

1976

One Hundred and Twenty Eighth Annual Report and Statement of Accounts.
The Prudential Assurance Company Limited



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This 27 storey office tower of the Ocean Building, completed in 1974, is a new landmark on the Singapore skyline. The left-hand inset picture shows the main office of the headquarters of the Company's south-east Asian operations, which is housed in the top floor of this building. Our Singapore branch was one of the original partners in the financing of this development. The right-hand inset picture shows our City Office in London from which general insurance business is written on a worldwide basis.

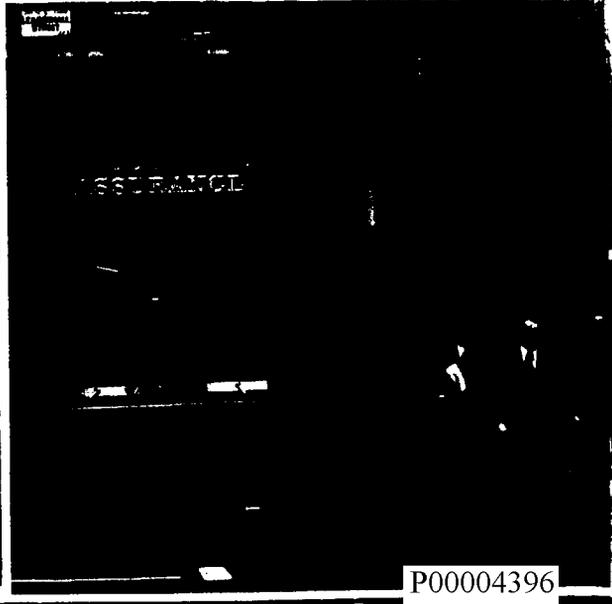
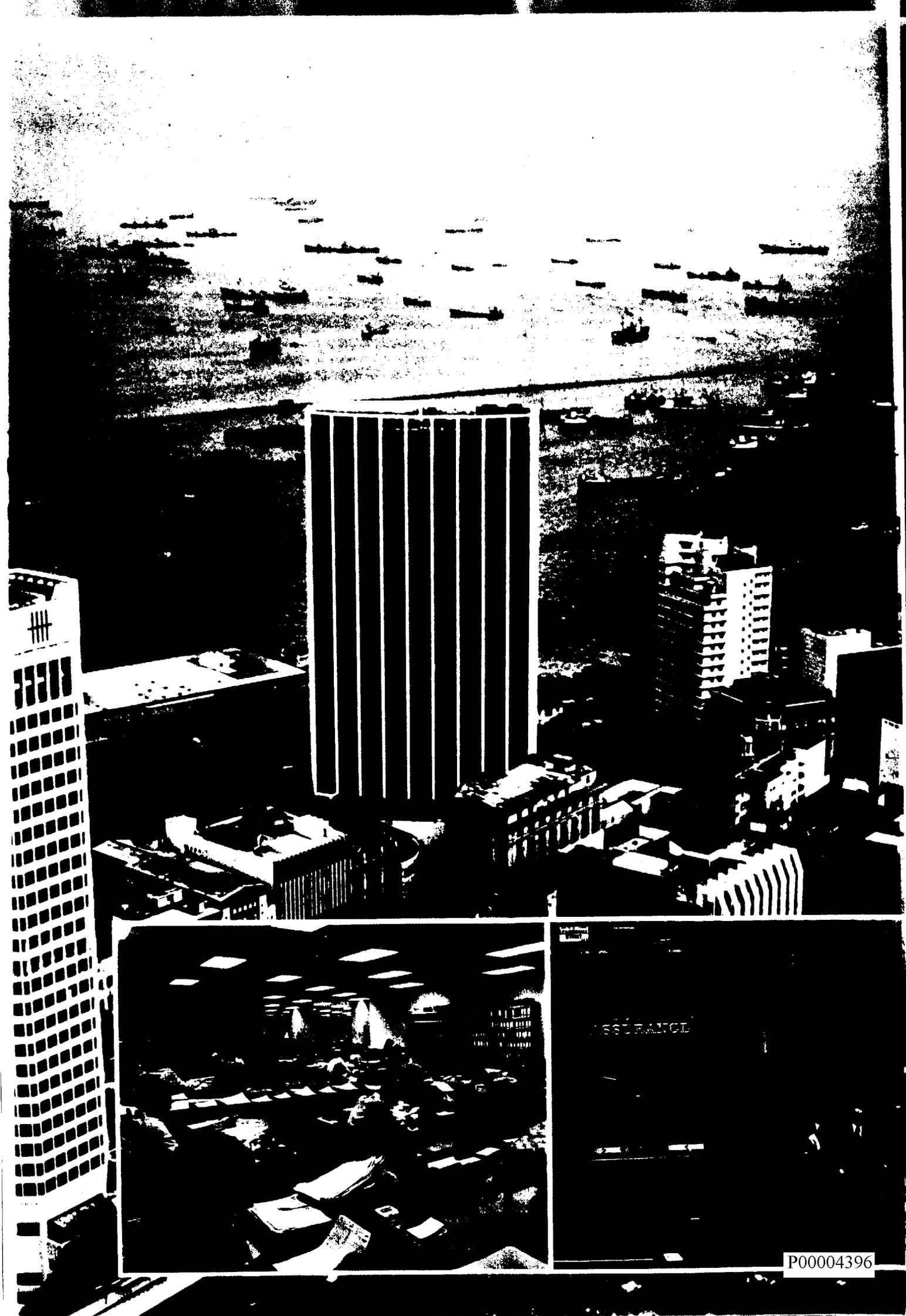
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This imposing building in Place Ville Marie is the head office of the Royal Bank of Canada, the country's largest financial institution. It is the Company's principal bank in Canada and is opposite the Head Office of our Canadian Branch in Montreal. The Branch's investment in the Common Stock of the Bank represents one of its major shareholdings. The inset picture is of the foyer of the new Prudential building in Toronto, which houses a life branch, a general insurance branch and various other offices of the Company.

The Prudential Assurance Company Limited

President

Sir John Serocold Paget Mellor Bt

Directors

Ronald Hugh Owen FIA *Chairman*

Harry Gordon Clarke FIA *Deputy Chairman*

The Rt Hon James Edward Ramsden *Deputy Chairman*

John Anthony Tristram Barstow DSO TD DL

Leslie Brown FIA

The Rt Hon Lord Caccia GCMG GCVO

The Rt Hon Lord Carr of Hadley PC

Sir John Nicholson Hogg TD

Angus Fraser Murray CBE FIA

The Rt Hon Lord O'Brien of Lothbury GBE PC

Frank Mitchell Redington FIA

Desmond Arthur Reid

Sir Peter Frank Dalrymple Tennant CMG OBE

Kenneth Ascough Usherwood CBE FIA

Chief General Manager

W G Haslam DFC

General Managers

F B Corby MA FIA

D S Craigen BA

Deputy General Manager

D C Bourdon FIA

Assistant General Manager & Actuary (Overseas)

F G Wood FIA ACII

Assistant General Managers

A L Davis

N H Rogers FCII

J Hasloch ACCA ACII

F M Simpson ACII

A L Martin

R Worthy FCII

H A Metcalf MBE ERD ACII

Agency Managers

LD Cary

S C Young

PR Meikle ACII

Senior Fire & Accident Managers

WL Walker FCII

J R Wickison FCII

Deputy Manager—Management Services

J R Powell

Marine Underwriter

D J Jay ACII

Aviation Underwriter

C R Jeffs

Joint Secretaries & Investment Managers

R E Artus MA

P E Moody FIA

Deputy Investment Managers

B Medhurst MA FIA

D Sirkett BSc FIA

Chief Surveyor

E E Chapman MBE FRICS

Deputy Chief Surveyors

P G Green BSc FRICS

M H Mallinson FRICS

Senior Assistant Investment Managers

J W Findlay

M G Newmarch BSc

Assistant Secretaries

J A Freeman BCom FCA

C F M Lello FCCA

ACMA

Taxation Manager

E J Braybrook ACCA ACIS

Chief Actuary

R S Skerman CBE FIA

Actuary (UK)

Miss M C Allanach FIA

Group Pensions Manager

D E Fellows FIA

Deputy Actuary (UK)

C E Barton FIA

Deputy Group Pensions Managers

A L Laws FCII

J L Savage BSc FIA

Chief Legal Adviser

C F Whitehorn

General Manager for Australia & New Zealand

W H Lambert FISM FAIM

President for Canada

I D Mair FCII

General Manager for Southern Africa

J B Ellingham FIA

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Summary of Results

Abridged Group Profit and Loss Account year ended 31 December 1976

	1976 £m	1975 £m
Amounts credited in respect of insurance operations :		
Ordinary life assurance	9.9	8.5
Industrial life assurance	3.7	3.5
General insurance	6.3	3.3
	19.9	15.3
Other net credits	4.5	2.7
Profit available for distribution	24.4	18.0
Dividends paid and payable	16.6	14.8
Retained profits for year	7.8	3.2

Abridged Group Balance Sheet 31 December 1976

	1976 £m	1975 £m
Capital and reserves	114.3	103.6
Ordinary life assurance funds	2,851.6	2,495.4
Industrial life assurance funds	962.0	926.4
General insurance funds	251.1	189.9
	4,179.0	3,715.3
Investments	4,117.7	3,614.9
Net current assets	27.1	68.6
	4,144.8	3,683.5
Goodwill arising on consolidation	34.2	31.8
	4,179.0	3,715.3

Chairman's Statement

In the year under review group profits available for distribution, at £24.4m showed an increase of 36 per cent, and your Directors have indicated their intention that shareholders should receive a gross dividend for the year of 9.16p per share, an increase of 10 per cent over the total distribution for 1975. These results reflect increased profits both in the life branches and on the general insurance business. They would have been better still but for a disappointing general insurance underwriting out-turn which was influenced particularly by the heavy gales of January 1976 and the summer drought in the United Kingdom. Also in Belgium the authorities were unwilling to allow the motor premium increase necessary to restore the market in that country to a sound basis.

Over recent years a gradual but important change has been brought about in the structure of our business. We have for many years now held the leading position in the United Kingdom market for the smaller individual life assurance policies. Beyond this the Company's activities extended to general insurance based largely on domestic classes often sold in association with our individual life business, and overseas branch operations covering both life and general business in leading Commonwealth countries. By 1976, however, the life premium income of the Company, together with its subsidiary, Prudential Pensions Ltd, was derived approximately equally from UK individual assurance business in the Industrial Branch, UK individual assurances in the Ordinary Branch, UK group pension business, and overseas life business. The Prudential Group of companies as it has now developed has a much greater spread of activities across virtually the whole range of business in the insurance market, both at home and internationally. In addition to its traditional areas of strength, the life business of the Prudential Group now includes important contributions from its group pension business, from the top end of the market for individuals (sold through insurance brokers), and from reinsurance business, as well as a small but growing amount of life business sold in Europe.

Our general insurance business now has a premium income 8 times that of a decade ago, of which some two-thirds originates overseas and includes an important element of reinsurance business. Our capacity to respond flexibly within the Group to changing conditions in domestic and international insurance business is now immeasurably greater, and our degree of dependence upon the United Kingdom industrial life market is now much less. We have no doubt that the consolidation of this process of change will prove beneficial to the long term interests of our shareholders, our policyholders, and our staff.

This process of growth and adaptation has necessitated a significant increase in the Company's capital resources, accomplished in part by a rights

issue and in part by issuing our shares in consideration for shares in a reinsurance company, two investment trusts, and a property company. In 1976 the growth in the sterling value of premiums relating to overseas general business accelerated markedly, and this brought our ratio of surplus assets to premiums (the short term general business's "solvency margin") below a level we consider prudent as a base for future growth. We have, therefore, deemed it wise to improve our position in this respect and this has been accomplished by the successful outcome of the bid we made in April 1977 for the Standard Trust, which adds some £30m to the assets available for our solvency margin. At the end of 1976 these had amounted to £100.8m.

Inflation remains the principal problem that we face in developing our business, both domestically and internationally. It gives rise to serious difficulty in containing expenses within tolerable bounds in relation to premium income, and tends to undermine the prospects of satisfactory general insurance underwriting results, whilst international differences in inflation rates lead to a disturbing lack of stability in international currency values. In the United Kingdom 1976 opened with hopes high that good progress would be made in reducing our inflation rate closer to that of other leading industrial countries. As confidence in the effectiveness of official economic policies in securing this result waned, sterling weakened, and the prospect of lower rates of inflation receded further. The year ended with the Government seeking substantial financial support from the International Monetary Fund, and obtaining it subject to a number of conditions principally concerned with the rate of expansion of the domestic money supply and the level of Public Sector borrowing. Although the Government's monetary and fiscal policies now seem more likely to achieve some moderation in the rate of inflation, and to prevent the Public Sector from pre-empting an ever growing part of domestic resources, success greatly depends upon the nation's willingness to show a continuing sense of self-restraint in the field of incomes.

Financing Industry

The failure of the British economy to match the pace of progress achieved in most other industrialised countries has given rise to an unfortunate tendency for the various elements in the economy to attribute this failure to each other's deficiencies. The operations of the City in general, and its role in providing finance for industry and commerce in particular, have been the subject of much ill-informed criticism. It has been suggested that the financial system has failed to make funds available which would have enabled our industry to invest on a scale more comparable with that achieved in some other leading industrial countries. The evidence, however, is overwhelming that the low levels of investment reflect industry's unwillingness to invest more, caused by a low level of confidence in its being able to utilise additional plant

Chairman's Statement continued

fully and profitably. There is no evidence that when well run and profitable companies wish to raise money in order to finance the expansion and modernisation of plant they have been unable to do so. Indeed, the British financial system, so often referred to as the "City", offers one of the most sophisticated, innovative and flexible ranges of institutions geared to meeting the requirements of industry and commerce to be found anywhere in the world. We are confident that the Committee of Inquiry set up under the chairmanship of Sir Harold Wilson, to examine the working of the financial system, especially as it relates to the provision of finance for industry, will confirm that the City generally meets the demands upon it in an efficient and effective manner and adapts itself rapidly to new market requirements, although it may well be that the Committee will indicate some areas capable of improvement.

