

ANNUAL REPORT
1987



**PRUDENTIAL
CORPORATION**



PRUDENTIAL
CORPORATION

ANNUAL REPORT
1987



**PRUDENTIAL
CORPORATION**

Prudential Corporation plc
Registered office and transfer office:
142 Holborn Bars London EC1N 2NH

NOTICE OF MEETING

Prudential Corporation Public Limited Company. Incorporated in England Regd No 1397169

Notice is hereby given that the Annual General Meeting of the Company will be held at 142 Holborn Bars London EC1N 2NH (adjacent to Chancery Lane underground station) on Wednesday 25 May 1988 at 12.15 pm for the following purposes:

Ordinary Business

- 1 To receive and consider the Directors' Report and Accounts for the year ended 31 December 1987
- 2 To re-elect and elect directors
- 3 To appoint 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 resolutions set out in the separate notice sent herewith:

- 1 Special resolution
Sub-division of shares and amendment of Article 2 of the Company's Articles of Association
- 2 Ordinary resolution
Approve the level of directors' share qualification
- 3 Special resolution
Amend Article 4 of the Company's Articles of Association
- 4 Special resolution
Amend the Company's Articles of Association by adding new Articles 49(2) and 49(3) relating to voting rights of members
- 5 Special resolution
Amend the Company's Articles of Association to give shareholders the right to receive shares instead of cash in respect of any dividend
- 6 Ordinary resolution
Amend the Rules of the Prudential Executive Share Option Scheme and the Prudential Savings-Related Share Option Scheme

In connection with the re-election of directors special notice has been given to the Company, pursuant to the Companies Act 1985, that separate resolutions will be moved proposing the re-election of Sir John Butterfield and Mr J A S Neave who retire by rotation and who will both be aged 68 at the date of the meeting.

By order of the board of directors

D F Roper

Secretary

142 Holborn Bars London EC1N 2NH

28 April 1988

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

The register of directors' interests kept under the Companies Act 1985 will be open for inspection at the meeting. A copy of the service contract of Mr M J Lawrence with The Prudential Assurance Company Limited (which is not expiring or determinable without payment of compensation within one year) will be available for inspection at the registered office of the Company during business hours on any weekday (excluding Saturdays and bank holidays) from the date of this notice until the conclusion of the Annual General Meeting.

FINANCIAL CALENDAR

Payment of 1987 final dividend **25 May 1988**

Annual General Meeting **25 May 1988**

Announcement of 1988 interim results **14 September 1988**

Payment of 1988 interim dividend **24 November 1988**

Announcement of 1988 full year results **21 March 1989**

Taxation

For capital gains tax purposes the market value of Prudential Corporation shares at 31 March 1982, after adjusting for the rights issue in 1986, was 205.625p. If the resolution in item 1 of the special business above to sub-divide the shares is passed the equivalent value of each new share will be 41.125p.

CONTENTS

Notice of meeting	2
Financial calendar	2
Glossary of terms	4
Summary of results	5
Chairman's statement	6
Chief Executive's review	8
Divisional reports	12
Business analysis of the Group	25
Directors	37
Directors' report	38
Dividends	38
Consolidated profit and loss account	40
Consolidated balance sheet	41
Balance sheet of the Company	42
Source and application of funds	43
Notes on the accounts	44
Actuarial report	55
Report of the auditors	55
Group management	56
Redevelopment of Head Office	58

GLOSSARY OF TERMS

The explanations in this glossary should be treated as guides to the meanings of the various technical terms rather than as precise definitions.

continuous disability business

insurance which gives financial protection against long-term disability due to sickness or accident, typically by providing an income for the remainder of the policy's term or until recovery. It is included in "long-term business".

general insurance business

insurance other than long-term business, usually providing cover of a year's duration.

industrial life business

life assurance for which the premiums are collected in the home at frequent intervals, usually monthly.

long-term business

life assurance, annuity, pensions (including group pensions) and continuous disability business.

ordinary business

long-term business other than industrial life business.

reinsurance

insurance accepted from an insurer, thereby limiting the original insurer's liability and enabling the risk to be spread more widely.

non-proportional reinsurance

reinsurance business in which the reinsurer typically bears the excess over a stipulated amount of the insurer's losses from a particular event or type of business. The reinsurer's liability may be subject to a limit.

proportional reinsurance

reinsurance business in which the reinsurer accepts an agreed proportion of the liability arising from each risk in return for the same proportion of the premium.

retrocession

reinsurance of reinsurance.

revenue premiums

insurance premiums due during the period in question, usually referring to long-term business rather than general insurance business.

reversionary bonus

permanent addition to the benefit under a with-profits life or pensions policy.

segregated fund

assets of a pension fund which are invested separately rather than being pooled with those of other pension funds.

solvency ratio

margin, expressed as a percentage of premium income, by which the assets available to support either general insurance business or long-term business exceed the corresponding liabilities.

technical reserves

provisions set up to meet general insurance claims payable in the future.

terminal bonus

conditional addition to the benefit under a with-profits life or pensions policy, guaranteed only if the policy becomes a claim within a particular period, usually lasting no more than a year from when the bonus is announced.

trading profit/loss

the operating result from business activities, including investment return where appropriate.

underwriting result

profit or loss from general insurance, excluding investment return on the investments backing the technical reserves.

unit-linked policy

life or pensions policy under which the premiums, net of expense charges, are invested in a fund which is notionally split into units whose price is calculated from time to time based on the net asset value divided by the number of units. The proceeds of the policy are equal to the value of the units at the date of claim.

with-profits policy

life or pensions policy which, through the addition of bonuses to the basic benefit, shares in the surplus arising in the particular long-term business fund. With-profits policies tend to provide less variable returns than comparable unit-linked policies as the system of bonus declarations is used to smooth out fluctuations in proceeds.

written premiums

general insurance premiums due during the period in question.

SUMMARY OF RESULTS

Total profit summary	1987 £m	1986 £m
Trading profit before tax	260.0	250.9
Transfer to revaluation reserve	(17.6)	(44.4)
Profit for the year before tax and minority interests	242.4	206.5
Tax	67.7	71.3
Minority interests	0.2	1.1
Profit attributable to shareholders	174.5	134.1
Earnings per share	47.9p	39.3p
Dividend per share	34.0p	29.0p

Comparative figures have been restated for the accounting policy change set out in note 1(a) on page 44.

Trading profit before tax by business sector £m

Ordinary long-term business	1986	110.9
	1987	119.4
Industrial life business	1986	34.6
	1987	34.5
General insurance business	1986	18.3
	1987	41.0
Investment management (UK)	1986	1.4
	1987	6.4
Unit trusts and PEPs	1986	4.6
	1987	6.1
Estate agency	1986	-2.1
	1987	4.5
Shareholders' other income	1986	83.2
	1987	48.1

Trading profit before tax by operating division £m

UK Individual	1986	90.5
	1987	106.5
Prudential Holborn	1986	5.8
	1987	-0.9
Prudential Property Services	1986	-2.1
	1987	4.5
UK Group Pensions	1986	10.5
	1987	9.9
Mercantile and General Reinsurance	1986	38.4
	1987	42.9
Prudential Portfolio Managers	1986	1.4
	1987	6.4
International	1986	23.2
	1987	42.6
Shareholders' other income	1986	83.2
	1987	48.1

CHAIRMAN'S STATEMENT



The Lord Hunt of Tanworth

1987 was a successful year for the Prudential Corporation. Our profits before tax rose from £206.5m in 1986 to £242.4m despite exceptional bad weather claims and unfavourable exchange rate movements.

We are therefore increasing the total dividend for the year to 34p per share, an increase of 5p, 17% over the dividend of 29p for 1986.

The results for 1987 are shown in the table on page 5, and the Chief Executive's Review and reports from the heads of our operating divisions comment on them in some detail. There are however some major trends which I would like to bring to the attention of shareholders.

Our strategy for rising growth and profitability as an international financial services group has included a number of key objectives in recent years: to achieve a sustained improvement in our general insurance results; to expand our position at the upper end of the financial services market; to develop a national estate agency chain, both as a profitable investment in its own right and as a means of securing additional business for other parts of the Corporation; to ensure continued and increased profitability at our Mercantile and General Reinsurance subsidiary; to increase our worldwide presence and in particular to enter the United States life market; to invest substantially in training and new systems; to make ourselves as competitive as possible in our existing business. We sought to diversify not for the sake of it but to find opportunities in areas where our skills would enable us to compete successfully or which would be allied to and substantially support our core activities.

Despite the high initial costs of some of these developments, which inevitably have some depressing effect on the rate at which profits grow in the early years, I think we can now be seen to have a strategy which is on track for the achievement of these objectives.

The overall trading profit for general insurance business was £41.0m before tax compared with £18.3m in 1986. It was particularly pleasing after so much effort to see a significant improvement, despite the severe weather, in both personal lines and broker business in the UK.

Prudential Holborn was launched in September 1987 as a financial services company to cater for the wealthier investor, both directly and through intermediaries. It brings together our unit trust operations, our Personal Equity Plan business, and the life and pensions business formerly conducted by Vanbrugh. The private investor market is changing significantly and we have considerable confidence in our ability to develop a full range of financial products that can be co-ordinated by clients, and their advisers, to achieve precisely the investment objectives required. It was unfortunate that the launch was followed so soon by "Black Monday" which inevitably affected activity in the short run but we are pleased to note that the Prudential is already the seventh largest unit trust business in the UK.

Prudential Property Services doubled in size during 1987 and is now the largest estate agency chain in the United Kingdom and the best known. It has shown an innovative approach to customer service, for example through pioneering a successful chain-breaking service. The core businesses which we owned at the beginning of the year are operating profitably and as the initial costs of further expansion are absorbed we are confident of getting an acceptable rate of return on this investment as a whole. In addition it will bring benefits and increased sales to other parts of the Group.

At Mercantile and General the recovery in general reinsurance business continued strongly, profits from this source increasing by a half.

The International Division had an excellent year in terms of both new business and profits. We were particularly pleased with the progress of our new acquisitions. During the first full year in which we have owned Jackson National Life it doubled both its total premiums and its profits; Prudential Life of Ireland also performed extremely well. As part of our expansion overseas we

CHAIRMAN'S STATEMENT

are setting up a new life company in Italy in conjunction with Benetton, and are giving careful thought to the opportunities which should be opened to us by the creation of the single internal market in the European Community.

I have highlighted these developments because they relate to specific objectives which we had set ourselves, but at least as important is the action that is being taken in our main businesses in the United Kingdom to increase their productivity and to secure their continued strength in the future. In particular we have put a great deal of effort into ensuring that they will be well placed to take full advantage of the opportunities provided by the Government's new pensions legislation.

For some time our share price has been high compared with those of most major quoted companies. It is commonly believed that some small investors are put off by this and accordingly we think that the time has come to reduce our share price by means of a share split. At the Annual General Meeting we shall therefore be asking shareholders to agree to the subdivision of the Company's shares of 25p each into shares of 5p.

We shall also be asking shareholders to agree to an amendment of our Articles of Association to allow us to issue shares in lieu of cash dividends. Beginning with the 1988 interim dividend we shall then be able to give shareholders, other than those in North America, the opportunity, if they so wish, of taking some or all of their dividend in the form of shares. This is a simplified and marginally cheaper way for the private investor to acquire additional shares and it also makes a modest contribution to the capital resources of the Corporation.

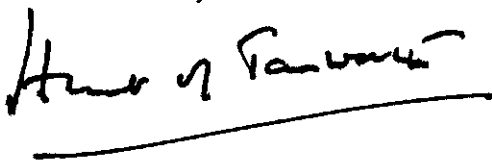
Shareholders will see that this year we have a number of items of special business in addition to the two matters mentioned above. The various resolutions are set out in the separate Notice of Special Business at the end of the Circular which accompanies the Annual Report and explains the reasons your directors have put them forward. All the directors intend to vote in favour of the proposals in respect of their own holdings and they recommend that other shareholders should also give their support.

Lord Richardson of Duntisbourne is retiring at the Annual General Meeting. He has been a director since 1984 and we have been very fortunate to have his wise counsel.

Sir Ronald Dearing was appointed to the Board in October 1987 and Mary Baker in January 1988. Michael Lawrence also joined the Board in January 1988 as our first Group Finance Director, an appointment reflecting the growth and diversification of our activities. Sir Ronald Dearing, Mary Baker and Michael Lawrence now offer themselves for election together with John Lock, the General Manager of our Mercantile and General Reinsurance subsidiary, whom we would like to join the Board.

Peter Moody completes his term as Deputy Chairman at the Annual General Meeting but he will remain on the Board. The directors intend to elect Sir Trevor Holdsworth to succeed him as Deputy Chairman.

The Prudential Corporation has grown significantly in size over the last few years both at home and overseas. We remain determined however that expansion should never be at the expense of service to the customer and thus the quality of our staff is central to our success. I thank all of them for what they achieved in 1987.



THE LORD HUNT OF TANWORTH

19 April 1988

CHIEF EXECUTIVE'S REVIEW



Brian Corby

In 1987 we achieved good growth in our business and in our profits; it was also a year in which we took substantial steps to ensure that growth continues in the future.

Profit before tax rose by 17% to £242.4m compared with 1986 and after tax by 30% to £174.5m; earnings per share rose by 22% to 47.9p.

The appreciation of sterling in the course of the year against certain major currencies in which we transact business had the effect of decreasing the profit before tax by some £10m.

Long-term business and personal investment

In long-term business we achieved good growth in revenue premiums in all our major areas of operation and are well placed to benefit from future growth in these markets.

The total cost of bonuses allotted to our with-profit policyholders was £992.6m (£977.4m). The overall investment return on our life fund assets was lower in 1987 than in the recent past, but we were still able to improve the policy proceeds for longer term policies although the amounts payable for shorter term policies were in some cases reduced slightly. In the light of the generally lower investment returns now being experienced in the United Kingdom and in fairness to different groups of policyholders we have revised our bonus structure but we aim to maintain and where possible improve the competitive position of all our products.

In the second half of 1987 we formed a new division, Prudential Holborn. This includes in addition to our unit trust and personal equity plan business the life and pensions business previously carried on by Vanbrugh. Our unit trust sales at £653m were more than double those of 1986 and our personal equity plan sales amounted to £24m. We now have a significant share in both these markets.

The total profit before tax for long-term business rose to £153.9m (£145.5m). This includes £3.5m (nil) in respect of profits from linked business written by Prudential Assurance, which are now determined separately. In the UK Individual division, if the effect of the special reversionary bonuses declared in 1986 but not repeated in 1987 is ignored, the underlying rate of growth was 11%. Profit from our International division increased strongly, despite the appreciation of sterling; this reflects the inclusion of the good results of Jackson National for a full year as well as good growth elsewhere.

There was a loss of £7.0m (£1.2m profit) in the long-term business of Prudential Holborn, largely as a result of strengthening the valuation basis, but profit from our unit trust and personal equity plan operations amounted to £6.1m (£4.6m).

Mercantile and General had an excellent year but because of the uncertainty about the future effects of AIDS, which I discuss in more detail below, the profit after tax was about the same as in 1986.

General insurance business

Written premiums were lower at £859.3m (£874.3m) but the underlying rate of growth allowing for the appreciation of sterling was 5%. The improvement in the trading position which we have been striving for over the last few years continued and the trading profit rose to £41.0m. This shows the benefit of the policy we have been following and provides a good basis for the future.

A feature of the results in the United Kingdom was a very high incidence of bad weather claims, notably the storm in October which cost the Group, after reinsurance, some £18m. Obviously the effect of bad weather on our results varies markedly from year to year, but if allowance is made for this factor it is clear that the underlying trend of our domestic property account in the United Kingdom is one of strong recovery. It was also pleasing to see the improvement in our motor account brought about by increases in premium and some stabilisation of claims frequency.

The International division showed an increase in profit to £13.1m (£9.8m), notwithstanding three major weather incidents in Canada. Belgium produced a good result, as did our marine and aviation business and the overseas business written on the London market.

CHIEF EXECUTIVE'S REVIEW

It is very encouraging to note again the continuing improvement in Mercantile and General's business, with a profit of £21.0m (£13.9m), despite heavy losses in the last quarter of the year, including those arising from the October storm.

Estate agency business

In 1987 we were successful in establishing Prudential Property Services as the major estate agency chain in the United Kingdom, and went a long way towards achieving full national coverage. Substantial investment is still being made in the rebranding of new offices, in computerisation and in training. The profit rose to £4.5m (£2.1m loss) and we expect a substantial increase in 1988. At the same time the benefit to our other businesses is already becoming clear and the outlook is very promising.

Investment management

The trading profit before tax in Prudential Portfolio Managers rose to £6.4m (£1.4m). This reflects the increasing value of the funds under management and the benefit derived from those fees from external clients which are based on our investment performance.

The importance of Prudential Portfolio Managers to the Group arises not only from the profits earned, but also from the quality of investment performance achieved for other Group clients. We have strengthened our investment management resources, both for securities and for property, and a clear indication of our success is our ability to secure new external clients.

