

Prudential Corporation Limited  
Annual Report and Accounts  
1978

P00000469

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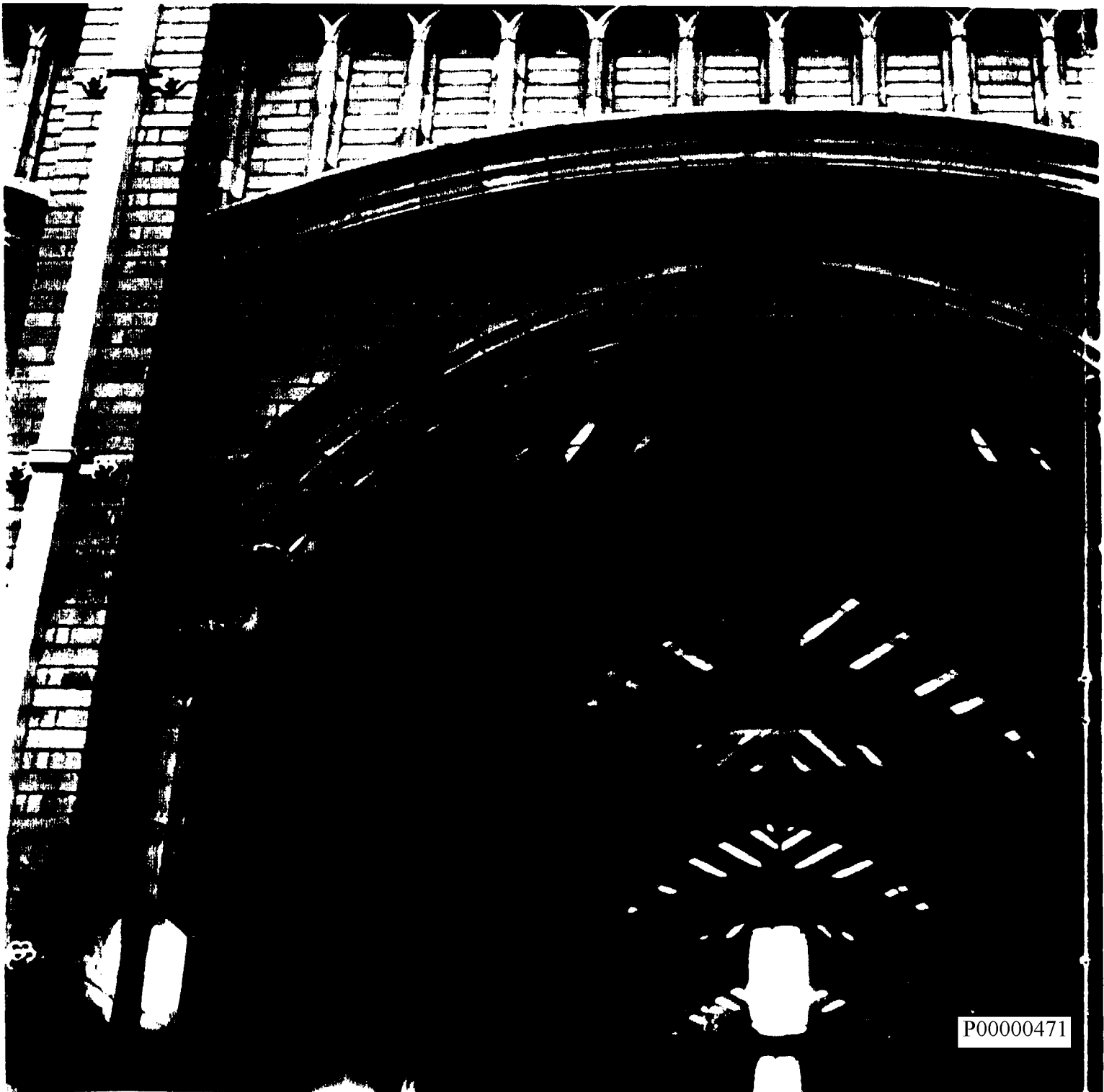
Registered Office:  
142 Holborn Bars London EC1

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# Notice of Meeting

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

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

Prudential Corporation Limited  
Incorporated in England Regd. No. 1397169

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 EC1 on Thursday 24 May 1979 at 12.15 p.m. for the following purposes:

#### Ordinary Business

To receive the Directors' Report and Statement of Accounts for the year ended 31 December 1978

To re-elect and elect Directors

To appoint Auditors

To authorise the Directors to fix the remuneration of the Auditors

To transact any other business proper to be transacted at the said Meeting not being Special Business

#### Special Business

To consider, and if thought fit, to pass the following Resolution:

"That the remuneration of the Directors with effect from 1 January 1979 shall be such annual sum as the Directors shall from time to time determine which shall not exceed when added to the remuneration that they shall receive as Directors of other companies which are subsidiary companies of Prudential Corporation Limited the sum of £300,000 and such remuneration shall be divided among the Directors in such proportions and manner as the Directors may determine."

In connection with the re-election of Directors special notice has been given to the Company, pursuant to the Companies Act 1948, that a resolution will be moved proposing the re-election of Mr Frank Mitchell Redington FIA who retires by rotation and who will be aged 73 at the date of the Meeting.

By order of the Board of Directors

R E Artus,

P E Moody,

*Joint Secretaries.*

142 Holborn Bars London EC1N 2NH

27 April 1979



*The Prudential Corporation Board—(Left to right)—Seated:  
R H Owen, Chairman, H G Clarke and J E Ramadan, Deputy  
Chairmen. Standing: K A Usherwood, J A T Barstow,  
Lord O'Brien, Lord Carr, D A Reid, F M Redington, Sir Peter  
Tennant, Lord Caccia, A F Murray, Sir John Hogg and  
E P Hatchett*

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# Directors and Group Management

## Directors

Ronald Hugh Owen FIA  
*Chairman*

Harry Gordon Clarke FIA  
*Deputy Chairman*

The Rt Hon James Edward Ramsden  
*Deputy Chairman*

John Anthony Tristram Barstow DSO TD DL

The Rt Hon Lord Caccia GCMG GCVO

The Rt Hon Lord Carr of Hadley PC

Edward Preston Hatchett FIA

Sir John Nicholson Hogg TD

Angus Fraser Murray CBE FIA

The Rt Hon Lord O'Brien of Lothbury GBE PC

Frank Mitchell Redington FIA

Desmond Arthur Reid

Sir Peter Frank Dalrymple Tennant CMG OBE

Kenneth Ascough Usherwood CBE FIA

## Group Management

W G Haslam DFC  
*Chief Executive*

R E Artus MA

F B Corby MA FIA

D S Craigen BA

P E Moody FIA

J A S Neave CBE JP

R S Skerman CBE FIA

J A Freeman BCom FCA ACMA  
*Group Chief Accountant*

R W Paget FCCA  
*Group Taxation Manager*

C F Whitehorn  
*Group Legal Adviser*

# Summary of Results

## Abridged Group Profit and Loss Account year ended 31 December 1978

	1978 £m	1977 £m
Profits from:		
Ordinary life assurance	12.4	11.7
Industrial life assurance	4.8	4.2
General insurance	16.2	10.4
	33.4	26.3
Other net credits	7.8	5.6
Profit for year after taxation	41.2	31.9
Dividends paid and payable	24.1	19.8
Retained profits for year	17.1	12.1

## Abridged Group Balance Sheet 31 December 1978

	1978 £m	1977 £m
Capital and reserves	165.7	153.2
Ordinary life assurance funds	3,647.7	3,231.7
Industrial life assurance funds	1,112.8	1,027.5
General insurance funds	318.8	277.8
Deferred taxation	16.1	14.9
	5,261.1	4,705.1
Investments	5,164.8	4,598.4
Net current assets	67.6	73.7
	5,232.4	4,672.1
Goodwill arising on consolidation	28.7	33.0
	5,261.1	4,705.1

# Chairman's Statement

The Group's results are presented for the first time as those of the Prudential Corporation Limited. In May last year I wrote to you referring to your Directors' recommendation that a new company should be established to act as the holding company of the Prudential group of companies. The benefits were seen as being twofold, first as a desirable separation of the task of managing the Group from that of managing the affairs of The Prudential Assurance Company Limited itself; secondly, as a means of obtaining greater flexibility in the financing of the growth of general insurance business, since the holding company can borrow for this purpose should it appear appropriate to do so, and resources thus obtained can then be used to increase the capital of the operating subsidiaries, the matching increase in liabilities remaining in the holding company. The detailed proposals, which were sent to you in the autumn of last year, were duly approved at the shareholders' meeting on 23 November 1978 and later sanctioned by the Court. As a result, Prudential Corporation Limited became the holding company of the Group on 29 December 1978 and on this date your shareholdings in The Prudential Assurance Company Limited became shareholdings in Prudential Corporation Limited. The holding company's operating subsidiaries are Prudential Assurance, Mercantile and General Reinsurance, Vanbrugh and l'Escaut. All other companies within the Group are subsidiaries of one or other of these operating companies.

The form of this year's accounts shows substantial changes from previous years. We have aimed at simplifying the presentation, and much of the detail previously found in the body of the Report will now be found in the Notes on the Accounts. Our intention has been to make the financial development of the Group more readily comprehensible to the reader who is not an expert in the interpretation of insurance company accounts. The reports of the operating subsidiaries can be supplied on application to the Joint Secretaries.

## Results and dividend

The Group's profit for the year at £41.2m is 29 per cent higher than that of the previous year. The Directors have declared a dividend for the year of 8.0p, some 18 per cent higher than was paid last year. This leaves £17.1m of profit retained within the Group to support the growth of the business. The new holding company is free of dividend restraint initially, and in the light of the results, we are pleased to be able to regain a little of the ground which the purchasing power of the dividend has lost in recent years.

The contribution of the life business to the profit reached £17.2m, despite a non-recurring loss of

£2.4m in Vanbrugh. The profit from the life branches of Prudential Assurance, from Prudential Pensions, Prudential of South Africa, and from Mercantile and General Reinsurance all showed a good increase. The net surplus from general business was 56 per cent higher at £16.2m. Much of this improvement derived from better underwriting results from Mercantile and General Reinsurance, supplemented by a good growth in investment income; the contribution from Prudential Assurance's general insurance business was a little lower, reflecting increased underwriting losses in the United Kingdom motor and liability accounts, and a higher tax charge. Although underwriting losses on the large United Kingdom domestic property business were reduced these remain at a high level. Measures are in hand to improve matters. Motor rates have been increased, as have rates for some classes of liability business. The minimum premium for domestic property business has been raised and index-linking of sums insured will be introduced this summer. Nonetheless, it should be recognised that it will take some little time for domestic property business to return to an underwriting profit. The overseas general business of Prudential Assurance again showed an underwriting profit, which arose largely in Canada.

These results, in a year when we experienced difficulties in a number of areas, are encouraging, suggesting that even the present volume of the Group's business is capable of generating a usefully higher level of profit.

