoing bases of valuation incorporate certain changes. For business issued in the United Kingdom, the Channel Islands and the Isle of Man the rate of interest used for immediate annuities and deferred annuity bonds was changed from $6\frac{1}{2}$ per cent to 7 per cent. For assurances issued in Australia the rate of interest was changed for Second Series from 3 per cent to $3\frac{1}{2}$ per cent and for other business from $3\frac{1}{4}$ per cent to $3\frac{1}{2}$ per cent. For assurances issued in Malaysia, Singapore, Malta, Cyprus, and Sri Lanka the rate of interest used was changed from 3 per cent to $3\frac{1}{2}$ per cent and the table of mortality used was changed from A24/29 Ult with a rating-up of 3 years to A24/29 Ult and for deferred and immediate annuities issued in these territories the rates of interest used were changed from $3\frac{1}{4}$ per cent to $3\frac{3}{4}$ per cent and from $3\frac{1}{2}$ per cent to 4 per cent respectively. There was also a change in the rate of interest used for a small number of vested annuities in Canada.

The effect of these changes after transferring £1,282,462 to the Investment Reserve Account was to increase the surplus by £15,100,000. I consider that the Additional Reserve should be increased from £21,200,000 to £27,800,000. 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 1973		£1,924,711,955
Net liability under assurance policies	£1,057,199,680	
Net liability under annuity contracts	743,121,331	
Additional reserve	27,800,000	
Total net liability		1,828,121,011
Surplus emerging at 31st December 1973		96,590,944
Add cost of bonuses allocated during 1973 in anticipation of surplus for that year		5,454,555
Total surplus, including £1,276,962 brought forward from last year		£102,045,499

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 1972. 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 1973. The discounted cost of maintaining these bonuses calculated on the bases used in the valuation is £112,000,000.

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

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

(A) For assurance policies which become claims by death or maturity between 1st April 1974 and 31st March 1975 inclusive terminal bonuses of which the following are examples:

(1) Policies issued in 1972 or earlier in the United Kingdom, the Channel Islands, the Isle of Man and Malta

Year of Issue:	1972	1963	1953	1943	1933	1923 or earlier
Rate per cent of sum assured:	0·40	18·40	49·50	74·90	95·10	1[illegible]

Ordinary Branch *continued*

(2) Policies issued in 1971 or earlier in Australia

Year of Issue:	1971	1963	1953	1943	1932 or earlier
Rate per cent of sum assured:					
First Series:					
Superannuation	0·10	1·40	5·30	9·00	14·60
Other	0·06	0·84	5·30	9·00	14·60
Second Series:					
Superannuation	0·10	1·40	—	—	—
Other	0·06	0·84	—	—	—

(3) Policies issued in 1971 or earlier in New Zealand

Year of Issue:	1971	1963	1953	1943	1932 or earlier
Rate per cent of sum assured:					
First Series	0·05	0·70	5·30	9·00	14·60
Second Series	0·05	0·70	—	—	—

(4) Policies issued in South Africa

Whole Life assurances: 1·10 per cent of the reversionary bonus existing at the date of claim for each complete year which the policy has been in force with a maximum of 33·00 per cent.

Endowment assurances: 1·70 per cent of the reversionary bonus existing at the date of claim for each complete year which the policy has been in force with a maximum of 51·00 per cent.

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

Year of issue:	1971	1963	1953	1945
Rate per cent of sum assured:	0·20	9·10	33·90	49·20

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

For policies issued in:			per cent of sum assured	per cent of existing bonuses
(*a*) the United Kingdom, the Channel Islands, the Isle of Man and Malta:			3·40	—
(*b*) Australia:	First Series:	Superannuation	3·40	—
		Other	2·40	—
	Second Series:	Superannuation	2·40	2·40
		Other	1·65	1·65
	Third Series:	Superannuation	1·90	1·90
(*c*) New Zealand:	First Series		2·40	—
	Second Series		1·55	1·55
(*d*) Canada:	Registered		2·40	3·75
	Other		2·20	3·25
(*e*) South Africa:	First Series		3·00	1·40
	Second Series:	Retirement Fund	2·70	5·00
		Other	2·125	4·20
(*f*) Rhodesia:	First Series		2·75	—
	Second Series:	Retirement Fund	2·425	3·30
		Other	2·125	3·00
(*g*) Kenya:	Kenya class:	Retirement Fund	3·30	1·75
		Other	2·30	1·50
	Other		2·30	—
(*h*) Malaysia and Singapore:				
	First series		3·00	1·25
	Second series		2·25	2·25

P00018305

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

Ordinary Branch *continued*

(C) For assurance policies issued in Sri Lanka (a closed class) a bonus on policies which become claims by death or maturity between the 1st April 1974 and 31st March 1975 inclusive at the rate of 1·4 per cent of the sum assured for each of the years 1966, 1967 and 1968 and 1·2 per cent of the sum assured for each subsequent year.