Shareholders' other income

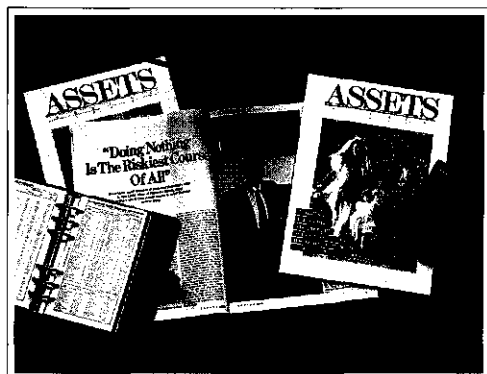
Shareholders' other income fell to £48.1m (£83.2m), mainly due to the increase in interest payable which rose to £37.3m (£12.4m). Details of the borrowings are set out in note 13 on page 51; the amounts raised have been invested partly in Jackson National and partly in estate agency acquisitions, in both of which we see prospects for rapidly increasing profitability.

1987 also saw substantial expenditure on corporate advertising in the United Kingdom for the benefit of our various business areas.

Accounting policy

The subject of the treatment in the accounts of insurance companies of realised and unrealised investment gains is currently under discussion in both the United Kingdom and the rest of the EEC. These gains form part of the total investment return, and for some years we have drawn attention in our accounts to their significance to the management of our business, particularly in relation to their contribution to the solvency margins backing our general insurance operations.

Until now, the general insurance business revenue account has included only the underwriting result and the investment income for the year. The additional return generated by appreciation in value of the underlying investments (whether realised or not) has not been shown, which has the effect of



In 1987 we launched a new quarterly magazine for our customers. The summer 1988 issue is also being sent to shareholders. Covering current issues in financial services, homes and lifestyles, it is designed to inform readers of the wide range of products and services provided by Prudential.

CHIEF EXECUTIVE'S REVIEW

understating the contribution of general insurance to the overall profitability of the Corporation. Similarly, the shareholders' other income has excluded capital appreciation of investments held in shareholders' funds of insurance companies and has therefore not fully reflected the investment return on these assets. The exclusion of the realised component of investment gains from the profit and loss account has meant that the profits as reported have been less than was actually available to cover the payment of dividends.

With the increasing diversification by the Group into non-insurance activities, it has become desirable to change insurance accounting policy so as to reflect better the balance of contribution of the individual activities, and to reflect the true performance as viewed for management purposes.

After consideration of various alternatives, we have decided to include asset gains in our revenue accounts. The general insurance business trading result and the contribution from shareholders' other income therefore reflect both realised and unrealised gains, but the unrealised element is transferred to revaluation reserves so that the profit after tax represents the amount available for distribution to shareholders. In order to reflect as fairly as possible the medium term view taken for investment management, the gains have been averaged over a period of five years.

Harmonisation of Industrial and Ordinary branch business

Separate legislation for Industrial assurance business is increasingly becoming an anachronism. Over the years we have brought Industrial branch policy proceeds, for a given premium, into reasonable close alignment with those for comparable Ordinary branch policies; the Financial Services Act, with its emphasis on best advice, makes it opportune to take the harmonisation process a stage further in two ways. Firstly, we have merged the assets of the two branches, thereby facilitating more effective investment management for the benefit of policyholders as a whole. Secondly, there will be common premium and bonus rates in the two branches for all new UK business as from 1 July 1988, except only that the extra collecting costs for Industrial business will be reflected by 13 four-weekly premiums as against the 12 calendar month premiums in the Ordinary branch.

AIDS

Although the cost of claims from AIDS deaths has been relatively small so far, there is clearly a risk that significant extra mortality in certain categories could materialise over the years ahead. The degree of uncertainty is such that at present it is not possible to quantify the risk with any precision. Fortunately the nature of much of the Corporation's business – namely savings-related products and pensions business – is such that the overall impact of AIDS on returns to policyholders and shareholders is not likely to be significant.

Nevertheless it is appropriate for us to make additional reserve provision to cushion the impact of whatever additional claims may lie ahead. This is particularly the case in Mercantile and General, whose long-term business is largely the reinsurance of mortality risks. Some margins are implicit in our standard mortality assumptions, but we began last year in the Corporation to include further provision in our overall reserves and shall continue to do so as appears necessary in the light of emerging information about the effects of the virus.

We have also taken a lead in the industry, wherever we operate, to bring about an improvement in the terms on which new business is written to reflect the additional risk.

The future

Under the stimulus of changing Government legislation in the United Kingdom, 1988 will clearly see significant increases in pensions business. We are well placed to take full advantage of this over the whole product range from personal pensions through corporate pensions to investment management, and we have a sales force well able to maintain our position as a leading company in the personal pensions field.

CHIEF EXECUTIVE'S REVIEW

We have long recognised that successful management of pension schemes depends upon providing consistently high quality services. As a result of an understandably increased emphasis on investment performance in recent years and the trend towards segregated investment funds, it is important that there should be a close working relationship between the investment and group pension parts of our organisation. We have therefore decided to form a new division, combining the existing UK Group Pensions division and the segregated fund operations of Prudential Portfolio Managers. We believe that this new unified structure will enable us to improve further the service we give to our clients.

A major initiative is taking place this year to improve the effectiveness of our field organisation in the United Kingdom and we expect this to begin to bear fruit in 1989.

Outside the United Kingdom we shall continue to build on the successful development in 1987 in all our businesses, both new and longer established, and take advantage of the good opportunities which exist.

The improvements we have achieved in our general business results, both as a direct insurer and as a reinsurer, give a good basis for future growth.

Finally we shall continue to investigate new areas for profitable development and to invest in new technology, in training and, most importantly, in staff development, which are the keys to successful growth.



BRIAN CORBY

19 April 1988



*Executive Directors
Michael Lawrence, Tony Freeman, Mick Newmarch, Brian Medhurst
Ron Artus, Brian Corby, Derek Fellows*

UK INDIVIDUAL DIVISION

HOME SERVICE

Home Service is provided to customers in their homes and in small businesses by our 12,000-strong field staff. Pre-tax profits in 1987 were £103.4m; this represents underlying growth of 14% since the 1986 profit of £96.8m included £6.4m arising from a conversion of terminal bonuses to reversionary form which was not repeated.

Long-term revenue premiums rose by 12% to £1,089.8m and general insurance premiums by 7% to £208.8m. Sales of unit trusts by our field staff almost doubled to £365.6m.

Long-term business

Pre-tax profits from long-term business rose from £95.9m to £99.6m, an increase of 11% after eliminating the effect of the special item in 1986.

New annual premiums for ordinary long-term business were £118.2m, the rise of 17% being mainly due to our personal pensions products where sales increased by 37% to £51.0m.

Prudential has about a quarter of the UK market for non-linked personal pensions with 700,000 policyholders at the end of 1987. The new pensions arrangements which come into effect in July 1988 present us with a unique opportunity to persuade those who are not in company pension schemes of the benefits of a personal pensions policy. With this in

view, we are bringing a major new computer system into operation and have restyled our existing non-linked personal pensions contract to facilitate amendment in July 1988 to meet the requirements of the new legislation. Explaining the benefits of a personal pensions contract to customers who are faced with deciding whether or not to contract out of the State Earnings Related Pension Scheme takes more time than dealing with conventional business. We therefore started our campaign to identify and make preliminary contact with potential customers during 1987. When the new legislation comes into operation in the middle of 1988 we shall make contact again and confirm our customers' needs.

Industrial life new annual premiums were 5% higher at £81.9m, raising our market share to 35.3%. The short-term Prusave products continue to sell well and accounted for 38% of sales. From time to time doubt has been cast on the attractiveness of a service which entails the personal collection of premiums and hence has relatively higher costs than ordinary life assurance. However, we find that there is a substantial and continuing need for this regular and disciplined savings medium and are confident that this will remain so.

Lump sum investments

Lump sum investments, which encompass unit trust investments and single premium life and pensions policies, increased by 89% to £474.4m. Our field staff's £365.6m sales of Prudential Holborn unit trusts, up from £185.1m in 1986, represented more than half of Prudential's total sales of these trusts. Single premiums rose from £66.4m to £108.8m, helped by high sales of the Prufund Investment Bond, an assurance contract with a regular income feature.

Bonuses

In the light of the lower return on our investments we have declared bonuses which produce smaller increases in policy proceeds than in recent years.



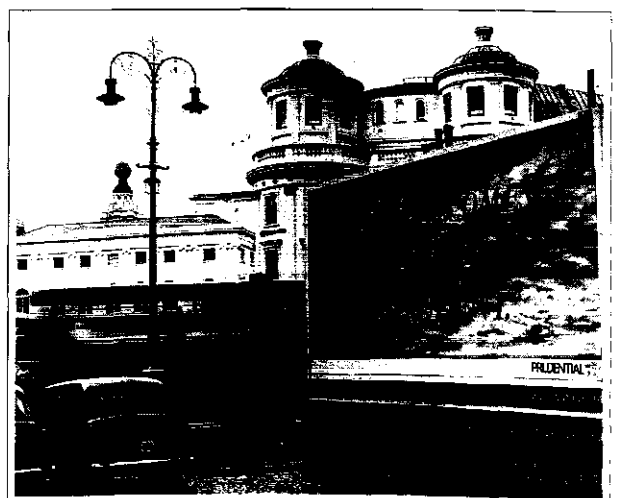
Tony Freeman
Managing Director



In a novel initiative to help beat crime we have linked up with Polycell to offer cash refunds on a range of home security products.



One of our new grade of pensions consultants, who are equipped with computers to give immediate quotations, talks to laboratory staff at SciPac, a biochemical research firm in Kent.



A year-long multi-media advertising campaign in 1988 is part of a drive to maintain our position as the leading provider of personal pensions.

Bonuses on longer duration policies have been raised so that assurance maturity values for 25 year term policies are 8% higher than a year ago and pension retirement benefits are 4% higher. Bonuses for shorter term policies have been held at last year's level or marginally reduced.

Following a review of our bonus structure, we have introduced a system of super-compound bonuses under which the rate of bonus declared on the basic sum assured is different from that on the accumulated reversionary bonuses. This will enable us to reflect more directly in our bonus declarations the investment experience for policies of different durations.

Home service personal lines

This type of insurance covers personal possessions – mainly houses, house contents and motor vehicles. The account produced a pre-tax trading profit of £3.8m compared with £0.9m in 1986.

The dominant features of the year were the snow and severe frosts in January and the hurricane in October. Our reinsurance arrangements limited the effect on the trading results but, even so, in 1987 the net cost of claims related to severe weather was an estimated £16m compared with some £3m in 1986.

Removing the effect of severe weather incidents reveals a strong improvement in underlying profitability. For domestic business this resulted from higher premium rates and excesses introduced in past years for which 1987 was the first full year of effect. In the motor account there was a welcome improvement from a trading loss of £3.9m to a profit of £3.1m. This was due partly to a slowdown in the growth in the frequency of claims and partly to the substantial rate increases in 1986 and 1987. The effect of the rate increases will continue into 1988 and should return the account to a reasonable level of profitability. Our emphasis will now shift to product and service improvements which we hope will win back motorists who left us in 1987 to find temporarily cheaper rates in the market.

Field staff

Our field staff currently operate within a structure which has remained largely unchanged for many years. Effective though that structure has been, it is clear both to management and to staff that significant changes must now be made to enable us to take advantage of opportunities and to meet the ever-increasing challenge from our competitors. Outline plans developed during 1987 are now being discussed with the staff with a view to beginning to implement the changes in 1988. Meanwhile, we are increasingly applying computer technology in our field operations, particularly in providing quotations for new business and better information to our district managers.

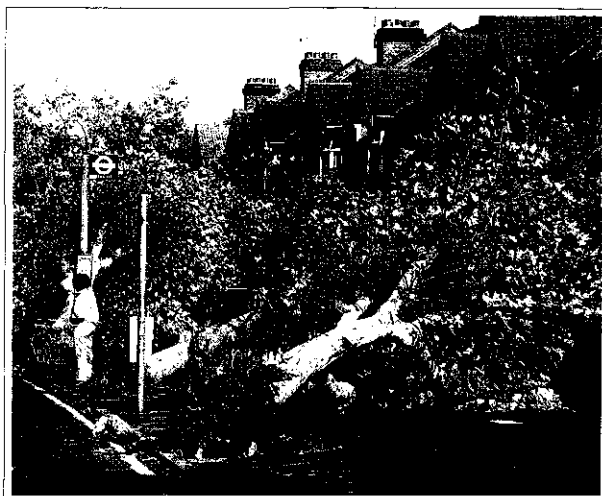
Investing in the future

We are continuing to invest heavily in the development of new computer systems because we believe that cost-effective use of computer technology will be very important in selling our products and ensuring that operating costs are kept to a minimum. It will, however, be some years before the potential of new computer technology can be fully exploited. As we write off all development costs in the year in which they are incurred, our current results are bearing the cost of investment which is expected to produce significant benefits in future years.

This display stand was used at showings organised by the Institute of Chartered Accountants in England and Wales of a Prudential-sponsored video on the new pensions legislation.

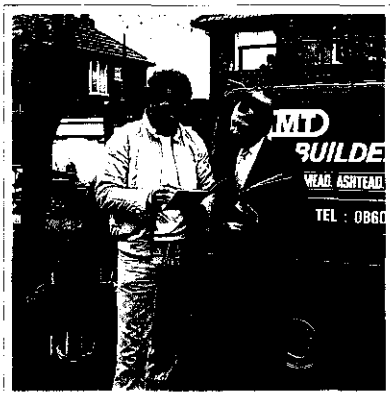


Pamela Davis, our Derby East district manager, conducts a training session for her staff on the implications of the Financial Services Act.



A typical view of the gale-swept South East of England in the aftermath of the October hurricane. Local Prudential staff worked long hours to handle over 60,000 claims.

UK INDIVIDUAL DIVISION



General Branch consultant Andy Waite talks to Surrey builder Peter Trafford who is one of many self-employed people who have chosen our new Pru-Trade policy.

Our new computer system, which will increase efficiency and further improve the quality of service, will be operational in all our general insurance offices by autumn 1988.



COMMERCIAL AND BROKER GENERAL INSURANCE

1987 was a year of good progress, premium income rising by 6% to £170.9m and a pre-tax trading profit of £3.1m being achieved despite exceptional claims of approximately £5m (net of reinsurance) resulting from the freak storm in October. This is a marked improvement on the trading loss of £6.3m recorded in 1986.

Our commitment to improving performance continued with the completion of the development stage of a major computer system designed to improve operational efficiency and customer service. The system will be installed in 1988 and benefits will start to accrue in 1989.

Personal lines business

The pre-tax trading loss on personal lines business improved to £3.5m from £3.9m despite the effect of the October storm. In the private motor account we took stringent measures to improve the business, making substantial rate increases which, as planned, led to a reduction in the total number of policies. As a result, written premiums for private motor business fell from £22.0m to £20.2m and a discernible improvement in the claims experience was achieved by the end of the year. Although domestic property business was badly affected by the October storm, it was gratifying to see a continuation of the underlying improvement in results.

Commercial business

The commercial account produced a welcome return to profitability with a pre-tax trading profit of £6.6m as against a loss of £2.4m in 1986. Excluding extended warranty business, which we ceased to write after March 1987, premium income rose by 15%, primarily due to encouraging growth in new business and the rate increases arising from a continuation of our stringent underwriting policy.

Commercial motor business made a small trading loss of £0.7m, but this was a significant improvement over the loss of £2.5m recorded in 1986. On the non-motor commercial account, excluding extended warranty business, there was a trading profit of £6.5m compared with a 1986 loss of £1.2m. This substantial improvement was achieved as a result of business growth, tough underwriting and the favourable development of claims on business written in earlier years which more than offset the effect of the October storms.

PRUDENTIAL PROPERTY SERVICES

In 1987 Prudential Property Services (PPS) sold over 65,000 houses to a value of £4.5 billion and produced a pre-tax profit of £4.5m compared with a loss of £2.1m in 1986. This profit was adversely affected by the substantial initial costs of integration associated with the continuing rapid expansion and PPS's full profit potential will inevitably not be achieved until national coverage, computerisation and the training programme are complete. However, even without allowing for the benefits to other parts of the Prudential group, we are confident that 1988 will see a major step towards an acceptable return on investment, which had reached £174m by the end of 1987.

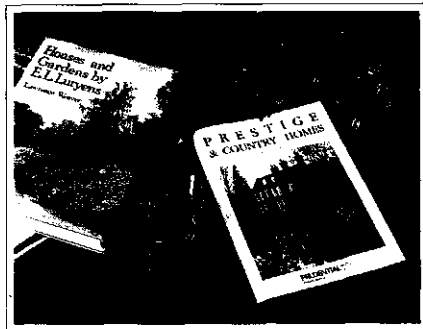
National coverage

PPS almost doubled its size in 1987 and became the largest estate agency in Europe. The number of residential branches increased to 622 at the year end and there were also 42 commercial and professional offices. Acquisitions have extended our operations into the West Midlands and the North East of England, so that we now provide coverage of most of England and Wales. This rapid expansion is continuing with the aim of achieving complete coverage of Great Britain through around 1,000 branches in 1989.