We have taken two fresh opportunities for expansion. In 1978 Prudential Assurance acquired in Canada the capital of Constellation Life, a company which has shown rapid growth in accident and health insurance. This is a highly specialised field, the absence of expertise in which was felt to be inhibiting expansion in our traditional fields in Canada.

We were also preparing to write life business through Prudential Assurance in Holland, and began doing so in April this year.

## The economy

It is difficult to be much reassured by the state of the economy in 1978. The best feature of the year was that whereas in the twelve months prior to December 1977 retail prices rose by 12.1 per cent, the same period to December 1978 showed a rise of 8.4 per cent. But even on this showing the rate had already begun to rise from a "low" of 7.4 per cent in the twelve months up to June 1978, and since December there has been both an increase in commodity prices and a failure to contain wage settlements at a level consistent with a continued reduction in the rate of inflation. Once more we face the prospect of inflation above 10 per cent per annum. The rate of



growth in gross national product was better than in recent years, principally as the result of buoyant consumer demand resulting from pay settlements well above the going rate of inflation and some reduction in the level of taxation. If, however, we set on one side the growth in output resulting from North Sea Oil, industrial output was only 2 per cent higher than in 1977, despite a 5½ per cent increase in the volume of consumer spending and a 7½ per cent increase in the volume of fixed capital expenditure by manufacturing industry: British industry's share of both home and export markets declined further.

For several years now a very substantial part of the savings accruing to the insurance companies and pension funds has been invested in Government stock. As a result, the authorities have been able to fund Public Sector spending which exceeded revenues to the extent of some £8,000m in 1974/5, £10,600m in 1975/6, £8,500m in 1976/7, £5,500m in 1977/8, and which is expected to do so by at least £8,500m in 1978/9.

The Government's need to raise such large sums from the annual flow of savings, requires, if it is to be achieved without causing strains on the market for gilt edged stocks, that public confidence in the effectiveness of fiscal, monetary and other policies designed to reduce the rate of inflation should remain firm. The high level of the Public Sector Borrowing Requirement over recent years gives the Government no room to accommodate fluctuations in confidence without embarrassment to its funding programme. Such fluctuations have occurred: the rate of growth of the money supply, for example, has several times threatened to accelerate to levels inconsistent with the limits announced by the authorities, thus threatening a resurgence in the rate of inflation. On these occasions of falling confidence, investors as a whole become reluctant to continue to provide funds for the Government in the massive volume it requires. It has been suggested that the investing public, and in particular the institutional investors, are deliberately making the conduct of the Government's economic policy more difficult by not buying Government debt steadily. This is to stand the truth on its head. It is the signs of wavering in the conduct of those very economic policies which the Government has announced as the essential prerequisite for containing inflation which lead to waning confidence, and thus to reluctance on the part of investors to provide funds on the same scale, and on the same terms, as seem appropriate when confidence is high. Occasionally it is suggested that the Government might direct funds into the support of its funding programme in order to avoid such embarrassment. However, if the causes of falling confidence are real, to suppress the symptoms of this in one part of the domestic capital market would

only transfer the strain to some other point in the economic system.

#### Company legislation

The Companies Bill recently before Parliament once again proposed to make "insider" dealing in shares a criminal offence—a similar proposal was contained in the 1973 Companies Bill which also failed to reach the Statute Book. People who abuse a position of trust by dealing on the basis of privileged information in circumstances in which they know they are almost certain to benefit ought to be brought within the ambit of the criminal law, if this could be done without inhibiting perfectly proper and economically beneficial activities. But it is unfortunately not proving easy to draft legislation which would achieve its aim without inhibiting proper and beneficial activity, and we shared the apprehensions of the City Company Law Committee that the recent draft proposals would prove damaging in this respect.

The Government asked for the views of interested parties on whether it should give its backing to amendments to the Companies Bill which would have made it compulsory for larger companies to have at least three non-executive directors on their boards. In our view it is very desirable that wider and more effective use should be made on company boards of non-executive directors. Such directors are in practice appointed to meet a variety of needs. They may bring to a board valuable experience in fields outside the acquaintance of the executives, and act generally as a safeguard against parochialism and complacency. Above all, however, it is the fact of their being in a position to take an independent view of the executives' policies and performance which makes their role one of general importance.

Whilst having this strong predisposition in favour of a wider use of the independent non-executive director, we are, however, of the opinion that it would be inappropriate to legislate on this subject in the manner which has been suggested, at any rate at this time. The basic reason why we believe this to be so is that it is not their non-executive quality which is important but the quality of independence. We believe that, in practice, it is impossible to compel unwilling companies to appoint non-executives with the required independent cast of mind. Benefit will arise only if boards come to recognise that some adaptation of their composition and practice would be of help to them. In the absence of such awareness, the compulsory addition of a few non-executives would achieve little of substance.

Although early legislation on this matter therefore appears to us to be inappropriate and possibly even counter-productive, we do regard it as important that

the benefits of the wider and better use of independent non-executive directors should come to be more generally accepted, and it is our intention, where appropriate, to make our views on this matter known to companies in which we invest.

#### Occupational Pensions

The new State earnings-related pension scheme is still in its infancy, yet there continues to be much talk of further changes in various areas of occupational pensions. In particular the Occupational Pensions Board are working on matters relating to the solvency of schemes, and the further protection (including transferability) of pension rights for employees who change jobs. In addition there have been suggestions from various sources about how to give members more information about their schemes and how to implement the principle of equal status for men and women (not least in relation to a common retirement age). We are in sympathy with many of the objectives. At the same time there is danger of over-burdening what is already a complex field of operation. We hope that, in the interests of all concerned, a broad view will be taken on these issues and that any new requirements will be kept as simple as possible. Ease of understanding by individual members of pension schemes should be seen as an important aim in its own right.

#### Appointments and Retirements

Mr Kenneth Usherwood will retire on age grounds as a Director of Prudential Corporation and Prudential Assurance at the conclusion of the Annual General Meeting. His services to the Group extend over 54 years, including an interruption for the war years when he was Director of Statistics at the Ministry of Supply. He was the Chief Executive of Prudential Assurance from 1961/7, has been a member of the Board since 1968 and held the offices of Deputy Chairman from 1969/70 and of Chairman from 1970/5. He was President of the Institute of Actuaries from 1962/4. We will greatly miss the benefits of his experience and wise counsel at our Board meetings but are pleased that he has accepted an invitation to become President of Prudential Assurance.

Mr Gordon Clarke completes a term of office as a Deputy Chairman of Prudential Assurance. Mr Clarke played a major role in the preparatory work leading up to the establishment of Prudential Corporation, of which he will also cease to be a Deputy Chairman, but will continue as a Director of both of these companies. To succeed him it is the Directors' intention to elect Lord Carr a Deputy Chairman of both these companies.

During the year, Mr Edward Hatchett, who retired as Joint Secretary and Investment Manager at the end of 1975, joined the Board of Prudential Assurance, and has been a member of the Board of Prudential Corporation since its inception. The Directors look forward to having the benefit of his wide experience.

The Directors are also recommending the election to the Board of Mr David Donald, who is the Chairman of our subsidiary company, Mercantile and General Reinsurance.

At the year end Mr Geoffrey Haslam retired as Chief General Manager of Prudential Assurance, and was appointed the first Chief Executive of Prudential Corporation. He has been succeeded as Chief General Manager of Prudential Assurance by Mr Desmond Craigen. Mr Derek Bourdon and Mr Gordon Wood were appointed General Managers. In the light of his changed responsibilities, Mr Bourdon has resigned from the Board of Vanbrugh where he was Chairman, and has been succeeded in that capacity by Mr Brian Corby.

#### Directors' fees

At the Corporation's first Annual General Meeting it is necessary to seek authority from shareholders for the payment of Directors' fees. The existing authority relates to the Prudential Assurance Company Limited alone and was approved by shareholders in 1975. I hope it will be agreed that an increase is now justified. We have thought it proper that the resolution being put to you should now embrace not only fees as Directors of Prudential Corporation Limited but also the fees which your Directors receive from any other company in the Group (including the Prudential Assurance Company Limited) on whose Boards they may serve. In computing the global sum proposed, it has been thought desirable to allow scope for the possibility of a small increase in the number of Directors and for a modest future revision of fees.

#### Staff

The continued success of the Group could not have been achieved without the skill and hard work of the staff throughout the world, who continue to maintain the high repute in which the Prudential Group is held internationally in the various fields of insurance.

R H Owen  
Chairman

19 April 1979

## Main Features of the Year

### Group Profits

Profits after tax increased to £41.2m (1977 £31.9m) and after providing for dividends of £24.1m (1977 £19.8m), profits retained within the Group amounted to £17.1m (1977 £12.1m).

### Life Business

There was a continued improvement in the overall surplus from the life business of the Group, with profits after tax rising to £17.2m (1977 £15.9m), despite a non-recurring loss of £2.4m in Vanbrugh.

Prudential Assurance's new annual premium income was £129.5m (1977 £104.0m) and the total revenue premium income was £652.1m (1977 £566.8m). The profits after tax in the year were £12.5m for Ordinary business (1977 £10.8m) and £4.8m for Industrial business (1977 £4.2m).

Mercantile and General Reinsurance's new annual premium income was £13.3m (1977 £10.7m) and total revenue premium income was £61.3m (1977 £58.8m). Profits after tax were £2.5m (1977 £0.9m).

### General Insurance

Underwriting results of the Group improved, with a loss of £4.2m and premiums of £394.4m (1977 loss of £9.5m and premiums of £358.4m). Investment income increased to £27.2m (1977 £23.4m) and profits after tax amounted to £16.2m (1977 £10.4m).

The underwriting results of Prudential Assurance showed a small improvement compared with 1977, but profits after tax were almost unchanged at £5.3m (1977 £5.4m).

The results of Mercantile and General Reinsurance showed an all round improvement, and profits after tax increased to £9.4m (1977 £3.3m).

### Other Income

The net investment income on shareholders' funds increased to £7.8m (1977 £5.6m).

### Solvency Margin

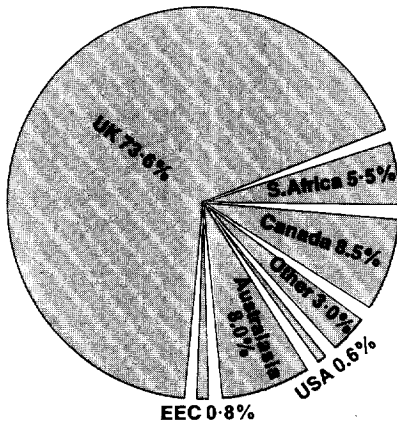
The total free assets of the insurance subsidiaries at the end of 1978 represented 54 per cent (1977 53 per cent) of their general insurance premium income.

*NOTE: For overseas business, comparisons between the figures for 1978 and 1977 are affected by the rise in the value of sterling in 1978. Note 2(f) on page 29 explains the treatment of exchange rates.*

*References to "Group" throughout this report relate to Prudential Corporation Limited and its subsidiaries. References to "Prudential Assurance" relate unless otherwise stated, to the Group excluding Mercantile and General Reinsurance, Vanbrugh and l'Escaut.*

Life Business Summary

Geographical distribution of Group ordinary life premiums in 1978.



