



# Prudential Corporation plc

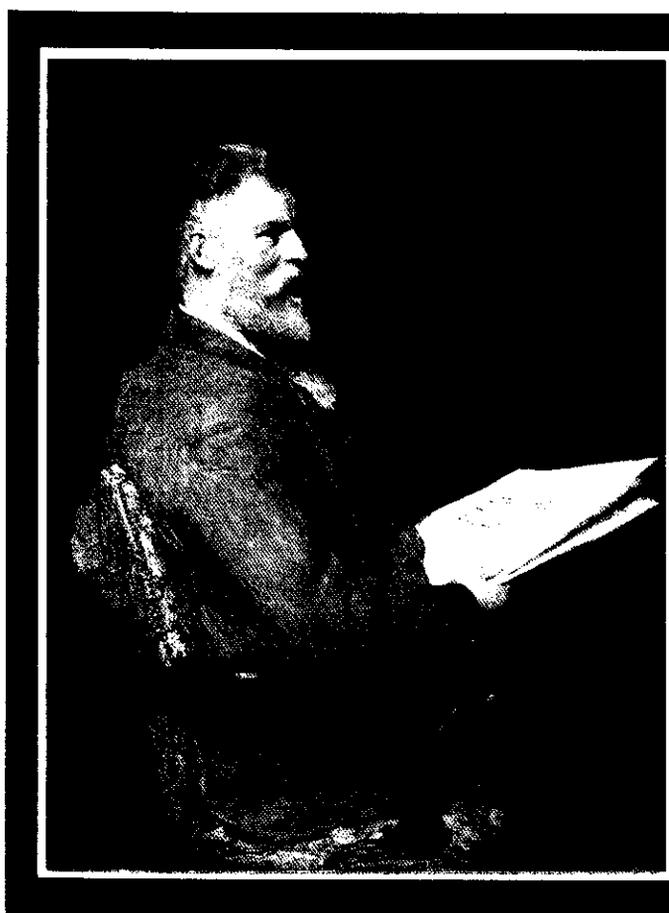
## Annual Report and Accounts 1982

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Prudential Corporation plc  
Annual Report and Accounts 1982

Registered Office:  
142 Holborn Bars London EC1N 2NH

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We are pleased to have had the opportunity of giving our support to the exhibition of the work of Alfred Waterhouse, the great Victorian architect, which is currently being staged (13 April to 28 May 1983) at the Royal Institute of British Architects in conjunction with the Open University.

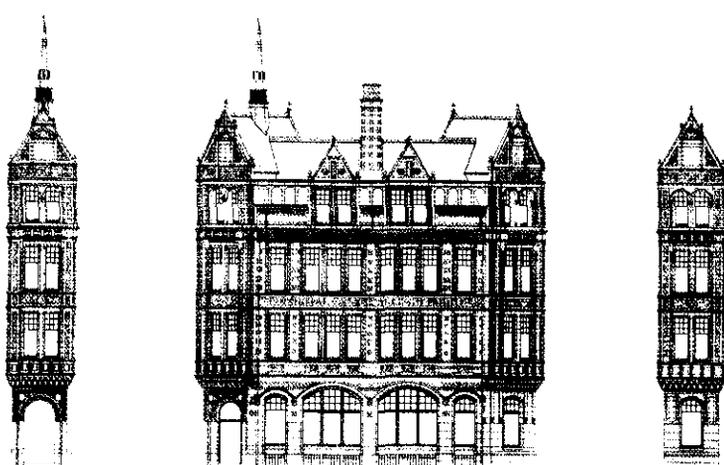
Considered by many to be the leading British architect of his day, Waterhouse designed several notable buildings, including the Natural History Museum in London, Manchester Town Hall and a number of Cambridge colleges. Sir John Betjeman, Poet Laureate and author of a number of books and articles on architecture, has suggested that when the achievements of his lifetime are considered, Waterhouse was rivalled only by Wren.

Waterhouse was commissioned by the Prudential to design the company's Chief Office in Holborn and many of its major offices throughout Britain. Examples of these designs for the Prudential are shown in the following pages.