All the businesses we acquire are rebranded as soon as possible and PPS is now a familiar feature of most high streets, providing the public with a new gateway to Prudential. We are now the country's best-known estate agency, and our branches and "For Sale" and "Sold" boards also help to give a higher profile to the Prudential group as a whole.

Business development

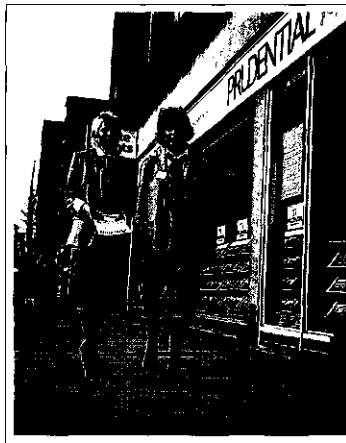
We have organised our regional management to cope with the increased scale of the business and have established specialist divisions for Agriculture, Commercial Property Services, Fine Art Auctioneers, Land and New Homes, Lettings and Management, Prestige and Country Homes, and Survey and Valuation. These divisions enable us to offer a national service coupled with local expertise which is proving attractive to property clients of all kinds. We have also established an International Division mainly to sell holiday and retirement homes overseas to British buyers.



Our Prestige and Country Homes division publishes its own magazine.

We already have financial advisers in about 150 of our branches and their number is being increased. They are an integral part of the estate agency business and offer a one-stop service for all financial transactions associated with house purchase. We provide a competitive choice of over 150 mortgage lenders, while for insurance services we operate as a company representative under Prudential Assurance's membership of the Life Assurance and Unit Trust Regulatory Organisation.

We are putting a great deal of effort into staff training and into developing a new data processing system, which together will further improve our efficiency and quality of service. Our staff have responded well to our continued growth which offers them much greater career opportunities than have been available in local estate agency.

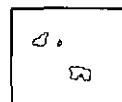


The map shows the progress achieved by the end of 1987 towards nationwide coverage.



*Joe Bradley
Managing Director*

Liz Feast and Maria Morgan of our South East Region modelled the new PPS uniforms on BBC TV's 'The Clothes Show'.



UK GROUP PENSIONS DIVISION



*Derek Fellows
Managing Director*

1987 was a satisfactory year for new business development in the UK Group Pensions Division with single premiums up 18% and new annual premium business up 4%. There was a 12% increase in revenue premiums to £245.5m, despite reductions in contribution rates for some defined benefit schemes with relatively large surpluses.

As a direct result of the good investment performance consistently achieved over recent years we are increasingly being asked to make presentations to employers for whom we have not previously provided pension scheme services. We have also been pleased to welcome several new clients, including the United Kingdom Atomic Energy Authority and Hoover.

Pre-tax profits, at £9.9m, were slightly lower than in 1986, an increase in profit from insured plans being more than offset by a reduction in profit from investment linked business, partly reflecting a strengthening of reserves. The trend for the larger pension schemes to move their investments to a segregated basis has continued; in accordance with our normal practice the profits from segregated fund business are included in the results of Prudential Portfolio Managers.

Recent legislation

The Government's encouragement of private pension provision has opened up a new market for money purchase arrangements, both on an employer sponsored basis and through personal pensions. Much of the market focus is on personal pensions and it is expected that the publicity for them will intensify. The danger is that this emphasis will be misconstrued. Whilst personal pensions can properly be advocated for those who are not members of, and have no opportunity to join, an employer's occupational scheme, we do not wish to unsettle members of a good occupational scheme by encouraging them to opt for a facility which would lead them to withdraw from the scheme, perhaps to their own disadvantage. Indeed, in one of a series of recent Guides to the Social Security Act Prudential has gone on record as saying to employees:



*Newcastle brass foundry
John Mills & Sons already
had Prudential Executive
Pension Plans and it is now
using our new Pension
Savings Plan to enable its
employees to contract out of
the State earnings-related
scheme later in 1988.*

UK GROUP PENSIONS DIVISION

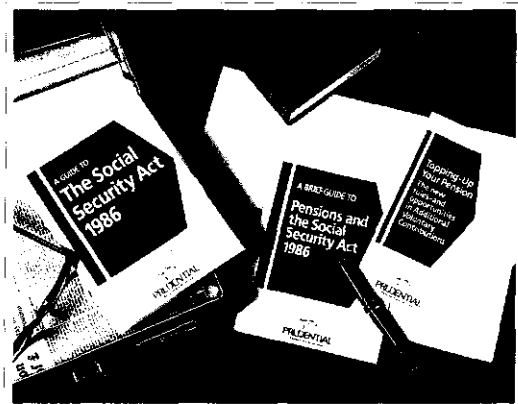
"We cannot over-emphasise how important it is that you thoroughly understand just how your retirement benefits would be affected should you decide to opt out and go for a personal pension. If you are already a member of a company pension scheme or will soon be eligible to join one, you will probably feel it best to stay with your company scheme. If you have any doubts at all, do discuss them with either your employer or the trustees of your company scheme."

As for employers running final salary schemes, there has been the need to take action to remove from contracts of employment any compulsory requirement for employees to belong to a company scheme, to preserve the benefits of early leavers with two or more years' pensionable service, to provide for payment of voluntary contributions, and to consider the new financial terms for contracting-out of the State earnings-related scheme. Consideration also needs to be given as to whether to admit, or readmit, to the company scheme at a later date any employee who now opts for a personal pension, and whether to contribute to that employee's personal pension.

Trustee services

In the UK Group Pensions Division we have for many years provided various services for trustees in addition to investment and day-to-day administration. The recent legislation on disclosure of information to scheme members has placed an even greater burden upon pension scheme trustees. We have responded by offering to prepare trustee accounts and to help trustees with regular communications to their scheme members.

One of our new clients in 1987 was Hoover, whose pension scheme covers some 5,000 employees.



Some of our newly designed range of product literature.

MERCANTILE AND GENERAL REINSURANCE



*John Lock
General Manager*

Principally due to a further significant improvement in the results for general reinsurance business, the pre-tax trading profit of the Mercantile and General group increased to £42.9m in 1987 compared with £38.4m in the previous year.

Long-term business

The year showed further growth in our long-term business despite the adverse effect of currency movements. At constant exchange rates annual premiums increased for life business by 16% to £157.0m and for continuous disability business by 28% to £68.5m. There was, however, a substantial fall in single premiums from £324.4m to £126.5m, largely due to the cancellation during 1987 of a Canadian pension fund contract.

Pre-tax profit from long-term business declined from £24.5m to £21.9m. The underlying financial results of the business were very satisfactory but the level of profit was affected by our decision to strengthen our provisions to meet the higher level of future claims now expected from AIDS. It has become increasingly clear during the past year that AIDS will have a serious impact upon long-term insurance business. As a reinsurer Mercantile and General will clearly be affected by a deterioration in mortality experience and we have, therefore, continued to take a leading role in establishing new underwriting standards in the markets in which we accept business. However, we are now convinced that further measures, including increases in premium rates, will be needed and it is evident that support for this view is becoming more widespread in the life assurance industry as a whole.



The Government's publicity campaign has highlighted the dangers of AIDS. Our stringent underwriting guidelines are now being adopted by many insurers.

MERCANTILE AND GENERAL REINSURANCE

General reinsurance business

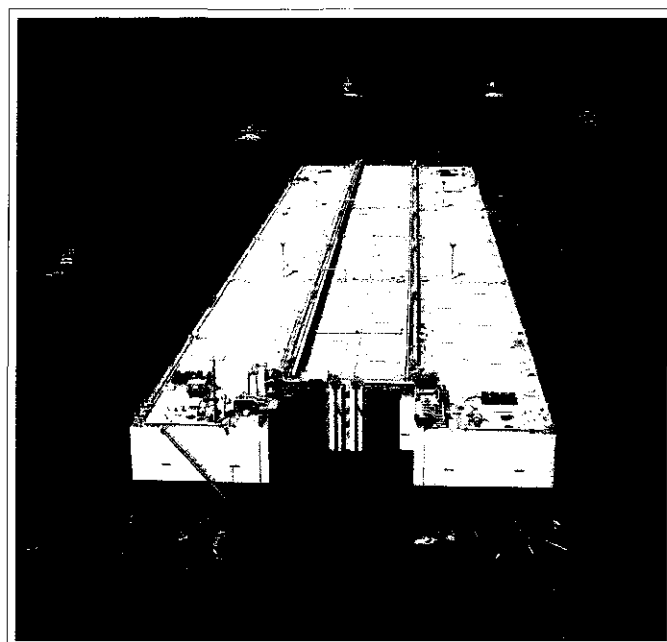
The steady growth achieved in 1986 was maintained during 1987, worldwide premium income increasing by 7% at constant exchange rates. At year-end exchange rates, however, total premiums at £251.4m were £16.1m lower than in the previous year.

Results from general reinsurance business again improved substantially, the pre-tax trading profit rising to £21.0m compared with £13.9m in 1986. With the investment return showing a reduction which was partly due to exchange rate movements, the improvement came from a reduction in the underwriting loss from £34.3m to £22.1m. Moreover, this result was achieved after making provision for a number of substantial losses which occurred in the last quarter of the year, most notably the October hurricane which in monetary terms was the largest natural catastrophe loss in insurance history. The results for the year are therefore clear evidence of the success we have achieved in improving the quality of our portfolio and also in establishing our run-off reserves at an adequate level. Our total technical reserves at the end of 1987 amounted to 195% of written premiums compared with 187% at the close of the previous year.

An amount of £9.2m has been transferred from reserves as a provision against expected losses from asbestosis and other causes arising under discontinued contracts; this is in line with established practice.

The outlook for general reinsurance business remains reasonably favourable. Although capacity has increased and competition for business is stronger, the market continues to be basically stable and terms are generally sensible. This is due in no small part to the continued shortage and high cost of retrocession cover. For those reinsurers like Mercantile and General who can offer good service and first class security, the prospects are encouraging.

The Kamigoto offshore oil storage terminal, the world's largest insurance risk, is towed into position off Kyushu in Japan. We have a share of the £1 billion cover.



PRUDENTIAL PORTFOLIO MANAGERS



*Mick Newmarch
Chief Executive*

1987 was a good year for Prudential Portfolio Managers (PPM). Excluding those operations which were transferred out of PPM, as explained below, our trading profit rose from £1.4m to reach £6.4m before tax. Just as importantly, we maintained the trends of steadily improving investment performance which we have established in recent years. Moreover these achievements came in a year which saw volatile market conditions, the emergence of increasingly complex operational and regulatory environments, and considerable changes in PPM's own structure.

Despite the downturn in October the market value of funds managed by PPM rose strongly to stand at £24 billion by the close of the year. This expansion reflects not only the continued growth of Prudential's long-term, general insurance and unit trust operations but also our own appointment to manage the investments of certain very large pension fund clients. It also demonstrates the merits of diversification, since our property portfolios experienced very buoyant market conditions and strong capital appreciation.

1987 will inevitably be remembered as the year of the crash, in which 20% of the value of equities was eliminated at a stroke. However, it is easy to overlook the fact that despite the events of October the world's three major equity markets – the United States, Japan and the United Kingdom – all showed modest gains over the year as a whole.

Investment performance

In terms of investment performance relative to our competitors, 1987 was a good year. A number of newspapers and magazines nominated us as fund manager of the year because of our unit trust and currency fund performance. Furthermore, the

independent surveys which measure the performance of managed and segregated pension funds showed that we extended our good results of recent years, thereby increasing our opportunities for attracting new clients. On the information available 1987 also appears to have been a most satisfactory year for the investment performance of Prudential's life funds relative to the competitors.

Organisational changes

During the year further significant steps were taken to transfer some of PPM's enterprises into other divisions of Prudential Corporation. The enterprises involved included our offshore retail and corporate operations, our new personal equity plan business and in particular our unit trust business which became part of the newly created division, Prudential Holborn. These changes will benefit PPM by enabling us to concentrate our resources on the achievement of high quality investment performance.

Operational environment

The abolition in 1986 of certain Stock Exchange restrictive practices (the event known as 'Big Bang') and the enactment of the Financial Services Act have significantly altered the environment in which we operate. 'Big Bang' has benefited us, and therefore our clients, substantially. Dealing costs have dropped, spreads have narrowed and a large number of our deals involve no commission at all. The Financial Services Act has affected all investment management organisations by producing a much more heavily regulated environment. In December 1987 PPM became the first investment manager to register with its appropriate regulatory authority, the Investment Management Regulatory Organisation.



*Terminal 4 at Heathrow,
the world's busiest
international airport.
British Airports
Authority was one of the
major new share issues
to which we subscribed
in 1987.*



*The French access shaft of
the Channel Tunnel at
Sangatte. We supported the
Eurotunnel share issue.*

PRUDENTIAL PORTFOLIO MANAGERS

Our independence from any stockmarket interests is helping our competitive position, and the legal problems in the City in 1987 have increased the attractions of dealing with a large investment management group which has no conflicts of interest inherent in its organisational structure.

Takeover and merger activity

The upswing in takeover and merger activity seen in recent years continued in 1987 when 91 offers were made for companies in which we had a holding. 25 of these bids were contested and we followed the recommendation of the defending board in all but a few cases. In the light of this activity it is well worth reiterating our stance on takeovers. Our predisposition is to support good management teams who wish to remain independent, the sole qualification being that the price offered may become too high for us properly and responsibly to reject it. Our judgement is not short-term but is based on a genuine attempt to assess the management of the companies concerned and the effect on the long-term returns of the funds which we manage. This viewpoint was endorsed in 1987 by a report of the CBI City/Industry Task Force which concluded that financial institutions are long-term investors in companies and are not, as some commentators have suggested, increasingly preoccupied with short-term considerations.

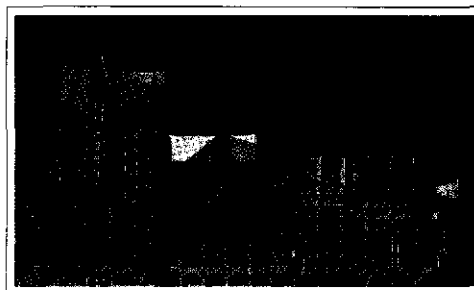
Investment management and the future

One of our aims is to build up a global presence through the provision of investment management services to clients outside the UK. The process of developing a global investment organisation, which began in 1986, continued in 1987 and will gain further pace in 1988.

The increasing complexity of the markets in which we deal offers substantial opportunities for investment managers who are well equipped and have sufficient resources to take advantage of them. We intend to maintain our position as a leader in the use of information technology systems; we are one of the major players in the financial futures and options markets and we are determined to keep abreast of the best methods of dealing with new techniques and new investment opportunities; we are confident that our long-established and experienced investment teams, both for securities and for property investment and management, put us in a very strong competitive position.

In 1988 PPM will continue to strive to provide all its customers with a comprehensive investment management service which achieves consistently above average performance.

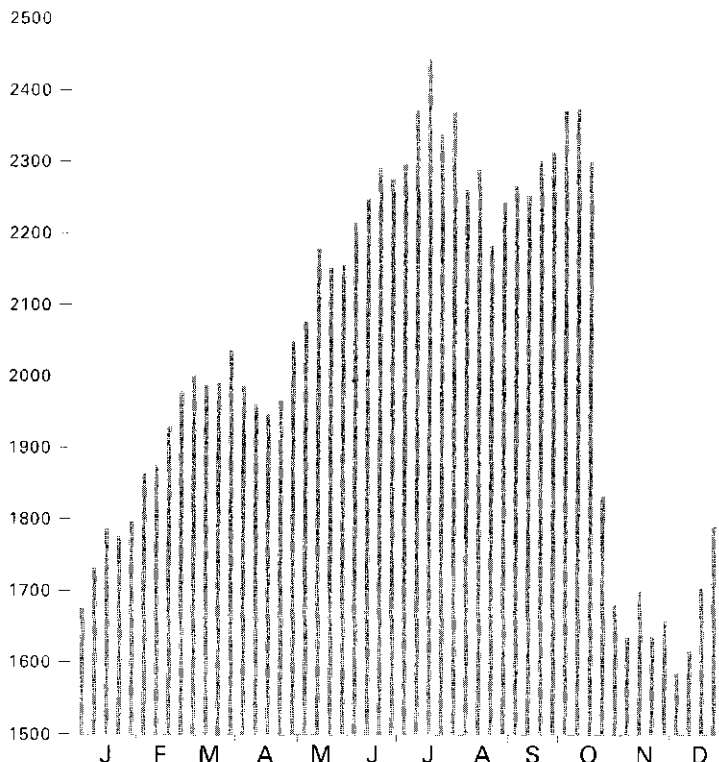
Our £400m Mincing Court development will provide over 900,000 sq.ft of space, making it one of the largest office schemes in the City of London.



We have created an impressive covered shopping centre by erecting glass roofs over the two open squares of Uxbridge town centre.