Note: Industrial life business is transacted only in the United Kingdom.

The world wide business of the Group was as follows:

	1978 £m	1977 £m	% increase/ (decrease)
<b>New Business:</b>			
Annual premium income	144.8	116.2	25
Single premiums and considerations	91.0	95.8	(5)
<b>Business in force at the end of the year:</b>			
Annual premium income	671.7	585.2	15
Sums assured, including bonus	35,601.2	31,834.4	12
Annuities per annum, including bonus and amounts to be purchased by future recurrent single premiums	669.5	613.8	9

The profits of the life business, after providing for taxation, were as follows:

	1978 £m	1977 £m
<b>Prudential Assurance:</b>		
Ordinary branch individual life and group pensions business (UK and overseas)	11.0	9.9
Industrial business	4.8	4.2
Prudential Pensions	0.9	0.4
Prudential South Africa	0.6	0.5
	<hr/> 17.3	<hr/> 15.0
Mercantile & General Reinsurance	2.5	0.9
Vanbrugh	(2.4)	0.3
L'Escaut	(0.2)	(0.3)
	<hr/> 17.2	<hr/> 15.9

Comments on the life business of Mercantile and General Reinsurance are included in the separate section headed "Specialist Reinsurance" on page 19. The comments relating to the remainder of the life business of the Group will be found in this section.

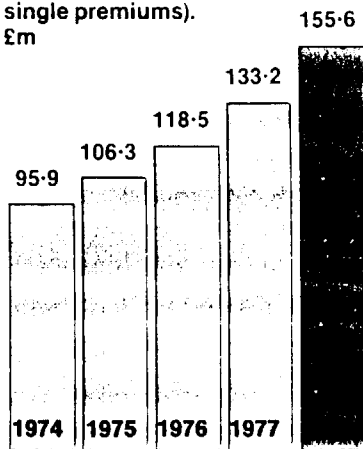
Individual Life Business -  
United Kingdom

Ordinary Business  
(Prudential Assurance)

	1978 £m	1977 £m	% increase
New business:			
Annual premium income	39.4	27.5	43
Single premiums	11.9	9.6	25
Total revenue premium income	167.9	142.9	17

Against the background of a marked improvement in real living standards in 1978, there was the largest ever increase in the United Kingdom Ordinary business annual premium market, both in actual and percentage terms. The greatest percentage increase was in the personal pension sector but other business, both unit-linked and conventional, also showed substantial increases. Prudential Assurance's new annual premium business figures were extremely satisfactory, and the increase of 43 per cent was significantly greater than that shown by the market as a whole.

Revenue premiums (other than  
single premiums).  
£m



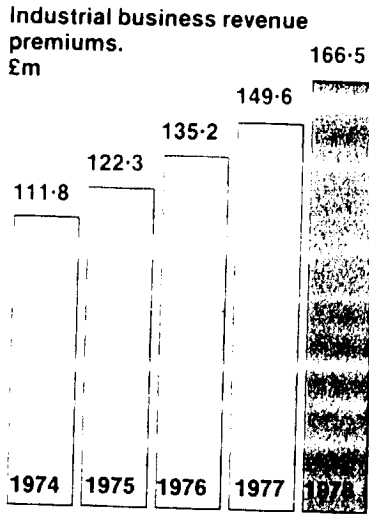
New annual premiums on assurances (other than personal pension policies) rose by 29 per cent over the year. In line with other insurers Prudential Assurance changed the basis of calculating the commission paid in respect of new business. With effect from 1 May 1978, commission has been related to premiums instead of sums assured. Following this change in basis there has been a movement from whole life business towards endowment policies, accompanied by a change in emphasis from without profit assurances to with profit contracts and a marked increase in the average annual premium per new policy. Coinciding with the change in commission basis, the new Multiflex policy was introduced, providing a flexible combination of a traditional whole life or endowment contract linked to additional temporary or income benefit assurance.

Recent years have seen a boom in individual pension policies for the self-employed, and among insurance offices generally there was an increase in 1978 of 25 per cent in new annual premiums. By contrast, Prudential Assurance recorded an increase in new annual premiums on its Personal Retirement Plan business of 96 per cent. About 30 per cent of the total new annual premiums in 1978 came from this source. This is an area of the market in which Prudential Assurance's policies are particularly competitive, and the Plan was made more flexible in 1978 when policyholders were permitted to vary the premium paid each year. This is a considerable advantage to policyholders whose income may fluctuate from year to year.

The Government's scheme for changing the method by which tax relief on life assurance premiums is provided has recently come into effect. Comments on the new system are included in the section on Industrial business.

The table shows the pattern of the annual premium content of revenue premiums for individual Ordinary branch business since 1974. The increase in 1978 was 17 per cent and the average growth has been 13 per cent per annum. Personal Retirement Plan premiums have increased over the period from £9.9m to £25.8m and in 1978 they represented 17 per cent of the total revenue annual premiums compared with 10 per cent in 1974.

**Industrial Business**  
(Prudential Assurance)



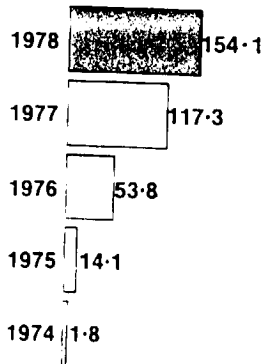
	1978 £m	1977 £m	% increase
New business premium income	35.5	32.8	8
Total revenue premium income	166.5	149.6	11

New business premium income increased only slightly during the first few months of the year. After the introduction of premium related commission in May new business increased at a faster rate, so that the increase for the year as a whole was 8 per cent. The change in the basis of calculating commission rates on new policies did not have a significant effect on the type of policies sold or on the average premium per policy. Revenue premiums grew in 1978 by 11 per cent compared with an average annual increase over the period covered in the chart alongside of a little over 10 per cent.

The Government's scheme for changing the method by which relief for tax on life assurance premiums is provided came into effect at the beginning of April 1979. In future, policyholders will not receive income tax relief in respect of their premiums by an adjustment of their PAYE code. Instead, the premiums paid will be reduced by an equivalent amount and the insurance offices will recover the shortfall direct from the Inland Revenue. In the case of certain small Industrial branch policies, however, on which it would be impractical to reduce the premiums, offices will continue to collect the same premium and will take account of the relief received direct from the Inland Revenue by increasing the sum assured. The preparatory work for this change has caused all life offices, and particularly Industrial life offices, considerable expense. It is estimated that the additional expenses borne by Prudential Assurance's Industrial branch in 1978 amounted to £1.1m.

**Unit-linked Business**  
(Vanbrugh)

**Vanbrugh – total funds under management.**  
£m



	1978 £m	1977 £m	% increase/ (decrease)
New business:			
Annual premium income	1.6	0.9	71
Single premiums	36.0	47.1	(23)
Total revenue premium income	45.0	54.1	(17)

During 1978 Vanbrugh first felt the effects of the increasing number of life offices offering unit-linked policies, and in the face of this competition new single premiums fell by £11m. To counter this reduction, efforts to obtain new regular premium business were intensified, and new business increased by £0.7m.

The most significant development during the year in the range of Vanbrugh's products was in the field of personal pensions. A new, wholly owned subsidiary, Vanbrugh Pensions Limited, was formed in February to provide single and annual premium unit-linked policies designed to meet the pension requirements of the self-employed.

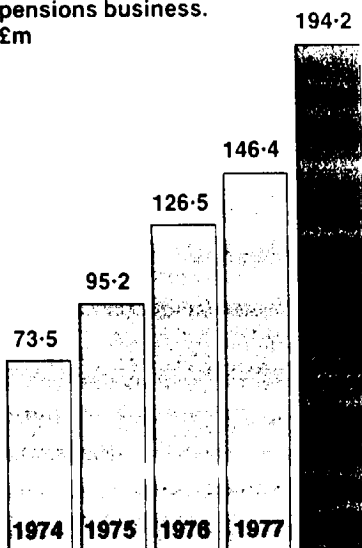
There were two major factors leading to the loss of £2.4m in 1978. In the spring it was discovered that administrative errors had led to a small over-statement of unit prices. In order that policyholders should not be adversely affected, shareholders' funds were used to support the published unit prices. The other major cause of the loss was the decision to strengthen the actuarial valuation basis, due to concern over possible future levels of renewal expenses. In addition, expenses were incurred in the launch of Vanbrugh Pensions Limited.

The year 1978 was clearly disappointing for Vanbrugh, but there is every prospect of the Company returning to a position of profit once again in 1979.

**Group Pensions Business -  
United Kingdom**

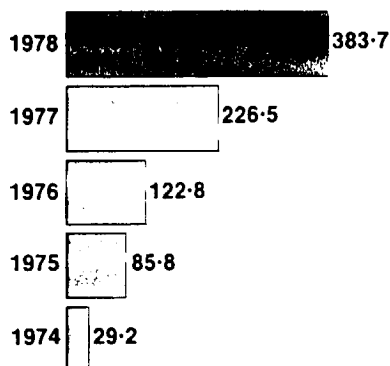
(Prudential Assurance)

**Revenue premiums for group  
pensions business.  
£m**



**Unit-linked funds of Prudential  
Pensions.**

£m



	1978 £m	1977 £m	% increase
New business:			
Annual premiums:			
Prudential Assurance – annuities and assurances	16.9	16.7	1
Prudential Pensions – unit-linked plans	18.9	8.3	128
	<u>35.8</u>	<u>25.0</u>	43
Single premiums:			
Prudential Assurance – annuities and assurances	16.0	9.1	77
Prudential Pensions – unit-linked plans	9.1	7.4	23
	<u>25.1</u>	<u>16.5</u>	53

Much of the increase in new annual premiums stemmed from the decision, taken by the majority of the larger companies, to contract-out of the earnings-related component of the new State Scheme from April 1978, and to include many more manual workers in their occupational schemes. In the process of reorganising such schemes a few companies transferred from deferred annuities with Prudential Assurance to unit-linked plans with Prudential Pensions. A particularly encouraging feature of the latter Company's increase in business was that over thirty schemes came under its management from outside the Prudential Group.

The greater part of the increase in new single premiums for Prudential Assurance was in respect of the augmentation of pensions in course of payment.

The total revenue premium income figures are shown in the following table:

	1978 £m	1977 £m	% increase
Prudential Assurance	123.4	111.3	11
Prudential Pensions (excluding amounts transferred from Prudential Assurance)	70.8	35.1	102
	<u>194.2</u>	<u>146.4</u>	32

In 1978 some 75 per cent of the revenue premiums of Prudential Assurance arose under contracts providing for retirement benefits in the future; nearly 15 per cent of the premiums were for death-in-service benefits, and 10 per cent were for augmentation of pensions in course of payment.