In order to help remedy the supposed deficiency of finance for investment in industry, the National Executive and then the Party Conference of the Labour Party, against the wishes of the present Government, have proposed the nationalisation of the leading clearing banks and insurance companies, including the Prudential. That such proposals could be seriously advocated as a solution to a problem which objective enquiry would show not to exist, is indicative of the sort of activity which tends to undermine commercial confidence in Britain and keep investment low. All too many supposed cures for the country's ills are at best irrelevant to our real problems, whilst the ready support these proposals receive in some quarters further erodes the confidence to invest. Valuable time and effort is taken up in demonstrating that the problem is not as claimed by those putting forward such proposals. There is much evidence that nationalisation of the leading insurance companies would be most unwelcome to the public and against the wishes of the bulk of their staffs. Great damage would be done to the industry's ability to earn foreign currency from its overseas operations. In many states of the USA, for example, nationalised foreign insurance companies are forbidden to transact business. For all these reasons I sincerely hope that nothing will come of this proposal, but we must be prepared for the recurrence of similarly motivated threats to the independence of the industry. The insurance industry in general, and in particular companies such as ours, must work to increase the public's awareness of the role we play in investing their savings on commercial terms with security and expertise, according to the varying pattern of demand for funds.

The Bullock Committee Report

The desirability is widely appreciated of achieving an improved sense of the essential long term community of interest between the employees of companies, whether they work on the shop floor or in the executive offices, and their shareholders—who are increasingly institutions managing the savings and

pension funds of those same employees. In the course of 1976 the Committee of Inquiry on Industrial Democracy, headed by Lord Bullock, reported, and the majority of its members advocated a radical reshaping of company board structures, such as would give trade unions equal representation with shareholders.

Any Government action arising out of the Bullock Committee Report will impinge on the Prudential in two ways—on our own organisation and on our role as investors. My predecessor's statement in our Annual Report for 1973 referred to a new phase of employee participation arrangements on which we were then embarking. We have made steady progress since then but there is still plenty of scope for further development, and our experience suggests that any attempt to force the pace would not have been conducive to faster progress. More generally, our wide and long experience as investors in British industry leads me to express our deep concern at the repercussions of the adoption of proposals similar to those advocated by the Bullock Committee's majority report. The Government's oft-stated aim is to encourage new investment in productive capacity with a particular emphasis on increasing our capacity to export. This calls for sufficient confidence to commit capital to projects which will take time to come to fruition, and legislation which impaired the emergence of such confidence would inevitably run counter to the Government's objective. Anything remotely resembling the Bullock majority proposals could not fail to generate disturbance and confrontation in the absence of general acceptance by all those involved in industry, which patently does not exist at present, and would be bound to have an adverse effect on confidence.

We are firmly convinced that any Government action at this stage should be confined to facilitating an evolutionary approach to greater employee participation without the loss of confidence and the mistrust associated with efforts to impose radical and rapid changes of an untried kind.

Occupational Pensions

The new State pension scheme, under which earnings related benefits will begin to accrue in addition to the existing flat rate pensions, is due to come into operation in April next year. Such indications as we have suggest that the majority of the larger companies are contemplating contracting-out of the earnings related component, but consideration of the alternative courses available involves complex issues. Moreover, if an employer's provisional decision is to contract-out, various essential steps have to be taken, including consultation with Trade Unions and the preparation of formal notices as well as the necessary amendments to scheme documents. All these procedures are inevitably time consuming. So, notwithstanding the economic uncertainties which are currently faced by employers, it is vital that

Chairman's Statement continued

decisions should be reached in the very near future if all the work is to be completed, and contracting-out certificates obtained from the Occupational Pensions Board, before April 1978.

Improvements in occupational pension schemes, other than those necessary to meet minimum levels for contracting-out, have continued to be inhibited by the pay-limits. It is to be hoped that economic conditions will soon permit more freedom in this respect. Notwithstanding all the uncertainties and constraints of recent years our group pensions business has continued to develop strongly.

Last June a White Paper was published on the role of members in running occupational pension schemes and on the information which members should have about their schemes. We are in sympathy with some of the objectives of the White Paper and believe that the discussion which it has promoted will lead to a greater understanding by members of the responsibilities involved in administering schemes and handling their investments. The proposal to achieve member participation in scheme management through legislation rather than through a code of good practice is more controversial and the proposal to give trade unions the right to appoint 50 per cent of the members of all bodies concerned with the general management of schemes, including the trustees, is objectionable. It seems to us that any provisions which might be implemented should be such as to allow companies and scheme members considerable freedom to devise arrangements best suited to their own particular schemes and needs.

Accounts

As envisaged in last year's statement the accounts of the Mercantile & General Reinsurance Company Limited have been consolidated on a current year basis, and all comparative figures have been appropriately adjusted.

It seems unlikely that inflation accounting will have a significant effect on insurance companies and until a Statement of Standard Accounting Practice has been issued and its application to these companies considered it has been decided not to present inflation adjusted accounts.

Appointments and Retirements

The death occurred in October last of Lord Strathalmond who joined our Board in January 1973 after a distinguished career in the oil industry. His contributions to our Board discussions were always helpful and incisive and we greatly miss his friendly presence.

Sir John Mellor's appointment as President of the Company comes to an end at the Annual General Meeting in June this year. His association with the Company dates back to 1941 when he was appointed to the now obsolete post of Shareholders'

Auditor. He subsequently served as a director for twenty-six years, six of which were as Deputy Chairman and five as Chairman. Sir John has throughout taken an extremely keen interest in all things Prudential and we all wish him continued good health.

Mr Leslie Brown retires this year by rotation and is not seeking re-election. Mr Brown joined the Company in 1919 and attained the position of Chief Investment Manager before being appointed to the Board. He has served as a director for twelve years including four years as a Deputy Chairman and was also the first Chairman of Prudential Unit Trust Managers Ltd and of Prudential Pensions Ltd. Mr Brown's long experience of our business and his wise counsel have been of the greatest value and we wish him well in his retirement.

Members of the Management who retired were Mr J E G English, Assistant General Manager, Mr S A Ryder, Agency Manager, and Mr A W McOwan, Senior Fire and Accident Manager. Each has made a significant contribution to the development of the Company's business. Promotions to the Management during the year were Mr N H Rogers and Mr W L Walker, and Mr J A Freeman has been appointed to the Management since the year end.

In September 1976 Mr A P Bodiley, President for Canada, retired after nearly eight years' service in this important position. Under his leadership our Branch in Canada made significant progress and we are glad that his long and varied experience will remain available to the Company as a member of the Branch Investment Committee. Mr I D Mair has succeeded him as President for Canada.

Mr H D McNairn, formerly General Manager for Canada, and Mr J E Morgan, a Deputy General Manager of the Royal Bank of Canada, retired during the year from our Canadian Branch Investment Committee. Their wise counsel will be greatly missed. However, we are pleased to announce the appointment to the Committee of Mr J N Cole, a former Vice Chairman of Wood Gundy Ltd.

In Australia the Branch Investment Committee has been fortunate in obtaining the services of Mr R M Whyte, formerly of Schroder International.

Staff

I should like to thank all our staff at home and overseas for their hard work during another difficult year. At a time when standards are falling in many fields, their reputation for service and integrity remains outstandingly high and all members can feel justly proud.

R H Owen
Chairman

19 May 1977.

Progress Report

[Comparison of 1976 figures in respect of overseas business with those for 1975 is affected by the fall in the value of sterling during 1976; see note (e) on page 30 for details of the treatment of exchange rates]

Ordinary Life Assurance

The following is a summary of the world wide business of the Company and Group.

	Company		Group	
	1976	1975	1976	1975
	£000	£000	£000	£000
New business for the year:				
Annual premium income	71,557	53,470	92,393	69,408
Single premiums and considerations	28,148	26,953	66,802	38,847
Business in force at end of year:				
Annual premium income	321,567	267,019	394,782	320,317
Sums assured, including bonus	18,397,916	14,652,003	25,209,285	19,671,774
Annuities per annum, including bonus and amounts to be purchased by future recurrent single premiums	535,022	450,005	568,710	478,901

United Kingdom

The Company's new annual premium income of £24.1m from individual assurances and annuities represented an increase of 14 per cent over the record results for 1975.

Considerations for immediate annuities and single premiums totalled £11.8m compared with £9.3m in 1975.

The Prudential Personal Retirement Plan for the self-employed, and those not covered by recognised pension schemes, attracted new annual premium income of £4.4m, a 28 per cent increase over 1975.

The Company's total revenue premium income from individual assurances and annuities was £145.8m as compared with £115.4m in 1975.

There has been further substantial progress in group pensions business. New annual premium income, including unit-linked pensions business written by our subsidiary Prudential Pensions Ltd., increased by 25 per cent to over £26m. Total revenue premium income has now reached over £125m per annum, an increase of 32 per cent over 1975, thus continuing the rapid growth rate of recent years and reflecting the confidence placed in our administration and investment services by employers throughout the country. The revenue premium income for group pensions business is now of the same order as that for the Company's individual Ordinary Branch business in the United Kingdom.

Overseas

The economic and fiscal problems which exist in many of the countries in which the Company operates have tended to have an adverse effect on the sales of new individual assurance and annuity contracts. In terms of local currencies, new annual premiums for individual assurances and annuities increased slightly, single premiums and annuity considerations for individual business increased by over 24 per cent, and new premium income for group life and pensions business increased by 10 per cent.

In terms of sterling the Company's total overseas revenue premium income in 1976 was £133.6m compared with £105.5m in 1975.

Progress Report continued

Subsidiary companies

There was substantial expansion in the life business of the Mercantile & General. New premium income in the United Kingdom and Overseas increased by 67 per cent to £13.1m and revenue premium income increased by 30 per cent to £43m.

Vanbrugh Life Assurance Limited, operating in the unit-linked market, recorded an extremely satisfactory year with new income of £35.3m single premiums and £5.3m annual premiums. This Company is now well established in the insurance broker market.

New annual and single premiums written by our Belgian subsidiary, L'Escaut, were substantially higher than in 1975 and the net life revenue premium income was £2.2m.

Transfer to Profit and Loss Account

The transfer to the Group Profit and Loss Account in respect of ordinary life assurance and reinsurance was £9.9m compared with £8.5m in 1975.

Industrial Life Assurance (all United Kingdom)

	Company	
	1976	1975
	£000	£000
New business annual premium income	30,000	25,533

Business in force at end of year:

Annual premium income	144,071	129,756
Sums assured, including bonus	2,906,766	2,667,974

An increase of 17 per cent in new premium income was achieved and there was an encouraging increase of 5 per cent in the number of new policies issued, thus reversing the trend of recent years.

The transfer to the Group Profit and Loss Account in respect of industrial life assurance was £3.7m compared with £3.5m in 1975.

Bonus Declaration

The rates of bonus declared on the Company's policies are set out in the report of the Chief Actuary on pages 36-42. For Ordinary Branch assurances in the United Kingdom the rate of reversionary bonus has been increased by 40p per £100 sum assured; increases have also been made in the rates of terminal bonus according to the year of issue and the scale has been extended to include policies issued in 1975. The large increase in reversionary bonus, which follows an increase of 30p per £100 sum assured last year, and the improvement in terminal bonuses, reflect the continued improvement in the return on our investments, as do the further substantial increases in the rates of bonus for United Kingdom group pensions and personal retirement plan policies.

In the Industrial Branch too there was an improvement in the return on our investments and the rate of reversionary bonus was maintained despite the effect on expenses of inflation over the last few years; the rates of terminal bonus were increased and the scale has been extended to include policies issued in 1973, 1974 and 1975.

Continued improvement in the investment return has enabled us to increase bonuses in several overseas countries.

General Insurance

Company Results

The combined long term and short term premium income amounted to £180m, an increase of £49m over 1975.

There was an underwriting loss of £4m compared with a loss of £2m in 1975. Gross investment income attributable to the short term account was £12.9m compared with £9.7m. The net surplus for the year transferred to Profit and Loss Account was £5.5m compared with £4.1m. A detailed statement of the Company's short term business appears on pages 44 and 45.

Progress Report continued

United Kingdom

Our fire and accident underwriting resulted in an overall loss of £2.9m compared with a profit of £2.6m for 1975. The property account was particularly unfavourable. The loss was centred in the domestic sector where apart from the continuing adverse effect of a relatively high level of inflation, the unusual weather resulted in heavy claims. The windstorms of January last year and the unprecedented number of subsidence claims following one of the driest summers on record cost the Company nearly £4m. Despite the continuing high level of material fire wastage, our commercial property and pecuniary loss accounts were again profitable.

The motor account produced an underwriting profit, but the number of claims notified towards the end of last year showed an increasing trend, no doubt as the result of bad weather conditions; this trend combined with the ever escalating costs of repairs and replacements demonstrates the need to keep our premium rates under regular review. The liability account made a welcome return to profitability.

Overseas

There was a continued improvement in our fire and accident experience overseas, leaving the underwriting account with a very small deficit of £0.1m compared with £4.4m for 1975.

Improved underwriting results in Canada, which accounts for about half of our general business overseas, were particularly welcome. We are sorry to record that in North West Territories, where for many years we have been the main insurer of workmen's compensation, that class of business has now been taken over by the government. The results in Australia also improved, in spite of a further strengthening of employers liability reserves. In New Zealand experience was poor. In South Africa unsettled conditions and keen market competition delayed the hoped-for improvement.

Direct and reinsurance business on overseas risks transacted in London suffered from some uneconomic rate-cutting and adverse experience in contractors' all risks insurances written in previous years, to which the market is slow to adjust.

Results from branches and agencies elsewhere were in most cases satisfactory though competition in the EEC countries is particularly intense. Following legislation in conformity with EEC Directives, we were able to extend our operations to the Republic of Ireland. In the course of the year we also commenced business in Saudi Arabia and the United Arab Emirates.

Marine & Aviation

The fear expressed last year that there was little prospect of any early recovery in these classes proved true. The account for the underwriting year 1974 closed with a deficit (before taking account of interest income) and the outlook for the open years 1975 and 1976 is not promising. Transfers have been made from profit and loss account to maintain these funds at appropriate levels.

Subsidiary Companies

The general reinsurance premiums of the Mercantile & General written in 1976 were £114.4m, an increase of £29.6m over 1975. The underwriting loss decreased from £5.5m to £4.4m due to an improvement in the fire and miscellaneous account.

The premium income of L'Escaut in 1976 was £27.3m an increase of £9.6m over 1975. With government restrictions still delaying the necessary increases in motor rates, an underwriting loss of £1.8m was incurred.

Group Results

The total premium income of the group increased by £88m to £322m; this includes £18.2m in respect of long term business. The solvency margin for the Group at 31 December 1976 was 33 per cent. The gross underwriting loss was £10.2m compared with a loss of £8.3m in 1975. Gross investment income was £21.5m compared with £15.7m. After tax, the general insurance surplus for the group transferred to Profit and Loss Account was £6.3m compared with £3.3m.