The rise and fall of London share prices in 1987, as charted by the FT-SE100 Index.



INTERNATIONAL DIVISION

The International Division enjoyed an excellent year with a surge in profits and dramatic growth in premiums despite the adverse effects of currency movements.

In its first full year under Prudential ownership Jackson National Life, the US life company acquired in 1986, had a year of remarkable sales success and fully lived up to our high expectations at the time of purchase. Its total pre-tax profit of £19.4m (including the investment return on shareholders' funds) was a major contribution to the division's total. Jackson National has been granted the top rating by A M Best & Co, the insurance company rating agency.

In fact, the division achieved strong sales successes in all of its major long-term operations and there were significant increases in profits. General insurance results showed steady progress, maintaining the improvement of 1986.

The division's expansion continued in 1987 with the completion of a joint venture agreement with Benetton to conduct life assurance in Italy, and the acquisition of Network Finance, an Australian finance and leasing company. We have high hopes for both these developments: the former will start business in a fast expanding market in the second quarter of 1988 while the latter is already helping our agency force to expand its activities.

1988 promises to be another year of achievement. We now have a firm platform for further strong growth, with all our main operations in good shape and well positioned for sound profitable progress.



*Brian Medhurst
Managing Director*

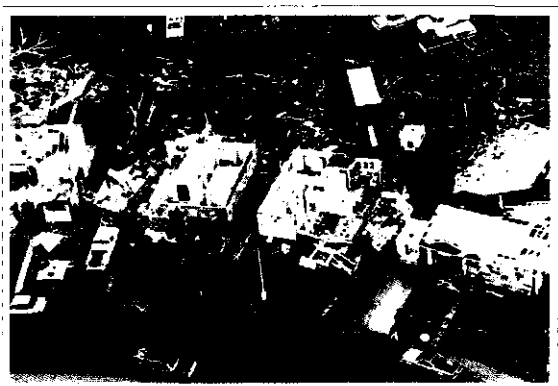
Long-term business

Total long-term revenue premiums rose from £496.0m to £1,209.7m and pre-tax profits from £13.4m to £29.5m. The inclusion for the first time of a full year's profit from Jackson National, amounting to £14.6m, was a major factor but all our operations made strong contributions to a successful year.

Jackson National's revenue premiums of £717.4m were, in dollar terms, more than double those of 1986. This reflected the company's competitive product range and the high sales and service standards which it maintains in dealing direct with some 57,000 agents across the country. Tax advantages previously enjoyed by many competing investment vehicles were removed at the end of 1986 and Jackson National's strong regional network took the opportunity to sell a vastly increased volume of single premium products.

In Australia, 1987 was a year of exceptional sales growth. The market for single premium products expanded following tax changes in 1986 and our agents took full advantage: single premiums nearly trebled to £73.3m. In addition, our competitive range of whole life products helped new annual premiums to jump by 47% in local currency.

Good increases in Canadian new business included an excellent result from group pensions single premiums. There was a marked improvement in the profits from Canadian long-term business with notable contributions from the accident and health lines. Our pensions administration subsidiary, Corfax, continued to expand and now has an extensive list of household names as clients. We also successfully extended our Canadian real estate syndication activities.



This view of an Edmonton suburb shows the devastation caused by one of Canada's worst tornadoes.

Working together on the new Italian life company, Adrian Daly (right), its managing director, and Benetton's Gianfranco Cassol are outside La Scala opera house, close to the company's Milan headquarters.



Prudential Life of Ireland had an excellent year. The pre-tax profit of £3.2m from long-term business included some exceptional items but broadly reflected continued growth based on an innovative product range. Single premiums again broke the previous record and we entered the mortgage related endowment market for the first time towards the end of the year.

Amongst our smaller operations, our sales force in Singapore again produced a large increase in new annual premiums. In Belgium, L'Escaut was able to capitalise on the availability of a special tax relief on pensions premiums and achieved a large increase in business. In the Netherlands, at the end of a year which showed excellent sales results we transferred our business into a new subsidiary company, Prudential Leven.

General insurance business

During the year we made further strenuous efforts to continue the improvement of the results from our general insurance operations across the world and achieved a pre-tax trading profit of £13.1m compared with one of £9.8m in 1986.

In the volatile and highly competitive Canadian market we continued with a policy of strict underwriting and the overall premium income increase of 15% in local currency was largely accounted for by higher prices. The majority of our business is in the residential property and personal automobile classes where the results were adversely affected by the tornado which struck Edmonton and by two severe storms in Montreal, where we have a relatively large concentration of business.

Our Belgian company, L'Escaut, once again achieved a very satisfactory result despite an increased number of large claims on the fire account. Our European agency operations sustained a significant trading loss, but this was partly accounted for by the need to strengthen reserves for closed operations; agency operations elsewhere traded profitably. Overall our results in the Far East were disappointing, and with little prospect of bringing about an improvement we have decided to stop writing general insurance business in Singapore. In New Zealand our merger with General Accident has created a stronger presence and there are good prospects for the future.

The underwriting results of overseas business written in the London Market were adversely affected by the October storms in Europe and by an increased incidence of large claims. Nevertheless, there was an increase in the trading profit.

In both the marine and aviation markets fierce competition exercised a continuing downward pressure on premium rates, while the fall in the value of the US dollar against sterling further contributed to reductions in premium income. However, results benefited from the favourable development of claims experience on business written in earlier years, and for the marine and aviation accounts combined there was a very satisfactory pre-tax trading profit of £5.5m compared with only £0.9m in 1986.



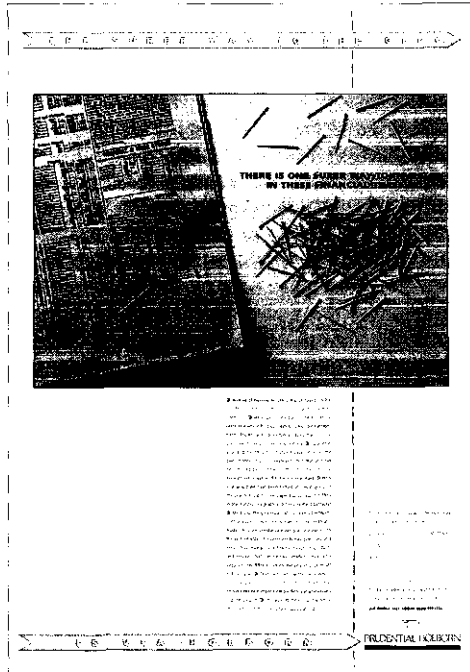
Tony Pasant, chairman and president of Jackson National Life, is flanked by his sons David (right), the national sales manager, and Jim, a senior vice-president.

PRUDENTIAL HOLBORN



*Alan Wren
Chief Executive*

The press advertising campaign which supported the launch of Prudential Holborn emphasised our proven investment performance.



Prudential Holborn was launched in September 1987 to meet the financial services needs of high net worth individuals in the UK. This will be achieved by providing a high quality of customer service based upon good investment performance and a comprehensive product range, coupled with an ability to react swiftly to the changing needs and requirements of the market. With this objective Prudential Unit Trust Managers, the Vanbrugh group of companies and Prudential Personal Equity Plan Managers were all united under Prudential Holborn.

Our 1987 results were adversely affected by the costs of introducing a new computer system and of establishing Prudential Holborn. Additionally, in our life and pensions operation there was substantial reserve strengthening, principally for expense provision but also for AIDS. As a result there was a pre-tax loss of £7.0m from long-term business. Thus, despite a pre-tax profit of £6.1m from our unit trust and personal equity plan (PEP) operations, Prudential Holborn recorded a total operating loss of £0.9m. During the year the market value of the funds for which Prudential Holborn is responsible rose by 32% to £1.8 billion despite the stockmarket crash.

Unit trusts and PEPs

One of the highlights of the year was the successful launch of our International Small Companies Trust which attracted almost £200m in the three weeks of the initial offer period. This is a record for the launch of a single unit trust. Our total sales of unit trusts in 1987, at £653.0m, were more than double those of 1986. As a result, by the end of 1987 we had become the seventh largest unit trust manager in the UK, a jump of six positions during the year, and commanded around 4.5% of the market. The UK Individual Division's field staff played a major part in this success, being responsible for over half the sales.

January 1987 saw the launch of our PEPs which achieved sales of £24m, capturing some 6% of the market.

The future

The future presents us with some major challenges, not least because of the likely adverse impact of the current volatile stockmarket conditions on investors' requirements and confidence. The implementation of the Financial Services Act will produce a more heavily regulated environment and will have a significant influence on the way in which the market works. It will certainly increase the costs of doing business.

During 1988 we will continue to build on the sound foundations already established, our main priorities being to enhance our product range, to develop improved systems and information technology and to increase our market share. Our determination to deliver the standard of service expected by the growing number of wealthier investors combined with our financial strength and investment record augur well for the success of Prudential Holborn in the years ahead.



Some of our newly designed range of product literature.

BUSINESS ANALYSIS
OF THE GROUP



BUSINESS OF THE GROUP

INSURANCE

Premium income	Long-term business		General insurance business		1987 £m	Total 1986 £m
	1987 £m	1986 £m	1987 £m	1986 £m		
UK Individual division	1,089.8	974.1	379.7	355.6	1,469.5	1,329.7
Prudential Holborn	126.1	129.4	—	—	126.1	129.4
UK Group Pensions division	245.5	220.1	—	—	245.5	220.1
Mercantile and General Reinsurance	352.0	532.3	251.4	267.5	603.4	799.8
International division	1,209.7	496.0	228.2	251.2	1,437.9	747.2
	3,023.1	2,351.9	859.3	874.3	3,882.4	3,226.2

INVESTMENT MANAGEMENT (UK)

	1987 £m	1986 £m
Net new monies:		
Segregated pension funds	1,194.7	(74.5)
Unit trusts and personal equity plans	507.2	246.2
Other funds	26.0	(14.0)
	1,727.9	157.7

ESTATE AGENCY AND RELATED SERVICES

Prudential Property Services –		
Total commission and fee income	101.7	26.3

In 1987 Prudential Property Services sold over 65,000 houses to a value of £4.5 billion.

BUSINESS OF THE GROUP

Premium income of the Group £m

Ordinary long-term business	1986		1,978.5
	1987		2,630.4
Industrial life business	1986		373.4
	1987		392.7
General insurance business	1986		874.3
	1987		859.3
Total	1986		3,226.2
	1987		3,882.4

Premium income 1987 by geographical area

UK		51%
Other EEC		6%
Australia		5%
Canada		11%
USA		21%
Other		6%

Premium income 1987 by operating division

UK Individual division		38%
Prudential Holborn		3%
UK Group Pensions division		6%
Mercantile and General Reinsurance		16%
International division		37%

LONG-TERM BUSINESS

GROUP TOTAL	1987 £m	1986 £m
New business: Annual premiums	372.5	324.7
Single premiums	1,326.8	817.3
Revenue premium income	3,023.1	2,351.9
Surplus for distribution	1,100.9	1,076.1
Policyholders' bonuses*	992.6	977.4
Shareholders' profit before tax*	153.9	145.5
UK INDIVIDUAL DIVISION		
Total		
New business: Annual premiums	200.1	179.7
Single premiums	108.8	66.4
Revenue premium income	1,089.8	974.1
Shareholders' profit before tax*	99.6	95.9
Ordinary long-term business		
New business: Annual premiums	118.2	101.4
Single premiums	104.6	65.6
Revenue premium income	697.1	600.7
Shareholders' profit before tax*	65.1	61.3
Industrial life business		
New business: Annual premiums	81.9	78.3
Single premiums	4.2	0.8
Revenue premium income	392.7	373.4
Shareholders' profit before tax*	34.5	34.6
<i>*Including non-recurrent amounts for 1986 arising from special reversionary bonuses.</i>		
PRUDENTIAL HOLBORN		
New business: Annual premiums	5.9	4.5
Single premiums	97.9	103.7
Revenue premium income	126.1	129.4
Shareholders' profit before tax	(7.0)	1.2
UK GROUP PENSIONS DIVISION		
Total		
New business: Annual premiums	26.4	25.4
Single premiums	163.4	138.3
Revenue premium income	245.5	220.1
Shareholders' profit before tax	9.9	10.5
Insured plans		
New business: Annual premiums	25.4	24.5
Single premiums	99.2	66.2
Revenue premium income	178.0	145.4
Shareholders' profit before tax	9.8	8.8
Investment linked		
New business: Annual premiums	1.0	0.9
Single premiums	64.2	72.1
Revenue premium income	67.5	74.7
Shareholders' profit before tax	0.1	1.7

LONG-TERM BUSINESS

MERCANTILE AND GENERAL REINSURANCE	1987 £m	1986 £m
New business: Annual premiums	48.1	45.9
Single premiums*	126.5	324.4
Revenue premium income:		
UK	91.3	95.9
Canada	142.8	310.6
USA	36.6	40.8
Other countries	81.3	85.0
Total	352.0	532.3
Shareholders' profit before tax	21.9	24.5

*Mercantile and General's single premiums include £104.7m in 1987 and £279.8m in 1986 from a Canadian contract which has now been cancelled.

INTERNATIONAL DIVISION	1987 £m	1986 £m
New business: Annual premiums	92.0	69.2
Single premiums*	830.2	184.5
Revenue premium income:		
Australia	149.9	88.1
Canada	181.2	179.8
Republic of Ireland	82.5	61.7
South Africa†	—	67.3
USA*	717.4	31.9
Other countries	78.7	67.2
Total	1,209.7	496.0
Shareholders' profit before tax:		
Australia	6.1	5.7
Canada	3.2	2.1
Republic of Ireland	3.2	0.0
South Africa†	—	2.6
USA*	14.6	0.6
Other countries	2.4	2.4
Total	29.5	13.4

*Jackson National Life, the US subsidiary, did not become part of the Prudential Group until November 1986.
 †Prudential Assurance Company of South Africa ceased to be part of the Prudential Group on 1 January 1987.

Revenue premium income 1987 by geographical area

UK	51%
Other EEC	4%
Australia	5%
Canada	11%
USA	25%
Other	4%

Revenue premium income 1987 by operating division

UK Individual division	36%
Prudential Holborn	4%
UK Group Pensions division	8%
Mercantile and General Reinsurance	12%
International division	40%

GENERAL INSURANCE BUSINESS

GROUP TOTAL		1987 £m	1986 £m
Premiums written		859.3	874.3
Underwriting result		(72.8)	(99.9)
Investment return		113.8	118.2
Trading profit before tax		41.0	18.3
UK INDIVIDUAL DIVISION			
Total			
Premiums written		379.7	355.6
Underwriting result		(31.6)	(42.5)
Investment return		38.5	37.1
Trading profit/(loss) before tax		6.9	(5.4)
Home Service – personal lines – domestic property			
Premiums written		141.5	134.8
Underwriting result		(8.9)	(4.9)
Investment return		9.6	9.7
Trading profit before tax		0.7	4.8
Home Service – personal lines – motor			
Premiums written		67.3	60.3
Underwriting result		(3.5)	(10.2)
Investment return		6.6	6.3
Trading profit/(loss) before tax		3.1	(3.9)
Commercial and Broker – personal lines			
Premiums written		36.5	36.3
Underwriting result		(6.2)	(6.6)
Investment return		2.7	2.7
Trading loss before tax		(3.5)	(3.9)
Commercial and Broker – commercial lines			
Premiums written		134.4	124.2
Underwriting result		(13.0)	(20.8)
Investment return		19.6	18.4
Trading profit/(loss) before tax		6.6	(2.4)
MERCANTILE AND GENERAL REINSURANCE			
Premiums written	Parent company: Fire and accident proportional	97.3	107.7
	Fire and accident non-proportional	47.6	46.6
	Marine and aviation	29.1	30.5
	Overseas subsidiaries	77.4	82.7
	Total	251.4	267.5
Underwriting result	Parent company: Fire and accident proportional	(12.1)	(12.2)
	Fire and accident non-proportional	(5.5)	(8.0)
	Marine and aviation	(3.8)	(15.0)
	Overseas subsidiaries	(0.7)	0.9
	Total	(22.1)	(34.3)
Investment return		43.1	48.2
Trading profit before tax		21.0	13.9

GENERAL INSURANCE BUSINESS

INTERNATIONAL DIVISION

Total	1987 £m	1986 £m
Premiums written	228.2	251.2
Underwriting result	(19.1)	(23.1)
Investment return	32.2	32.9
Trading profit before tax	13.1	9.8
Belgium		
Premiums written	55.1	54.1
Underwriting result	(4.3)	(5.8)
Investment return	11.3	10.3
Trading profit before tax	7.0	4.5
Canada		
Premiums written	97.0	100.3
Underwriting result	(6.6)	(3.7)
Investment return	8.5	10.3
Trading profit before tax	1.9	6.6
Marine and aviation		
Premiums written	34.9	41.1
Underwriting result	1.0	(3.0)
Investment return	4.5	3.9
Trading profit before tax	5.5	0.9
Other		
Premiums written	41.2	55.7
Underwriting result	(9.2)	(10.6)
Investment return	7.9	8.4
Trading loss before tax	(1.3)	(2.2)

Premiums written in 1987 by geographical area

UK	50%
Other EEC	12%
Canada	13%
Marine and aviation	8%
Other	17%

Premiums written in 1987 by operating division

UK Individual division	44%
Mercantile and General Reinsurance	29%
International division	27%

INVESTMENT MANAGEMENT

MARKET VALUES OF INVESTMENTS UNDER MANAGEMENT

	Long-term business		General insurance & shareholders' funds		Other funds under management		Total	
	1987 £m	1986 £m	1987 £m	1986 £m	1987 £m	1986 £m	1987 £m	1986 £m
Ordinary shares	10,422	11,205	550	598	4,471	3,508	15,443	15,311
Properties	4,052	3,472	48	42	127	137	4,227	3,651
British Government securities	2,535	2,364	280	293	751	401	3,566	3,058
Other fixed income investments	4,394	4,013	661	674	400	271	5,455	4,958
Mortgages and loans	1,057	894	48	52	8	—	1,113	946
	22,460	21,948	1,587	1,659	5,757	4,317	29,804	27,924

Other funds under management referred to on pages 32 and 33 include Holborn Unit Trusts, Vanbrugh Currency Fund, Holborn Currency Fund, segregated pension funds managed on a fee-paying basis and Prudential staff pension funds.