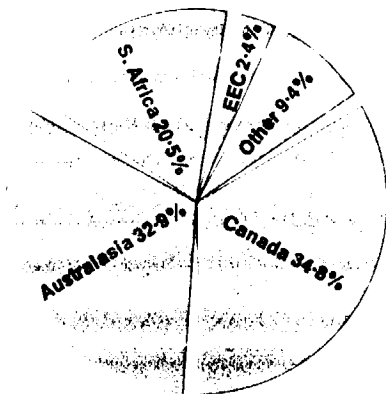
As will be seen from the table above and the accompanying chart, the growth rate of revenue premiums for group pensions business has been at a high level not only in 1978 but for some years past. The average annual increase for the period covered in the chart, during much of which time improvements in pension schemes have fallen within the scope of pay limits, has been over 27 per cent. Some idea of the relative buoyancy of group pensions premiums is shown in the fact that the growth rate for total revenue premiums for individual Ordinary business in the United Kingdom over the same period has been 11.5 per cent per annum. The growth of pensions business reflects the confidence which is consistently placed by employers throughout the country in the Prudential Group's investment, administration and other services.

**Life and Pensions Business - Overseas**

(Prudential Assurance and L'Escaut)

	1978 £m	1977 £m	% increase/ (decrease)
New business:			
Annual premium income	19.2	19.3	(1)
Single premiums	8.0	8.5	(6)
Total revenue premium income	126.4	130.6	(3)

**Source of overseas revenue premiums in 1978.**



During 1978 sterling strengthened relative to the currencies in which most of the Group's overseas business is written. The appreciation of the pound was particularly marked in relation to the Canadian dollar, against which sterling rose by 15 per cent. To remove distortions arising from fluctuations in exchange rates, percentage comparisons below are made in terms of local currencies.

The economic background in Canada, with unemployment running at over 8 per cent of the work force, together with the unsettled political atmosphere in Quebec, were not favourable for new business. The increases of 6 per cent in new annual premiums to £5.7m, and of 12 per cent in new single premiums, to £6.2m, are therefore encouraging. The percentage growth in new annual premiums was broadly the same for both individual and group pensions business. Revenue premiums increased over the year by 7 per cent, and the average growth rate since 1974 has been a little over 11 per cent per annum.

In Australia, there was a decline in new business in 1978, due to adverse economic conditions and intensive competition for business. New business annual premiums amounted to £4.6m, a decrease of 5 per cent compared with 1977. New group pensions annual premiums were some 25 per cent higher over the year, but this growth failed to compensate for the decline in individual new business annual premiums. Towards the end of the year a new type of with-profits policy was introduced, in the form of a savings contract with benefits related to the rate of interest available on fixed interest investments. In New Zealand, new business showed a satisfactory increase over the year owing to a significant increase in group pensions business. Taking Australia and New Zealand together, revenue premiums in 1978 were unchanged over the previous year's figures. The average growth rate since 1974 has been a little over 6 per cent per annum.

Prudential South Africa had excellent new business results in 1978. New annual premiums increased by 20 per cent to £5.0m, and the market for individual new business was particularly buoyant. New single premiums were nearly double the 1977 level, at £0.9m. Revenue premiums increased over the year by 10 per cent; the average growth rate since 1974 has been a little over 14 per cent per annum, although there have been much greater changes than that from year to year.

New annual premiums of L'Escaut were £0.5m and new single premiums were £0.1m. Although the life new business did not increase at the high rate seen in 1977, revenue premiums for 1978 showed an increase of 10 per cent to £3.0m.

In April 1979 a new life branch of Prudential Assurance commenced operations in Holland. The establishment of this new branch is part of the Company's longer-term plans to strengthen its position within the EEC.

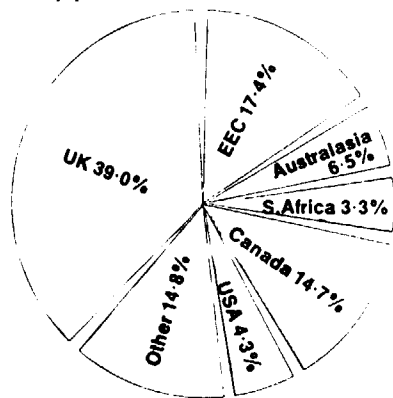


# Progress Report

## General Insurance

### General Insurance Summary

Geographical distribution of Group premiums in 1978.

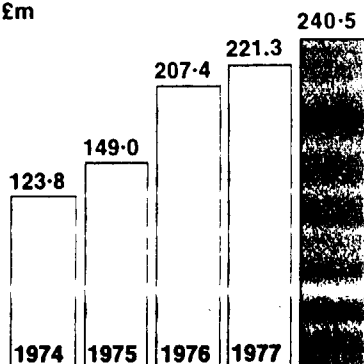


The following is a summary of the General insurance business of the Group:

	1978 £m	1977 £m	% increase
Premiums written	394.4	358.4	10
Underwriting result	(4.2)	(9.5)	
Investment income	27.2	23.4	
Trading profit before tax	23.0	13.9	
Taxation	6.8	3.5	
Profit after tax	16.2	10.4	

Detailed figures and comments in respect of the general insurance business of Mercantile and General Reinsurance are included in the separate section headed "Specialist Reinsurance" on page 19. For the remainder of the Group, the premiums and underwriting results analysed by the major classes of business are shown in the following tables:

Group premiums excluding specialist reinsurance.  
£m



	1978 £m	1977 £m	% increase
Premiums written:			
Property	82.4	74.4	11
Motor	93.8	90.4	4
Marine and Aviation	8.5	7.7	10
Other	55.8	48.8	14
	240.5	221.3	9
Underwriting result:			
Property	(2.9)	(5.5)	
Motor	(2.1)	0.7	
Marine and Aviation	(0.9)	(0.7)	
Other	1.4	0.7	
	(4.5)	(4.8)	

United Kingdom – Fire and  
Accident (Prudential Assurance)

	1978 £m	1977 £m	% increase
Premiums written	111.9	93.9	19
Underwriting result	(4.3)	(3.1)	

The dominant feature of the Prudential Assurance results, as in the previous two years, was the underwriting loss (1978 – £4.5m) incurred on the domestic account, particularly in connection with household contents insurance. Prudential Assurance is one of the largest insurers in this market in the United Kingdom, and, in common with other companies has been experiencing difficulties with this business during the past few years. The continuing underwriting losses are due to three main factors; underinsurance, exacerbated by the effects of the high level of inflation, a marked increase in the incidence of burglaries and the effects of extreme weather.

In an effort to overcome underinsurance, minimum premiums were increased in August 1978 and will be reviewed again later this year. The Company will be introducing an index-linked scheme in mid-1979, which will lead to automatic increases in cover in line with the rate of inflation. These steps will assist in reducing underwriting deficits and will help to return the account to overall profitability, although this is unlikely to be achieved in 1979.

The scale of burglary claims falling to be paid by insurance companies is not always realised, but figures published by the British Insurance Association show that crime losses under household policies increased by nearly 34 per cent per annum between 1973 and 1977.

Claims arising from extreme weather have always been a feature of the domestic account, but the succession of exceptional weather conditions in recent years has been unusual, and has resulted in very heavy claims. The severe weather in the early part of 1978 cost Prudential Assurance nearly £1.5m, the greater part of which was provided for in 1977. The severe weather in January and February 1979 has given rise to additional claims in the property account estimated to amount to some £3.75m, most of which arose against premiums written in 1978. The reserve for unexpired risks at the end of 1978 takes these claims into account.

The other major account written in the United Kingdom by Prudential Assurance is motor business. This accounted for 37 per cent of premiums in 1978 and showed an underwriting loss despite an overall increase of 9 per cent in premium rates in mid-year. Both claim frequency and the average cost of claims have increased in the year, the latter by considerably more than the rate of inflation. It was therefore necessary to increase premium rates in February 1979 and further action will be taken later in the year aimed at improving the underwriting results. Weather conditions during the early part of this year led to a sharp increase in the number of claims. The Northern Ireland motor account continues to cause concern.

By contrast with the domestic property account, the commercial and industrial fire account, including consequential loss, has made an underwriting profit in each of the last three years, despite the continually rising claims costs arising from fire damage.

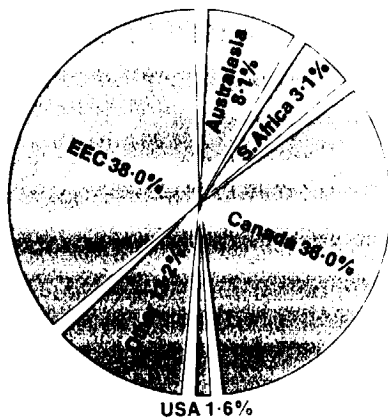
A number of large claims under insurance brokers' professional indemnity policies gave rise to an underwriting loss on liability business.

Overseas – Fire and Accident  
(Prudential Assurance and  
L'Escaut)

	1978 £m	1977 £m
Premiums written	120.1	119.7
Underwriting result	0.7	(1.0)

An underwriting profit of £2.3m was achieved in 1978 from the Overseas General insurance business of Prudential Assurance. The volume of the business showed some drop through exchange rate fluctuations, particularly the weakening of the Canadian dollar.

Source of overseas fire and  
accident premiums in 1978.



In Canada competition during 1978 was extremely severe, partly due to the influence of the Anti-Inflation Board and partly due to attempts by companies to avoid further loss of premium income at any cost following nationalisation of personal injury motor insurance in Quebec (Prudential Assurance's motor premiums in Quebec were thereby reduced by some £6m). Nevertheless the Canadian business again contributed importantly to the Company's overall profits. In the course of the year Prudential Assurance broadened the scope of its activities by buying the Toronto-based Constellation Life Assurance Company (now renamed Constellation Assurance Company), a specialist company in the accident and health insurance field.

In Australia and South Africa extremely difficult trading conditions continued to apply. The Company's refusal to write business at unrealistic rates resulted in lack of development and consequent pressure on operating costs. Unfortunately there are few signs of an early return to more orderly markets in these areas so that it is difficult to anticipate an early improvement in the results.

The Group's European business is growing steadily. The largest source of business in Europe is l'Escaut, whose general business premium income has now reached £35m, compared with £29.5m in 1977. Although l'Escaut's underwriting result deteriorated in 1978, with a loss of £1.6m, the investment performance ensured a satisfactory trading profit was attained. Whilst there was both increased competition and increased incidence of fire losses in Belgium, the fire insurance result was helped by the emphasis on domestic business and by profitable inwards reinsurance business. Growth of accident and motor business has been restricted in those classes where adequate tariff increases were not obtainable. The workmen's compensation business compared well with market trends.