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

(*a*) United Kingdom:	5·20 simple
(*b*) Canada:	2·20 compound

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

(*a*) United Kingdom: Pension business	5·30 compound
General annuity business	5·00 compound
(*b*) Channel Islands and the Isle of Man	5·00 compound
(*c*) Canada	3·00 compound
(*d*) South Africa	4·90 compound
(*e*) Rhodesia, Kenya, Tanzania and Uganda	3·25 compound

(F) For pension-unit scheme policies issued in the United Kingdom a reversionary bonus on pensions for members who have not reached normal pension age at the following rate per cent of the pension being purchased 3·50 simple

(G) For Prudential Company Pension Scheme policies issued in the United Kingdom:

a reversionary bonus on pensions not yet commenced (or bonus interest for alternative lump sum benefits) at the following rate per cent of pension secured	3·25 compound
a bonus addition to pensions in course of payment at the following rate per cent of pension payable	4·50 compound

(H) For group pension cash accumulation policies, bonus interest at the following rates per cent for policies issued in:

(*a*) United Kingdom	3·25 compound
(*b*) South Africa	2·05 compound

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

E units	5·683 compound
F units	6·337 compound

An allocation of £94,802,750 to policyholders will be necessary to provide the cost of the recommended bonuses and of those declared in anticipation out of the surplus for 1973.

I also recommend that bonuses at the following rates be granted in anticipation out of surplus for the year 1974:

Terminal and final bonuses per cent of the annuity or pension

(A) For individual retirement annuity policies issued in:

(*a*) United Kingdom, on annuities commencing between 1st April 1974 and 31st March 1975 inclusive	Terminal: 1·00 for each year in force compound Final: 42 compound
(*b*) Canada, on annuities commencing between 1st July 1974 and 30th June 1975 inclusive	35 compound final at age 55 reducing to 20 compound at age 70

(B) For group pension annuity policies on pensions commencing between 15th March 1974 and 14th March 1975 inclusive issued in:

(*a*) United Kingdom, the Channel Islands and the Isle of Man	100 compound final (including 40 terminal)
(*b*) Canada	35 compound final at age 55 reducing to 20 compound at age 70
(*c*) South Africa	46 compound final (including 10 terminal)

P00018306

1666-032

Ordinary Branch *continued*

(*d*) Rhodesia, Kenya, Tanzania and Uganda	32 compound final
(C) For pension-unit scheme policies issued in the United Kingdom on pensions secured for members who reach normal pension age between 1st April 1974 and 31st March 1975 inclusive	40 compound final
(D) For Prudential Company Pension Scheme policies issued in the United Kingdom on pensions commencing between 6th April 1974 and 5th April 1975 inclusive (or on alternative lump sum benefits payable)	0·80 terminal for each premium year since the member commenced payment compound

Terminal bonuses per cent of the cash

For group pension cash accumulation policies on amounts withdrawn in the premium year commencing between 15th March 1974 and 14th March 1975 inclusive to secure benefits on retirement

(*a*) on amounts arising from premiums not allocated to individual members for policies issued in:		
United Kingdom	1·60	for each premium year since the amounts were paid compound
South Africa	0·80	for each premium year since the amounts were paid compound
(*b*) on amounts arising from individually allocated premiums for policies issued in the United Kingdom	0·80	for each premium year since the member commenced payment compound

Industrial Branch

The number of policies in force, including 5,472,262 free or paid-up policies, was 20,688,506 producing an annual premium income of £108,773,558. The maximum sums assured with bonuses amounted to £2,291,391,554.

The interest earned in 1973 represents a gross rate of £7·90 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 $2\frac{3}{4}$ 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.

I consider that the Additional reserve should be reduced from £25,800,000 to £23,000,000. 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 1973		£842,837,575
Net liability under Industrial assurance policies	£763,687,503	
Additional reserve	23,000,000	
Total net liability		786,687,503
Surplus, including £1,680,187 brought forward from last year		£56,150,072

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 1972. 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 1973. The discounted cost of maintaining these bonuses on the bases used in the valuation is £180,000,000.