Progress Report continued

Investments

Substantial movements occurred during the year in the prices of United Kingdom equity and fixed interest securities influenced by crises of confidence at home and overseas concerning sterling and the management of the economy; however, prices ended the year little changed from twelve months earlier. Property values too were broadly unchanged with demand for prime properties remaining strong despite rental levels having failed in the short term to keep pace with inflation.

The investment of new money by our insurance subsidiaries forms an increasing part of the overall commitment by the Prudential to the different sectors of the financial markets, and the table below reflects this change of emphasis. The table also distinguishes between the life and general funds in view of their different investment requirements.

	Net Investment in 1976			
	Company		Group	
	Life	General	Life	General
	£m	£m	£m	£m
Funds arising in the United Kingdom				
British Government Securities	95	17	134	15
Other fixed interest (including mortgages on property)	5	12	(10)	15
Ordinary Shares	9	2	28	3
Property	51	—	72	2
	160	31	224	35
Funds arising overseas				
Fixed Interest (including mortgages on property)	57	18	62	37
Ordinary Shares	15	2	19	6
Property	12	—	12	—
	84	20	93	43

A major proportion of the year's new funds arising in the United Kingdom were applied to the purchase of gilt-edged securities which the Government were offering at particularly attractive yields. We continued to play our part in providing underwriting support for the new equity issues and a significant element of the new investment by the Company in ordinary shares was through taking up our share of rights issues. The funds assigned to property largely represented commitments on major office and shop developments begun in earlier years.

The investment of funds arising overseas was sharply up on the previous year when expressed in sterling and this was only partly accounted for by the weakness of sterling. The net purchases in local currency were increased by 22 per cent, a third of which can be attributed to a reduction in cash balances. Fixed interest securities and mortgages again predominated and at 72 per cent the proportion was similar to the previous year.

Rescue Consortium

The Company is participating in a consortium which has agreed to assume responsibility for the policies issued by London Indemnity and General Insurance Co. Ltd. which was placed in provisional liquidation in October 1974. A scheme of arrangement was approved by the Court in October 1976 and we have undertaken to act as agents for the consortium in administering the business on a fee basis.

Trusteeships

The amount of debenture and loan stocks for which the Company acts as Trustee exceeded £1,580m (£1,605m) at the end of the year.

Supplementary Information relating to the Group

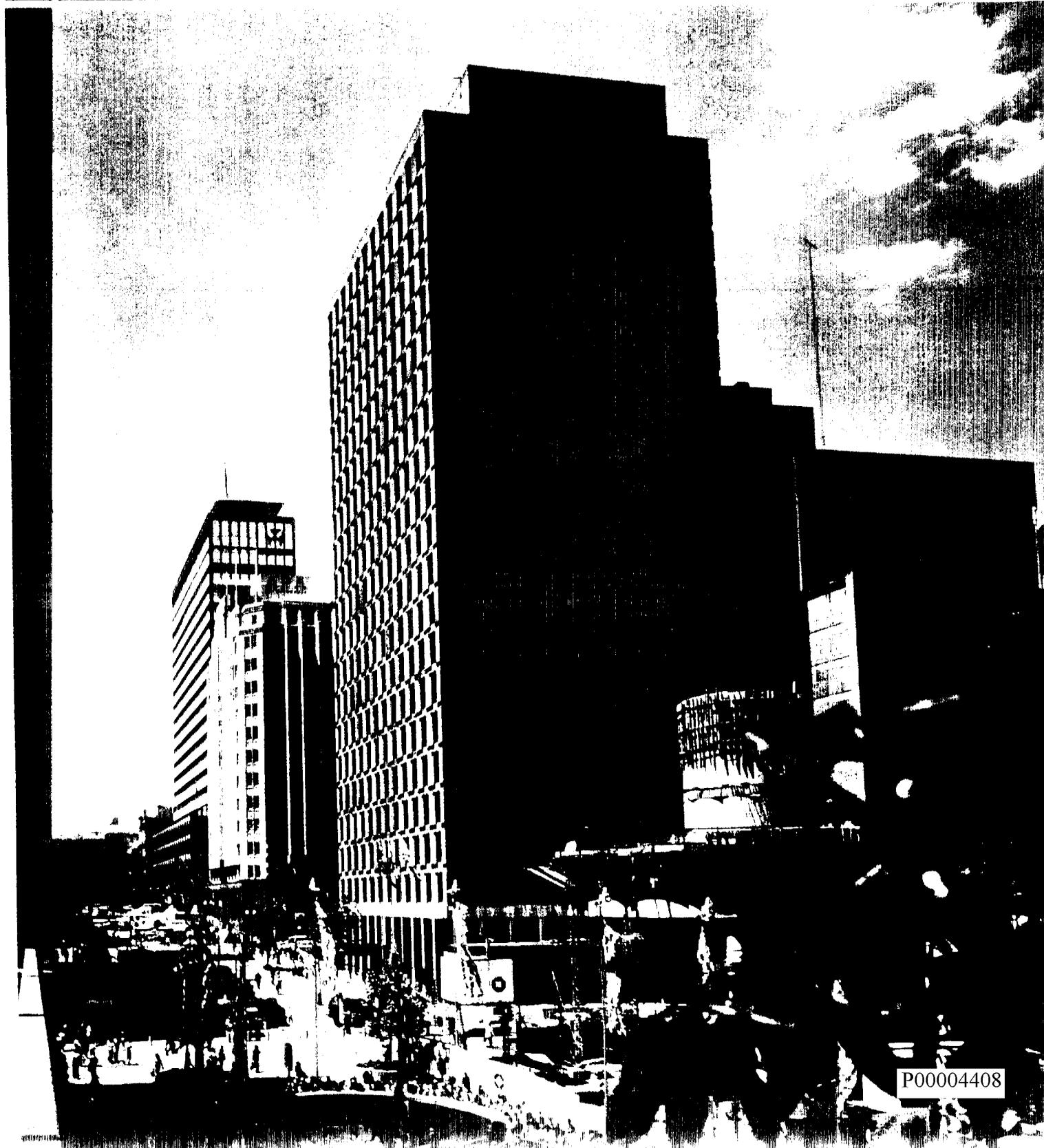
Geographical distribution of the business of the Group based on premium income

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

	Ordinary life assurance %	General insurance %
United Kingdom	66.0	33.8
EEC countries (other than UK)	0.8	16.7
Australia and New Zealand	10.2	7.5
Canada	11.4	21.5
South Africa	7.8	3.0
United States of America	0.5	2.9
Other territories	3.3	14.6
	100.0	100.0

Analysis of Shareholdings in the Company 31 December 1976

	1976 %	1975 %
Banks (mainly nominee holdings)	36.7	33.1
Insurance companies	11.3	11.4
Pension funds	12.3	12.3
Investment trusts	2.1	2.0
Other corporations	12.1	14.1
Individuals	25.5	27.1
	100.0	100.0



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Notice of Meeting

and

Directors' Report and Accounts for the year ended 31 December 1976

The Prudential's Australian Branch Head Office is set amidst the colourful activity of the Martin Place amphitheatre in Sydney, where daily entertainment is provided jointly by the City Council and various companies. The Australian branch has a large life, general insurance, and company pension business and has been operating for over 50 years. At the top of the page is a photograph of the progress on the construction of the West Gate Bridge, Melbourne, which will link the east and west of the City and divert heavy traffic from the centre. Our Australian branch has participated in the loans, guaranteed by the State of Victoria, by which this major project is being financed.

P00004409

1806-017

The Prudential Assurance Company Limited

Incorporated in England Regd. No. 15454

Notice is Hereby Given

that the Annual General Meeting of this Company will be held at the Registered Office of the Company, No. 142 Holborn Bars London EC1N 2NH on Thursday 23 June 1977 at 12.15 p.m. for the following purposes :

To receive the Directors' Report and Statement of Accounts for the year ended 31 December 1976

To re-elect Directors

To appoint Auditors

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

In connection with the re-election of Directors special notice has been given to the Company, pursuant to the Companies Act 1948, that separate resolutions will be moved proposing the re-election of The Rt Hon Lord O'Brien of Lothbury GBE PC and Mr Kenneth Ascough Usherwood CBE FIA who retire by rotation and who will be aged 69 and 72 respectively at the date of the Meeting.

By order of the Board of Directors

R E Artus,

P E Moody,

Joint Secretaries.

142 Holborn Bars London EC1N 2NH

28 May 1977

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

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

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

Directors' Report for the year ended 31 December 1976

Principal Activity

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

Accounts

Particulars of the subsidiary companies whose figures are included in the Group accounts are given in note 4 on the accounts on page 32. The accounts included for The Mercantile and General Reinsurance Company Limited are now on a current year basis. The previous year's figures have been adjusted accordingly. Other information in respect of the Company accounts is given on pages 43 to 46 and a Ten year review of the Group on page 47.

The Balance sheet total of the tangible assets is, Company £3,968,165,000 (£3,564,483,000) and Group £4,495,827,000 (£3,949,753,000). Income from all sources as shown in the Revenue and Profit and loss accounts for 1976, including part of unrealised margins of Investment over Balance sheet values in the two life accounts, amounted to, Company £1,050,056,000 (£856,087,000) and Group £1,324,101,000 (£1,057,812,000).

The Ordinary life Group Revenue account on page 20 shows that surplus for distribution was £150,519,000 (£130,800,000) and that of this amount £140,613,000 (£122,262,000) was allocated to policyholders for bonuses leaving £9,906,000 (£8,538,000) for transfer to Group Profit and loss account.

The Industrial life Revenue account on page 22 shows that surplus for distribution was £59,475,000 (£55,989,000) and that of this amount £55,753,000 (£52,531,000) was allocated to policyholders for bonuses, leaving £3,722,000 (£3,458,000) for transfer to Profit and loss account. Industrial life assurance business is not carried on by any of the subsidiary companies.

Profit and loss accounts

The accounts on page 26 combine transfers from the life and general accounts and other items of income and outgo not dealt with in those accounts with the balances brought forward from 1975.

Transfers to and from reserves, the Dividends declared and the balances carried forward are also included in these accounts on page 26.

Certificates

The Company is able to give, and its officers will sign and deposit with the Secretary of State, all those certificates which under the Insurance Companies (Accounts and Forms) Regulations 1968 (as amended) are required in relation to the Company for the year under review. The certificate of the Chief Actuary in accordance with the above Regulations is included in his Valuation Report on page 42.

Directors' Report continued

Dividends

The Directors have declared an immediate final dividend for 1976 of 3.752p per share payable on 23 June 1977 to shareholders on the Register at close of business on 26 May 1977. This dividend will carry, for shareholders resident in the United Kingdom, the right to a tax credit of 35/65ths amounting to 2.021p per share unless the rate is subsequently changed. The total dividend for the year, including the interim dividend of 2.200p paid in November 1976 amounts to 5.952p per share. Adding the tax credit, the equivalent gross dividend is 9.158p per share which compares with 8.326p per share for 1975. If the rate of tax credit becomes 33/67ths it would be the Directors' intention to declare a deferred final dividend of 0.116p per share in order to maintain the equivalent gross amount and this has been included in the amount provided for dividends in the accounts. The payment of such dividend would be made at the same time as the next year's interim.

Directors

The Directors retiring by rotation are The Rt Hon Lord O'Brien of Lothbury GBE PC, The Rt Hon James Edward Ramsden and Kenneth Ascough Usherwood CBE FIA. They offer themselves for re-election. Leslie Brown FIA also retires by rotation but does not offer himself for re-election. The Rt Hon Lord Strathalmond died on 27 October 1976.

Directors' Shareholdings

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

	Shares of 5p each			
	On 31.12.76		On 1.1.76 or subsequent appointment	
	Beneficially held	Other Interest	Beneficially held	Other Interest
R H Owen	6,000		3,600	
H G Clarke	4,824		4,824	
J E Ramsden	2,400	7,886	2,400	9,090
J A T Barstow	15,000	45,307	15,000	47,326
L Brown	6,336		6,336	
Lord Caccia	2,400		2,400	
Lord Carr of Hadley (elected 27 May 1976)	2,000		2,000	
Sir J N Hogg	4,392		4,392	
A F Murray	2,400	918	2,400	918
Lord O'Brien of Lothbury	2,400		2,400	
F M Redington	5,600		5,600	
D A Reid	152,256	417,207	152,256	476,946
Sir P F D Tennant	2,400		2,400	
K A Usherwood	4,800	360	4,800	

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

Between 31 December 1976 and 3 May 1977 the shareholding under 'Other Interest' of Mr K A Usherwood has been reduced by 360 shares and that of Mr J A T Barstow increased by 621 shares.

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

Directors' Report continued

Other Shareholdings

As far as the Directors were aware at 3 May 1977 no person had a shareholding of 5 per cent or more of the share capital of the Company.

Employees

The average number of persons employed by the Company and its subsidiaries in the United Kingdom in each week of 1976 was 22,183 and the aggregate remuneration paid or payable in respect of these employees during 1976 amounted to £88,258,566

Donations

During the year £76,631 was given by the Company and its subsidiaries for charitable purposes in the United Kingdom and £31,129 overseas.

Proposed Share Issue

As a consequence of the offer made for the capital of the Standard Trust Ltd in April 1977 25,677,833 5p shares will be issued. These shares will rank *pari passu* with the existing shares of the Company except that they will not rank for the final dividend declared on 30 March 1977 in respect of the year ended 31 December 1976.

Auditors

In accordance with Section 14 of the Companies Act 1976, a resolution proposing the re-appointment of Deloitte & Co as auditors to the company, will be put to the Annual General Meeting.