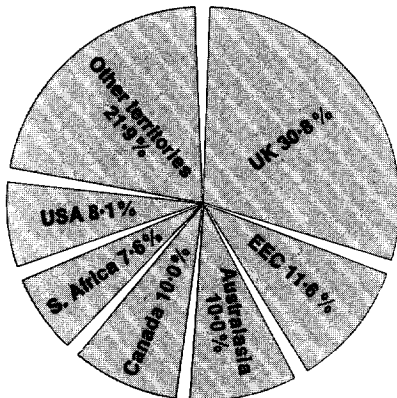
Elsewhere in Europe, premium income in Holland showed a large increase mainly due to the expansion of the accident portfolio and in spite of difficult market conditions a good profit was achieved. In France, fire business remained profitable but development of a satisfactory accident account is proving difficult. Development in Germany continued on satisfactory lines although the general level of rates prevailing remains a matter for concern. The results from Denmark continued to be particularly favourable.

Marine and Aviation

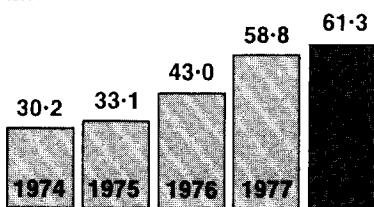
Marine and Aviation premiums of Prudential Assurance increased from £7.7m to £8.5m. For marine business, the 1976 underwriting year at the close of its third year showed a distinct improvement on the immediately preceding years. Overall, an underwriting loss of £0.9m emerged, however, and downward pressure on rates in both marine and aviation insurance continues unabated.

**Mercantile and General Reinsurance**

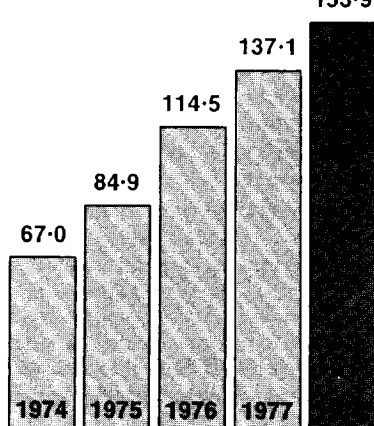
**Source of total revenue premiums in 1978.**



**Life business revenue premiums. £m**



**General insurance premiums. £m**



The business of Mercantile and General Reinsurance is transacted with around 2,000 insurance companies domiciled in over 100 different countries and is written in over 130 currencies.

The total profits, after all expenses and taxation, increased to £14.1m in 1978, compared with £5.2m in 1977. Included in this amount is £2.2m (1977 £1.0m) representing other net investment income.

**Life Business**

	1978 £m	1977 £m	% increase/ (decrease)
New business:			
Annual premium income	13.3	10.7	24
Single premiums	10.0	14.1	(29)
Total revenue premium income	61.3	58.8	4
Profit after tax	2.5	0.9	

In the United Kingdom, where the Company is the largest reinsurer of life business, the new business results reflected the buoyant conditions in the life assurance and group pensions markets. Group pensions business was particularly notable because the implementation of the new State Scheme in April 1978 was accompanied by extensive development of private schemes insured with life offices.

Overseas, the volume of business in the direct company market was depressed by the adverse economic conditions. Although international competition for new reinsurance business was maintained, a record level of new business was recorded.

**General Insurance**

	1978 £m	1977 £m	% increase/ (decrease)
Revenue premiums:			
Fire, accident and miscellaneous	133.8	115.6	16
Marine and Aviation	20.1	21.5	(7)
	<u>153.9</u>	<u>137.1</u>	12
Underwriting result	0.3	(4.7)	
Investment income	10.4	8.0	
	<u>10.7</u>	<u>3.3</u>	
Taxation	1.3	—	
Profit after tax	<u>9.4</u>	<u>3.3</u>	

The rate of growth in premiums is less than in the previous year, reflecting the greater strength of sterling during the period.

The underwriting results reported in the 1978 accounts reflect to a very large extent the experience of reinsurance operations in 1977 and earlier years plus the development of outstanding losses, as more up to date information becomes available or claims are settled. The general pattern of underwriting results shows an improvement, much of which was attributable to the overseas subsidiaries, but the climate in which reinsurers operate continues to be difficult, since there is strong competition for business among established reinsurers and in particular from the many newcomers to the market. Advantage was taken of the high interest rates to increase the yield on investments.

# Progress Report Investments

## Group Investments

The fact that the value of the main United Kingdom life funds appreciated further in 1978 is attributable to the buoyancy of the property market, where values increased by some 20 per cent, supported by rising rental levels. Long dated fixed interest stocks fell by some 10 per cent over the year whilst equity values were similar to those of a year earlier. Since the year end these last two categories have been the pacemakers, although the property market continues to be very firm.

### Net Investment by the Group in 1978

	Life £m	General £m
<b>Funds arising in the United Kingdom</b>		
British Government securities	257	10
Other fixed income securities (including mortgages on property)	5	13
Ordinary shares	108	(5)
Property	70	3
	<u>440</u>	<u>21</u>
<b>Funds arising overseas</b>		
Fixed income securities (including mortgages on property)	54	17
Ordinary shares	21	9
Property	6	—
	<u>81</u>	<u>26</u>

A significant part of the total monies invested in the United Kingdom is now derived from the activities of Prudential Pensions and Vanbrugh, both of which operate unit-linked investment policies. In both cases there is a greater degree of customer choice of the investment medium into which the money is allocated than is the case with the traditional insurance funds. The pattern of allocation displayed in the table is still principally, but no longer wholly, the result of our own investment decisions.

We continued to give emphasis to fixed interest investment in the main life funds of Prudential Assurance, partly because of the attractive yields on Government stocks and partly because of a desire to change the spread of the portfolios as between the categories of fixed interest, equities and property. Equity buying was at a somewhat higher level than in 1977, but was still only a modest proportion of the total and remained very selective. Property investment in the main life funds was largely accounted for by outgoings on the completion of new developments rather than purchases of completed buildings, although the property funds of Prudential Pensions and Vanbrugh have mostly bought completed buildings.

The pattern of investment of funds arising overseas is determined to a substantial extent by local regulatory policies, or fiscal considerations designed for the same purpose. This tends to lead to a strong emphasis on fixed interest investment, particularly in public sector securities.

# Directors' Report

for the year ended 31 December 1978

<b>Principal Activity</b>	Prudential Corporation Limited is the Group holding company and the principal activity of its subsidiaries is transacting insurance and reinsurance business of all classes in the United Kingdom and overseas. Particulars of the principal subsidiary companies are given in notes on the accounts on page 34.
<b>Scheme of Arrangement</b>	Prudential Corporation Limited was incorporated as a private company on 1 November 1978 (and subsequently converted into a public company) for the purpose of acquiring the whole of the issued share capital of The Prudential Assurance Company Limited and thereby becoming the ultimate holding company of the Prudential group of companies. A Scheme of Arrangement under Section 206 of the Companies Act 1948 was approved by the necessary majority of shareholders of The Prudential Assurance Company Limited at a general meeting of shareholders held on 23 November 1978 as ordered by the High Court of Justice for this purpose. The scheme was subsequently sanctioned by the Court and became effective on 29 December 1978, Prudential Corporation Limited acquiring the entire issued share capital of The Prudential Assurance Company Limited by allotting to the shareholders 298,388,254 shares of 25p each fully paid.
<b>Accounts</b>	<p>The Consolidated Balance sheet on page 25 shows the state of affairs of the Group at 31 December 1978.</p> <p>The Company's Balance sheet appears on page 26. The value of shares in The Prudential Assurance Company Limited acquired under the Scheme of Arrangement is included at an amount equal to the aggregate nominal value of the shares in the Company issued pursuant to the Scheme of Arrangement.</p> <p>The Consolidated Profit and loss account appears on page 24. The amounts shown include profits for the whole of 1978, although as stated above under Scheme of Arrangement, Prudential Corporation Limited became the holding company only on 29 December 1978. The Directors have been advised, and are satisfied, that it is proper and appropriate to regard the profits of the Group, whether accruing before or after that date, as available for distribution. There is a five-year review of the Group on page 38.</p>
<b>Dividends</b>	The Directors have declared a final dividend for 1978 of 5.263p per share payable on 24 May 1979 to shareholders on the Register at close of business on 26 April 1979. The dividend for the year, including the interim dividend of 2.737p per share paid in November 1978 by the Prudential Assurance Company Limited amounts to 8.000p per share compared with 6.648p per share for 1977. In addition a further dividend of 0.063p per share was paid with the interim dividend following the reduction in the rate of tax credit.
<b>Directors</b>	<p>The Directors of the Company, all of whom were appointed on 1 November 1978 are shown on page 5.</p> <p>The Directors retiring by rotation are The Rt Hon Lord Carr of Hadley PC, Frank Mitchell Redington FIA and Desmond Arthur Reid. They offer themselves for re-election. Kenneth Ascough Usherwood CBE FIA also retires but does not offer himself for re-election.</p> <p>The Directors recommend the election of David Mitchell Cooke Donald WS.</p>

**Directors' Shareholdings**

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

	On 31.12.78 Prudential Corporation Ltd Shares of 25p each		On 1.1.78 (or date of appointment if later) The Prudential Assurance Co Ltd Shares of 5p each	
	Beneficially held	Other interest	Beneficially held	Other interest
R H Owen	6,000		6,000	
H G Clarke	4,824		4,824	
J E Ramsden	2,400		2,400	302
J A T Barstow	15,000	41,824	15,000	44,128
Lord Caccia	2,400		2,400	
Lord Carr of Hadley	2,000		2,000	
E P Hatchett (appointed 17.8.78)	2,064		864	
Sir J N Hogg	4,392		4,392	
A F Murray	2,400	918	2,400	918
Lord O'Brien of Lothbury	2,400		2,400	
F M Redington	3,600		3,600	
D A Reid	152,256	412,393	152,256	415,708
Sir P F D Tennant	2,400		2,400	
K A Usherwood	4,800		4,800	21,360

By virtue of the Scheme of Arrangement previously mentioned the shares of The Prudential Assurance Company Limited were exchanged on 29 December 1978 for the same number of shares in Prudential Corporation Limited.

Except as stated above none of the Directors was interested, either at the beginning or at the end of the year, in any shares in or debentures of the Company or of its subsidiaries.

Between 31 December 1978 and 5 April 1979 the shareholding under "Other interest" of Mr J A T Barstow has been reduced by 8,881 shares.

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

**Substantial Shareholdings**

As far as the Directors were aware at 5 April 1979 no person has a shareholding of 5 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 1978 was 21,832 and the aggregate remuneration paid or payable in respect of these employees during 1978 amounted to £116,564,733.

**Donations**

During the year the Company and its subsidiaries gave £96,856 in the United Kingdom and £36,832 overseas for charitable purposes.

**Auditors**

Deloitte Haskins & Sells were appointed first auditors by the Directors on 16 November 1978. In accordance with Section 14 of the Companies Act 1976, a resolution proposing their re-appointment as auditors to the Company will be put to the Annual General Meeting.