*Left: Painting of Alfred Waterhouse by Sir William Orchardson, R.A.*

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Prudential Assurance Buildings  
Edinburgh



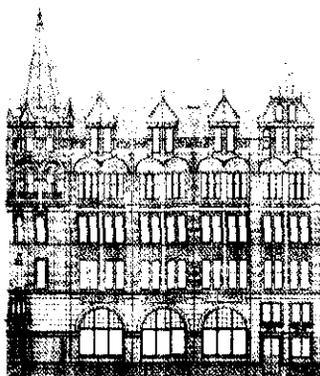
THE TOWER, EAST SIDE. THE PRUDENTIAL ASSURANCE BUILDINGS. THE TOWER, WEST SIDE.

4



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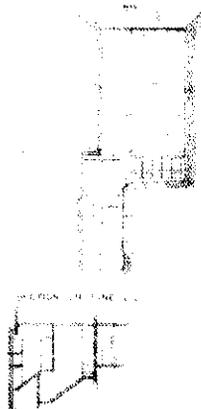
PRUDENTIAL ASSURANCE BUILDINGS  
EDINBURGH



SAINT ANDREW'S SQUARE ELEVATION

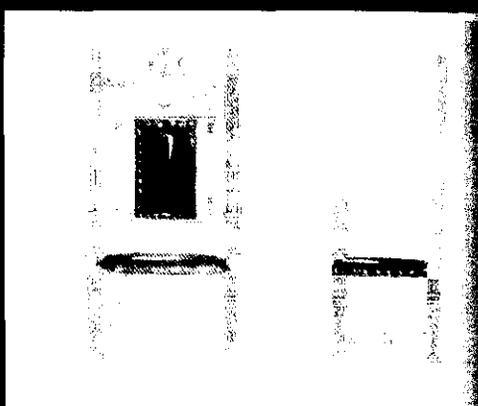


SECTION ON LINE G.G.

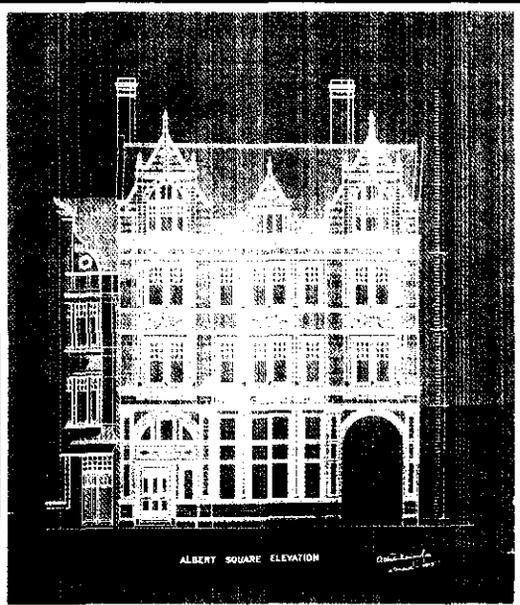


SECTION ON LINE D.D.

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3



ALBERT SQUARE ELEVATION

The PRUDENTIAL ASSURANCE COMPANY LIMITED

City Office, HOLBORN, MARK LONDON E.C.1

PREPARED FOR "A RAINY DAY"

JANUARY 1921	
Sun	4 11 18 25
Mon	5 12 19 26
Tue	6 13 20 27
Wed	7 14 21 28
Thu	8 15 22 29
Fri	9 16 23 30
Sat	10 17 24 31

Assets £237,000,000

Claims Paid £355,000,000

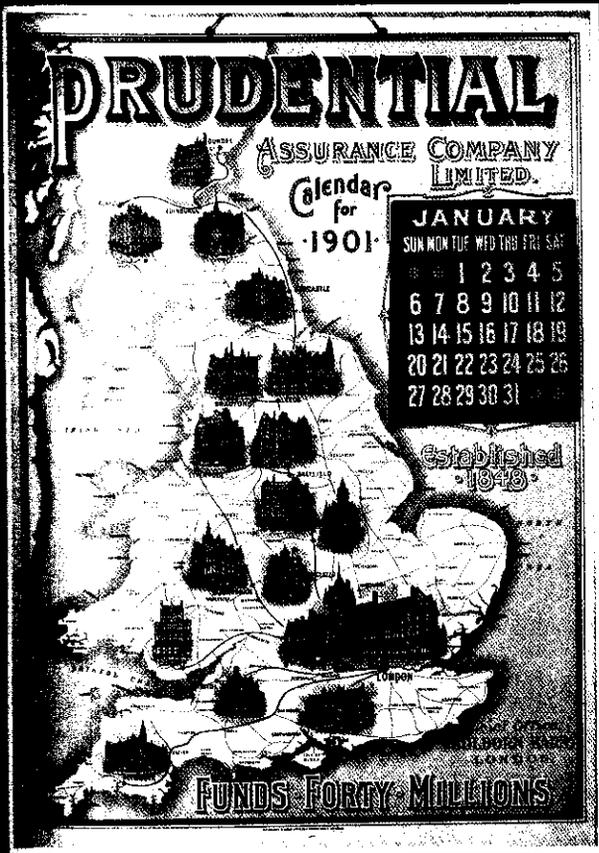
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- 1 Bradford Office.
  - 2 Edinburgh Office.
  - 3 Dundee Office.
- Waterhouse's original hand coloured drawings.
- An early photoprint from a drawing.