P00018307

Industrial Branch continued

I recommend that the following bonuses should be declared:

(A) A terminal bonus on policies issued in 1972 or earlier which become claims by death or maturity between 1st April 1974 and 31st March 1975 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 £51,334,667 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. In addition, an unexpired risk reserve of £300,000 has been retained for property contracts and an unexpired risk reserve of £200,000 has been set up for motor vehicle contracts.

The interest earned in 1973 represents a gross rate of £6·55 per cent on the General branch fund.

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

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

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

For other long-term accident or sickness benefits the reserve was based on the premiums paid and has been calculated to take account of the liability arising from the right of renewal. In the aggregate the provision so calculated is 56·7 per cent of the premium income for the year.

The marine and aviation fund of £4,274,058 is, in my opinion, a sufficient provision for the liabilities.

The sinking fund policies in force provide for the payment of capital sums amounting to £136,650 at the end of fixed terms of years, and produce an annual premium income of £682. They have been valued by a gross premium method assuming interest at 3 per cent or the rate of interest employed in the calculation of the premiums, if less, and taking credit for 98 per cent of the future office premiums.

The equivalents in sterling of provisions in other currencies have been calculated at the rates of exchange ruling on 31st December 1973.

The result of the valuation is as follows:

General branch fund, subject to transfers out of surplus, on 31st December 1973		£50,988,988
Provision for fire and accident insurances	£38,083,244	
Provision for long-term sickness and accident insurances	3,468,425	
Provision for marine and aviation insurance	4,274,058	
Provision for sinking fund insurance	72,102	
Total provisions and reserves		45,897,829
Surplus		£5,091,159

R. S. SKEF P00018308
Chief ,

21st March 1974.

Supplementary Information relating to the Company

Sources of Investment Income received during the year

	1973	*1972*
	£000	*£000*
Ordinary Life		
British Government and British Government guaranteed securities	14,956	*14,284*
Other fixed income securities, including subsidiaries	30,187	*26,750*
Ordinary stocks and shares, including subsidiaries	31,833	*27,613*
Freehold and leasehold properties, rent charges and ground rents	26,341	*23,284*
Mortgages on property	15,121	*14,324*
Other sources	4,758	*2,229*
Total revenue account income	123,196	*108,484*
Industrial Life		
British Government and British Government guaranteed securities	10,441	*11,804*
Other fixed income securities	11,189	*11,094*
Ordinary stocks and shares, including subsidiaries	24,763	*22,748*
Freehold and leasehold properties, rent charges and ground rents	14,944	*12,840*
Mortgages on property	2,694	*2,614*
Other sources	−1,375	*−681*
Total revenue account income	62,656	*60,419*
General Business		
British Government and British Government guaranteed securities	1,048	*918*
Other fixed income securities	2,597	*2,333*
Ordinary stocks and shares, including subsidiaries	1,153	*1,136*
Mortgages on property	271	*177*
Other sources	591	*158*
Total revenue account income	5,660	*4,722*

Claims and Surrenders—Life Assurance

	Ordinary		Industrial	
	1973	*1972*	1973	*1972*
	£000	*£000*	£000	*£000*
Claims under policies paid and outstanding:				
By death	29,991	*26,994*	29,650	*28,122*
By maturity	46,287	*42,315*	38,458	*38,455*
	76,278	*69,309*	68,108	*66,577*
Surrenders	26,171	*21,904*	25,366	*27,358*
Bonuses surrendered for cash	3,699	*3,482*		
Payments under occupational pension schemes				
Transfers to Prudential Pensions Ltd.	12,142	*3,938*		
Other transfers and payments on withdrawal (including amounts re-applied as further premiums)	14,564	*14,041*		
Total revenue account claims and surrenders	132,854	*112,674*	93,474	*93,935*

Investment Portfolios

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

	Ordinary Life		Industrial Life		General Business	
	1973	*1972*	1973	*1972*	1973	*1972*
Fixed interest investments	33	*26*	23	*24*	61	*42*
Ordinary stocks and shares	35	*48*	41	*52*	39	*58*
Property investments	32	*26*	36	*24*	—	—

Ordinary life and General business is also transacted overseas where in many territories investment policy is restricted by legislation, P00018309 result that overseas portfolios are concentrated more in fixed interest investments.