Number of Shareholders

The number of shareholders on the register at the end of the year was:

1978	1977
33,900	34,700

Analysis of Shareholdings in the  
Company at 31 December 1978

	1978 %	1977 %
Banks (mainly nominee holdings)	37.7	38.1
Insurance companies	12.6	12.2
Pension funds	17.0	14.3
Investment trusts	2.5	2.5
Other corporations	7.3	9.1
Individuals	22.9	23.8
	100.0	100.0

R H Owen  
Chairman  
Holborn Bars  
19 April 1979



# Consolidated Profit and Loss Account

for the year ended 31 December 1978

	Note	1978 £m	1977 £m
<b>Profits after taxation from:</b>			
Ordinary life assurance	3	12.4	11.7
Industrial life assurance	3	4.8	4.2
General insurance	3	16.2	10.4
Investment and other income less expenses 2j & 6		13.0	9.2
		46.4	35.5
Less Taxation	4	5.2	3.6
<b>Profits for the year after taxation</b>		<b>*41.2</b>	<b>31.9</b>
Balance at beginning of year	14	5.5	2.1
Over-provision of deferred final dividend		—	0.2
<b>Profit available for appropriation</b>		<b>46.7</b>	<b>34.2</b>
<b>Appropriations</b>			
<b>Transfers to reserves</b>			
Investment reserve		0.9	1.0
General reserve		† 9.4	7.7
Inner reserve		4.8	1.3
		15.1	10.0
<b>Dividends</b>			
Interim	11	8.4	7.3
Final		15.7	12.5
		24.1	19.8
<b>Balance at end of year</b>			
Parent company		0.8	—
Subsidiaries		6.7	4.4
		7.5	4.4
		46.7	34.2
<b>Earnings per share</b>			
		13.8p	10.7p
Based on earnings of £41.2m (£31.9m) and 298,388,254 shares			

Although Prudential Corporation Limited was incorporated on 1 November 1978 the 1978 figures are those of the Prudential Group for the whole of the year ended 31 December 1978 (see note 1) and the comparative figures are stated accordingly.

\*Includes £20.5m dealt with in the accounts of the Company.

† Includes £4.0m for the Company.

# Consolidated Balance Sheet

31 December 1978

	Note	1978 £m	1977 £m
<b>Shareholders' funds</b>			
Share capital	7	74.6	14.9
Share premium account	7	46.4	106.1
General reserve		37.2	27.8
Profit and loss account		7.5	4.4
		165.7	153.2
<b>Insurance funds</b>			
Ordinary life		3,647.7	3,231.7
Industrial life		1,112.8	1,027.5
General business		318.8	277.8
<b>Deferred taxation</b>	4	16.1	14.9
		5,261.1	4,705.1
<b>Investments</b>			
	2d		
Ordinary stocks and shares		1,503.5	1,347.1
Properties		1,296.5	1,125.1
British Government securities		1,130.6	893.1
Other fixed income securities		829.6	815.5
Mortgages and loans		404.6	417.6
		5,164.8	4,598.4
<i>Market value</i>	2e	6,686.6	5,893.2
<b>Current assets</b>			
Debtors		251.9	228.9
Deposits, bank balances and cash		236.1	208.8
		5,652.8	5,036.1
<i>Less</i>			
<b>Current liabilities</b>			
Taxation		2.2	2.3
Creditors		270.2	241.2
Unsecured loans in overseas currencies	5	116.1	92.0
Loan stocks of subsidiaries	5	2.7	3.4
Interest of outside shareholders in subsidiaries		0.1	0.1
Bank loans and overdrafts		13.4	12.5
Final dividend		15.7	12.5
		420.4	364.0
		5,232.4	4,672.1
<b>Goodwill</b>	2c & 10	28.7	33.0
		5,261.1	4,705.1

# Balance Sheet of the Company

31 December 1978

	Note	1978 £m
<b>Shareholders' funds</b>		
Share capital	7	74.6
General reserve		4.0
Profit and loss account		0.8
		<hr/>
		79.4
<hr/>		
<b>Investments in subsidiaries</b>		
Shares in subsidiaries	1	74.6
<b>Current assets</b>		
Amounts due from subsidiaries		20.5
		<hr/>
		95.1
<b>Less</b>		
<b>Current liability</b>		
Final dividend		15.7
		<hr/>
		79.4
<hr/>		

W G Haslam      Chief Executive

R H Owen        Chairman

J A T Barstow    Director

19 April 1979

# Source and Application of Funds

of the Group (excluding Life)  
year ended 31 December 1978

	1978 £m	1977 £m
<b>Source of funds:</b>		
Profit after taxation	41.2	31.9
Increase in insurance funds	38.8	—
Increase in:		
Debtors	(19.8)	21.1
Creditors	25.4	26.0
	85.6	82.9
Depreciation	1.1	0.8
Total cash growth from operations	86.7	83.4
Funds from other sources:		
Shares issued in consideration of the acquisition of The Standard Trust Ltd.	—	0.1
	86.7	83.3
<b>Application of funds:</b>		
Dividends paid to shareholders	20.9	17.7
<b>Net funds available for investment</b>	<b>65.8</b>	<b>95.6</b>
<hr/>		
<b>Changes in investments and net liquid funds:</b>		
Increase/(decrease) in:		
Ordinary stocks and shares	4.5	(6.0)
Properties	3.5	0.9
British Government securities	10.1	11.5
Other fixed income securities	26.0	40.7
Mortgages and loans	3.9	0.8
Deposits, net bank balances less borrowings	17.8	1.1
Net assets of The Standard Trust Ltd.	—	35.5
	65.8	95.6
<hr/>		

# Notes on the Accounts

## 1. Basis of Accounting

On 29 December 1978 the whole of the issued share capital of The Prudential Assurance Company Limited (Prudential Assurance) was acquired by the Company in exchange for an equal number of shares of the Company under a Scheme of Arrangement dealt with in the Directors' Report.

On the coming into effect of the Scheme of Arrangement the interest of the former members of Prudential Assurance, who thereby became members of the Company, was not affected, in that they continued to be the members of the company which controls the entire Prudential Group of companies. Accordingly the shares of Prudential Assurance so acquired have been included in the Balance sheet of the Company at the nominal value of the shares issued.

The Consolidated Profit and loss account of the Company incorporates the results for the year ended 31 December 1978 of Prudential Assurance and of its subsidiaries prior to the Scheme of Arrangement becoming effective and the comparative figures are stated accordingly. In addition, the comparative figures at 31 December 1977 in the Consolidated Balance sheet reflect the net assets, insurance funds, reserves and capital of Prudential Assurance and its subsidiaries at that date.

## 2. Group accounting policies

The principal accounting policies of the Group are set out below.

### (a) Disclosure requirements

As most of the Company's subsidiaries are insurance companies the group accounts do not disclose in respect of these subsidiaries certain information, including some relating to provisions and reserves, which they are exempt from disclosing under the provisions of the Companies Acts 1948 and 1967.

Profits and losses on the realisation of investments, taxes thereon and exchange adjustments of insurance subsidiaries are excluded from the reported revenue results and dealt with through investment reserve accounts, except in the case of linked business. Transfers may be made from time to time from or to the respective Revenue accounts or Profit and loss accounts.

### (b) Basis of Consolidation

The group accounts incorporate the assets and liabilities of the Company and all its subsidiaries at 31 December and the results for the year ended on that date with the exception of the two Australian subsidiaries of The Mercantile and General Reinsurance Company Limited whose figures are not material and relate to the preceding 30 June.

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

### (c) Goodwill

Goodwill represents the difference between the Balance sheet values of the investments in subsidiaries and their net asset values at their dates of acquisition adjusted by application of reserves.

### (d) Balance sheet values of investments and subsidiaries

With the exception of those related to linked business, investments are stated mainly at cost, but are:

- (i) increased in the life funds of the insurance subsidiaries by unrealised margins transferred to the Revenue accounts,
- (ii) adjusted in all branches of the insurance subsidiaries by the application of the balances of investment reserve accounts,
- (iii) after deducting depreciation on certain properties.

Linked business investments are included at market value, any increase or decrease in their values for the year being dealt with in the Revenue accounts. In the Balance sheet of the Company shares in subsidiaries are stated at cost.

### (e) Market values of investments

United Kingdom insurance subsidiaries determine the market values of their investments having regard to the Insurance Companies (Valuation of Assets) Regulations 1976 where applicable, except that the investment currency premium is included where appropriate. In all other cases market values are based on market quotations where available (including investment currency premium) or on values estimated by the directors of the various companies.

P00000497

**(f) Exchange rates**

Foreign currency assets and liabilities and revenue transactions for the year are translated at rates of exchange ruling at the end of the year. However, certain currency investments held in the UK are translated at the rates of exchange ruling on the dates of acquisition and certain revenue transactions are translated at rates of exchange ruling on the dates of the respective transactions.

**(g) Long-term business**

Long-term insurance profits are allocated from the surpluses determined as the result of annual actuarial valuations. The amount of the surplus allocated to shareholders is determined by the directors of the companies concerned in accordance with their Articles of Association.

**(h) Short-term business**

Unearned premium reserves for direct fire and accident insurance business are calculated on a proportional basis having regard to the premiums in force each month, with a deduction of 20 per cent for acquisition costs. Unexpired risk reserves are maintained to cover the estimated excess of liabilities over the unearned premium reserves.

Outstanding claims include provisions for claims incurred but not reported at the Balance sheet date.

Fire and accident proportional reinsurance business is dealt with on a two year basis and non-proportional on a funded basis.

The profits on marine, aviation and transport business are determined at the end of the second year following the year of account to which that business relates, after allowing for all outstanding premiums and claims. Premiums less claims paid and expenses relating to the two open years of account are carried forward and increased if necessary, so that the funds for each year are sufficient to meet the estimated cost of all outstanding claims, whether notified or not, and the claims expected on unexpired risks.

**(i) Depreciation**

Depreciation on freehold and long leasehold properties is provided on the excess in any year of the total book values over the current site values. Leasehold properties are amortised over the last 50 years or less of the lease.

Motor vehicles, furniture and office equipment are written off in the year of purchase. Major capital expenditure on computer equipment and development costs is amortised by equal annual instalments over the estimated useful life.

The provisions of the U.K. accounting standard on depreciation have not been applied as investment properties are exempted for the current year.

**(j) Investment income**

Dividends on ordinary shares are included on the basis of the date on which payment is due except those relating to linked business, which are included by reference to ex-dividend dates. Rents, preference dividends and interest on fixed income securities are included on an accruals basis. If the income for the year is significantly affected by accrued income included in purchases or sales of securities an adjustment is made to match the income with the period for which the security has been held.

UK dividends are grossed up by the amount of the attaching tax credit.

Group investment income is shown less amounts written off terminable and other securities and after payment of interest. It also includes realised profits less losses on the sale or redemption of securities relating to linked business.

**(k) Taxation**

Taxation is charged on all profits and income earned to date, less reliefs. Provision under the liability method is made in the consolidated accounts for all potential taxation arising from short-term timing differences and from originating timing differences which cannot be demonstrated with reasonable probability to continue into the foreseeable future, except that no adjustment has been made to the amount of the provision brought forward from previous years where that would alter the effective rate of tax for the current year.