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# Notice of Meeting



The association between Waterhouse and the Prudential spanned some thirty years. He was responsible for creating the distinctive red-brick Prudential style of building. This has frequently been featured in the Company's publicity material such as the Calendar for 1901 (above), which shows the major offices which he designed, and the Calendar for 1931 (left) showing the facade of Chief office. A picture of Chief Office in its modern setting appears on the cover of these Accounts.

Waterhouse paid particular attention to detail in all aspects of his work. The examples shown on the opposite page of his designs for furniture and ceramic tiles are characteristic of the care he took over the interior features of his buildings. His small team produced nearly 5,000 working drawings for the Prudential, many of which were hand coloured by Waterhouse himself.

Huddersfield Office.

An early coloured sketch by Waterhouse.

Design for the Chairman's boardroom chair.

Early sketch designs for ceramic tiles on the staircase of Chief Office.

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

Notice is hereby given that the Annual General Meeting of this Company will be held at the Registered Office of the Company, No. 142 Holborn Bars London EC1 on Thursday 26 May 1983 at 12.15 pm for the following purposes:

## Ordinary Business

To receive and consider the Directors' Report and Statement of Accounts for the year ended 31 December 1982

To re-elect and elect Directors

To appoint Auditors

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

## Special Business

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

That with effect from 26 May 1983 the remuneration paid to Directors of the Company by way of directors' fees shall be such annual sum as the Directors shall from time to time determine which when added to the remuneration that they shall receive as directors of other companies which are subsidiary companies of Prudential Corporation plc shall not exceed the sum of £400,000 and such remuneration shall be divided among the Directors in such proportions and manner as the Directors may determine.

In connection with the re-election of Directors special notice has been given to the Company, pursuant to the Companies Act 1948, that a separate resolution will be moved proposing the re-election of Sir Peter Tennant CMG OBE who retires by rotation and who will be aged 72 at the date of the Meeting.

By order of the Board of Directors  
R E Artus  
Secretary

142 Holborn Bars London EC1N 2NH  
22 April 1983

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

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

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# Directors

The Rt Hon Lord Carr of Hadley PC  
*Chairman*  
W G Haslam FDC  
*Deputy Chairman*  
The Rt Hon Lord Hunt of Tanworth GCB  
*Deputy Chairman*  
Sir John Butterfield OBE FRCP  
H G Clarke FIA  
D S Craigen  
D M C Donald ws  
E P Hatchett FIA  
Sir John Hogg TD

P E Moody CBE FIA  
A F Murray CBE FIA  
J A S Neave CBE JP  
The Rt Hon Lord O'Brien of Lothbury GBE PC  
Sir Ronald Owen FIA  
The Rt Hon J E Ramsden  
D A Reid  
R S Skerman CBE FIA  
Sir Peter Tennant CMG OBE