Analysis of the General Insurance Business of the Company

	Property		Motor Vehicle		Sickness and Accident		Pecuniary Loss		Liability	
Income	£000		£000		£000		£000		£000	
Amount of fund at beginning of year:										
Unearned premiums	12,375	*9,635*	13,478	*10,893*	981	*843*	726	*560*	2,479	*1,832*
Provisions	‡300	—	—	*‡200*	*3,000	**2,561*	—	—	—	—
Exchange adjustment	267	*390*	180	*447*	107	*155*	19	*16*	103	*127*
	12,942	*10,025*	13,658	*11,540*	4,088	*3,559*	745	*576*	2,582	*1,959*
Premiums	32,124	*27,302*	38,371	*33,278*	7,353	*6,361*	1,935	*1,698*	7,525	*6,081*
	45,066	*37,327*	52,029	*44,818*	11,441	*9,920*	2,680	*2,274*	10,107	*8,040*
Amount of fund at end of year:										
Unearned premiums	14,147	*12,375*	15,285	*13,478*	1,216	*981*	806	*726*	3,039	*2,479*
Provisions	‡300	*‡300*	‡200	—	*3,469	**3,000*	—	—	—	—
	30,619	*24,652*	36,544	*31,340*	6,756	*5,939*	1,874	*1,548*	7,068	*5,561*
Investment income allocated to long term funds	—	—	—	—	309	*242*	—	—	—	—
Total (A)	30,619	*24,652*	36,544	*31,340*	7,065	*6,181*	1,874	*1,548*	7,068	*5,561*

Outgo	Property		Motor Vehicle		Sickness and Accident		Pecuniary Loss		Liability	
Claims	14,690	*12,260*	24,735	*20,151*	3,020	*2,904*	930	*676*	4,645	*3,341*
Commission	4,419	*3,859*	4,525	*3,937*	1,037	*852*	52	*91*	1,060	*844*
Expenses including taxation other than on profits	8,761	*7,107*	7,330	*6,531*	1,785	*1,579*	543	*476*	1,668	*1,388*
Total (B)	27,870	*23,226*	36,590	*30,619*	5,842	*5,335*	1,525	*1,243*	7,373	*5,573*
Gross underwriting profit (A—B)	2,749	*1,426*	−46	*721*	1,223	*846*	349	*305*	−305	*−12*

Note

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

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1666-036

...he year ended 31st December 1973 (comparative figures for 1972 in italics)

...reaty ...nsurance ...cepted		Marine, Aviation and Transport: Current Year		Marine, Aviation and Transport: Last Preceding Year		Marine, Aviation and Transport: Previous Years		Marine, Aviation and Transport: Total		Sinking Fund		Total	
...£000		£000		£000		£000		£000		£000		£000	
...9	*1,736*	—	—	—	—	—	—	—	—	—	—	39,563	*31,808*
—	—	—	—	1,605	*1,479*	1,983	*1,722*	3,588	*3,201*	317	*347*		
...26	*100*	—	—	—	—	—	—	—	—	—	—	802	*1,235*
...45	*1,836*	—	—	1,605	*1,479*	1,983	*1,722*	3,588	*3,201*	317	*347*	40,365	*33,043*
...70	*5,924*	2,716	*2,220*	461	*322*	136	*38*	3,313	*2,580*	1	*1*	99,192	*83,225*
...15	*7,760*	2,716	*2,220*	2,066	*1,801*	2,119	*1,760*	6,901	*5,781*	318	*348*	139,557	*116,268*
...90	*2,319*	—	—	—	—	—	—	—	—	—	—	45,898	*39,563*
—	—	1,846	*1,605*	1,035	*847*	1,393	*1,136*	4,274	*3,588*	72	*317*		
...925	*5,441*	870	*615*	1,031	*954*	726	*624*	2,627	*2,193*	246	*31*	93,659	*76,705*
—	—	—	—	—	—	—	—	—	—	13	*20*	322	*262*
...925	*5,441*	870	*615*	1,031	*954*	726	*624*	2,627	*2,193*	259	*51*	93,981	*76,967*

...,705	*3,295*	657	*514*	1,088	*939*	653	*412*	2,398	*1,865*	250	*40*	55,373	*44,532*
...,923	*2,032*	—	—	—	—	—	—	—	—	—	—	14,016	*11,615*
...155	*103*	213	*101*	43	*15*	−27	*−13*	†229	*†103*	1	*1*	20,472	*17,288*
...,783	*5,430*	870	*615*	1,131	*954*	626	*399*	2,627	*1,968*	251	*41*	89,861	*73,435*
...142	*11*	—	—	−100	—	100	*225*	—	*225*	8	*10*	4,120	*3,532*

‡Unexpired risk reserve.
*For long term business.
†After deducting £89,000 (*£90,000*) profit on exchange.