R H Owen,
Chairman
Holborn Bars
19 May 1977

Ordinary Life Assurance

Revenue Accounts year ended 31 December 1976

	<i>Company</i>		<i>Group</i>	
	1976	1975	1976	1975
	£000	£000	£000	£000
Income				
Premiums (other than single premiums)	327,604	267,345	400,150	318,649
Single premiums and considerations	53,144	31,180	77,551	43,708
Investment income (see note 1 <i>i</i> and page 43)	194,107	160,083	218,355	175,809
Part of unrealised margin of Investment over Balance sheet values (see note 1 <i>c</i>)	33,800	31,600	33,800	31,600
Transfers from the reserves of subsidiaries	—	—	544	1,974
	608,655	490,208	730,400	571,740
Outgo				
Claims and surrenders (see page 43)	207,387	174,693	228,025	172,135
Annuities	40,750	35,659	42,879	39,026
Commission	25,939	21,176	37,120	27,089
Expenses	49,562	43,327	57,612	48,766
Taxation (see note 1 <i>k</i>)	14,258	7,923	13,629	8,482
Decrease/(increase) in value of investments related to linked business (see note 1 <i>c</i>)	130	(7,723)	5,387	(18,442)
	338,026	275,055	384,652	277,056
Excess of Income over Outgo	270,629	215,153	345,748	294,684
Provision for increase in liability to policyholders	120,716	84,892	195,172	163,848
Surplus for year	149,913	130,261	150,576	130,836
Surplus carried forward last year	1,243	1,207	1,243	1,207
this year	1,300	1,243	1,300	1,243
Change in surplus carried forward	(57)	(36)	(57)	(36)
Surplus for distribution	149,856	130,225	150,519	130,800
Provision for policyholders' bonuses	140,478	122,183	140,613	122,262
Balance to Profit and loss account (page 26)	9,378	8,042	9,906	8,538

Fund Accounts year ended 31 December 1976

Amount of fund at beginning of year	2,223,774	1,673,629	2,481,361	1,850,016
Exchange adjustment (see note 1 <i>e</i>)	84,246	30,034	91,029	32,199
Transfer (to)/from Investment reserve account (see note 1 <i>d</i>)	(70,700)	313,000	(70,700)	313,000
Amount of fund at beginning of year after adjustments	2,237,320	2,016,663	2,501,690	2,195,215
Change in surplus carried forward	57	36	57	36
Provision for increase in liability to policyholders	120,716	84,892	195,172	163,848
Provision for policyholders' bonuses	140,478	122,183	140,613	122,262
Amount of fund at end of year	2,498,571	2,223,774	2,837,532	2,481,361

Ordinary Life Assurance

Balance Sheets 31 December 1976

	<i>Company</i>		<i>Group</i>	
	1976	1975	1976	1975
	£000	£000	£000	£000
Funds				
Life assurance fund	2,498,571	2,223,774	2,837,532	2,481,361
Contingency fund	14,000	14,000	14,000	14,000
	2,512,571	2,237,774	2,851,532	2,495,361
Investments				
British Government and British Government guaranteed securities	307,079	232,138	372,631	256,001
Other fixed income securities	491,272	466,061	544,910	518,166
Ordinary stocks and shares	640,998	559,033	748,561	644,267
Prudential Unit Trust units	13,200	13,001	13,200	13,001
Freehold and leasehold properties, rent charges and ground rents	669,599	588,183	755,759	660,606
Mortgages on property	249,359	219,005	260,789	241,518
Loans on policies and other loans	82,731	77,162	83,627	79,193
Subsidiaries (see notes 1b and 4)				
Fixed income securities	—	4,310	—	4,310
Ordinary stocks and shares	6,369	14,314	3,792	10,817
Unsecured loans	17,497	20,307	165	108
	2,478,104	2,193,514	2,783,434	2,427,987
Current assets				
Deposits at interest at home and overseas	8,530	4,360	8,530	4,360
Commission paid in advance	17,908	15,405	17,908	15,405
Outstanding premiums	8,015	7,378	8,385	7,581
Outstanding and accrued interest, dividends, rents and fees	33,648	25,553	34,770	26,377
Amounts due on reinsurance account	—	—	13,016	11,059
Amounts due from subsidiaries	191	245	20	18
Tax recoverable	403	—	2,393	—
Other debtors	3,487	2,668	5,981	6,123
Bank balances and cash:				
Deposits	53,405	65,763	79,154	84,255
Current account and cash	4,488	2,840	8,454	4,544
	2,608,179	2,317,726	2,962,025	2,586,709
Market value of assets (see note 1c)	2,672,098	2,357,088	3,030,303	2,627,598
<i>Less</i>				
Current liabilities				
Outstanding claims and annuities	21,948	19,268	29,101	24,351
Outstanding commission and expenses	6,833	5,879	7,075	5,912
Premiums received in advance	3,013	2,700	3,016	2,700
Amounts due on reinsurance account	—	—	822	37
Amounts due to subsidiaries	7,166	3,866	3,592	3,662
Taxation	—	2,502	—	1,573
Mortgage on property (see note 3)	204	—	204	—
Unsecured loans in overseas currencies (see note 3)	34,921	23,316	34,921	23,316
Other creditors	14,965	13,196	24,289	19,476
Loan stock of a subsidiary (see note 3)	—	—	900	1,046
Bank loan and overdraft	6,558	9,225	6,573	9,275
	95,608	79,952	110,493	91,348
	2,512,571	2,237,774	2,851,532	2,495,361

Industrial Life Assurance

Revenue Account year ended 31 December 1976

	<i>Company</i>	
	1976	1975
	£000	£000
Income		
Premiums	135,228	122,250
Investment income (see note 1i and page 43)	83,303	75,354
Part of unrealised margin of Investment over Balance sheet values (see note 1c)	20,100	14,200
	238,629	211,804
Outgo		
Claims and surrenders (see page 43)	116,595	105,075
Expenses	58,549	51,995
Taxation (see note 1k)	8,691	7,727
	183,835	164,797
Excess of Income over Outgo	54,794	47,007
Provision released on reduction in liability to policyholders	4,631	8,809
Surplus for year	59,425	55,816
Surplus carried forward last year	1,118	1,291
this year	1,068	1,118
Change in surplus carried forward	50	173
Surplus for distribution	59,475	55,989
Provision for policyholders' bonuses	55,753	52,531
Balance to Profit and loss account (page 26)	3,722	3,458

Fund Account year ended 31 December 1976

Amount of fund at beginning of year	904,855	791,306
Transfer (to)/from Investment reserve account (see note 1d)	(15,400)	70,000
Amount of fund at beginning of year after adjustment	889,455	861,306
Change in surplus carried forward	(50)	(173)
Provision released on reduction in liability to policyholders	(4,631)	(8,809)
Provision for policyholders' bonuses	55,753	52,531
Amount of fund at end of year	940,527	904,855

Industrial Life Assurance

Balance Sheet 31 December 1976

	<i>Company</i>	
	1976	1975
	£000	£000
Funds		
Life assurance fund	940,527	904,855
Contingency fund	21,500	21,500
	962,027	926,355
Investments		
British Government and British Government guaranteed securities	186,194	158,329
Other fixed income securities	129,451	121,718
Ordinary stocks and shares	332,776	343,357
Freehold and leasehold properties, rent charges and ground rents	247,696	241,550
Mortgages on property	77,298	68,117
Other loans	8,109	3,510
Subsidiaries (see note 4)		
Ordinary stocks and shares	1,611	1,611
Unsecured loans	1,163	968
	984,298	939,160
Current assets		
Outstanding and accrued interest, dividends, rents and fees	9,032	7,376
Amounts due from subsidiaries	499	152
Tax recoverable	2,302	340
Other debtors	3,302	2,492
Bank balances and cash :		
Deposits	32,976	31,680
Current account and cash	2,333	3,071
	1,034,742	984,271
Market value of assets (see note 1c)	1,294,475	1,255,731
<i>Less</i>		
Current liabilities		
Outstanding claims	3,507	3,274
Outstanding commission and expenses	2,194	2,132
Premiums received in advance	1,701	1,504
Amounts due to subsidiaries	1,742	1,913
Unsecured loans in overseas currencies (see note 3)	51,425	39,334
Other creditors	9,083	7,796
Bank overdraft	3,063	1,963
	72,715	57,916
	962,027	926,355

General Insurance

Revenue Accounts year ended 31 December 1976

	<i>Company Long-term</i>		<i>Company Short-term</i>		<i>Group</i>	
	1976 £000	1975 £000	1976 £000	1975 £000	1976 £000	1975 £000
Income						
Premiums	6,759	5,794	173,368	125,504	321,915	233,905
Investment income (see page 43)	892	653	—	—	2,748	1,629
	7,651	6,447	173,368	125,504	324,663	235,534
Outgo						
Claims	2,726	2,313	99,250	71,500	183,040	131,486
Commission	769	619	25,199	16,904	60,570	42,460
Expenses	1,688	1,473	37,852	28,588	49,763	37,836
Overseas taxes other than on profits	36	26	1,303	731	1,339	757
	5,219	4,431	163,604	117,723	294,712	212,539
Excess of Income over Outgo	2,432	2,016	9,764	7,781	29,951	22,995
Provision for increase in liability to policyholders	683	650	15,505	11,161	40,200	31,332
Gross underwriting profit/(loss)	1,749	1,366	(5,741)	(3,380)	(10,249)	(8,337)
Investment income (see note 1 <i>i</i> and page 43)	—	—	12,893	9,674	21,515	15,677
Gross surplus	1,749	1,366	7,152	6,294	11,266	7,340
Taxation (see note 1 <i>k</i>)	921	659	2,468	2,924	4,956	4,069
Net surplus for year transferred to Profit and loss account (page 26)	828	707	4,684	3,370	6,310	3,271

Fund Accounts year ended 31 December 1976

Amount of fund at beginning of year	4,809	3,954	67,161	53,761	189,882	150,318
Exchange adjustment (see note 1 <i>e</i>)	426	205	4,585	2,239	20,998	8,232
Amount of fund at beginning of year after adjustment	5,235	4,159	71,746	56,000	210,880	158,550
Provision for increase in liability to policyholders	683	650	15,505	11,161	40,200	31,332
Amount of fund at end of year	5,918	4,809	87,251	67,161	251,080	189,882

A detailed statement of the Company's Short-term business appears on pages 44 and 45.

General Insurance

Balance Sheets 31 December 1976

	<i>Company Long-term</i>		<i>Company Short-term</i>		<i>Group</i>	
	1976 £000	1975 £000	1976 £000	1975 £000	1976 £000	1975 £000
Funds						
Insurance Funds	5,918	4,809	87,251	67,161	251,080	189,882
Investments						
British Government and British						
Government guaranteed securities	1,240	680	9,034	9,370	20,051	21,698
Other fixed income securities	4,436	2,194	63,418	46,328	127,673	81,032
Ordinary stocks and shares	2,073	1,244	31,618	26,315	87,418	72,897
Freehold property	—	—	2,559	2,109	10,378	8,209
Mortgages on property	—	—	8,996	4,195	17,454	10,383
Other loans	500	—	4,483	2,616	4,986	2,619
Subsidiaries (see note 4)						
Ordinary stocks and shares	—	—	328	172	328	172
	8,249	4,118	120,436	91,105	268,288	197,010
Current assets						
Deposits at interest at home and overseas	1,026	462	10,973	7,926	11,999	8,388
Agents' balances	—	—	6,093	4,102	11,734	7,650
Outstanding premiums	5	—	24,091	17,398	25,722	18,481
Outstanding and accrued interest, dividends, rents and fees	100	42	1,126	963	2,292	1,621
Amounts due on reinsurance account	3	—	10,860	7,914	55,385	40,622
Amounts due from subsidiaries	—	—	1,513	1,267	—	—
Tax recoverable	—	—	448	503	709	87
Other debtors	9	460	2,584	2,513	6,178	6,562
Bank balances and cash:						
Deposits	145	2,162	16,771	28,955	21,720	33,851
Current account and cash	461	1,313	7,552	2,560	11,432	6,242
	9,998	8,557	202,447	165,206	415,459	320,514
Market value of assets (see note 1 c)	10,639	9,367	213,822	173,497	436,296	336,791
Less						
Current liabilities						
Outstanding claims	2,357	1,723	84,286	63,062	113,584	80,700
Outstanding commission and expenses	1	1	6,454	4,962	6,455	4,963
Premiums received in advance	—	4	322	334	775	690
Amounts due on reinsurance account	—	—	12,182	9,349	20,811	17,736
Amounts due to subsidiaries	—	—	245	345	245	345
Taxation	812	1,239	—	—	812	—
Unsecured loans in overseas currencies (see note 3)	—	—	2,136	1,766	2,136	1,766
Other creditors	861	781	7,840	6,745	18,107	13,970
Bank overdraft	49	—	1,731	11,482	1,454	10,462
	4,080	3,748	115,196	98,045	164,379	130,632
	5,918	4,809	87,251	67,161	251,080	189,882

Profit and Loss Accounts

year ended 31 December 1976

	<i>Company</i>		<i>Group</i>	
	1976	1975	1976	1975
	£000	£000	£000	£000
Transfer from Ordinary life assurance revenue account	9,378	8,042	9,906	8,538
Industrial life assurance revenue account	3,722	3,458	3,722	3,458
General insurance revenue account—Long-term	828	707	6,310	3,271
Short-term	4,684	3,370		
Investment and other income (see note 1 <i>i</i>)	8,666	4,533	8,700	4,421
Trustee and executor fees	194	194	194	194
Exchange difference	—	—	82	55
	27,472	20,304	28,914	19,937
<i>Less</i>				
Expenses	329	376	347	384
Taxation (see note 1 <i>k</i>)	4,203	1,836	4,132	1,581
	4,532	2,212	4,479	1,965
	22,940	18,092	24,435	17,972
<i>Add</i>				
Transfers from Inner reserve of a subsidiary	—	—	3,086	250
	22,940	18,092	27,521	18,222
<i>Less</i>				
Transfers to Short-term business Investment reserve account	—	(14,000)	282	(13,954)
Capital and Reserves Investment reserve account	—	12,000	—	12,000
General reserve	6,500	5,000	10,048	5,000
	16,440	15,092	17,191	15,176
Balance at beginning of year	866	533	1,550	1,133
	17,306	15,625	18,741	16,309
Balance for appropriation	17,306	15,625	18,741	16,309
Interim dividend	6,000	5,454	6,000	5,454
Final dividend payable (see page 18)	10,578	9,305	10,578	9,305
Dividends for the year	16,578	14,759	16,578	14,759
Balance at end of year	728	866	2,163	1,550