# Notes on the Accounts

### 3. Insurance business

The Life assurance profits shown in the Consolidated Profit and loss account on page 24 are derived from:

	Ordinary life assurance		Industrial life assurance	
	1978 £m	1977 £m	1978 £m	1977 £m
Premium income	594.8	532.8	166.5	149.6
Investment income	300.7	260.1	112.5	96.4
Other revenue *	49.5	93.8	23.7	21.9
	945.0	886.7	302.7	267.9
<b>Less:</b>				
Claims	307.3	274.6	126.9	123.3
Commission and expenses	109.8	99.7	72.7	64.0
Taxation	22.9	17.2	13.0	10.9
Increase in liability to policyholders	316.6	326.8	12.8	1.7
	756.6	718.3	225.4	199.9
Surplus for distribution	188.4	168.4	77.3	68.0
Policyholders' bonuses	176.0	156.7	72.5	63.8
Transfers to Profit and loss account	12.4	11.7	4.8	4.2

\*Includes part of unrealised asset margin.

The Consolidated Balance sheet on page 25 includes the following:

Insurance funds	3,647.7	3,231.7	1,112.8	1,027.5
Deferred taxation	10.1	9.5	4.2	3.9
	3,657.8	3,241.2	1,117.0	1,031.4
<b>Investments</b>				
Ordinary stocks and shares	1,025.3	893.4	356.9	334.0
Properties	974.0	832.2	304.3	277.0
British Government securities	688.8	550.3	339.0	255.6
Other fixed income securities	547.5	545.6	79.3	91.6
Mortgages and loans	302.1	310.4	75.6	85.7
	3,537.7	3,131.9	1,155.1	1,043.9
<b>Market value</b>	<b>4,310.0</b>	<b>3,746.0</b>	<b>1,835.4</b>	<b>1,662.0</b>
<b>Current assets</b>				
Tax recoverable	—	1.4	1.4	1.0
Debtors	111.4	101.2	18.4	20.4
Deposits, bank balances and cash	169.3	126.1	14.0	29.9
	3,818.4	3,360.6	1,188.9	1,095.2
<b>Less:</b>				
<b>Current Liabilities</b>				
Taxation	1.3	—	—	—
Creditors	76.4	71.8	24.6	21.4
Unsecured loans in overseas currencies	56.3	37.8	47.3	42.3
Bank loans and overdrafts	26.6	9.8	—	0.1
	160.6	119.4	71.9	63.8
	3,657.8	3,241.2	1,117.0	1,031.4

The General insurance profits shown in the Consolidated Profit and loss account on page 24 are derived from:

	General insurance	
	1978 £m	1977 £m
Premiums written	394.4	358.4
Less increase in insurance fund	38.8	47.1
	355.6	311.3
Long-term business investment income	5.1	3.0
	360.7	314.3
Less:		
Claims	225.5	194.4
Commission and expenses	139.4	126.2
Refund under Canadian anti-inflation regulations	—	3.2
	364.9	323.8
Gross underwriting loss	(4.2)	(9.5)
Short-term business investment income	27.2	23.4
	23.0	13.9
Less taxation	6.8	3.5
Net surplus transferred to Profit and loss account	16.2	10.4

The Consolidated Balance sheet on page 25 includes the following:

Insurance funds	318.8	277.8
Deferred taxation	(1.2)	(0.7)
	317.6	277.1
Investments		
Ordinary stocks and shares	87.5	85.5
Properties	13.6	12.6
British Government securities	43.3	31.4
Other fixed income securities	161.8	152.1
Mortgages and loans	25.6	20.7
	331.8	302.3
Market value	391.9	357.5
Current assets		
Debtors	123.9	107.2
Deposits, bank balances and cash	58.8	45.3
	514.5	454.8
Less:		
Current liabilities		
Taxation	1.5	1.5
Creditors	194.6	172.7
Bank loans and overdrafts	0.8	3.5
	196.9	177.7
	317.6	277.1



**4. Taxation**

Taxation has been charged in the Consolidated Profit and loss account on page 24 and in Revenue accounts (see note 3 pages 30 and 31) on all profits and income earned to date, less reliefs (corporation tax 52 per cent or tax credit on UK dividends received, first quarter 34 per cent remainder 33 per cent) as follows:

	Ordinary life		Industrial life	
	1978 £m	1977 £m	1978 £m	1977 £m
Corporation tax on income	1.8	1.4	0.4	0.6
Taxation re UK dividends	12.7	8.8	12.6	9.9
	14.5	10.2	13.0	10.5
Less Double taxation relief	0.2	—	0.2	—
	14.3	10.2	12.8	10.5
Overseas tax	8.5	7.1	0.5	0.4
Adjustments re prior years	0.1	(0.1)	(0.3)	—
	22.9	17.2	13.0	10.9

	General insurance		Profit and loss	
	1978 £m	1977 £m	1978 £m	1977 £m
Corporation tax on income	3.5	3.0	4.1	3.1
Taxation re UK dividends	1.7	1.9	1.6	0.9
	5.2	4.9	5.7	4.0
Less Double taxation relief	2.6	2.3	0.8	0.3
	2.6	2.6	4.9	3.7
Overseas tax	5.2	2.5	0.4	0.2
Adjustments re prior years	(1.0)	(1.6)	(0.1)	(0.3)
	6.8	3.5	5.2	3.6

Taxation on capital gains charged against Investment reserve accounts amounts to £3.0m (£2.0m)

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

**Deferred taxation**

Deferred taxation arises from:

- (a) the use of the accruals basis in the accounts and the receipts and payments basis for assessment to taxation.
- (b) depreciation charged in relation to tax allowances
- (c) the calculation of general business reserves
- (d) increases in the value of investments related to linked business policies which have matured, been surrendered or on which death claims have been paid.

Provision for deferred taxation has been made for the first time in the 1978 accounts and 1977 comparative figures have been restated accordingly.

The amounts provided in the Consolidated accounts are:

	1978 £m	1977 £m
Current year	3.4	4.4
Prior years	(2.2)	(0.1)
Transfer for the year (of which £2.2m (Nil)) included in taxation charge on page 32)	1.2	4.3
Add balance at beginning of year	14.9	10.6
Balance at end of year	<u>16.1</u>	<u>14.9</u>
Categories (a)	13.9	13.8
(b)	5.2	2.7
(c)	(3.2)	(1.6)
(d)	0.2	—
	<u>16.1</u>	<u>14.9</u>

No provision has been made for £4.6m (category c), which arises from differences in the bases of calculating the General insurance business reserves of a subsidiary and which, in the opinion of its directors, are of a continuing nature.

No provision for deferred taxation is required to be made in the Company's accounts.

Where no provision has been made in previous years the opening balance of Profit and loss account has been adjusted and in the life revenue accounts provision has been made as part of the prior years adjustments in the current year.

After allowing for specific provisions, realised losses brought forward and other available reliefs, tax that would arise if the investments were realised at the values shown is estimated in total to be not greater than £340m, of which the following applies to the separate businesses:

	£m
Ordinary life	125
Industrial life	189
General business	1
Profit and loss	25

## 5. Loans

The unsecured loans in overseas currencies fall due for settlement by 1983.

Loan stocks of subsidiaries are repayable by the following dates:

	£m		
1980	0.2	at	4 $\frac{1}{4}$ %
1985	1.3	at	3 $\frac{3}{4}$ %
1985	0.1	at	4 $\frac{1}{4}$ %
1988	1.1	at	5 $\frac{1}{2}$ %
	<u>2.7</u>		

## 6. Investment and other income

Interest on loans and bank overdrafts deducted from group investment income, including that of the life and general insurance business is as follows:

	1978 £m	1977 £m
Repayable within 5 years	9.1	6.3
Others	0.1	0.1

**7. Share Capital**

The Company's authorised Share Capital is £87,500,000 in 350,000,000 shares of 25p each of which 298,388,254 shares were issued fully paid in consideration for the acquisition of the whole of the share capital of The Prudential Assurance Company Limited under the Scheme of Arrangement effective on 29 December 1978.

The Share Premium account in the Consolidated Balance sheet is that of the Company's subsidiary The Prudential Assurance Company Limited at the date the Scheme of Arrangement became effective, reduced by a capitalisation issue of £59.7m to equate the amount of the issued share capital of this subsidiary with that of the Company.

**8. Subsidiary companies**

Particulars of principal subsidiary companies, all wholly owned, are as follows:

Name	Class of share held	Country of incorporation and principal operation unless otherwise stated
Compagnie d' Assurance de l'Escaut SA	Shares n.p.v.	Belgium
The Mercantile & General Reinsurance Company Limited	Shares £1	Scotland (operating principally in UK)
The Prudential Assurance Company Limited	Shares 25p	England
The Prudential Assurance Company of South Africa Limited	Shares R1	South Africa
Prudential Pensions Limited	Shares £1	England
The Standard Trust Limited	Ordinary Shares 25p 3½% Cumulative Preference Stock (99.8%)	England
Vanbrugh Life Assurance Limited	Ordinary Shares £1	England

Of these, only The Prudential Assurance Company Limited is a direct subsidiary of the Company. The principal activity of these subsidiaries is insurance with the exception of The Standard Trust Limited which is an investment trust.

In view of the number involved, subsidiaries which do not materially affect the amount of the profit of the Group or the amount of its assets are not shown.

**9. Major shareholdings**

The Group holds shares in 28 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 issued shares of that class. In view of the number involved and as their combined market values amount to less than 0.5 per cent of the market value of the Group's total assets, details relating to individual companies are not shown.

Of these, 13 come within the definition of associated companies but due to their insignificance and the fact that several are held wholly or partly as investments of the life funds, their effect on the shareholders' interests is not considered material. They are therefore not listed nor are they included in the group accounts except to the extent of dividends received.

The Group also holds shares in a further 34 companies in which the holding exceeds one tenth. In view of the number involved and as their combined market values amount to less than 0.75 per cent of the market value of the Group's total assets, details relating to individual companies are not shown.

10. Goodwill

Goodwill amounting to £6.8m, including £2.5m relating to a subsidiary acquired in the year, has been written-off to Investment reserve account.

11. Interim dividend

The amount of £8.4m shown for the 1978 interim dividend in the Consolidated Profit and loss account includes £0.2m in respect of a further dividend paid following the reduction in the rate of tax credit from 34/66ths to 33/67ths.

12. Emoluments of Directors and senior employees

The aggregate amount of the emoluments of the Directors of the Company for the year was £143,236 (£135,856).

In addition, contributions made to pension schemes for Directors were £26,136 (£25,866).

The emoluments of the Chairman amounted to £26,500 (£25,000).