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Ten Year Review of the Company

	1964 £m.	1965 £m.	1966 £m.	1967 £m.	1968 £m.	1969 £m.	1970 £m.	1971 £m.	1972 £m.	1973 £m.
Ordinary Life										
New annual premium income	14·2	15·6	17·8	19·6	20·9	22·9	24·3	28·7	33·9	**39·0**
Total premium income and considerations	101·0	111·1	122·3	138·1	147·1	155·1	166·5	189·7	203·6	**257·9**
Investment income	49·6	56·9	62·0	69·7	76·2	83·7	90·3	97·4	108·5	**123·2**
Surplus to policyholders	32·0	36·5	39·5	45·0	51·6	57·8	64·1	71·9	83·4	**94·8**
Balance sheet value of assets	814·4	899·7	985·2	1,116·9	1,228·1	1,332·2	1,456·7	1,585·5	1,769·2	**2,019·6**
Market value of assets	954·1	1,045·5	1,079·8	1,303·1	1,580·9	1,533·5	1,604·6	1,985·3	2,327·8	**2,308·7**
Industrial Life										
New annual premium income	9·3	10·6	11·4	12·3	12·7	13·8	14·8	15·0	17·8	**18·1**
Total premium income	67·8	70·7	74·2	77·5	81·2	84·4	88·2	92·2	97·7	**104·4**
Investment income	41·2	46·0	47·4	49·3	51·4	53·8	55·4	56·8	60·4	**62·7**
Surplus to policyholders	26·0	29·3	29·9	32·3	36·9	40·0	41·7	44·2	48·2	**51·3**
Balance sheet value of assets	615·6	648·2	672·1	698·6	730·2	754·9	772·8	812·6	871·7	**923·2**
Market value of assets	801·9	852·3	827·9	951·0	1,137·7	1,029·1	1,017·9	1,308·7	1,483·8	**1,325·4**
***General Business**										
Premium income	25·7	29·1	31·7	37·3	41·5	47·0	54·4	65·3	83·2	**99·2**
Gross underwriting profit	0·3	0·2	0·5	1·0	0·2	0·6	−0·3	1·5	3·5	**4·1**
Investment income	1·0	1·2	1·3	1·6	1·8	2·1	2·3	2·6	3·2	**5·3**
Balance sheet value of assets	26·7	29·6	32·4	37·7	43·2	49·2	56·6	68·5	89·8	**112·8**
Market value of assets	29·1	32·1	33·8	41·6	50·8	53·2	59·1	79·3	102·1	**112·9**
***Profit and Loss Account**										
Surplus from Ordinary life	2·4	2·8	3·2	3·5	3·7	4·6	4·8	5·5	5·4	**6·0**
Surplus from Industrial life	1·9	2·2	2·4	2·5	2·6	3·0	3·1	2·9	3·1	**3·3**
Surplus from General business	0·6	0·7	0·9	1·6	1·3	1·0	0·3	2·1	4·3	**5·1**
Investment income	0·5	0·5	0·6	0·7	0·9	1·0	2·0	2·4	2·3	**1·4**
Retentions	—	0·4	0·6	1·3	1·0	0·7	0·7	2·4	5·6	**3·5**
†Dividend on shares of 5p	3·61p	3·96p	3·96p	4·10p	4·24p	5·00p	5·31p	5·88p	6·24p	**6·73p**

*These statements follow, for the years 1964 to 1972 inclusive, the form of presentation of the accounts for 1973 and consequently retentions previou shown under General business are now included in the Profit and loss statement. Investment income in the two statements and the values of assets in t General business statement have been correspondingly adjusted.

†Gross equivalent of dividend declarations including imputed tax for 1972 final and 1973 (see page 14). Declarations on the A and B share capital for 19 and previous years have been combined and adjusted for scrip issues where appropriate so as to be directly comparable with those for subsequent years. T figure for 1970 excludes the special distributions made in that year.

1. Market values of assets are based on market quotations where available (allowing 75 per cent of $ premium where appropriate) and in all other ca 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 (see note 1(c) on page 25)*
3. *The margin between Market values and Balance sheet values is proportionately greater for Industrial life than for Ordinary life mainly for t reasons:*
   (i) the more rapid growth of the Ordinary life funds over recent years
   (ii) overseas currency assets of the Ordinary life business are held to cover overseas currency liabilities, now about 28 per cent of the total liabili of the branch. The Market value of these assets has not increased to the same extent as that of U.K. assets, part P00018312 there are local investment restrictions.
4. The margins between Market values and Balance sheet values of assets are not in themselves a guide to the strength of a life assurance fund.