P00004420

Balance Sheets of the Company and of the Group

31 December 1976

	<i>Company</i>		<i>Group</i>	
	1976	1975	1976	1975
	£000	£000	£000	£000
Capital, Reserves and Funds				
Capital (see note 2)				
Issued and fully paid 272,710,421 shares of 5p each	13,636	13,636	13,636	13,636
Share premium account	78,471	78,471	78,471	78,471
General reserve	16,500	10,000	20,048	10,000
Profit and loss account	728	866	2,163	1,550
Ordinary life assurance funds	2,512,571	2,237,774	2,851,532	2,495,361
Industrial life assurance funds	962,027	926,355	962,027	926,355
General insurance funds —Long-term	5,918	4,809	251,080	189,882
Short-term	87,251	67,161		
	3,677,102	3,339,072	4,178,957	3,715,255
Investments				
British Government and British Government guaranteed securities	552,207	432,561	628,817	469,430
Other fixed income securities	702,063	637,269	821,299	724,658
Ordinary stocks and shares	1,007,465	932,798	1,177,684	1,070,352
Prudential Unit Trust units	13,200	13,001	13,200	13,001
Freehold and leasehold properties, rent charges and ground rents	921,639	833,684	1,016,505	913,020
Mortgages on property	335,653	291,317	356,083	320,443
Loans on policies and other loans	95,823	83,288	96,723	85,321
Subsidiaries (see notes 1b and 4)				
Fixed income securities	—	4,310	—	4,310
Ordinary stocks and shares	57,781	61,961	6,036	13,255
Unsecured loans	18,860	21,275	1,328	1,076
	3,704,491	3,311,464	4,117,675	3,614,866
Current assets				
Deposits at interest at home and overseas	20,529	12,748	20,529	12,748
Agents' balances	6,093	4,102	11,734	7,650
Commission paid in advance	17,908	15,405	17,908	15,405
Outstanding premiums	32,111	24,776	34,107	26,062
Outstanding and accrued interest, dividends, rents and fees	44,752	34,133	46,940	35,605
Amounts due on reinsurance account	10,863	7,914	68,364	51,448
Amounts due from subsidiaries	1,873	1,631	177	136
Tax recoverable	448	—	2,529	—
Other debtors	8,051	7,503	14,333	13,550
Bank balances and cash:				
Deposits	106,538	137,560	138,768	159,146
Current account and cash	14,508	7,247	22,763	13,137
	3,968,165	3,564,483	4,495,827	3,949,753
Market value of total tangible assets (see note 1c)	4,302,587	3,885,195	4,841,882	4,277,015
<i>Less</i>				
Current liabilities				
Outstanding claims and annuities	112,098	87,327	146,193	108,324
Outstanding commission and expenses	15,482	12,974	15,723	13,007
Premiums received in advance	5,036	4,542	5,492	4,895
Amounts due on reinsurance account	12,182	9,349	21,596	17,541
Amounts due to subsidiaries	8,991	6,348	5,834	5,981
Taxation	—	3,902	—	2,214
Mortgage on property (see note 3)	204	—	204	—
Unsecured loans in overseas currencies (see note 3)	100,768	75,601	100,768	75,601
Other creditors	12,830	10,316	30,806	22,542
Interest of outside shareholders in subsidiaries	—	—	60	44
Loan stock of a subsidiary (see note 3)	—	—	900	1,046
Bank loan and overdraft	12,894	5,747	12,909	5,797
Final dividend	10,578	9,305	10,578	9,305
	291,063	225,411	351,063	266,297
	3,677,102	3,339,072	4,144,764	3,683,456
Goodwill arising on consolidation (see note 1b)	—	—	34,193	31,799
	3,677,102	3,339,072	4,178,957	3,715,255

an integral part of these accounts.

P00004421

1806-029

**Statement of Source and Application of Funds of the Group
(excluding Life)
year ended 31 December 1976**

	1976 £m	1975 £m
Source of funds:		
Profit after tax	24.4	18.0
Increase in insurance funds (see footnote a)	40.2	31.3
Increase in:		
Debtors (see footnote b)	(16.6)	(25.2)
Creditors (see footnote c)	31.5	20.4
	79.5	44.5
Depreciation	0.5	0.3
Total cash growth from operations	80.0	44.8
Funds from other sources:		
Capital raised by Rights issue	—	46.0
	80.0	90.8
Application of funds:		
Dividend paid to shareholders	15.3	12.4
Net funds available for investment	64.7	78.4
Changes in investments and net liquid funds:		
Increase/(decrease) in:		
Fixed interest stocks	61.9	43.0
Equities	8.5	1.6
Property	2.1	6.7
Mortgages on property	5.3	2.4
Other loans	3.9	2.3
Short term deposits	(16.0)	19.2
Cash in hand and on current account	0.8	2.9
	66.5	78.1
(Increase)/decrease in:		
Bank overdrafts, loans and other short term borrowing	(1.8)	0.3
	64.7	78.4

Notes

- (a) After exchange adjustment of opening balance.
- (b) Includes—outstanding and accrued dividends, interest, rents and fees.
- (c) Includes—outstanding claims, commission and expenses, premiums received in advance and taxation.

Notes on the Accounts

1 Accounting policies

The principal accounting policies followed by the Group in determining the profit for the year and in stating its financial position are set out below.

(a) Disclosure Requirements

Being an authorised insurance company, the Company does not disclose in the accounts certain information, including some relating to provisions and reserves from which it is exempt under the 8th Schedule to the Companies Act 1948 as amended by the Companies Act 1967.

Gains and losses on the realisation of investments, the relative taxes, and certain exchange adjustments have been excluded from the Company's reported revenue results and are dealt with in Investment reserve accounts—see note (d).

Information as to the amount of earnings per share is not appropriate to life assurance business and has not been given.

(b) Basis of Consolidation

(i) Subsidiaries

The Group accounts include the whole of the relevant business of the subsidiaries referred to in the first part of note 4, but the share capital of such subsidiaries is not in every case an asset of one or other of the branches to which the business relates.

Goodwill shown in the Balance sheet on page 27 arising on consolidation of certain subsidiaries represents the difference between the Balance sheet values of the investments in such subsidiaries and their net asset values at their dates of acquisition adjusted by application of reserves and in the case of L'Escaut, difference in currency exchange rates.

In the Balance sheet of the Company shares in subsidiaries are stated at cost less amounts written off—see note (c).

This year for the first time the figures of The Mercantile and General Reinsurance Group have been brought in on a current year basis relating to the year ended 31 December 1976 (Australian subsidiaries of that Group relating to the year ended 30 June 1976). The 1975 figures have been adjusted accordingly and the effect on the Group Profit and loss account, after utilising the 1974 retained profit of Mercantile and General Group amounting to £587,000 to write down Goodwill and including the 1975 profit of £381,000, is to reduce the balance at 31 December 1975 to £1,550,000.

Certain subsidiaries' accounts have been omitted from the Group Accounts as the Directors are of the opinion that their inclusion is of no real significance to the amount of profit of the Group or the amount of its assets.

A list of the subsidiaries not consolidated appears on page 32 together with a note of their profits.

(ii) Investments in other companies

The Group has investments in companies in which the holdings of at least one class of equity share amounts in nominal value to one fifth or more of the nominal value of the issued shares of that class. In the opinion of the Directors the results of these companies attributable to the shareholders' interest therein are not of sufficient significance to be included in the Group Accounts except to the extent of dividends received.

(c) Investment Values

The Balance sheet values of the investments, with the exception of those related to linked business, are in the main at cost increased by in the life branches, unrealised margins transferred to the Revenue accounts and adjusted in all branches by the application of the balances of the Investment reserve accounts referred to in note (d). Depreciation on property is provided upon the excess amount in any year that the total book values exceed site values but additionally leasehold properties are amortised over the last 50 years or less of the lease. The values of investments related to linked businesses are included at market value and the amount shown in the Revenue account on page 20 corresponds to the movement for the year in the values of the linked business assets.

The market values of the assets shown in the Balance sheets have been determined, in the case of the Company and certain United Kingdom subsidiaries having regard to the requirements of the Insurance Companies (Valuation of Assets) Regulations 1976, except that 75 per cent of the investment currency premium has been allowed where appropriate. In all other cases market values are based on market quotations where available and for the other assets on values estimated by the directors of the various companies, allowing 75 per cent of the investment currency premium where appropriate. After allowing for realised losses brought forward and other available reliefs, tax that would arise if the assets were realised at the values shown is estimated in total to be not greater than Company £84m, Group £85m, of which the following applies to the separate businesses.

	Ordinary Life	Industrial Life	Long-term General	Other
	£m	£m	£m	£m
Company	11	73	—	—
Group	12	73	—	—

Notes on the Accounts continued

(d) Investment Reserve Accounts

In the Company's accounts and with minor exceptions in the Group accounts, profits and losses on realisation of assets and exchange differences, other than exchange differences on marine, aviation and transport insurance business, less any relative taxes, have been carried to Investment reserve accounts. Transfers may be made from time to time from or to the respective revenue accounts or Profit and loss account. For 1976 due to changes in the actuarial valuation bases transfers of reserves have been made to the Company's life Investment reserve accounts from the respective fund accounts. In 1975 transfers from Investment reserve accounts were made to fund accounts. The balances of Investment reserve accounts have been applied in arriving at the Balance sheet values of the assets.

(e) Exchange rates

Life, fire and accident business transactions in overseas currencies have been included in the accounts at the rates of exchange ruling on 31 December 1976 and the funds brought forward at the beginning of the year in the Ordinary life and General insurance accounts on pages 20 and 24 respectively, have been adjusted for the difference in the rates of exchange at the beginning and end of the year. Currency liabilities overseas including loans from overseas bankers and unsecured loans in overseas currencies are, with minor exceptions, covered by corresponding currency assets and these liabilities and assets (other than those subsequently mentioned) have been converted at rates of exchange ruling on 31 December 1976. The book values of certain investments in overseas currency held at Chief Office either on Chief Office investment account or as cover for overseas liabilities have been based on the rates of exchange ruling on the dates of acquisition (other than the shareholding in a Belgian subsidiary (L'Escaut) referred to in note 4 which is included at currency cost converted to sterling at the rate of exchange ruling on 31 December 1976). Overseas interest received or paid by the Company's Chief Office and overseas currency transactions included in the marine, aviation and transport account have been brought in at rates of exchange based on those ruling on the dates of the respective transactions. The profit on exchange in the marine, aviation and transport account noted in the analysis of Short-term business on pages 44 and 45 arises from the revaluation of currency net assets at the rates of exchange ruling on 31 December 1976. In the Group accounts such items in respect of the subsidiaries have, with minor exceptions, been dealt with on a similar basis.

(f) Long-term business

Long term Insurance profits are allocated from the surplus determined as the result of the annual actuarial valuation. The amount of the long term business surplus allocated to shareholders is determined by the Directors in accordance with the Articles of Association of the respective companies.

(g) Fire and accident short-term business

For direct fire and accident insurances reserves in respect of unearned premiums set aside to provide for periods of risk extending beyond the end of the financial year are calculated on a proportional basis having regard to the premiums written each month, with a deduction of 20 per cent for acquisition costs. In addition unexpired risk reserves are held to cover any estimated excess of liabilities over the unearned premium reserves.

Outstanding Fire and Accident claims include provisions for claims incurred up to the date of the Balance sheet but not reported. Proportional fire and accident treaty reinsurance accepted business is dealt with on an open year, closed year basis and non-proportional on a funded basis. With the exception of one subsidiary the group results have been prepared on the same basis.

(h) Marine, aviation and transport business

The profits on marine, aviation and transport business are determined at the end of the second year following the year of account to which that business relates, after allowing for the estimated cost of all outstanding claims, including those still to be reported. Premiums less claims payments and expenses relating to the two open years of account are carried forward and increased if necessary so that the funds in respect of the business transacted in each of the two open years and in previous years are sufficient to meet the estimated cost of all outstanding claims whether notified or not and the future claims expected on unexpired risks. In respect of both Marine and Aviation business credit is taken in the Taxation account for the tax which will be recoverable on the settlement of outstanding claims in the closed year of the accounts.

(i) Investment income

Dividends on ordinary shares are included on the basis of the date on which payment is due and rents, dividends and interest on fixed interest stocks are included on an accruals basis. If the income for the year is significantly affected by purchases or sales of securities an adjustment is made to equate the income with the period for which the security has been held.

Investment income is shown less amounts written off terminable and other securities and is after payment of interest including interest on bank loans, promissory notes and unsecured loans in the accounts of

Ordinary life £2,704,000 (£2,535,000), Industrial life £3,828,000 (£3,095,000)

Short-term business £476,000 (£271,000) and Profit and loss £1,020,000 (£1,139,000)

also on debentures in the Ordinary life £55,000 (£65,000).

UK dividends received under the imputation tax system have been grossed up for attributable tax as appropriate as referred to in note (k).

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Notes on the Accounts continued

(j) Expenses

Expenditure on the acquisition of motor vehicles (other than in Canada), furniture and office equipment is charged against the revenue of the year in which it is incurred but major capital expenditure on computer equipment and conversion costs is amortised by equal annual instalments over the estimated useful life.

(k) Taxation

Taxation has been charged on all profits and income earned to date, less reliefs (corporation tax 52 per cent or tax credit on UK dividends received 35 per cent, less reliefs). The Long-term General, Short-term and Profit and loss account are combined for the purpose of assessment to tax and accordingly should be read together.

Company	Ordinary Life		Industrial Life		Long-term General		Short-term		Profit and loss	
	1976 £000	1975 £000	1976 £000	1975 £000	1976 £000	1975 £000	1976 £000	1975 £000	1976 £000	1975 £000
Corporation tax on income	1,573	568	216	394	794	656	1,547	1,691	3,216	1,560
Taxation re UK dividends	6,415	3,293	8,081	7,165	77	38	1,399	1,315	695	394
	7,988	3,861	8,297	7,559	871	694	2,946	3,006	3,911	1,954
Less Double taxation relief	—	—	—	—	107	120	350	(35)	175	150
	7,988	3,861	8,297	7,559	764	574	2,596	3,041	3,736	1,804
Overseas tax	6,990	4,722	383	295	122	115	354	82	48	46
Adjustments re prior years	280	(660)	11	(127)	35	(30)	(482)	(199)	419	(14)
	14,258	7,923	8,691	7,727	921	659	2,468	2,924	4,203	1,836

Group					General insurance			
	1976	1975	1976	1975	1976	1975	1976	1975
Corporation tax on income	842	666	216	394	3,536	3,641	3,467	1,828
Taxation re UK dividends	6,906	3,656	8,081	7,165	1,793	1,568	448	148
	7,748	4,322	8,297	7,559	5,329	5,209	3,915	1,976
Less Double taxation relief	1	1	—	—	834	438	238	206
	7,747	4,321	8,297	7,559	4,495	4,771	3,677	1,770
Overseas tax	6,200	4,963	383	295	1,098	670	68	62
Adjustments re prior years	(318)	(802)	11	(127)	(637)	(1,372)	397	(251)
	13,629	8,482	8,691	7,727	4,956	4,069	4,132	1,581

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

2 The Company's authorised Share Capital is £17,500,000 in 350,000,000 shares of 5p each.

3 The mortgage on property shown under current liabilities in the Balance sheets is a loan at 7½ per cent repayable in 1983. The unsecured loans in overseas currencies fall due for settlement by 1979. The loan stock of a subsidiary is a 6 per cent 1st Mortgage Debenture Stock 1993/98.