Market values 1987 by category of investments

Ordinary shares	52%
Properties	14%
British Government securities	12%
Other fixed income investments	18%
Mortgages and loans	4%

PRUDENTIAL HOLBORN UNIT TRUSTS

	1987 £m	1986 £m
Sales by field staff	365.6	185.1
Other sales	287.4	126.0
Total sales	653.0	311.1
Repurchases	(169.5)	(64.9)
Net investment	483.5	246.2
Market value at end of year	769.0	406.0

UK SEGREGATED PENSION FUNDS

	1987 £m	1986 £m
Net new monies from existing clients	56.8	(95.1)
Net new monies from new clients	1,137.9	20.6
Total net new monies	1,194.7	(74.5)
Market value at end of year	4,865.0	3,845.0
Total number of schemes at end of year	39	30

INVESTMENT MANAGEMENT

FUNDS ARISING IN THE UNITED KINGDOM – NET INVESTMENT	Long-term business		General insurance & shareholders' funds		Other funds under management		Total	
	1987 £m	1986 £m	1987 £m	1986 £m	1987 £m	1986 £m	1987 £m	1986 £m
Ordinary shares	(28)	217	7	(11)	1,373	554	1,352	760
Properties	(43)	(19)	3	7	(30)	(3)	(70)	(15)
British Government securities	15	(153)	(15)	137	324	(68)	324	(84)
Other fixed income investments	359	288	(1)	(22)	101	26	459	292
Cash on deposit	220	122	196	(24)	131	9	547	107
	523	455	190	87	1,899	518	2,612	1,060

Net investment of funds arising in the United Kingdom 1987

<i>Ordinary shares</i>		£1,352m
<i>Properties</i>		– £70m
<i>British Government securities</i>		£324m
<i>Other fixed income investments</i>		£459m
<i>Cash on deposit</i>		£547m

FUNDS ARISING OVERSEAS – NET INVESTMENT	Long-term business		General insurance & shareholders' funds		Other funds under management		Total	
	1987 £m	1986 £m	1987 £m	1986 £m	1987 £m	1986 £m	1987 £m	1986 £m
Ordinary shares	12	87	(14)	—	28	18	26	105
Properties	(6)	7	4	—	—	—	(2)	7
Fixed income investments	955	168	108	100	1	—	1,064	268
Cash on deposit	66	59	(13)	42	(4)	(10)	49	91
	1,027	321	85	142	25	8	1,137	471

Net investment of funds arising overseas 1987

<i>Ordinary shares</i>		£26m
<i>Properties</i>		– £2m
<i>Fixed income investments</i>		£1,064m
<i>Cash on deposit</i>		£49m

5 YEAR REVIEW OF GROUP RESULTS

SUMMARY OF RESULTS	1987 £m	1986 £m	1985 £m	1984 £m	1983 £m
Trading profit before tax from					
Ordinary long-term business	119.4	110.9*	102.2*	95.1*	68.0
Industrial life business	34.5	34.6*	35.5*	41.0*	21.3
General insurance business	41.0	18.3	(53.4)	(79.9)	(7.6)
Shareholders' other income	65.1	87.1	25.8	21.8	19.4
Total trading profit before tax	260.0	250.9	110.1	78.0	101.1
Transfer to revaluation reserve	(17.6)	(44.4)		not available	
Profit for the year before tax and minority interests	242.4	206.5	110.1	78.0	101.1
Tax	67.7	71.3	31.7	31.9	31.6
Minority interests	0.2	1.1	1.0	0.9	0.6
Profit attributable to shareholders	174.5	134.1	77.4	45.2	68.9
Dividends	124.4	105.2	78.3	67.1	56.7
Transfer to/(from) retained profit	50.1	28.9	(0.9)	(21.9)	12.2

*Including non-recurrent amounts arising from special reversionary bonuses.

	Earnings per share	Dividend per share
1983	22.0p	18.1p
1984	14.4p	21.4p
1985	24.5p	24.8p
1986	39.3p	29.0p
1987	47.9p	34.0p

	1987	1986	1985	1984	1983
Earnings per share	47.9p	39.3p	24.5p	14.4p	22.0p
Dividend per share	34.0p	29.0p	24.8p	21.4p	18.1p

Earnings per share and dividend per share, for 1985 and previous years, have been adjusted for the rights issue made during 1986.

Figures for 1985 and earlier years have not been restated for the changes in accounting policy referred to in note 1 on page 44.

5 YEAR REVIEW OF GROUP RESULTS

	1987 £m	1986 £m	1985 £m	1984 £m	1983 £m
Long-term business					
Market value of investments	22,460.5	21,948.0	17,165.5	16,365.9	14,575.9
Ordinary long-term business					
New business annual premiums	290.6	246.4	227.0	244.2	235.9
New business single premiums	1,322.6	816.5	303.6	371.7	276.9
Revenue premium income	2,630.4	1,978.5	1,363.8	1,473.1	1,222.3
Investment income	1,090.3	915.3	824.5	824.8	697.5
Policyholders' bonuses	669.4	656.5*	595.9*	612.7*	471.7
Shareholders' profit before tax	119.4	110.9*	102.2*	95.1*	68.0
Industrial life business					
New business annual premiums	81.9	78.3	78.5	72.0	72.3
New business single premiums	4.2	0.8	0.6	0.1	—
Revenue premium income	392.7	373.4	355.3	338.4†	320.5
Investment income	255.9	264.6	246.6	232.8	207.4
Policyholders' bonuses	323.2	320.9*	332.4*	398.6*	222.8
Shareholders' profit before tax	34.5	34.6*	35.5*	41.0*	21.3
General insurance business					
Premiums written	859.3	874.3	795.8	788.5	690.3
Underwriting result	(72.8)	(99.9)	(131.6)	(161.4)	(76.9)
Investment income	92.1	86.1	78.2	81.5	69.3
Investment gains	21.7	32.1	not available		
Trading profit/(loss) before tax	41.0	18.3	(53.4)	(79.9)	(7.6)
Market value of investments	984.3	1,042.6	793.8	786.4	719.4
Shareholders' other income					
Investment income	62.3	61.5	27.9	24.6	20.8
Investment gains	40.0	44.0	not available		
Miscellaneous net income	17.0	3.9	2.6	0.1	0.8
Corporate expenditure	(16.9)	(9.9)	(3.8)	(2.8)	(2.1)
Interest on borrowings	(37.3)	(12.4)	(0.9)	(0.1)	(0.1)
Other income before tax	65.1	87.1	25.8	21.8	19.4

Figures for 1985 and earlier years have not been restated for the changes in accounting policy referred to in note 1 on page 44.

†Adjusted to remove the effect of an additional payment date. In 1984 there were fourteen due dates for payment of industrial life business four-weekly premiums. Some £26m of the 1984 premium income was accounted for by the additional payment date. In order not to distort the general trend in five-year tables and charts, the effect of the additional payment date has been removed.

*Including non-recurrent amounts arising from special reversionary bonuses. The total effect of these on shareholders' profit before tax is: 1986 £6.4m, 1985 £13.3m, 1984 £23.7m.



The Rt Hon Lord Hunt of Tanworth GCB

Chairman (age 68)

A director since 1980. Chairman since 1985 and Deputy Chairman from 1982 to 1985. Secretary of the Cabinet from 1973 to 1979. Chairman of Banque Nationale de Paris plc, director of IBM (UK) and advisory director of Unilever.

Sir Alex Jarratt CB Deputy Chairman (age 64)

A director since 1985. Chairman of Smiths Industries. Deputy Chairman of Midland Bank and director of ICI.

Peter Moody CBE Deputy Chairman (age 69)

A director since 1981 and Deputy Chairman since 1984. Actuary. Chairman of Prudential Staff Pensions Ltd. Former Joint Secretary and Group Chief Investment Manager. Director of Laird Group and Investors in Industry. Former President of the Institute of Actuaries.

Brian Corby Group Chief Executive (age 58)

A director since 1983. Actuary. Director of the Bank of England. Former Chairman of the Association of British Insurers.

Michael Abrahams (age 50)

A director since 1984. Deputy Chairman of John Crowther Group and York Trust Group. Director of John Waddington and Dalepak.

Ronald Artus Executive Director (age 56)

A director since 1984. Investment analyst. Group Chief Investment Manager. Chairman of Prudential Portfolio Managers and Prudential Property Services.

Mary Baker (age 51)

A director since January 1988. Former chairman of the London Tourist Board. Director of Thames Television, Avon Cosmetics and Barclays.

Sir John Butterfield OBE (age 68)

A director since 1981. Former Regius Professor of Physics, University of Cambridge. Former Master of Downing College. Member of several medical committees. Director of BCB Instrumentation. Vice-Chancellor of Cambridge University from 1983 to 1985.

The Rt Hon Lord Carr of Hadley PC (age 71)

A director since 1976. Deputy Chairman from 1979 to 1980 and Chairman from 1980 to 1985. Member of Parliament from 1950 to 1976 and Home Secretary from 1972 to 1974.

Desmond Craigen (age 71)

A director since 1982. Former Chief General Manager of Prudential Assurance. Director of Pioneer Concrete (Holdings).

Sir Ronald Dearing CB (age 57)

A director since October 1987. Former Chairman of Post Office Corporation. Chairman of the County of Durham Development Company. A governor of the London Business School. Chairman of the review committee of accounting standards. Director of Whitbread.

Derek Fellows Executive Director (age 60)

A director since 1985. Actuary. Managing Director, UK Group Pensions Division and Chief Actuary of Prudential Assurance.

Anthony Freeman Executive Director (age 50)

A director since 1985. Chartered accountant. Managing Director, UK Individual Division.

The Hon Sir Victor Garland KBE (age 53)

A director since 1984. Australian chartered accountant. Member of the Australian Federal Parliament from 1969 to 1981, holding various ministerial posts. High Commissioner for Australia in the UK from 1981 to 1983. Director of a number of investment trusts.

Sir Trevor Holdsworth (age 60)

A director since 1986. Chartered accountant. Chairman of GKN, Allied Colloids and British Satellite Broadcasting. Director of Midland Bank. President of Confederation of British Industry from May 1988.

Michael Lawrence Executive Director (age 44)

A director since January 1988. Chartered accountant. Group Finance Director. Director of Port of London Authority.

Brian Medhurst Executive Director (age 53)

A director since 1985. Actuary. Managing Director, International Division.

Julius Neave CBE JP DL (age 68)

A director since 1982. Former Managing Director of Mercantile and General Reinsurance. President of the Geneva Association, past President of the Chartered Insurance Institute and former Chairman of the Reinsurance Offices Association.

Michael Newmarch Executive Director (age 49)

A director since 1985. Deputy Chairman and Chief Executive of Prudential Portfolio Managers. Chairman of Prudential Holborn.

The Rt Hon James Ramsden (age 64)

A director since 1972 and Deputy Chairman from 1976 to 1982. Member of Parliament from 1954 to 1974, holding various ministerial posts. Chairman of the London Clinic.

The Rt Hon Lord Richardson of Duntisbourne

KG MBE TD PC DL (age 72)

A director since 1984. Governor of the Bank of England from 1973 to 1983. Director of Bank for International Settlements, Saudi International Bank and Morgan Stanley International.

Gordon Wood (age 63)

A director since 1984. Actuary. Former Managing Director, Central Services and Deputy Chief General Manager of Prudential Assurance.

Sir Ronald Owen Chairman of the Company from 1975

to 1980, holds the honorary position of President of the Company.

DIRECTORS' REPORT

for the year ended 31 December 1987

Principal activity and business review

Prudential Corporation plc is the Group holding company and the principal activity of its subsidiaries is the provision of financial services, including the transaction of insurance and reinsurance business of all classes, in the United Kingdom and overseas. Particulars of principal subsidiary companies are given in the notes on the accounts on page 46.

The Group's business is reviewed in the Chairman's statement on pages 6 and 7, the Chief Executive's review on pages 8 to 11 and the divisional reports on pages 12 to 24.

Accounts

The consolidated balance sheet on page 41 shows the state of affairs of the Group at 31 December 1987. The Company's balance sheet appears on page 42 and the consolidated profit and loss account on page 40. There is a five year review of the Group on pages 34 and 35.

Directors

The present directors are shown on page 37.

Mr W G Haslam and Mr R S Skerman retired on 27 May 1987. Sir Ronald Dearing was appointed a director on 21 October 1987, Mr M J Lawrence was appointed a director on 1 January 1988 and Mrs M E Baker was appointed a director on 20 January 1988 and they each retire in accordance with the Articles of Association and offer themselves for election at the Annual General Meeting. The directors are also proposing the election of Mr J Lock.

The directors retiring by rotation at the Annual General Meeting are Sir John Butterfield, Mr D E Fellows, Mr J A Freeman, Sir Alex Jarratt, Mr B Medhurst and Mr J A S Neave. They offer themselves for re-election. Lord Richardson also retires having reached the normal retirement age.

The service contract of Mr M J Lawrence has an unexpired period of 4 years 7 months at 25 May 1988.

A statement of directors' shareholdings is set out on page 54.

Dividends

The directors have declared a final dividend for 1987 of 22.5p per share payable on 25 May 1988 to shareholders on the register at close of business on 27 April 1988. The dividend for the year, including the interim dividend of 11.5p per share paid in November 1987, amounts to 34.0p per share compared with 29.0p per share for 1986.

Employees

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

Number of employees

The average number of persons employed by the Group in the United Kingdom in each week of 1987 was 28,863 and the total remuneration was £366.0m.

Equal opportunity

Our policy is to recruit, develop and employ our staff on the basis of the suitability of their qualifications and experience to the work to be performed, regardless of sex, marital status, creed, colour, race, ethnic origin, nationality or disability. Our programme of action this year has focused on monitoring the impact of our policy. This has involved:

- development of our personnel data base to include ethnic origin of staff and those with disabilities;
- monitoring recruitment and selection, training uptake and career progression.

The results of these monitoring activities have been used to inform and direct our continuing programme of action in equal opportunities.

Employee involvement

Continued efforts were made in 1987 to consult with and inform employees on matters that concern them. Communications objectives for the year were set and implemented. These included staff briefings, supported by video and a written report, to assist communication of the Corporation's 1986 results. In addition, efforts were made to find out and act upon staff's views on involvement and communication through an attitude survey conducted in most UK divisions. Results were fed back to staff and assisted in the development of communications objectives for 1988.

Consultation and negotiation have also continued as appropriate with representative bodies of the staff on a wide range of issues such as staff pay restructuring and the redevelopment of the Holborn Bars office.

For the fifth year running employees were encouraged to participate in the savings-related share option scheme.

The board of the trustee company of the staff pension scheme of The Prudential Assurance Company Limited has directors elected by the employees of that company.

Donations

During the year the Company and its subsidiaries gave £399,000 in the United Kingdom and £132,000 overseas for charitable purposes.

Auditors

A resolution proposing the reappointment of Deloitte Haskins & Sells as auditors to the Company will be put to the Annual General Meeting.

DIRECTORS' REPORT

for the year ended 31 December 1987

Number of shareholders' accounts

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

	1987	1986
	51,136	45,784

Substantial shareholders

As far as the directors were aware at 31 March 1988 no person had a shareholding of 5 per cent or more of the share capital of the Company.