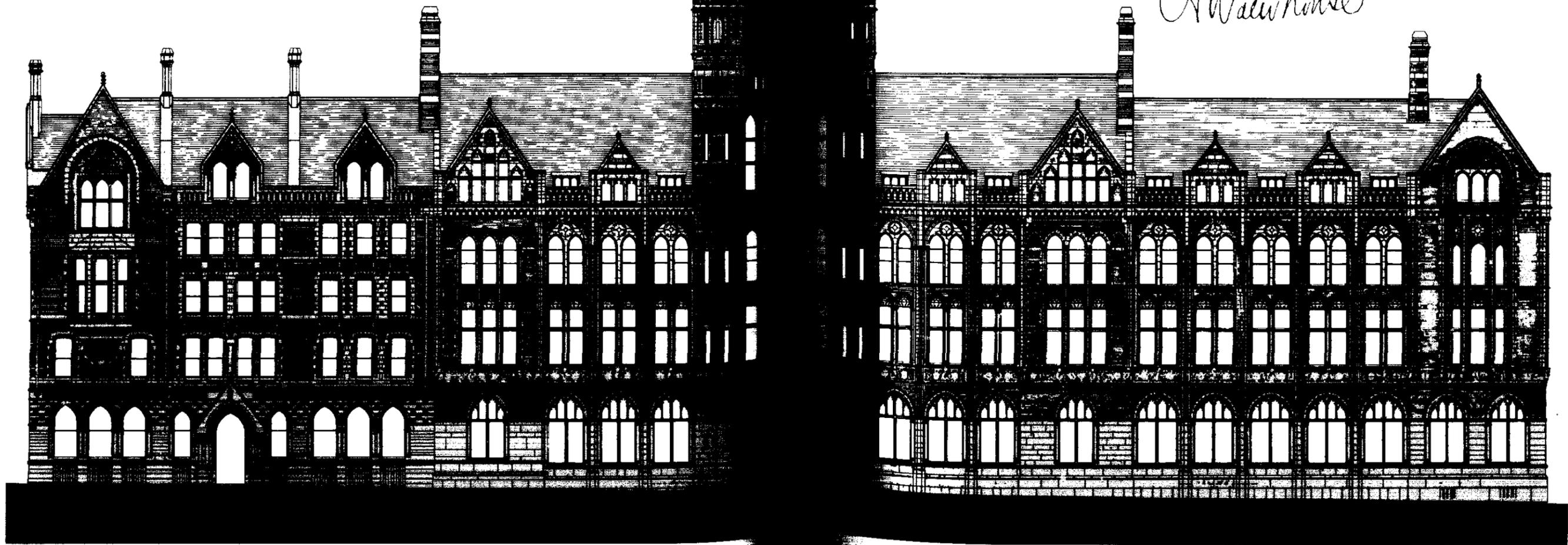
# Group Management

F B Corby FIA  
*Chief Executive*  
R E Artus FSIA  
*Secretary and Group Chief Investment Manager*

D Sirkett FIA  
*Manager – Corporate Financial Planning*  
J A Freeman FCA FCMA  
*Group Chief Accountant*  
R W Paget FCCA  
*Group Taxation Manager*  
D F Roper  
*Group Legal Adviser*

*Facade of the Prudential Chief Office building  
in Holborn, reproduced from the original black  
and white Waterhouse drawing.*