Notes on the Accounts continued

4 Particulars of subsidiary companies are as follows :

Name	Class of Share held	Proportion held	Country of incorporation and Principal Operation unless otherwise stated
Included in group accounts			
Compagnie d'Assurance de l'Escaut S.A.	Shares n.p.v.	100%	Belgium
Edger Investments Limited	Ordinary Shares 25p	100%	England
Greville Insurance Limited	Shares £1	100%	England
The Mercantile and General Reinsurance Company Limited	Shares £1	100%	Scotland (Operating principally in UK)
Prudential Pensions Limited	Shares £1	100%	England
Vanbrugh Life Assurance Limited	Ordinary Shares £1	100%	England
Not included in group accounts			
A. W. G. (Holborn) Limited (in liquidation)	Ordinary Shares 25p	100%	England
Barnard Enterprises Limited	Shares £1	100%	England
Beaver Securities Limited	Ordinary Shares £1	100%	England
The Beaver Trust Limited	Ordinary Shares 25p	100%	England
Mercantile and General Reinsurance (Holdings) Limited	Shares £1	100%	England
Paramet Corporation Limited	Common Shares n.p.v.	100%	Canada
Pru Limited	Ordinary Shares 5p	100%	England
The Prudential Assurance Company of South Africa Limited	Shares R1	100%	South Africa
Prudential Australian Superannuation Limited	Ordinary Shares A\$2	100%	Australia
Prudential Compagnia Italo – Britannica di Assicurazioni s.p.a.	Shares L10,000	100%	Italy
Prudential New Zealand Superannuation Limited	Ordinary Shares NZ\$1	100%	New Zealand
Prudential Nominees Limited	Shares £1	100%	England
Prudential Unit Trust Managers Limited	Shares £1	100%	England
Prupac Limited	Ordinary Shares 10p	100%	England
Riccarton Mall Limited	Ordinary Shares NZ\$1	100%	New Zealand
Rue de Treves Estates SA	Shares n.p.v.	100%	Belgium
Stocklund Property Limited	Shares £1	100%	England
Tibart Limited	Ordinary Shares 25p	100%	Scotland

The Prudential Assurance Company of South Africa Limited was incorporated in November 1976 with the intention that the business of the Company's local branch should be transferred to it during 1977.

The accounts of the subsidiaries not consolidated in group accounts have been omitted as the amounts involved are not significant ; some of these subsidiaries are investments of the life funds. Based on the rates of exchange ruling on 31 December 1976 the net aggregate amounts of profit/(loss) of these subsidiaries are

For 1976	For previous years	
£	£	
(262,564)	253,133	(not included in the Company's accounts)
(35,013)	71,317	(included in the Company's accounts)

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

5 The Group, in the investment portfolios of its separate businesses, holds shares in 26 companies, other than subsidiaries, in which the holding of at least one class of equity shares amounts in nominal value to one fifth or more of the nominal value of the issued shares of that class. The results of these companies attributable to the Shareholders' interest therein are not of sufficient significance to be included in the Group accounts except to the extent of dividends received. In view of the number involved and as their combined market values amount only to $\frac{1}{4}$ per cent approximately of the Group's total market value details relating to individual companies are not shown.

P00004426

Notes on the Accounts continued

The Group also holds shares in a further 41 companies in which the holding exceeds one tenth. In view of the number involved and as their combined market values amount only to $\frac{3}{4}$ per cent approximately of the Group's total market value details relating to individual companies are not shown.

6 The aggregate amount of the Company's Directors' emoluments for the year was Company £135,094 (£121,889), Group £142,344 (£128,977). In addition contributions made to pension schemes for Directors were Company £25,000 (£25,000), Group £26,001 (£25,911).

The emoluments of the Chairman in the financial year amounted to £25,000 (£22,897 of which Mr K A Usherwood £8,205 and Mr R H Owen £14,692).

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

Over £	Up to £	Number of Directors	
		1976	1975
—	2,500	—	1
2,500	5,000	1	1
5,000	7,500	9	8
10,000	12,500	3	1
12,500	15,000	1	3
15,000	17,500	—	1
22,500	25,000	1	—

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

Over £	Up to £	Number of Employees			
		Managerial and Administrative		Commission earning	
		1976	1975	1976	1975
10,000	12,500	67	42	145	55
12,500	15,000	17	19	17	4
15,000	17,500	11	11	1	—
17,500	20,000	2	3	—	—
20,000	22,500	1	—	—	—
22,500	25,000	—	2	—	—
25,000	27,500	1	—	—	—
27,500	30,000	1	2	—	—
30,000	32,500	1	1	—	—
37,500	40,000	1	1	—	—

8 The remuneration of the auditors of the Company and its subsidiaries excluding V.A.T. amounted to £354,228 (£260,601) of which the remuneration in respect of the Company excluding overseas branches amounted to £93,000 (£84,000).

9 The Group is committed to capital contracts for settlement after 31 December 1976 of £8,370,000 (£3,800,000) and expenditure authorised but not contracted for of £314,000 (£9,210,000). Also, certain guarantees have been given in respect of retirement benefits for the Staff and benefits for their relatives and dependants, and in respect of a letter of credit for US\$577,778.

Signatures to the Accounts

W G Haslam *Chief General Manager*

R H Owen *Chairman*

Peter Tennant *Director*

19 May 1977

P00004427

1806-035

Report of the Auditors

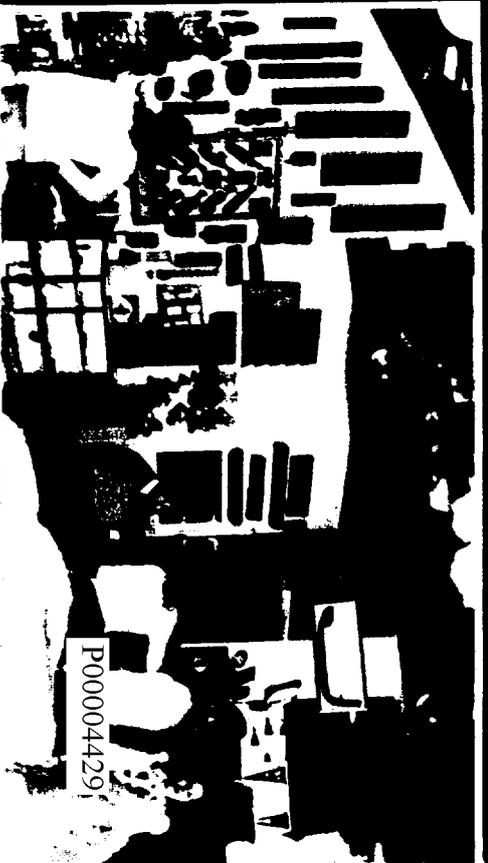
**Report of the Auditors
to the members of
The Prudential Assurance Company Limited**

In our opinion, based on our examination and on the reports of the auditors of certain subsidiaries not audited by us, the accounts set out on pages 20 to 33 comply with the provisions of the Companies Acts 1948 and 1967 applicable to insurance companies.

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

Deloitte & Co.,
Chartered Accountants
London
19 May 1977

Life and general insurance business is carried on in New Zealand. Timber from the planted forests of New Zealand's North Island supplies a rapidly expanding pulp and paper industry dominated by the country's largest company, N.Z. Forest Products Limited, in which our Branch has a substantial investment. The inset picture opposite shows a display of Maori craft goods at Kiwi House near Rotorua which we have also helped to finance.



P000044291

1806-037

Valuation Report on the Company's business

To the Directors of The Prudential Assurance Company Limited.

I have the honour to submit my report on the valuation as at 31 December 1976 of the life assurances and annuities and other insurance contracts of the Company.

Ordinary Branch

The number of contracts in force was 3,240,796 producing an annual premium income of £321,566,718. Sums assured with bonuses amounted to £18,397,916,407. Deferred and contingent annuities with bonuses amounted to £492,478,443 per annum including amounts of annuity to be purchased by future recurrent single premiums. Annuities in course of payment amounted to £42,543,910.

The interest earned in 1976 represents a gross rate of £8.52 per cent on the Ordinary Branch fund.

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

Business issued in the United Kingdom, the Channel Islands and the Isle of Man

The net premium method valuing net premiums calculated on the valuation basis.

Business issued in other countries

The modified net premium method valuing net premiums calculated on the valuation basis with an addition to allow for part of the initial expenses.

The whole of the difference between the value of the future office premiums and of the premiums valued has been reserved for future expenses and profits.

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

For investment-linked assurances the net liability was based on the value at 31 December 1976 of the units allocated. Assurance benefits included in investment-linked contracts were valued as temporary benefits.

The tables of mortality used for assurances were:

Table of mortality

Business issued in:

United Kingdom, the Channel Islands and the Isle of Man

A1967/70 Ult

Australia and New Zealand

A1949/52 Ult

Canada: Without profits issued after 31 December 1960

A1949/52 Ult

Other

A1924/29 Ult

South Africa and Rhodesia

SA 56/62 Ult

Other countries

A1924/29 Ult

The net rates of interest used for assurances were:

Rate of interest

Business issued in:

United Kingdom, the Channel Islands and the Isle of Man:

With-profits

3½%

Without profits

3¾%

Australia

3½%

New Zealand:

With-profits

4%

Without profits

4½%

Canada:

Without profits issued after 31 December 1960

3½%

Other

3%

South Africa:

With-profits: Second Series: Retirement Fund

5%

Other

4½%

Rhodesia:

With-profits: Second Series: Retirement Fund

4½%

Other

4%

Kenya, Tanzania and Uganda:

With-profits: Retirement Fund

4½%

Other

3½%

Without profits

3¾%

Other countries

3½%

The methods of valuation used for deferred annuities secured by annual or recurrent single premiums during the period of deferment other than cash accumulation and investment-linked business were:

Individual deferred annuities and pension-unit schemes

The net premium method valuing net premiums calculated on the valuation basis.

Group with-profits deferred annuities, United Kingdom group without profits deferred annuities (associated with with-profits schemes) and Prudential company pension schemes

The net liability is the value of the annuity purchased by the premiums paid to date.

Other group deferred annuities

The gross premium method valuing premiums equal to 95 per cent of the office premiums.

Valuation Report continued

The whole of the difference between the value of the future office premiums and of the premiums valued has been reserved for future expenses and profits.

For group cash accumulation deferred annuity and executive pension plans the net liability was the accumulated fund at 31 December 1976.

For investment-linked deferred annuity business the net liability was based on the value at 31 December 1976 of the units allocated.

The tables of mortality used for annuities and additions to the values of annuities were :

	Tables of mortality		Additions to the values of annuities as provision for expenses of payment and mortality improvement
	In deferment	In possession	
Business issued in : United Kingdom, the Channel Islands and the Isle of Man			
Individual	A1967/70 Ult rated down one year	a(55) Ult	3½%
Group	A1949/52 Ult rated down one year	a(55) Ult	3½%
Canada Deferred annuities :			
Individual—With-profits	} No allowance for mortality	} a(55) Ult	3%
—Without profits with surrender values			
—Other			
Group	1971 GAM	1971 IAM 1971 GAM	1% 1%
Immediate annuities :			
Individual	—	1971 IAM	1%
Group	—	1971 GAM	1%
Other countries	A1949/52 Ult rated down one year	a(55) Ult	3%

} For expenses only

The rates of interest used for annuities were :

	Business issued in :					
	United Kingdom, Channel Islands & Isle of Man (except as stated below)	Australia & New Zealand	Canada (except as stated below)	South Africa	Rhodesia	Other countries (except as stated below)
Deferred annuities :						
With-profits :						
Individual	5½%	—	3%	—	—	—
Group	3%	—	3¾%	3¾%	3¼%	3%
Pension-unit schemes	5½%	—	—	—	—	—
Prudential company pension schemes	4¾%	—	—	—	—	—
Without profits :						
Pension business	6½%	—	—	—	—	—
General business	6%	3½%	7½% to 31 December 1989 & 4% thereafter	4½%	4%	3¾%
Immediate annuities :						
With-profits	4¾%	—	—	—	—	—
Without profits	9½%	3½%	7½% to 31 December 1989 & 4% thereafter	8%	5%	4%
Annuities certain	3¾%	—	—	—	—	—

P00004431

1806-039

Valuation Report continued

For without profits individual deferred annuity bonds issued in the United Kingdom, the cash option was valued using 9½ per cent interest during deferment.

For without profits individual deferred annuities with surrender values issued in Canada the rate of interest used was 3½ per cent.

For immediate annuities issued in Kenya, Tanzania and Uganda the rate of interest used was 5 per cent.

In order to make allowance for the possibility of reductions in interest rates in the future, the rates used in the valuation provide appropriate margins as compared with those implicit in the valuation of the assets having regard to the relative lengths of term of the assets and liabilities of the business in each country.

The equivalents in sterling of liabilities in other currencies have been calculated at the rates of exchange ruling on 31 December 1976.

The foregoing bases incorporate changes in both interest rates and mortality tables. Increases have been made in the rates of interest used for valuing United Kingdom business and for assurances and deferred annuities issued in South Africa having regard to increased yields on the funds. The mortality tables used for United Kingdom assurances and individual annuities in deferment have been changed to reflect current mortality experience. These changes were made as at 1 January 1976 and resulted in a decrease in net liabilities of £70,700,000. This amount was transferred to the Investment reserve account.

I consider that the Additional reserve which is held in respect of revivals, options and general contingencies for which provision is not otherwise made and as a stabilising fund to facilitate the declaration of equitable bonuses should be increased from £22,500,000 to £30,200,000 as at 31 December 1976.

The result of the valuation is as follows :

Ordinary branch fund subject to transfers out of surplus on 31 December 1976		£2,507,948,742
Net liability under assurances	£1,341,982,966	
Net liability under annuities	996,450,964	
Additional reserve	30,200,000	
Total net liability		<u>2,368,633,930</u>
Surplus emerging at 31 December 1976		<u>139,314,812</u>
Add cost of bonuses allocated during 1976 in anticipation of surplus for that year		<u>11,841,396</u>
Total surplus, including £1,243,528 brought forward from last year		<u>£151,156,208</u>

I consider that for with-profits assurances issued in the United Kingdom, the Channel Islands and the Isle of Man, part of the surplus should be distributed by way of terminal bonuses varying with the duration of the policies, that the rates of terminal bonus should be increased and that the year of issue to which they apply should be extended to include the year 1975.