The table below shows the number of Directors of the Company and senior employees of the Group in the United Kingdom whose emoluments were within the bands stated:

Emoluments £	Number of Directors		Number of employees	
	1978	1977	1978	1977
2,501 to 5,000	1	1		
5,001 to 7,500	-	9		
7,501 to 10,000	9	-		
10,001 to 12,500	1	1	714	368
12,501 to 15,000	2	2	330	75
15,001 to 17,500	-	-	111	19
17,501 to 20,000	-	-	30	11
20,001 to 22,500	-	-	11	5
22,501 to 25,000	-	1	11	1
25,001 to 27,500	1	-	2	1
27,501 to 30,000	-	-	-	1
30,001 to 32,500	-	-	1	1
32,501 to 35,000	-	-	1	2
37,501 to 40,000	-	-	2	-
40,001 to 42,500	-	-	1	-
42,501 to 45,000	-	-	-	1
50,001 to 52,500	-	-	1	-

13. Auditors' remuneration

The remuneration of the auditors of the Company and its subsidiaries excluding VAT amounted to £411,882 (£386,415).

# Notes on the Accounts

## 14. Profit and loss account

The balance of the Consolidated Profit and loss account at the beginning of the year has been adjusted as follows:

	£m
Balance at end of previous year	4.4
Adjustment re deferred taxation	0.4
Adjustment re change to accruals basis for the investment income of a subsidiary	0.7
	<hr/>
	5.5

## 15. Commitments

The Group is committed to capital expenditure not provided of £2.4m (£5.6m) and expenditure authorised but not contracted of £1.1m (£3.7m).

# Reports of the Auditors and Group Chief Actuary

**Report of the Auditors  
to the members of  
Prudential Corporation Limited**

We have examined the accounts set out on pages 24 to 36 which have been prepared on the accounting basis and policies on pages 28 and 29.

In our opinion, the Balance sheet of the Company gives a true and fair view of the state of affairs of the Company at 31 December 1978 and complies with the Companies Acts 1948 and 1967, and the Consolidated accounts comply with the provisions of the Companies Acts 1948 and 1967 applicable to insurance companies.

Deloitte Haskins & Sells  
*Chartered Accountants*

London  
19 April 1979.

**Report of the Group Chief Actuary**

In my opinion the aggregate amount of the liabilities of the insurance subsidiaries in relation to long-term business at 31 December 1978 did not exceed the aggregate amount of those liabilities as stated or included in the Consolidated Balance sheet.

The surplus for distribution was not materially affected by changes in the amounts of the liabilities arising from alterations in actuarial valuation bases because similar changes were made in the book value of investments.

Excluding transfers from Contingency funds, Additional Reserves included in actuarial liabilities and surplus carried forward were in aggregate not materially changed.

R S Skerman  
*Group Chief Actuary*

19 April 1979

# Five Year Review of the Group

	1978 £m	1977 £m	1976 £m	1975 £m	1974 £m
<b>Ordinary Life Assurance</b>					
New annual premium income	109.3	83.4	92.4	69.4	60.9
Total premium income and considerations	594.8	532.8	477.7	362.4	306.9
Investment income	300.7	260.1	218.1	175.8	144.3
Policyholders' bonuses	176.0	156.7	140.6	122.3	81.9
Balance sheet value of investments	3,537.7	3,131.9	2,778.9	2,428.0	1,817.4
Market value of investments	4,310.0	3,746.0	2,847.4	2,468.9	1,819.2
<b>Industrial Life Assurance</b>					
New annual premium income	35.5	32.8	30.0	25.5	22.1
Total premium income	166.5	149.6	135.2	122.3	111.8
Investment income	112.5	96.4	83.3	75.3	64.9
Policyholders' bonuses	72.5	63.8	55.8	52.5	45.9
Balance sheet value of investments	1,155.1	1,043.9	985.2	938.5	818.1
Market value of investments	1,835.4	1,662.0	1,243.7	1,209.5	855.8
<b>General Insurance</b>					
Premiums written	394.4	358.4	321.9	233.9	190.8
Gross underwriting profit/(loss)	(4.2)	(9.5)	(10.3)	(8.3)	(5.0)
Investment income	27.2	23.4	21.5	15.7	11.8
Balance sheet value of investments	331.8	302.3	268.0	197.0	150.3
Market value of investments	391.9	357.5	288.8	213.3	141.7
<b>Profit and Loss Account</b>					
Surplus from Ordinary life	12.4	11.7	9.9	8.5	4.8
Surplus from Industrial life	4.8	4.2	3.7	3.5	3.2
Surplus from General insurance	16.2	10.4	6.3	3.3	5.2
Investment and other net income less tax	7.8	5.6	4.5	2.7	2.9
Profits after taxation	41.2	31.9	24.4	18.0	16.1
Retained profits for year	17.1	12.1	8.0	3.2	4.6
Dividend per share	*8.063p	6.648p	6.010p	5.412p	5.072p
Earnings per share	13.8p	10.7p	9.0p	6.6p	7.1p

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

- (i) the more rapid growth of the Ordinary life funds over recent years.
- (ii) certain overseas currency assets of the Ordinary life are held to cover overseas liabilities amounting to 25 per cent of the total liabilities of the branch. The Market value of these assets has not changed to the same extent as that of U.K. assets, particularly in countries where there are local investment restrictions.

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

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

\*Including a further dividend of 0.063p.

# Senior Officials of the Prudential Group of Companies

## The Prudential Assurance Company Limited

Directors—as listed for the Company on page 5

### Executives

D S Craigen BA	<i>Chief General Manager</i>	R E Artus MA	<i>Joint Secretary &amp; Chief Investment Manager</i>
D C Bourdon FIA	<i>General Manager</i>	P E Moody FIA	<i>Joint Secretary &amp; Chief Investment Manager</i>
F B Corby MA FIA	<i>General Manager</i>	B Medhurst MA FIA	<i>Investment Manager</i>
F G Wood FIA ACII	<i>General Manager</i>	D Sirkett BSc FIA	<i>Investment Manager</i>
J L Savage BSc FIA	<i>Assistant General Manager &amp; Actuary (Overseas)</i>	E E Chapman MBE FRICS	<i>Chief Surveyor</i>
A L Davis	<i>Assistant General Manager</i>	J A Freeman BCom	<i>Deputy Secretary</i>
J Hasloch ACCA ACII	<i>Assistant General Manager</i>	FCA ACMA	
J R Powell FBCS AIB	<i>Assistant General Manager</i>	R S Skerman CBE FIA	<i>Chief Actuary</i>
N H Rogers FCII	<i>Assistant General Manager</i>	Miss M C Allanach FIA	<i>Actuary UK</i>
R M Cresswell FCII	<i>Assistant General Manager</i>	D E Fellows FIA	<i>Group Pensions Manager</i>
R Worthy FCII	<i>Assistant General Manager</i>	C F Whitehorn	<i>Chief Legal Adviser</i>
S C Young	<i>Assistant General Manager</i>		

## Australia and New Zealand

### Local Advisory Committee

Sir Allen Fairhall  
Sir William Pettingell  
Sir Walter Scott  
S C Canfield FCII  
R B Levey FIA  
R Whyte

### Executives

†W H Lambert FISM FAIM	<i>General Manager</i>
†H T Jackson FIA	<i>Assistant General Manager Investments</i>
†D A Walsh BSc MBA MA FIA	<i>Actuary</i>
C H Scott LLB	<i>Assistant General Manager Personnel and Life Administration</i>
W R Hughes FAIM AISM Dip MGT Dip All	<i>Assistant General Manager Life Agency</i>
H J Plane FCII	<i>Assistant General Manager Fire Accident and Marine</i>

## Canada

### Local Advisory Committee

A P Bodiley MBE FCII  
R B Casgrain  
J N Cole  
J P S MacKenzie

### Executives

††D Mair FCII	<i>President</i>
††J J Rowen FIC	<i>Senior Vice President Property and Casualty</i>
†M A P Beck BA FSA FCIA	<i>Senior Vice President &amp; Actuary</i>
B B Dibben MA FIA FCIA	<i>Senior Vice President Life Operations</i>
†D W Parkin MA FIA	<i>Senior Vice President Finance</i>
J J Delorme	<i>Senior Vice President Administration</i>

## Prudential Assurance Company of South Africa Limited

### Directors

H A Williams *Chairman*  
D S Craigen BA  
A J F Fergusson  
H G James FIA  
J L Savage BSc FIA  
F G Wood FIA ACII  
E C Wrigley ACII

### Executives

†J B Ellingham FIA	<i>General Manager</i>
R K Browne LL.M	<i>Life Manager</i>
G D Clay MA FIA	<i>Actuary</i>
L A Travis ARICS	<i>Assistant General Manager Investment</i>
P D Townsend	<i>Assistant General Manager Fire &amp; Accident</i>
P D Wharton-Hood BCom	<i>Assistant General Manager Marketing</i>
G W Wheeler FCIS	<i>Secretary and Chief Accountant</i>

†Also members of the Advisory Committee

†Also Director



**Mercantile and General Reinsurance  
Company Limited**

**Directors**

D M C Donald WS                      *Chairman*  
C A W Dawes MC  
The Rt Hon the Earl of Eglinton & Winton  
W G Haslam DFC  
P E Moody FIA  
The Rt Hon Lord Rawlinson of Ewell PC QC  
J P G Wathen FIB

**Executives**

*J A S Neave CBE JP	<i>General Manager</i>
P J Howell FCIS	<i>Deputy General Manager</i>
J Hamilton-Jones MA FIA	<i>Deputy General Manager</i>
M B Brown FIA FCIA	<i>Assistant General Manager</i>
J G Cuthill FCII	<i>Assistant General Manager</i>
H J Jarvis FIA	<i>Assistant General Manager</i>
J Lock MA FCII	<i>Assistant General Manager</i>
H M Patrick MA	<i>Assistant General Manager</i>
D E Richards	<i>Assistant General Manager</i>
R R Snook	<i>Assistant General Manager</i>

**Compagnie d'Assurance de l'Escaut S.A.**

**Directors**

P Vanderlinden                      *President*  
F Diercxsens  
J de Laet  
M van Strydonck  
B Medhurst MA FIA  
N H Rogers FCII

**Executives**

*E Diercxsens	<i>Managing Director</i>
G Callens	<i>Manager</i>

**Prudential Pensions Limited**

**Directors**

D A Reid                                      *Chairman*  
H G Clarke FIA  
The Rt Hon J E Ramsden  
R E Artus MA  
F B Corby MA FIA  
R S Skerman CBE FIA

**Executives**

*J W Findlay	<i>Investment Manager</i>
P G Green BSc FRICS	<i>Property Manager</i>
T J L Richards MA FIA	<i>Manager and Actuary</i>

**Prudential Portfolio Managers Limited**

**Directors**

D A Reid                                      *Chairman*  
H G Clarke FIA  
The Rt Hon J E Ramsden  
R E Artus MA  
F B Corby MA FIA

**Executives**

*J W Findlay	<i>Investment Manager</i>
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**Vanbrugh Life Assurance Limited**

**Directors**

F B Corby MA FIA                      *Chairman*  
J W Findlay  
M H Mallinson FRICS  
R Worthy FCII

**Executives**

*R L Sutton FIA	<i>General Manager</i>
*J K Stone FCII	<i>Marketing Manager</i>
G T N Fortescue	<i>Sales Manager</i>
P N S Clark MA FIA	<i>Actuary</i>

\*Also Director