*AWaterhouse*



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# Summary of Results

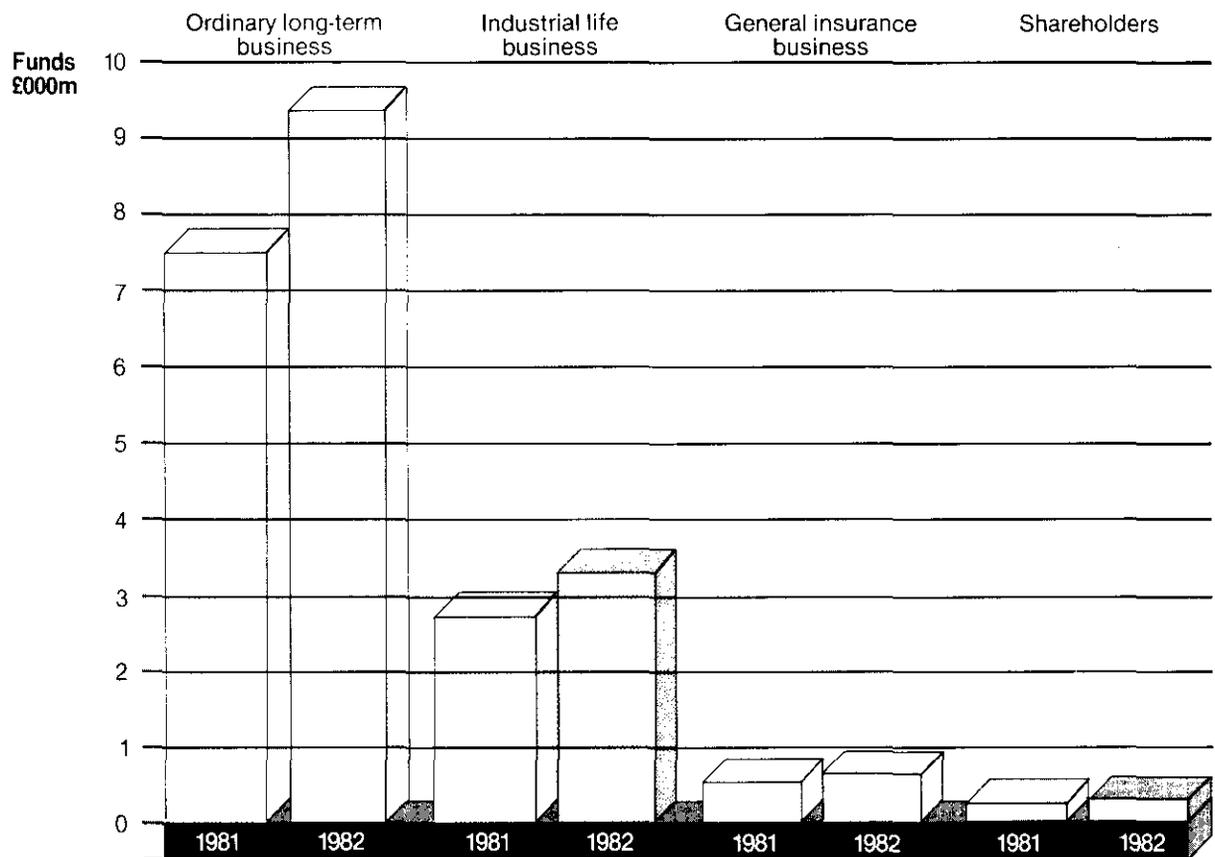
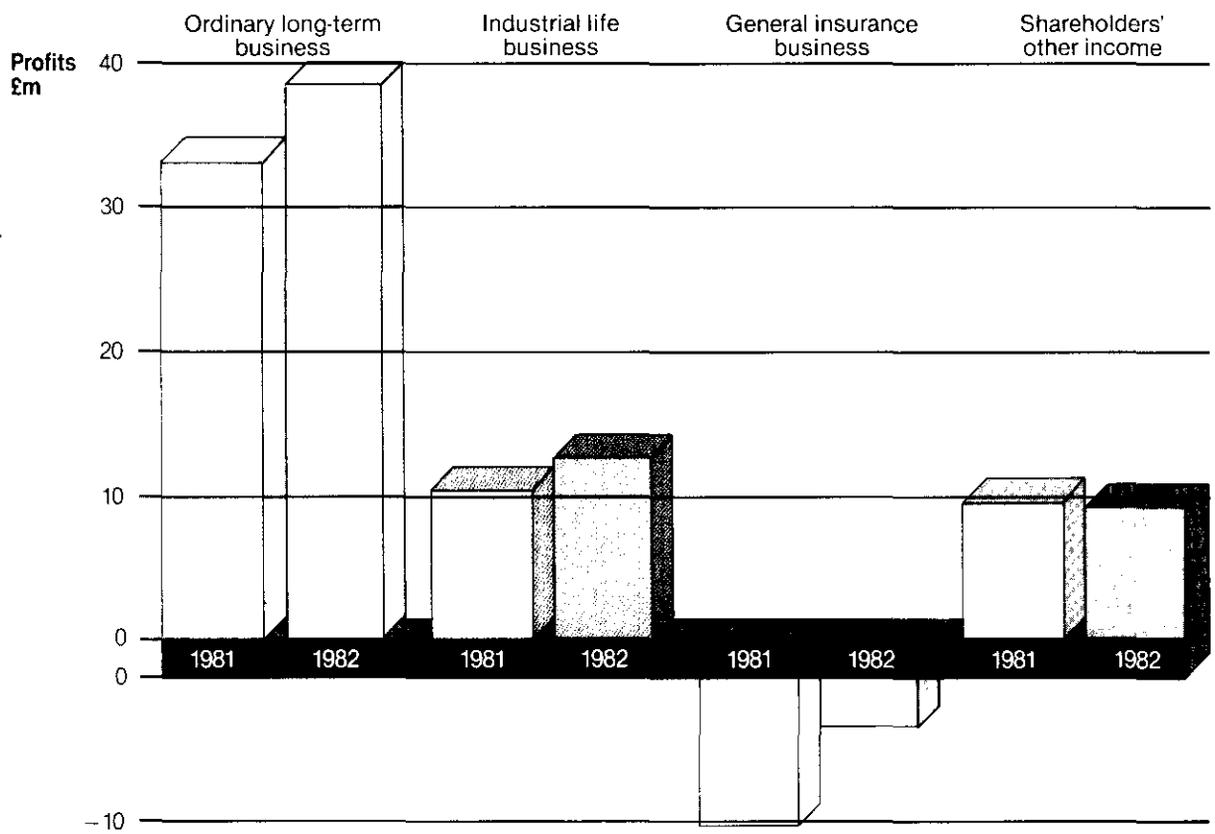
## Abridged Group Profit and Loss Account year ended 31 December 1982