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

Analysis of shareholdings in the Company at 31 December 1987

	1987 %	1986 %
Banks and other nominee companies	50.5	48.4
Insurance companies	15.4	14.4
Pension funds	15.7	19.7
Investment trusts and unit trusts	0.5	0.5
Other corporations	3.9	3.5
Individuals	14.0	13.5
	100.0	100.0

By order of the board of directors

D F Roper
Secretary

19 April 1988

CONSOLIDATED PROFIT AND LOSS ACCOUNT

year ended 31 December 1987

	Note	1987 £m	1986 £m
Trading profit before tax from			
Ordinary long-term business	1 & 4	119.4	110.9
Industrial life business	4	34.5	34.6
General insurance business	1, 5 & 12	41.0	18.3
Shareholders' other income	1 & 14	65.1	87.1
Total trading profit before tax		260.0	250.9
Transfer to revaluation reserve	2(e)	(17.6)	(44.4)
Profit for the year before tax and minority interests		242.4	206.5
Tax	6	67.7	71.3
Minority interests		0.2	1.1
		67.9	72.4
Profit attributable to shareholders	8	174.5	134.1
Dividends			
Interim		42.0	36.2
Final		82.4	69.0
		124.4	105.2
Transfer to retained profit	11	50.1	28.9
Earnings per share			
Based on earnings of £174.5m (£134.1m) and 364.3m (341.2m) shares		47.9p	39.3p

CONSOLIDATED BALANCE SHEET

31 December 1987

Investments	Note	1987 £m	1986 £m
Ordinary shares		10,972.8	11,803.0
Properties		4,099.8	3,514.0
British Government securities		2,814.3	2,657.0
Other fixed income securities		5,055.7	4,686.7
Mortgages and loans		1,105.1	946.7
		24,047.7	23,607.4
Other assets			
Fixed assets		50.9	33.4
Tax recoverable		5.5	25.2
Debtors		918.0	866.8
Deposits, bank balances and cash		1,453.0	1,254.6
		26,475.1	25,787.4
<i>Less</i>			
Other liabilities and provisions			
Outstanding claims		457.4	460.3
Other creditors		547.0	513.5
Bank loans and overdrafts	13	522.6	523.0
Other borrowings	13	441.1	286.9
Taxation		41.1	31.8
Deferred taxation	6	18.6	15.6
Final dividend		82.4	69.0
		2,110.2	1,900.1
		24,364.9	23,887.3
<i>Less</i>			
Insurance funds and reserves			
Long-term business	4	23,032.2	22,476.4
General insurance business	5	825.6	823.8
		23,857.8	23,300.2
		507.1	587.1
<i>Less</i>			
Minority interests			
		0.8	5.8
		506.3	581.3
Shareholders' funds			
Share capital	9	91.4	90.6
Share premium	10	21.3	—
Reserves	11	393.6	490.7
		506.3	581.3

BALANCE SHEET OF THE COMPANY

31 December 1987

	Note	1987 £m	1986 £m
Fixed assets			
Investments	16		
Shares in group companies		145.2	74.6
British Government securities		15.2	53.6
Other fixed income securities		—	1.0
		160.4	129.2
Debtors: amounts falling due after more than one year			
Loans to group companies		243.6	332.0
Current assets			
Debtors			
Deferred taxation	6	2.4	—
Tax recoverable		2.9	0.5
Amounts owed by group companies		282.8	306.4
Other debtors		1.0	4.2
Cash at bank		170.9	174.8
		460.0	485.9
Creditors: amounts falling due within one year			
Amounts owed to group companies		23.1	—
Other creditors		5.2	8.2
Bank loans and overdrafts	13	67.2	283.0
Final dividend		82.4	69.0
		177.9	360.2
Net current assets			
		282.1	125.7
Total assets less current liabilities			
		686.1	586.9
Creditors: amounts falling due after more than one year			
Amounts owed to group companies	13	233.6	—
Other borrowings	13	100.0	100.0
Provisions for liabilities and charges			
Deferred taxation	6	—	1.8
		352.5	485.1
Capital and reserves			
Called up share capital	9	91.4	90.6
Share premium	10	21.3	—
Capital reserve	10	191.2	348.9
Revaluation reserve		0.4	0.1
Profit and loss account	8	48.2	45.5
		352.5	485.1

The accounts on pages 40 to 55 were approved on 19 April 1988.

The Lord Hunt of Tanworth
Chairman

F B Corby
Director and Chief Executive

SOURCE AND APPLICATION OF FUNDS

(as applicable to shareholders) year ended 31 December 1987

Movements in shareholders' funds	1987 £m	1986 £m
Profit attributable to shareholders after tax	174.5	134.1
(Decrease)/increase in unrealised appreciation of investments – insurance companies	(80.1)	72.1
– other activities	(23.1)	31.2
Increase/(decrease) in reserves	28.0	(28.8)
Issues of shares (net of expenses)	22.1	364.2
Dividends (see note)	(124.4)	(105.2)
Goodwill written off	(72.0)	(441.2)
	(75.0)	26.4
(Decrease)/increase in net assets		
Investments		
Net cash invested	92.0	210.4
Realised gains and unrealised (depreciation)/appreciation – insurance companies	(22.6)	123.9
– other activities	(5.1)	32.0
Exchange (losses)/gains and other movements	(136.5)	114.9
	(72.2)	481.2
Technical reserves		
General insurance fund	(1.8)	(111.4)
Outstanding claims	0.5	(43.2)
	(1.3)	(154.6)
Other assets/liabilities		
Fixed assets	14.1	5.7
Debtors	49.1	82.8
Net tax recoverable	(1.1)	(4.9)
Other borrowings	(232.2)	(3.0)
Other creditors	(10.0)	(211.5)
Minority interests	5.0	(1.9)
	(175.1)	(132.8)
Net liquid funds		
Deposits, bank balances and cash	(10.1)	101.8
Bank loans and overdrafts	183.7	(269.2)
	173.6	(167.4)
	(75.0)	26.4

Shareholders' funds

Shareholders' funds at 1 January	581.3	554.9
Movement for year (see above)	(75.0)	26.4
Shareholders' funds at 31 December	506.3	581.3

Dividends paid in the year totalled £111.0m (1986 – £87.4m). The figure shown in the statement is the amount provided in the accounts for the current year's dividend.

NOTES ON THE ACCOUNTS

1 Changes in accounting policies and presentation

a) Unrealised and realised investment gains

The accounting policy for unrealised and realised investment gains arising in the general insurance and shareholders' funds of insurance subsidiaries has been changed so as to include total gains (averaged over five years) in the general insurance revenue account and the profit and loss account. Unrealised gains (averaged over five years) are transferred to revaluation reserve and excluded from profit before tax. Comparative figures have been restated accordingly.

b) Amalgamation of life assurance business assets

Until 1987 separate assets were held in respect of the ordinary long-term and industrial life business funds of The Prudential Assurance Company Limited. With effect from 1 January 1987 these assets were amalgamated.

As a result of the combination of the assets there are no longer individual balance sheets for the ordinary long-term and industrial life funds. Comparative figures have been restated where appropriate by aggregating the ordinary long-term and industrial life figures for 1986. The basis of apportionment of investment income and taxation charges to the separate revenue accounts is explained in notes 2(i) and (m).

c) Linked business profits

The accounting policy for surpluses arising from linked business has been changed so as to allocate them in full to shareholders. Previously the amount of surplus allocated to shareholders was determined by the directors of the companies concerned. The current year profit transfer out of the ordinary long-term revenue account includes accumulated profits and losses on linked business previously retained within the ordinary long-term fund.

d) Commission

The Group's accounting policy for commission in the ordinary long-term business fund has been changed. Previously certain ordinary life business commission was charged to the revenue account over a two-year period. This commission is now charged to the revenue account when paid. This change in accounting policy has been effected by charging unamortised commission at 1 January 1987 to investment reserves in the case of non-linked business and to shareholders' profit in the case of linked business.

e) Fixed assets

The accounting policy for certain fixed assets has been changed so as to capitalise and depreciate vehicles and, for non-insurance companies, furniture and office equipment by equal annual instalments over their estimated useful lives. Previously such assets were written off in the year of purchase. Comparative figures in the profit and loss and revenue accounts have not been restated as the effect is not material.

f) General insurance reserves and investment return

The disclosure of general insurance investment and revaluation reserves and the accounting policy for the allocation of investment return between the general insurance revenue account and shareholders' other income has been changed.

As referred to in note 2(e), revaluation reserves arising from the excess of market value over book value of investments included in the general insurance balance sheet, are included in the shareholders' balance sheet. Previously these revaluation reserves were included in the general insurance balance sheet. The treatment of general insurance investment reserves has also been altered, and these are now included in retained profit.

Following the above changes, the return on assets representing those reserves previously included in the general insurance balance sheet is, as referred to in notes 2(e) and 2(f), now reported as shareholders' other income. Previously the income was credited to the general insurance revenue account.

Comparative figures have been restated accordingly.

2 Group accounting policies

a) Disclosure requirements

The accounts are prepared in accordance with the provisions of Part VII Chapter II of, and Schedule 9 to, the Companies Act 1985, with the exception of the balance sheet of the Company on page 42, which is prepared in accordance with Part VII Chapter I and Schedule 4. The Company has taken advantage of the exemption from presenting its own profit and loss account.

As many of the Company's subsidiaries are insurance companies, the group accounts do not disclose certain information, some relating to provisions and reserves, which they are exempt from disclosing under the provisions of the Companies Act 1985.

b) Basis of consolidation

The group accounts incorporate the assets and liabilities of the Company and all its significant subsidiaries at 31 December and the results for the year ended on that date with the exception of London Indemnity & General Insurance Company Limited whose accounts are not included in the group accounts as it would be misleading to do so; with the approval of the Department of Trade and Industry the particulars otherwise required to be given in accordance with paragraphs 19(4) and (7) of Schedule 9 to the Companies Act 1985 are omitted.

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

The results of associated companies attributable to the Group's shareholding are not included in the group accounts, except to the extent of dividends received, as the directors are of the opinion that the amounts involved are insignificant.

c) Goodwill

Goodwill arising in the consolidated accounts is written off against shareholders' reserves in the year of acquisition.

d) Investments

Investments are shown in the balance sheets as follows:

British Government and other quoted fixed income securities and quoted ordinary shares – based on market quotations.

NOTES ON THE ACCOUNTS

Unquoted fixed income securities, long-term mortgages and loans and unquoted ordinary stocks and shares – at valuation by the directors.

Short-term loans – normally at par.

Properties – at the open market sale value. Those held in respect of linked business are valued by external valuers and other properties by employees of the Group. In all cases valuations are carried out by members of the Royal Institution of Chartered Surveyors or holders of an equivalent qualification.

Certain linked contracts provide for the unit price to include an appropriate adjustment to the valuation of linked investments for buying or selling expenses. The market value of such investments has been adjusted accordingly.

Shares in subsidiaries are shown at cost.

e) Unrealised and realised investment gains

Except for linked business, unrealised appreciation and depreciation of investments are carried to revaluation reserves. Revaluation reserves arising from the excess of market value over book value of investments in the general insurance balance sheet are shown in the shareholders' balance sheet as they are attributable to shareholders. No provision is made for tax which would become payable if investments were realised at the values shown. The maximum potential tax liability is set out in note 6.

For long-term business, other than linked business, unrealised appreciation and depreciation of investments are carried directly to revaluation reserves. Profits and losses on the realisation of investments and taxes thereon are carried to investment reserves and excluded from the revenue results. In the life business funds of certain insurance subsidiaries, transfers are made from revaluation reserves to the revenue accounts representing part of the unrealised margin of market values over cost.

For linked business, movements in the market values of investments for the year together with realised profits and losses are dealt with in the revenue accounts.

For general insurance business, and shareholders' funds of insurance subsidiaries, realised and unrealised investment profits and losses are averaged over five years and included in the general insurance revenue account and the profit and loss account; the gains arising on assets covering technical reserves within the general insurance balance sheet are credited to the general insurance revenue account. Those gains arising on assets included within the general insurance balance sheet, which represent reserves in excess of technical reserves, are credited to the profit and loss account as shareholders' other income. Before arriving at profit before tax for the year the amount of unrealised investment gains is transferred to revaluation reserve from the profit and loss account. Profit before tax includes averaged realised gains. Tax on these realised gains is included in the taxation charge in the profit and loss account as set out in note 6.

Realised gains not yet recognised in the general insurance revenue account or the profit and loss account are shown in the balance sheet net of taxation as a deferred gains reserve.

For non-insurance companies, realised investment profits and losses are treated as shareholders' other income in the profit and loss account.

f) Investment reserves

Investment reserves are held in the long-term funds of the Company's insurance subsidiaries. Transfers may be made from time to time from or to the revenue account or insurance fund. In the balance sheet investment reserves are amalgamated with revaluation reserves.

g) Exchange rates

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

h) Long-term business

Long-term profits are allocated from surpluses determined as the result of annual actuarial valuations.

For non-linked life business, the amount of surplus allocated to shareholders is determined by the directors of the companies concerned in accordance with the Articles of Association.

For linked and long-term accident and disability business the whole of the surplus arising is allocated to shareholders.

The transfer of shareholders' profit from the long-term business revenue accounts to the profit and loss account has been grossed up by the attributable tax. The transfer comprises franked investment income and income subject to corporation tax and tax has been calculated at the appropriate rates.

i) Investment income

Investment income is included on an accruals basis. Dividends on ordinary shares and interest on linked business fixed income securities are included by reference to ex-dividend dates. Except for linked business, investment income is adjusted for accrued income included in the purchases and sales of securities so as to match the income with the period for which the security has been held. UK dividends are grossed up by the attaching tax credit. Investment income is shown after deducting interest payable and directly related investment expenses (see note 15).

Income arising on assets covering technical reserves within the general insurance balance sheet is credited to the general insurance revenue account. Income arising on assets included within the general insurance balance sheet, which represent reserves in excess of technical reserves, is credited to the profit and loss account as shareholders' other income. Such reserves, as referred to in note 2(e), are included in the shareholders' balance sheet.

For long-term business of The Prudential Assurance Company Limited, investment income is attributed to the ordinary and industrial business revenue accounts on a mean fund basis, after allowing for the specific allocation to the ordinary business of interest relating to linked business and long-term accident and disability business.

j) General insurance business

Unearned premium reserves for direct fire and casualty insurance business are calculated mainly 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

NOTES ON THE ACCOUNTS

maintained when required to cover the estimated excess of liabilities over the unearned premium reserves. Extended warranty business is dealt with on a funded basis.

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

The underwriting results on direct 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.

Fire and casualty proportional reinsurance business is dealt with mainly on a two-year basis, unearned premiums and outstanding claims being calculated on bases depending on individual contract terms. Non-proportional and marine and aviation reinsurance business is dealt with mainly on a funded basis.

For all funded business, premiums less claims paid and expenses relating to the open years of account are carried forward and increased if necessary so that the funds for each year are sufficient to meet the estimated cost of all outstanding liabilities, including claims incurred but not reported and the claims expected on unexpired risks. With the exception of certain fire non-proportional reinsurance business, no surpluses are transferred from the funds during the first two development years of any underwriting year.

Liabilities relating to accident non-proportional reinsurance business and to discrete liability class direct business are discounted to take account of the estimated periods over which premiums are received and claims are paid. The effect is set out in note 12.

k) Fixed assets and depreciation

Major items of capital expenditure on computer equipment and development costs, vehicles and, for non-insurance companies, furniture and office equipment are capitalised and depreciated by equal annual instalments over their estimated useful lives. Other assets are written off in the year of purchase. All properties within the Group are regarded as investment properties and therefore are not depreciated.

l) Leased assets

Where assets are financed by leasing agreements that give rights approximating to ownership ('finance leases'), the assets are capitalised as if they had been purchased outright. Commitments under finance leases are included within other creditors. Depreciation on the relevant assets is charged to the profit and loss account. Lease payments are treated as consisting of capital and interest elements, and the interest is charged to the profit and loss account.

For other leases the annual rentals payable/receivable are charged/credited to the appropriate revenue account or to the profit and loss account.

m) Taxation

Tax is charged on all profits and income earned to date, less reliefs. Provision under the liability method is made for deferred taxation arising from short-term timing differences and from timing differences which cannot be demonstrated with reasonable probability to continue into the foreseeable future. Deferred taxation has not been provided on earnings retained overseas.

For long-term business, revenue account taxation charges are based on the income and outgo of the respective funds. Variations between these amounts and the tax liability to the Inland Revenue are allocated between the ordinary long-term and industrial life businesses on a mean fund basis.

n) Retirement benefit schemes

Liabilities in respect of retirement benefit schemes for directors and employees of the Group are met through contributions to pension funds. Such contributions are assessed on actuarial bases designed so that the funds will be adequate to provide the pensions and other benefits expected to arise under the rules of the schemes.

o) Borrowings

Borrowings which are swapped into currencies other than the original currencies of denomination are recorded as liabilities in the currencies under the swap agreements.

3 Subsidiary companies

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

Name	Class of share held	Country of incorporation or registration and principal operation
Compagnie d'Assurance de l'Escaut SA*	Shares n.p.v.	Belgium
Jackson National Life Insurance Company*	Common Shares US\$1.15	United States of America
The Mercantile and General Reinsurance Company plc	Shares £1	Scotland (operating principally in UK)
Prudential Corporation Canada*	Common Shares Can\$1	Canada
The Prudential Assurance Company Limited	Shares 25p	England
Prudential Life of Ireland Limited*	Ordinary Shares IR£1 (95%)	Republic of Ireland
Prudential Pensions Limited*	Shares £1	England
Prudential Portfolio Managers Limited	Ordinary Shares £1	England
Prudential Property Services Limited	Ordinary Shares £1	England
Prudential Holborn Limited*	Ordinary Shares £1	England

* owned by a subsidiary of the Company.