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

I recommend that the following bonuses should be declared on with-profits policies :

(A) For assurance policies which become claims by death or maturity between 1 April 1977 and 31 March 1978 inclusive, terminal bonuses of which the following are examples :

(1) Policies issued in 1975 or earlier in the United Kingdom, the Channel Islands, the Isle of Man and Malta :

Year of issue :	1975	1967	1957	1947	1927 or earlier
Rate per cent of sum assured :	0·40	15·30	47·00	75·20	119·00

(2) Policies issued in 1974 or earlier in Australia :

Rates per cent of sum assured :					
Year of issue	1974	1967	1957	1947	1932 or earlier
First Series : Superannuation	0·10	1·80	4·80	11·50	24·70
Other	0·10	1·10	2·90	11·50	24·70
Year of issue :	1974	1967	1960 or earlier		
Second Series : Superannuation	0·10	1·80	3·90		
Other	0·10	1·10	2·30		
Year of issue :	1974	1971 or earlier			
Third Series : Superannuation	0·10	0·50			

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Valuation Report continued

(3) Policies issued in 1974 or earlier in New Zealand

Rates per cent of sum assured :

Year of issue :	1974	1967	1957	1947	1932 or earlier
First Series	0.10	0.80	7.80	10.30	23.50
Year of issue :	1974	1967	1960 or earlier		
Second Series	0.10	0.80	2.70		

(4) Policies issued in South Africa

Whole Life assurances :

1.10 per cent of the reversionary bonus existing at the date of claim for each complete year which the policy has been in force with a maximum of 33.00 per cent.

Endowment assurances :

1.70 per cent of the reversionary bonus existing at the date of claim for each complete year which the policy has been in force with a maximum of 51.00 per cent.

(5) Policies issued in Malaysia and Singapore

Whole Life assurances :

1.00 per cent of the reversionary bonus existing at the date of claim for each complete year in excess of fifteen for which the policy has been in force.

Endowment assurances :

1.50 per cent of the reversionary bonus existing at the date of claim for each complete year in excess of fifteen for which the policy has been in force.

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

Year of issue :

Rates per cent of sum assured	1971	1967	1957	1945
	0.80	3.50	26.20	52.40

(B) For assurance policies reversionary bonuses at the following rates :

Policies issued in :			per cent of sum assured	per cent of existing bonuses	
(1)	United Kingdom, the Channel Islands, the Isle of Man and Malta		4.20	—	
(2)	Australia :	First Series :	Superannuation	3.60	—
			Other	2.40	—
	Second Series :	Superannuation	2.55	2.55	
		Other	1.65	1.65	
(3)	New Zealand :	Third Series :	Superannuation	2.00	2.00
		First Series		2.45	—
(4)	Canada :	Second Series		1.60	1.60
		First Series :	Registered	2.40	4.00
(5)	South Africa :		Other	2.20	3.25
		77 Series :	Registered	2.60	4.50
			Other	2.40	3.75
		First Series		3.30	1.60
(6)	Rhodesia :	Second Series :	Retirement Fund	3.20	5.00
			Other	2.40	4.10
		First Series		2.75	—
(7)	Malaysia and Singapore :	Second Series :	Retirement Fund	2.425	3.30
			Other	2.125	3.00
(7)	Malaysia and Singapore :	First Series		3.00	1.75
		Second Series		2.25	2.65

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

Valuation Report continued

(C) For assurance policies issued in Sri Lanka (a closed class) a bonus on policies which become claims by death or maturity between 1 April 1977 and 31 March 1978 inclusive at the rate of 13.80 per cent of the sum assured.

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

(1) United Kingdom and the Isle of Man 6.40 simple
(2) Canada 2.80 compound

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

(1) United Kingdom, the Channel Islands and the Isle of Man 6.50 compound
(2) Canada 3.60 compound
(3) South Africa 5.40 compound
(4) Rhodesia, Kenya, Tanzania and Uganda 3.25 compound

(F) For pension-unit scheme policies issued in the United Kingdom :
a reversionary bonus on pensions for members who have not reached normal pension age at the following rate per cent of the pension being purchased 4.40 simple

(G) For Prudential company pension scheme policies issued in the United Kingdom :
a reversionary bonus on pensions not yet commenced (or bonus interest for alternative lump sum benefits) at the following rate per cent of pension secured 4.40 compound
a bonus addition to pensions in course of payment at the following rate per cent of pension payable 5.50 compound

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

(1) United Kingdom 4.40 compound
(2) South Africa 2.90 compound
(3) Malta 2.50 compound

(I) For group unit-linked policies issued in Australia, bonus units at the following rates per cent :
E units 6.730 compound
F units 11.058 compound

An allocation of £140,477,540 to policyholders will be necessary to provide the cost of the recommended bonuses and of those declared in anticipation out of the surplus for 1976.

I also recommend that bonuses at the following rates be granted in anticipation out of surplus for the year 1977 :
Terminal and final bonuses per cent of the annuity, pension or cash

(A) For individual retirement annuity policies issued in :

(1) United Kingdom and the Isle of Man on annuities commencing between 1 April 1977 and 31 March 1978 inclusive Terminal : 1.50 for each year in force compound
Final : 60 compound
46 compound final at age 55 reducing to 28 compound at age 70

(2) Canada, on annuities commencing between 1 July 1977 and 30 June 1978 inclusive

(B) For group pension annuity policies on pensions commencing between 15 March 1977 and 14 March 1978 inclusive issued in :

(1) United Kingdom, the Channel Islands and the Isle of Man 120 compound final (subject to variation as may be appropriate) including 50 terminal
(2) Canada 46 compound final at age 55 reducing to 28 compound at age 70
(3) South Africa 75 compound final (subject to variation as may be appropriate) including 13 terminal
(4) Rhodesia, Kenya, Tanzania and Uganda 32 compound final

(C) For pension-unit scheme policies issued in the United Kingdom :
on pensions secured for members who reach normal pension age between 1 April 1977 and 31 March 1978 inclusive 58 compound final

(D) For Prudential company pension scheme policies issued in the United Kingdom on pensions commencing between 6 April 1977 and 5 April 1978 inclusive (or on alternative lump sum benefits payable) 1.00 terminal for each premium year since the member commenced payment compound

Valuation Report continued

- (E) For group pension cash accumulation and executive pension policies
- (1) on amounts withdrawn to secure retirement benefits in the premium year ending between 15 March 1977 and 14 March 1978 inclusive from premiums not allocated to individual members under policies issued in:
- | | | |
|----------------|------|-------------------------------|
| United Kingdom | 2.00 | } for each premium year since |
| South Africa | 1.50 | } the amounts were paid |
| Malta | 1.00 | } compound |
- (2) on amounts withdrawn to secure retirement benefits commencing between 15 March 1977 and 14 March 1978 inclusive from individually allocated premiums under policies issued in the United Kingdom
- | | | |
|--|------|---|
| | 1.00 | } for each premium year since the member commenced payment compound |
|--|------|---|

Industrial Branch

The number of policies in force, including 5,265,298 free or paid-up policies, was 18,855,320 producing an annual premium income of £144,070,578. The maximum sums assured with bonuses amounted to £2,906,766,428.

Interest earned in 1976 represents a gross rate of £9.49 per cent on the Industrial branch fund.

The net premium method of valuation has been used valuing net premiums calculated on the valuation basis, and every policy has been treated as a liability.

The whole of the difference between the value of the future office premiums and the value of the future net premiums has been reserved for future expenses and profits.

The table of mortality used for the valuation of all assurances was the English Life Table No. 12 Males. The net rate of interest used in the valuation was $3\frac{1}{4}$ per cent.

The relative lengths of term of the assets and liabilities is such that only a small margin in the rate of interest is necessary to allow for the possibility of a reduction in interest rates in the future.

The foregoing bases incorporate a change in the rate of interest used in the valuation of the liabilities which has been increased having regard to the increased yield on the fund. The change was made as at 1 January 1976 and resulted in a decrease in the net liabilities of £15,400,000 which was transferred to the Investment reserve account.

I consider that the Additional reserve which is held in respect of revivals, options and general contingencies for which provision is not otherwise made and as a stabilising fund to facilitate the declaration of equitable bonuses should be reduced from £14,700,000 to £13,800,000 as at 31 December 1976.

The result of the valuation is as follows:

Industrial branch fund subject to transfers out of surplus on 31 December 1976		£944,248,513
Net liability under Industrial assurance policies	£869,905,877	
Additional reserve	13,800,000	
Total net liability		883,705,877
Surplus, including £1,118,080 brought forward from last year		£60,542,636

I consider that part of the surplus should be distributed by way of terminal bonuses varying with the duration of the policies, that the rates of terminal bonus should be increased and that the years of issue to which they apply should be extended to include the year 1975.

I recommend that the following bonuses should be declared:

(A) A terminal bonus on policies issued in 1975 or earlier which become claims by death or maturity between 1 April 1977 and 31 March 1978 inclusive of which the following are examples:

Year of issue:	1975	1967	1962	1957	1927 or earlier
Rate per cent of sum assured:	0.20	11.80	26.70	41.60	108.00

(B) A reversionary bonus at the rate of 2.60 per cent of the sum assured.

An allocation of £55,753,165 to policyholders will be necessary to provide the cost of the recommended bonuses.

General Branch—Long-term business

The interest earned in 1976 represents a gross rate of £11.88 per cent on the long term General branch funds.

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

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Valuation Report continued

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

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

For other long term accident or sickness benefits the reserve was based on the premiums paid and has been calculated to take account of the liability arising from the right of renewal. In the aggregate the provision so calculated is 59·0 per cent of the premium income for the year.

The sinking fund policies in force provide for the payment of capital sums amounting to £136,150 at the end of fixed terms of years, and produce an annual premium income of £678. They have been valued by a gross premium method using interest at 3 per cent or the rate of interest employed in the calculation of the premiums, if less, and taking credit for 98 per cent of the future office premiums.

The equivalents in sterling of liabilities in other currencies have been calculated at the rates of exchange ruling on 31 December 1976.

The result of the valuation is as follows :

General branch long term fund subject to transfers out of surplus on 31 December 1976		£6,746,295
Net liability under sickness and accident insurances	£5,837,386	
Net liability under sinking fund insurances	80,478	
	<hr/>	
Total net liability		5,917,864
		<hr/>
Surplus from long term business		£828,431
		<hr/>

Certificate as to all Long Term business liabilities

In my opinion the aggregate amount of the liabilities in relation to long term business at 31 December 1976 did not exceed the aggregate amount of those liabilities as shown in the Balance Sheet.

General Insurance—Short-term business

In respect of fire and accident direct contracts the unearned premium reserve has been calculated on a proportionate basis having regard to the premiums written each month with a deduction of 20 per cent for acquisition costs. In addition, unexpired risk reserves have been maintained at £1,250,000 for 1976. Proportional fire and accident treaty reinsurance business accepted has been dealt with on a two year basis. Treaty years ended on or before 31 March 1976 have been closed, unearned premium reserves being calculated at 40 per cent of the premiums. Accounts received in respect of subsequent treaty years have been included in the open account the balance of which has been carried forward as a fund. Non-proportional business has been dealt with on a funded basis.

The non-proportional treaty reinsurance accepted fund of £1,932,045 and the marine and aviation fund of £8,645,026 are, in my opinion, sufficient provision for the liabilities.

The equivalents in sterling of provisions and reserves in other currencies have been calculated at the rates of exchange ruling on 31 December 1976.

The result of the valuation is as follows :

General insurance short term fund subject to transfers out of surplus on 31 December 1976		£91,935,276
Provision and reserve for fire and accident direct insurances	£63,360,974	
Provision and reserve for treaty reinsurance business accepted	15,245,481	
Provision and reserve for marine and aviation insurances	8,645,026	
	<hr/>	
Total short term provisions and reserves		87,251,481
		<hr/>
Surplus from short term business		£4,683,795
		<hr/>

R S SKERMAN

Chief Actuary

30 March 1977

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Supplementary Information relating to the Company

Sources of Investment Income received during the year	1976 £000	1975 £000
Ordinary Life Assurance		
British Government and British Government guaranteed securities	33,355	21,089
Other fixed income securities, including subsidiaries	41,664	35,034
Ordinary stocks and shares, including subsidiaries	43,979	38,103
Freehold and leasehold properties, rent charges and ground rents	40,514	36,224
Mortgages on property	21,630	18,021
Other sources	12,965	11,612
Total revenue account income	194,107	160,083

Industrial Life Assurance		
British Government and British Government guaranteed securities	18,618	13,678
Other fixed income securities	9,861	11,205
Ordinary stocks and shares, including subsidiaries	30,390	27,099
Freehold and leasehold properties, rent charges and ground rents	19,680	18,532
Mortgages on property	3,446	3,198
Other sources	1,308	1,642
Total revenue account income	83,303	75,354

General Insurance	Long-term		Short-term	
	1976 £000	1975 £000	1976 £000	1975 £000
British Government and British Government guaranteed securities	97	77	1,173	1,070
Other fixed income securities	443	295	6,472	4,816
Ordinary stocks and shares, including subsidiaries	106	74	2,209	1,983
Freehold and leasehold properties, rent charges and ground rents	—	—	118	13
Mortgages on property	—	—	755	401
Other sources	246	207	2,166	1,391
Total revenue account income	892	653	12,893	9,674

Claims and Surrenders—Life Assurance	Ordinary		Industrial	
	1976 £000	1975 £000	1976 £000	1975 £000
Claims :				
By death	45,319	37,652	33,892	32,289
By maturity	67,998	51,010	51,270	43,715
	113,317	88,662	85,162	76,004
Surrenders	38,848	34,788	31,433	29,071
Bonuses surrendered for cash	6,711	5,189	—	—
Payments under occupational pension schemes :				
Transfers to Prudential Pensions Ltd.	10,845	24,351	—	—
Other transfers and payments on withdrawal (including amounts re-applied as further premiums)	37,666	21,703	—	—
Total revenue account claims and surrenders	207,387	174,693	116,595	105,075

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Supplementary Information relating to the Company continued

Analysis of the Short-term Business of the Company year ended 31 December 1976 Comparative figures for 1975 in colour

Income	Property		Motor Vehicle		Sickness and Accident		Pecuniary Loss		Liability	
	£000		£000		£000		£000		£000	
Amount of fund at beginning of year:										
Unearned premiums	19,441	14,970	20,930	16,114	1,633	1,320	941	985	4,559	3,406
Provisions	*600	*500	*450	*450	*125	—	—	*75	*75	*50
Exchange adjustment	1,143	543	1,659	798	51	30	64	20	294	201
	21,184	16,013	23,039	17,362	1,809	1,350	1,005	1,080	4,928	3,657
Premiums	62,411	46,198	67,572	51,470	4,455	3,775	3,056	2,437	15,595	11,177
	83,595	62,211	90,611	68,832	6,264	5,125	4,061	3,517	20,523	14,834
Amount of fund at end of year:										
Unearned premiums	25,590	19,441	27,659	20,930	1,879	1,633	1,137	941	5,848	4,559
Provisions	*800	*600	*275	*450	*100	*125	—	—	*75	*75
Total (A)	57,205	42,170	62,677	47,452	4,285	3,367	2,924	2,576	14,602	10,200
Outgo										
Claims	35,225	24,756	38,444	31,441	2,415	2,141	1,411	1,051	8,808	5,391
Commission	8,902	6,436	8,028	6,086	1,005	847	236	(1)	2,361	1,644
Expenses including taxation other than on profits	19,854	14,053	13,295	10,525	1,246	1,000	914	839	3,365	2,553
Total (B)	63,981	45,245	59,767	48,052	4,666	3,988	2,561	1,889	14,534	9,588
Gross underwriting profit (A-B)	(6,776)	(3,075)	2,910	(600)	(381)	(621)	363	687	68	612

*Unexpired risk reserve.