	1982 £m	1981 £m
Profit after tax from:		
Ordinary long-term business	38.4	33.2
Industrial life business	12.0	10.2
General insurance business	(3.7)	(10.1)
	46.7	33.3
Shareholders' other income	8.9	9.9
Profit for the year after tax	55.6	43.2
Dividends	44.8	37.3
Retained profit for the year	10.8	5.9

## Abridged Group Balance Sheet 31 December 1982

	1982 £m	1981 £m
Shareholders' funds	263.5	220.5
Ordinary long-term business funds and reserves	9,307.1	7,455.3
Industrial life business funds and reserves	3,280.9	2,717.4
General insurance business funds and reserves	612.4	459.7
	13,463.9	10,852.9
Investments at market value	13,235.8	10,587.4
Other net assets	199.4	236.8
	13,435.2	10,824.2
Goodwill	28.7	28.7
	13,463.9	10,852.9

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# Chairman's Statement

In 1982 our Group profits after tax rose by over a quarter to £55.6m arising from continued growth in long-term business profits together with some recovery in general insurance trading results.

Your directors have declared a final dividend of 10.0p per share, which with the interim payment of 5.0p makes a total for the year of 15.0p, an increase of 20 per cent.

I offer my most sincere thanks to all our staff at home and overseas for their hard work and dedication and for their contribution to what has been achieved in very difficult conditions.

In order to provide a clearer picture of our business we have made a number of changes this year in the way in which our accounts are presented. The overall result for the year is not affected by these changes. Details will be found in the Notes on the Accounts.

## Long-Term Business

Profit after tax from the life and long-term accident and disability business of the Group was 16 per cent higher at £50.4m. Premium income increased by 12 per cent to £1380m. All major sections of our business contributed to this growth in premium income except for group pensions business in the United Kingdom, where a fall of 13 per cent in new annual premiums reflected the effect of the recession on employment.

At Prudential Assurance the total value of bonuses to with-profits policyholders has been increased to £587m compared with £509m in 1981 and the corresponding profits to shareholders rose to £37.7m from £33.3m in 1981. The increase in bonuses derives from the investment performance of our funds. Substantial increases in the market value of our invested assets have taken place against a background of a move towards lower inflation and interest rates which we hope will continue. We recognise that this may well lead to a reduction in future investment returns in money terms, and hence, in due course, to lower bonuses, but the important consideration is the level of real rates of return which can be achieved; in conditions of lower inflation these may well improve, to the benefit of all savers and investors.

I mentioned last year that we were giving particular attention to strengthening our marketing and selling organisation, as well as to keeping our range of products and services up to date. In the United Kingdom we strengthened our sales structure by creating new grades of specialist salesmen with the role of extending our existing customer base. We also introduced new unit-linked policies, reduced rates for non-smokers, and improved term assurance contracts. Overseas, we are developing a number of new products for introduction later this year.

At the end of 1982, the Life Offices Association Commission Agreement was terminated. The direct effect of this on the Group is experienced mainly at Vanbrugh, which operates solely through brokers. The agreement did not apply to the greater part of our United Kingdom business, since this is written by full-time employees of Prudential Assurance. However, the change

has had the disturbing effect of causing a general increase in the rates of commission paid by the industry, which in the long run is likely to be detrimental to the interests of policyholders. If commissions continue to escalate it could lead to serious consequences for the life assurance industry in the increasingly competitive environment for savings and financial services. We very much hope, therefore, that the initiatives now being taken to resolve this problem will be successful.