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

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

NOTES ON THE ACCOUNTS

4 Long-term business

Long-term business revenue accounts	Note	Ordinary long-term business		Industrial life business	
		1987 £m	1986 £m	1987 £m	1986 £m
Premium income		2,630.4	1,978.5	392.7	373.4
Investment income	15	1,090.3	915.3	255.9	264.6
Transfer from investment and revaluation reserves		452.2	339.0	227.0	198.0
(Decrease)/increase in value of investments related to linked business		(13.5)	418.0	—	—
		4,159.4	3,650.8	875.6	836.0
<i>Less</i>					
Claims and surrenders		1,518.5	1,613.1	484.5	442.6
Commission and expenses		497.8	377.8	166.4	158.4
Tax	6	91.1	72.4	23.6	30.5
Increase/(decrease) in insurance liability		1,298.1	855.7	(145.9)	(139.8)
		3,405.5	2,919.0	528.6	491.7
Surplus for distribution		753.9	731.8	347.0	344.3
Policyholders' bonuses		669.4	656.5	323.2	320.9
Shareholders' profit after tax		84.5	75.3	23.8	23.4
Shareholders' tax	6	34.9	35.6	10.7	11.2
Transfer of shareholders' profit and attributable tax to the consolidated profit and loss account		119.4	110.9	34.5	34.6
The shareholders' profits from long-term business are analysed as follows:					
Life (non-linked)		110.5	100.8	34.5	34.6
Linked business		(0.8)	2.9	—	—
Long-term accident and disability		9.7	7.2	—	—
		119.4	110.9	34.5	34.6
Long-term business balance sheet					
	Note	1987 £m	1986 £m		
Investments					
Ordinary shares		10,422.4	11,204.7		
Properties		4,052.2	3,471.6		
British Government securities		2,534.6	2,364.4		
Other fixed income securities		4,394.4	4,012.7		
Mortgages and loans		1,056.9	894.6		
		22,460.5	21,948.0		
Other assets					
Fixed assets		5.5	2.1		
Tax recoverable		10.6	17.0		
Debtors		589.5	584.1		
Deposits, bank balances and cash		1,074.8	905.9		
		24,140.9	23,457.1		
<i>Less</i>					
Other liabilities and provisions					
Outstanding claims		106.5	108.9		
Other creditors		419.6	379.4		
Bank loans and overdrafts	13	412.8	269.1		
Other borrowings	13	104.0	182.0		
Taxation		42.5	26.3		
Deferred taxation		23.3	15.0		
		1,108.7	980.7		
		23,032.2	22,476.4		
Insurance funds – ordinary long-term					
– industrial life		13,250.4	12,425.2		
		2,783.4	2,608.6		
Investment and revaluation reserves					
		6,998.4	7,442.6		
		23,032.2	22,476.4		

NOTES ON THE ACCOUNTS

5 General insurance and shareholders' funds

General insurance business revenue account	Note	1987 £m	1986 £m
Premiums written		859.3	874.3
Less: Increase in insurance liability		72.6	101.9
		786.7	772.4
<i>Less</i>			
Claims		541.0	557.2
Commission		148.3	156.7
Expenses		170.2	158.4
		859.5	872.3
Underwriting result	17	(72.8)	(99.9)
Investment income	15	92.1	86.1
Investment gains		21.7	32.1
Transfer to consolidated profit and loss account		41.0	18.3

Shareholders' and general insurance balance sheets	Note	Shareholders' 1987 £m	Shareholders' 1986 £m	General insurance business 1987 £m	General insurance business 1986 £m
<i>Investments</i>					
Ordinary shares		339.2	322.8	211.2	275.5
Properties		43.0	36.7	4.6	5.7
British Government securities		27.9	66.0	251.8	226.6
Other fixed income securities		178.3	178.1	483.0	495.9
Mortgages and loans		14.5	13.2	33.7	38.9
		602.9	616.8	984.3	1,042.6
<i>Other assets</i>					
Fixed assets		36.6	24.6	8.8	6.7
Tax recoverable		6.3	2.7	—	5.6
Debtors		350.1	362.3	417.8	356.5
Deposits, bank balances and cash		238.3	262.3	139.9	126.0
		1,234.2	1,268.7	1,550.8	1,537.4
<i>Less</i>					
<i>Other liabilities and provisions</i>					
Outstanding claims		—	—	350.9	351.4
Other creditors		209.2	214.6	357.6	355.6
Bank loans and overdrafts	13	102.5	286.7	7.3	6.8
Other borrowings	13	336.0	103.5	1.1	1.4
Deferred taxation		(7.2)	4.4	2.5	(3.8)
Taxation		4.2	3.4	5.8	2.2
Final dividend		82.4	69.0	—	—
		727.1	681.6	725.2	713.6
		507.1	587.1	825.6	823.8
<i>Less</i>					
Minority interests		0.8	5.8	—	—
		506.3	581.3	825.6	823.8
<i>Shareholders' funds</i>					
Shareholders' funds		506.3	581.3	—	—
General insurance fund	12	—	—	825.6	823.8
		506.3	581.3	825.6	823.8

NOTES ON THE ACCOUNTS

6 Taxation

The table below gives details of the tax charged on all profits and income earned to date included in the consolidated profit and loss account on page 40 and in the revenue accounts (see notes 4 and 5 on pages 47 and 48). UK Corporation tax has been charged at 35% for 1987 (40% less reliefs for the period up to 31 March 1986 and 35% for the period 1 April to 31 December 1986).

	Ordinary long-term business		Industrial life business		General insurance & shareholders	
	1987 £m	1986 £m	1987 £m	1986 £m	1987 £m	1986 £m
Corporation tax	11.9	19.8	2.0	2.8	12.5	2.6
Double taxation relief	(0.7)	(2.5)	(1.3)	(1.7)	(7.2)	(6.3)
	11.2	17.3	0.7	1.1	5.3	(3.7)
Taxation charged on averaged realised gains credited to profit and loss account (see note 2(e))	—	—	—	—	13.6	11.9
Tax on franked investment income	43.5	36.1	21.0	30.6	5.4	5.2
Overseas tax	26.7	22.4	1.3	1.8	12.0	7.4
	81.4	75.8	23.0	33.5	36.3	20.8
Adjustments re prior years	10.5	(3.2)	(1.3)	(0.2)	0.7	4.3
	91.9	72.6	21.7	33.3	37.0	25.1
Deferred tax						
Current year	(0.8)	(0.3)	1.9	(2.8)	(15.7)	(0.8)
Prior years	—	0.1	—	—	0.8	0.2
	91.1	72.4	23.6	30.5	22.1	24.5
Shareholders' attributable tax	(34.9)	(35.6)	(10.7)	(11.2)	45.6	46.8
	56.2	36.8	12.9	19.3	67.7	71.3

Taxation charged in the year against reserves amounts to £97.9m (£98.1m), as follows:

	Share Premium Account (Re debenture issue expenses)		Revaluation Reserves		Other Reserves	
	1987 £m	1986 £m	1987 £m	1986 £m	1987 £m	1986 £m
Current tax	(2.6)	—	—	—	83.2	98.1
Deferred tax	—	—	4.5	—	12.8	—
	(2.6)	—	4.5	—	96.0	98.1

Deferred taxation in the balance sheet of the Company relates to short-term timing differences. Deferred taxation in the consolidated balance sheet relates to:

	Potential liability 1987 £m	Amount provided 1987 £m	Potential liability 1986 £m	Amount provided 1986 £m
Short-term timing differences	44.3	33.8	27.4	23.5
Capital allowances	11.8	(1.2)	15.0	(0.5)
General insurance business reserves	(21.1)	(14.0)	(11.0)	(7.4)
	35.0	18.6	31.4	15.6

The maximum tax payable if investments were disposed of at the values shown based on a Corporation tax rate of 35% (35%) and a reduced rate applicable to life policyholders' chargeable gains of 30% (30%), is £990m (£1,606m) subject to the UK budget proposals' being enacted. No provision has been made in the accounts for these amounts.

7 Major shareholdings

The Group holds shares in 53 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 and in a further 49 companies in which the holding exceeds one-tenth.

In view of the number involved and as they do not materially affect the profit of the Group or the amount of its assets, details relating to individual companies are not shown. Of these companies, 45 come within the definition of an associated company but due to their insignificance and the fact that they are held mainly as investments of the life funds they are not disclosed (see note 2b).

8 Profit of the Company

	1987 £m	1986 £m
Profit of the Company for the year after tax	127.1	125.2
Less dividends	124.4	105.2
Movement in retained profit of the Company	2.7	20.0

NOTES ON THE ACCOUNTS

9 Share capital

The Company's authorised share capital is £120,000,000 in 480,000,000 shares of 25p each of which 365,598,318 shares have been allotted, called up and fully paid.

During the year the Company issued shares as follows:

	Number of shares	Consideration £
Shares issued to acquire estate agencies	3,181,335	26,741,847
Allotments under the Prudential Savings-Related Share Option Scheme	41,938	152,755

Under the Prudential Savings-Related Share Option Scheme, employees in the Group have options over:

Options ordinarily exercisable	Number of shares	Option price
1988 to 1990	1,793,172	359.73p
1989 to 1991	153,532	401.28p
1990 to 1992	466,855	524.97p
1991 to 1993	254,530	804.45p
1992 to 1994	359,759	786.00p

Under executive share option schemes the following options have been granted:

Options ordinarily exercisable	Number of shares	Option price
1988 to 1995	892,238	641.10p
1989 to 1996	31,770	885.65p
1989 to 1996	440,000	848.00p
1989 to 1996	22,500	842.00p
1990 to 1997	108,600	876.00p
1990 to 1997	811,100	995.00p

The option prices shown above have been adjusted for the effects of the rights issue made during 1986.

10 Share premium and capital reserve

Movements on the share premium and capital reserve accounts during 1987 were as follows:

	Group Share premium £m	Company Share premium £m	Capital reserve £m
Balance at beginning of year	—	—	348.9
Arising on issue of shares during the year	26.1	26.1	—
Expenses of debenture issues (net of tax relief)	(4.8)	(4.8)	—
Write-off of amount due from a subsidiary company	—	—	(157.7)
Balance at end of year	21.3	21.3	191.2

The write-off of amount due from a subsidiary company represents goodwill arising in the current and prior years on purchases of estate agencies by the subsidiary which have been financed by the Company.

11 Analysis of reserves

Movements on reserves during 1987 were as follows:

	Re- valuation £m	Deferred gains £m	Retained profit £m	Total £m
Balance at beginning of year	396.6	42.9	51.2	490.7
Profit for the year	—	—	50.1	50.1
Goodwill written off	(72.0)	—	—	(72.0)
Investment gains/(losses) and other movements	(103.2)	17.5	10.5	(75.2)
Balance at end of year	221.4	60.4	111.8	393.6

12 General insurance business

The overall effect of discounting, which has been applied at a rate of 5%, is to reduce the general insurance business fund at 31 December 1987 by £63.7m (£55.3m) and to increase the Group profit before tax by £8.8m (£4.9m).

NOTES ON THE ACCOUNTS

13 Borrowings

Borrowings are repayable as follows:	Long-term business		General insurance & Shareholders	
	Bank loans & overdrafts £m	Other borrowings £m	Bank loans & overdrafts £m	Other borrowings £m
In one year or less	412.8	53.0	109.8	1.3
Between one and two years	—	26.5	—	0.3
Between two and five years	—	24.5	—	2.0
In five years or more	—	—	—	333.5
	412.8	104.0	109.8	337.1

Of the other borrowings, loans amounting to £70.4m are secured, with interest payable at various rates. All bank loans and overdrafts are unsecured. A subsidiary has a 5½% loan stock of £0.5m repayable in 1988 secured by a floating charge on all its assets.

On 27 May 1987 the Company's wholly owned subsidiary, Prudential Finance BV issued DM300m 6% Guaranteed Notes 1997. The proceeds of this issue were swapped for US\$167.5m with interest payable at 9.64% in respect of half of the principal and at floating rates in respect of the balance. The entire proceeds of this issue were lent by debenture to the Company to enable it to repay short-term borrowings.

On 4 June 1987, £150m 9¾% Guaranteed Bonds 2007 were issued by Prudential Finance BV and the proceeds lent by debenture to the Company.

The Company has in issue Floating Rate Notes amounting to £100m repayable in 1995. On 7 December 1987 the Company lent £100m to Prudential Finance BV on terms equivalent to those applying to the Floating Rate Notes. Prudential Finance BV swapped this liability for US\$177.3m and lent the proceeds by debenture to the Company to enable it to repay short-term borrowings.

On 7 January 1988 Prudential Finance BV issued SF200m 4¾% Guaranteed Bonds 1988-98. The proceeds, which were swapped for US\$141m with interest payable at 9.97%, were also lent by debenture to the Company to repay short-term borrowings.

14 Shareholders' other income	1987 £m	1986 £m
Investment income	62.3	61.5
Investment gains	40.0	44.0
Corporate expenditure	(16.9)	(9.9)
Interest on borrowings	(37.3)	(12.4)
	48.1	83.2
Trading profits/(losses) from:		
Investment management (UK)	6.4	1.4
Unit trusts and PEPs	6.1	4.6
Estate agency	4.5	(2.1)
	65.1	87.1

15 Expenses deducted from investment income

Interest on loans and directly related investment expenses of a revenue nature have been deducted from 'investment income' in the revenue and profit and loss accounts.

The amounts, including those of long-term business and general insurance business, are as follows:

	1987 £m	1986 £m
Interest on loans repayable within 5 years	28.0	29.9
Interest on other loans	22.8	7.9
Investment expenses	71.4	64.5
	122.2	102.3

16 Investments of the Company

	British Government securities £m	Other fixed income securities £m
Market value at beginning of year	53.6	1.0
Less unrealised appreciation at beginning of year	0.1	—
Cost at beginning of year	53.5	1.0
Additions at cost	161.6	—
Sales at cost	(200.3)	(1.0)
Cost at end of year	14.8	—
Unrealised appreciation at end of year	0.4	—
Market value at end of year	15.2	—

All fixed income securities were quoted on recognised stock exchanges. As part of a reorganisation of the group structure, £70.6m of shares in certain principal subsidiaries were transferred to the Company during the year.

NOTES ON THE ACCOUNTS

17 Retained profit

The following amounts have been charged/(credited) against retained profit of the Group:

	1987 £m	1986 £m
General insurance provisions		
Asbestosis and other claims written in previous years	9.2	7.0
Environmental pollution claims	—	13.0
Closure costs of certain overseas branches	—	2.7
Cost of discontinuance of extended warranty business, including bad debt provisions	—	14.0
	9.2	36.7

Other

Financing cost related to the purchase of Jackson National Life Insurance Company	8.8	—
Profit on sale of the Group's interest in The Prudential Assurance Company of South Africa Limited	(16.5)	—
	(7.7)	—

18 Prudential Property Services Limited

During the year Prudential Property Services Limited, a subsidiary of the Company, acquired 91 estate agency businesses. The total cost of acquisition amounted to £77.1m of which £53.2m is being met in cash and the balance of £23.9m by the issue of Prudential Corporation shares.

The consideration for certain acquisitions is being discharged in instalments. At 31 December 1987 £19.4m of the total was outstanding, of which £6.1m will be met by further issues of Prudential Corporation shares.

19 Auditors' remuneration

The remuneration of the auditors of the Company and its subsidiaries excluding VAT amounted to £1,608,000 (£1,319,000).

20 Commitments

The Group is committed to capital expenditure not provided of £9.2m (£17.1m) and expenditure authorised but not contracted of £25.0m (£26.6m) in respect of purchases of estate agency businesses and fixed assets (other than investments).

21 Emoluments of senior employees

Employees of the Group in the United Kingdom whose emoluments exceeded £30,000:

Emoluments £	Managerial & administrative		Commission earning	
	1987	1986	1987	1986
30,001 to 35,000	323	171	250	105
35,001 to 40,000	132	96	98	50
40,001 to 45,000	52	56	51	23
45,001 to 50,000	25	24	27	7
50,001 to 55,000	14	12	8	5
55,001 to 60,000	19	13	7	1
60,001 to 65,000	8	4	4	1
65,001 to 70,000	7	2	1	2
70,001 to 75,000	8	2	—	—
75,001 to 80,000	3	—	1	—
80,001 to 85,000	—	—	1	—
85,001 to 90,000	—	1	2	—
90,001 to 95,000	1	—	—	—
105,001 to 110,000	2	—	—	1
110,001 to 115,000	2	—	—	—

NOTES ON THE ACCOUNTS

22 Emoluments of directors

The aggregate amount of the emoluments of the directors of the Company for the year was £1,129,280 (£885,252), of which £269,183 (£261,413) was in respect of services as a director.