†After deducting £449,000 (£280,000) profit on exchange.

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Marine, Aviation and Transport (MAT)

Treaty Reinsurance Accepted £000		Total excl MAT £000		Current Year £000		Last Preceding Year £000		Previous Years £000		Total MAT £000		Total £000	
—	—	60,632	48,167	—	—	—	—	—	—	—	—	67,161	53,761
11,878	10,297	4,585	2,239	—	—	2,736	2,528	3,793	3,066	6,529	5,594	4,585	2,239
1,374	647	—	—	—	—	—	—	—	—	—	—	—	—
13,252	10,944	65,217	50,406	—	—	2,736	2,528	3,793	3,066	6,529	5,594	71,746	56,000
13,377	5,640	166,466	120,697	5,010	3,945	1,500	728	392	134	6,902	4,807	173,368	125,504
26,629	16,584	231,683	171,103	5,010	3,945	4,236	3,256	4,185	3,200	13,431	10,401	245,114	181,504
—	—	78,606	60,632	—	—	—	—	—	—	—	—	87,251	67,161
15,245	11,878	3,683	2,736	2,110	1,632	2,852	2,161	8,645	6,529	—	—	—	—
11,384	4,706	153,077	110,471	1,327	1,209	2,126	1,624	1,333	1,039	4,786	3,872	157,863	114,343
7,355	2,741	93,658	67,521	1,225	1,050	2,694	1,957	1,673	972	5,592	3,979	99,250	71,500
4,667	1,892	25,199	16,904	—	—	—	—	—	—	—	—	25,199	16,904
287	206	38,961	29,176	402	239	(18)	17	(190)	(113)	194	143	39,155	29,319
12,309	4,839	157,818	113,601	1,627	1,289	2,676	1,974	1,483	859	5,786	4,122	163,604	117,723
(925)	(133)	(4,741)	(3,130)	(300)	(80)	(550)	(350)	(150)	180	(1,000)	(250)	(5,741)	(3,380)

Supplementary Information relating to the Company continued

Investment Portfolios

The distribution of the investment portfolios, on a market value percentage basis, held for United Kingdom business in respect of Life assurance and General insurance was as follows:

	Ordinary life		Industrial life		Long-term General		Short-term	
	1976	1975	1976	1975	1976	1975	1976	1975
Fixed interest investments	31	29	26	25	68	52	50	51
Ordinary stocks and shares	37	39	44	44	32	48	46	46
Property investments	32	32	30	31	—	—	4	3

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

The Company's 20 largest ordinary shareholdings in terms of market value are in the following:

Allied Breweries Ltd	Guest Keen and Nettlefolds Ltd
B.A.T. Industries Ltd	Imperial Chemical Industries Ltd
Bass Charrington Ltd	Imperial Group Ltd
Beecham Group Ltd	Land Securities Investment Trust Ltd
Boots Co Ltd	Marks and Spencer Ltd
British Petroleum Co Ltd	National Westminster Bank Ltd
Distillers Co Ltd	Rio Tinto Zinc Corporation Ltd
E.M.I. Ltd	Shell Transport and Trading Co Ltd
General Electric Co Ltd	Thorn Electrical Industries Ltd
Glaxo Holdings Ltd	Unilever Ltd

Ten Year Review of the Group

	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967
	£m									
Ordinary Life Assurance										
New annual premium income	92.4	69.4	60.9	45.8	39.1	31.1	26.3	24.4	22.0	19.6
Total premium income and considerations	477.7	362.4	306.9	298.9	230.5	203.0	177.2	163.5	154.8	138.1
Investment income	218.4	175.8	143.6	132.5	114.5	100.7	93.3	86.3	78.4	69.7
Surplus to policyholders	140.6	122.3	81.9	94.8	83.4	71.9	64.1	57.8	51.6	45.0
Balance sheet value of assets	2,962.0	2,586.7	1,945.3	2,167.6	1,878.3	1,646.2	1,504.8	1,372.2	1,263.3	1,116.9
Market value of assets	3,030.3	2,627.6	1,949.0	2,478.8	2,463.0	2,047.2	1,649.6	1,567.9	1,615.1	1,303.1
Industrial Life Assurance										
New annual premium income	30.0	25.5	22.1	18.1	17.8	15.0	14.8	13.8	12.7	12.3
Total premium income	135.2	122.3	111.8	104.4	97.7	92.2	88.2	84.4	81.2	77.5
Investment income	83.3	75.4	65.0	62.7	60.4	56.8	55.4	53.8	51.4	49.3
Surplus to policyholders	55.8	52.5	45.9	51.3	48.2	44.2	41.7	40.0	36.9	32.3
Balance sheet value of assets	1,034.7	984.3	864.8	923.2	871.7	812.6	772.8	754.9	730.2	698.6
Market value of assets	1,294.5	1,255.7	902.7	1,325.4	1,483.8	1,308.7	1,017.9	1,029.1	1,137.7	951.0
General Insurance										
Premium income	321.9	233.9	190.8	167.6	139.6	91.2	77.8	63.9	59.1	41.9
Gross underwriting profit	(10.2)	(8.3)	(4.7)	5.5	3.2	0.6	(1.5)	0.3	(1.5)	0.5
Investment income	21.5	15.7	11.5	9.1	6.1	4.0	3.6	2.7	2.8	1.9
Balance sheet value of assets	415.5	320.5	247.3	216.1	176.2	109.6	93.8	80.1	74.2	45.8
Market value of assets	436.3	336.8	238.9	221.2	208.0	123.5	96.0	85.1	87.3	50.3
Profit and Loss Account										
Surplus from Ordinary life	9.9	8.5	4.8	7.7	5.4	6.4	4.7	4.5	4.2	3.5
Surplus from Industrial life	3.7	3.5	3.2	3.3	3.1	2.9	3.1	3.0	2.6	2.5
Surplus from General insurance	6.3	3.3	5.2	7.9	6.1	2.1	0.5	1.3	2.1	1.4
Investment income	8.9	4.6	3.1	1.3	2.8	2.7	2.2	0.7	1.1	0.8
Retained profits	7.8	3.2	4.6	9.5	7.0	3.3	0.9	0.4	1.5	0.9
†Dividend on shares of 5p	9.16p	8.33p	7.71p	6.73p	6.24p	5.88p	5.31p	5.00p	4.24p	4.10p

†Gross equivalent of dividend declarations including imputed tax for 1972 final and subsequently. Declarations on the A and B share capital for 1969 and previous years have been combined and adjusted for scrip issues where appropriate so as to be directly comparable with those for subsequent years. The figure for 1970 excludes the special distributions made in that year.

1 Market values of assets up to 1974 were based on market quotations where available (allowing 75 per cent. of the investment currency premium where appropriate) and in all other cases on values estimated by the Directors. For 1975 and 1976 refer to note 1c page 29.

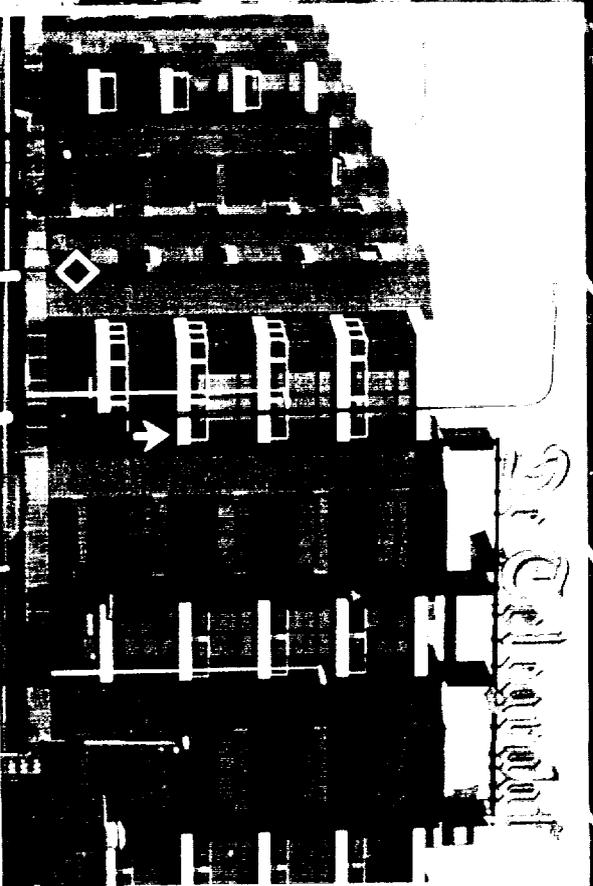
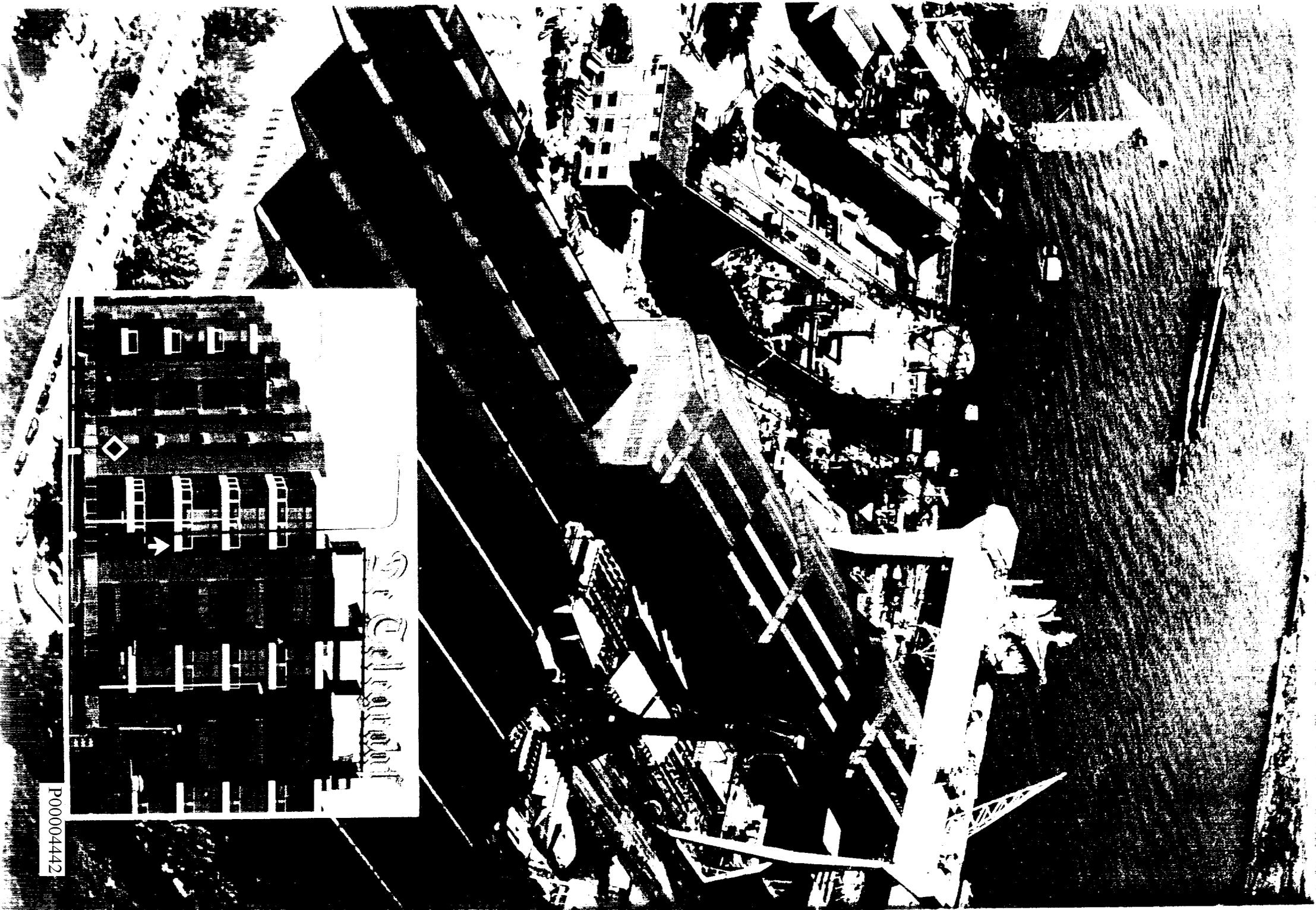
2 No allowance has been made for any tax on capital gains that would arise if the assets were realised at the values shown.

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

(i) the more rapid growth of the Ordinary life funds over recent years.

(ii) overseas currency assets of the Ordinary life are held to cover overseas currency liabilities, now about 33 per cent of the total liabilities of the branch. The Market value of these assets has not changed to the same extent as that of U.K. assets, particularly in territories where there are local investment restrictions.

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



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The main photograph is a view of the Cockerill Yards at Antwerp, Belgium. Our Belgian subsidiary, L'Escaut has the leading share in a multi-million Belgian francs fire policy on this yard. In addition to their general insurance business, L'Escaut also conducts life assurance business. Inset is a shot of the De Telegraaf building occupied by one of Holland's leading newspapers and insured by the Prudential Group.

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