In addition, contributions made to pension schemes for directors were £198,252 (£166,942).

The emoluments of the Chairman amounted to £55,863 (£50,000).

The emoluments of the highest paid director amounted to £197,279 (£137,686).

Emoluments		Number of directors	
£	£	1987	1986
1 to	5,000	2	2
10,001 to	15,000	8	8
15,001 to	20,000	2	2
20,001 to	25,000	2	3
25,001 to	30,000	1	—
45,001 to	50,000	—	1
55,001 to	60,000	1	—
85,001 to	90,000	—	3
105,001 to	110,000	—	1
110,001 to	115,000	—	1
115,001 to	120,000	2	—
125,001 to	130,000	1	—
130,001 to	135,000	1	—
135,001 to	140,000	—	1
165,001 to	170,000	1	—
195,001 to	200,000	1	—

23 Loans to and transactions with directors and officers

	Liability at 31 Dec 1987 £	Max liability during 1987 £	Liability at 1 Jan 1987 £
House purchase Loans			
R E Artus	30,000	30,000	25,000
F B Corby	25,000	25,000	25,000
D E Fellows	35,000	35,000	35,000
J A Freeman	30,000	30,000	30,000
B Medhurst	30,000	33,000	33,000
M G Newmarch	29,950	29,950	29,950
F G Wood	13,000	13,000	13,000
Loans on policies			
F B Corby	7,025	7,983	7,025
M G Newmarch	—	1,229	1,084

The house purchase loans are secured on the personal residences of the directors and repayment will be made from endowment policies. Interest on different portions of the loans ranges from 3.5% to 12%, the terms being no more favourable than those which were normally available to members of the staff when the loans were made.

The life policy loans are secured on endowment policies and repayment is made from the maturity monies or earlier at the borrowers' option, on terms available to all policyholders. The rate of interest applicable on 31 December 1987 was 13%.

There is no interest due and unpaid at 31 December 1987 on any of the above loans.

In order to enable Mr M G Newmarch more effectively to discharge his executive functions the Company and Mr Newmarch jointly purchased a residence in London at a total price (excluding the expenses of the purchase and subject to minor adjustments for certain works to be carried out) of £772,500 of which Mr Newmarch contributed £225,000. The property is held by Prudential Leasing Services Limited (a wholly owned subsidiary of the Company) and Mr Newmarch under the terms of a Trust Deed which apportions the expenses of maintenance and the proceeds of sale of the premises in the same proportions in which the purchase price was shared.

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

NOTES ON THE ACCOUNTS

24 Directors' shareholdings

	Interest in shares of 25p each of the Company		The Prudential Savings-Related Share Option Scheme		The Prudential Executive Share Option Scheme	
	31 Dec 1987	1 Jan 1987 (or appointment if later)	31 Dec 1987	1 Jan 1987 (or appointment if later)	31 Dec 1987	1 Jan 1987 (or appointment if later)
Lord Hunt of Tanworth	2,650	2,650				
M D Abrahams	2,400	2,400				
R E Artus	2,000	2,000	1,084 ^a	1,084 ^a	31,772 ^e	31,772 ^e
					10,000 ^f	10,000 ^f
					10,050 ^h	
					10,050 ⁱ	
Sir John Butterfield	2,400	2,400				
Lord Carr of Hadley	2,400	2,400				
F B Corby	1,400	2,400	1,084 ^a	1,084 ^a	68,841 ^e	68,841 ^e
			704 ^b	704 ^b	28,600 ^g	
D S Craigen	2,400	2,400				
Sir Ronald Dearing	500	500				
D E Fellows	2,400	2,400			26,477 ^e	26,477 ^e
					10,000 ^f	10,000 ^f
J A Freeman	1,250	1,250	1,334 ^c	1,334 ^c	26,477 ^e	26,477 ^e
					10,000 ^f	10,000 ^f
					8,800 ^h	
					8,800 ⁱ	
Sir Victor Garland	500	500				
Sir Trevor Holdsworth	500	500				
Sir Alex Jarratt	2,400	2,400				
B Medhurst	2,400	2,400	1,334 ^c	1,334 ^c	26,477 ^e	26,477 ^e
					10,000 ^f	10,000 ^f
					8,350 ^h	
					8,350 ⁱ	
P E Moody	2,400	2,400				
J A S Neave	280,939	280,939				
M G Newmarch	600	600	1,334 ^c	1,334 ^c	26,477 ^e	26,477 ^e
			838 ^d	838 ^d	10,000 ^f	10,000 ^f
					16,900 ^h	
					16,900 ⁱ	
J E Ramsden	2,880	2,880				
Lord Richardson of Duntisbourne	2,400	2,400				
F G Wood	2,814	2,814	1,084 ^a	1,084 ^a		
			704 ^b	704 ^b		

Notes

- a Exercisable Oct 1988 at 359.73p per share.
- b Exercisable April 1990 at 524.97p per share.
- c Exercisable Oct 1990 at 359.73p per share.
- d Exercisable April 1992 at 524.97p per share.
- e Exercisable normally between Oct 1988 and Oct 1995 at 641.1p per share.
- f Exercisable normally between Oct 1989 and Oct 1996 at 848p per share.
- g Exercisable normally between April 1990 and April 1997 at 876p per share.
- h Exercisable normally between Oct 1990 and Oct 1997 at 995p per share.
- i Exercisable normally between Oct 1993 and Oct 1997 at 995p per share.

Except as stated above none of the directors held an interest either at the beginning of the year or at the date of their appointment, if later, or at the end of the year in any shares in or debentures of the Company or its subsidiaries.

There has been no change in directors' shareholdings between 31 December 1987 and 31 March 1988.

ACTUARIAL REPORT AND REPORT OF THE AUDITORS

Actuarial report

Reports by the appointed actuaries of those insurance subsidiaries transacting long-term business which are required to comply with UK legislation show, in each case, that at 31 December 1987:

- (i) proper records have been kept adequate for the purpose of the valuation of the liabilities of such long-term business;
- (ii) the mathematical reserves constitute proper provision for the liabilities arising under or in connection with contracts for long-term business including any increase in those liabilities arising from a distribution of surplus as a result of an investigation into the financial condition of the long-term business;
- (iii) for the purpose of sub-paragraph (ii) above the liabilities have been assessed in accordance with Part VI of The Insurance Companies Regulations 1981 (as amended), in the context of assets valued in accordance with Part V of those Regulations; and
- (iv) the solvency margin is in excess of the minimum statutory solvency margin.

Reports by the actuaries of other insurance subsidiaries transacting long-term business show, in each case, that, at 31 December 1987 the aggregate amount of the liabilities under long-term business contracts did not exceed the value of the assets identified as representing such business.

The surpluses for distribution from long-term business were not materially affected by alterations in actuarial valuation bases.

F B Corby
Group Chief Executive
19 April 1988

Report of the auditors to the members of Prudential Corporation plc

We have audited the accounts on pages 40 to 55 in accordance with approved Auditing Standards.

In our opinion, the balance sheet of the Company gives a true and fair view of the state of the Company's affairs at 31 December 1987 and complies with the Companies Act 1985, and the consolidated accounts comply with the provisions of the Companies Act 1985 applicable to insurance companies.

Deloitte Haskins & Sells
Chartered Accountants
London
19 April 1988

GROUP MANAGEMENT

GROUP EXECUTIVE

EXECUTIVE DIRECTORS

Brian Corby FIA

Group Chief Executive

Ronald Artus FSIA

Group Chief Investment Manager
Chairman, Prudential Portfolio Managers
Chairman, Prudential Property Services

Derek Fellows FIA FPMI

Managing Director, UK Group Pensions Division
Chief Actuary, Prudential Assurance

Anthony Freeman FCA FCMA

Managing Director, UK Individual Division

Michael Lawrence FCA

Group Finance Director

Brian Medhurst FIA

Managing Director, International Division

Michael Newmarch

Chief Executive, Prudential Portfolio Managers
Chairman, Prudential Holborn

CENTRAL SERVICES

Michael Lawrence FCA

Group Finance Director

Reginald Paget FCCA

Group Taxation Manager

William Mills FCCA

Group Chief Accountant

Derek Fellows FIA FPMI

Chief Actuary,
Prudential Assurance

Cyril Barton FIA**Peter Clark FIA****David Linnell FIA FPMI**

Deputy Actuaries,
Prudential Assurance

Dennis Roper

Solicitor
Secretary & Group Legal Adviser

Alan Brakefield

Solicitor
Group Property Legal Adviser

Donald Sirkett FIA

General Manager, Group Strategic Planning

David Vevers

Group Public Affairs Manager

Geoffrey Keays MIPM

General Manager, Personnel & Administrative Services

Peter Sandham

Group Personnel Manager

Nicholas Alliston

Assistant General Manager,
Administrative Services

Ernest Morris

General Manager,
Management Services

Derek Nelson

Assistant General Manager,
Computer Operations

Barry Page FCI

Assistant General Manager,
Systems

UK INDIVIDUAL DIVISION

Anthony Freeman FCA FCMA

Managing Director

HOME SERVICE

Keith Bedell-Pearce

Director and General Manager, Field Operations and Marketing

John Savage FIA FPMI

Director of Administration

Colin Blythe FCCA

Head of Finance

Thomas Boardman FIA

Life Administration Manager

Anthony Burgess

Assistant General Manager,
Field Operations

John Collins FCII

Deputy General Manager,
Field Operations

Terence Morley

Assistant General Manager,
Field Operations

Timothy Richards FIA

Planning and Development Manager

William Scott FIPM

Assistant General Manager,
Field Staff Industrial Relations

Terence Shrimpton

National Sales Manager

William Thurston

Head of Personnel

Mark Trayhorn FIA

General Insurance Manager

Laurence Warrilow FIA

Life Actuary

David West

Information Systems Manager

COMMERCIAL AND BROKER GENERAL INSURANCE

John Powell ACIB

Managing Director

Gordon Hart FCII

Business Development Director

Phillip Smith FCMA

Finance Director

PRUDENTIAL PROPERTY SERVICES

Ronald Artus FSIA

Chairman

Joseph Bradley ACMA

Managing Director

Michael Sullivan FCA

Finance Director

Anthony Ekins

Operations Director

PRUDENTIAL HOLBORN

Michael Newmarch

Chairman

Alan Wren

Chief Executive

Derek Austen FCA

Finance & Systems

Michael Nevill ACII

Sales Director

Trevor Pullen

Investment Director

UK GROUP PENSIONS DIVISION

Derek Fellows FIA FPMI
Managing Director

Andrew Benke FIA FPMI
General Manager, Pensions

Anthony Kerslake FIA
James Mochrie FCII FPMI
Assistant General Managers,
Pensions

Robert Bridges FCII APMI
Sales & Marketing Manager,
Corporate Pensions

MERCANTILE AND GENERAL REINSURANCE

John Lock FCII
General Manager

Peter Crane FCA FCIS
Michael Harvey FCA
Hugh Jarvis FIA
Robin Snook
Deputy General Managers

Michael Brown FIA ASA
Chief Actuary

John Austin
Ronald Edlin ACIS
Peter Edwards FCII
Colin Fewell FCII
Thomas Manley
Leslie McKinnes ACII
Roger Sansom FIA
Assistant General Managers

AUSTRALIA

Stephen France FAII
General Manager

CANADA

Donald Batten FIIC FAIC
President (Mercantile and
General Reinsurance
Company of Canada)

Peter Patterson FSA FCIA
President, North American
Life Operations

SOUTH AFRICA

Anthony Hart FFA AIA ASA
General Manager

UNITED STATES

Paul Hawksworth
President (Mercantile and
General Reinsurance
Company of America)

Peter Patterson FSA FCIA
President (Mercantile and
General Life Reassurance
Company of America)

PRUDENTIAL PORTFOLIO MANAGERS

Ronald Artus FSIA
Chairman

Michael Newmarch
Deputy Chairman & Chief
Executive

Derek Austen FCA
Finance Director

Richard Gawthome FCA
Venture Capital & Corporate
Finance Director

David Hanson FIA
Administration Director

Michael Mallinson FRICS
Property Director

Peter Nowell FIA
Fixed Interest Director

Trevor Pullen
Equities Director

Giles Weaver
Pensions Management
Director

Kenneth West
Research Director

INTERNATIONAL DIVISION

Brian Medhurst FIA
Managing Director

Frank Simpson ACII
James Sutcliffe FIA
General Managers

Charles Boucher FCA FCT
Finance Director

James Hayler FCII
Assistant General Manager

Graham Clay FIA
Assistant General Manager
& Actuary

AUSTRALIA

Barrie Martin AAIL
General Manager

BELGIUM

Etienne Diercxsens
Managing Director
(L'Escaut)

CANADA

John Rowen FIIC
President, Property &
Casualty Operations

Michael Beck FSA FCIA
President, Life & Pensions
Operations

REPUBLIC OF IRELAND

Frank MacHugh
Managing Director
(Prudential Life of Ireland)

UNITED STATES

Tony Pasant
Chairman & President
(Jackson National Life)

REDEVELOPMENT OF HEAD OFFICE



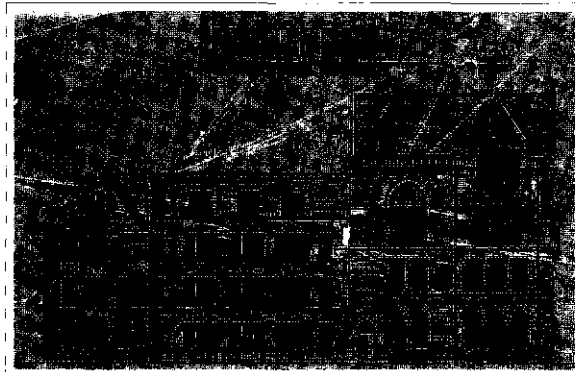
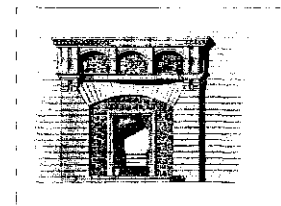
Redevelopment plans for 142 Holborn Bars

142 Holborn Bars which houses the head office of Prudential Corporation and the Chief Office of Prudential Assurance, was first occupied by the Prudential in 1879. Designed by Alfred Waterhouse, who was subsequently to extend his original design for the Holborn building and to design some 22 other buildings for Prudential Assurance, it has become one of the best known landmarks in London.

Greville House (1914) and Hardwicke House (1937) were built on the northern side of Greville Street, to the rear of the Waterhouse building, to provide the extra space demanded by the expansion of the Prudential.

It has been clear for some time, however, that a major programme of refurbishment is necessary. The current buildings in the complex constrict circulation, create security problems, are unable to provide large open plan office areas and prevent the flexible distribution of mechanical, electrical and information technology services. As a result, planning application for a major redevelopment of the site was lodged with the Borough of Camden and the Corporation of London in 1987. The plans, designed by Prudential's own in-house architectural team, strike a sensitive balance between conservation and renewal. While they retain the best of the architectural features of the Grade II listed building, including the main Holborn frontage, they will also create an efficient and modern working environment.

In drawing up plans for the redevelopment, which readily recognises the great architectural significance of many areas of Holborn Bars, Prudential consulted more than twenty specialist organisations as well as the two local authorities whose boundary passes through the centre of the building.



REDEVELOPMENT OF HEAD OFFICE

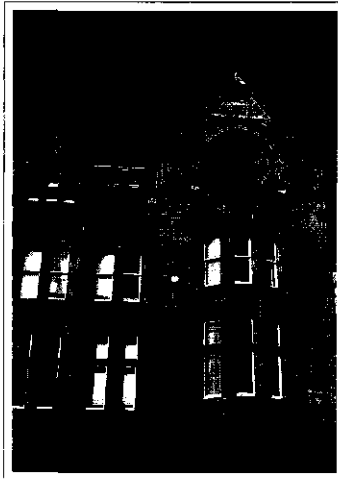
The proposals have already been welcomed by the Victorian Society, English Heritage Trust and the Royal Fine Arts Commission, all of which were consulted at an early stage.

Under the scheme it is proposed to redevelop in matching stone the part of the Waterhouse building backing on to Greville Street and all of the 1930s Brooke Street wing barring its Holborn facade.

The scheme also proposes the closure of the western end of Greville Street (between Brooke Street and Leather Lane) with construction over this area and the areas presently occupied by Greville and Hardwicke House.

Focal point of the entire complex would be the courts of Holborn Bars – in the form of piazza style areas – once again open to the public, as in their former Furnival Inn days.

The planning decision is expected in the middle of 1988. If the application is successful work should begin in mid-1989 with completion scheduled for early 1993.



The professional team for the redevelopment project are:

Architects

PRUDENTIAL PORTFOLIO MANAGERS

Engineers

OVE ARUP PARTNERSHIP

Quantity Surveyors

GARDINER & THEOBALD

Space Planners

D E G W

Traffic Consultants

ALASTAIR DICK ASSOCIATES

Planning Consultants

DRIVERS JONAS

Programming Consultants

JOHNSON, JACKSON & JEFF