Competition is increasing in all areas of the Group's long-term business and this gives added urgency to our continuing programme of action to control the level of expenses and further to improve our investment performance.

Mercantile & General's life profits rose to £8.8m from £6.0m in 1981. Some £2 million of this increase represents an exceptional profit from overseas subsidiaries. During 1982 a new subsidiary company was established in the United States with a view to taking over the management of the substantial volume of life business now written there.

## General Insurance

General insurance business results have always been subject to considerable fluctuations, but in recent years the severe downturn has been exacerbated by over-capacity attracted in part by the high rates of investment income which have been available. It has become increasingly clear that high investment yields cannot be relied upon to cover underwriting losses, and signs are beginning to appear that the results achieved by companies, and the fall in interest rates that has occurred, are leading to a more realistic approach to writing business. It seems likely, however, that the industry's return to an acceptable level of profitability will be slow and uneven. Against this background I am pleased to report a reduction in our trading loss.

In the United Kingdom despite an increase in the total underwriting loss to £20.0m from £13.6m in 1981 we were able to produce a trading profit of £0.5m. A feature of 1982 was the very bad weather in the early months of the year, which is estimated to have given rise to additional claims of nearly £8 million. The results of our motor business improved, but premium income was little changed and there has been a reduction in the number of policies issued. In order to reverse this decline we have altered our rating structure for private motor business from 1 February 1983, as a result of which most policyholders will be paying lower premiums. We are also taking steps to reduce our expenses. These actions together should lead to improved results, but these will take time to appear and 1983 is likely to show some deterioration in the underwriting result for motor.

Last year I mentioned that we were reviewing our general insurance operations throughout the Group. In the United Kingdom we have decided to effect major changes in our organisational structure and business strategy. These will take about three years to implement fully, and involve increased computerisation and streamlining of work processes to reduce expense levels by ensuring the best use of staff resources. At the same time we shall be redirecting our selling effort and increa

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emphasis on the design and marketing of products at a competitive price, which are essential ingredients in our overall plan to expand this sector of our business on a profitable basis.

In Canada the action we took to improve underwriting performance, together with a welcome reduction in claims frequency in the motor account, contributed to the good result for 1982, a trading profit of £9.4m. Current developments in the market suggest, however, that profits at this level are unlikely to be repeated in 1983.

Mercantile & General, operating in the very competitive world reinsurance market, produced a higher trading loss after further substantial strengthening of the technical reserves. The company is in a strong position and this should give great confidence to ceding companies in a market where attention is increasingly being paid to the financial strength of reinsurers. A stringent appraisal of the business portfolio was carried out in 1982, and during the cycle of treaty renewals for 1983 the approach to underwriting was highly selective. Some business was declined because the terms were unsatisfactory, but a substantial amount was renewed on acceptable terms. It will take some time for the full effects of these actions to be reflected in our results.

### Capital Resources

Increases in the market values of the investments held in the general insurance and shareholders' funds added almost £100m to the value of the capital resources of the Group, which after including retained profits were equivalent to 59 per cent of the general insurance premium income of the Group, compared with 49 per cent at the end of 1981. This represents a position of considerable financial strength.

### Prudential Portfolio Managers

During 1982 the responsibility for all the investment management services provided in the United Kingdom, except those of Mercantile & General, was transferred to Prudential Portfolio Managers, a direct subsidiary of Prudential Corporation. This integration of our investment effort into a single unit providing services to both Group and non-Group customers will enable the investment management to use these total resources to maximum advantage.

### Directors

You will notice from the Directors' Report that Lord O'Brien and Mr Angus Murray are both retiring at the Annual General Meeting. Lord O'Brien had a most distinguished career before joining the Prudential Board of Directors, culminating in the Governorship of the Bank of England. With his authority and experience he has made a great contribution to your Board's proceedings. Mr Murray has been with the Prudential for over 50 years, for the last 11 of which he has been a Director. Before he became a Director he was Joint Secretary and Chief Investment Manager, and his immense experience both of the Prudential and of the City generally has been a great service to our companies.

Both Lord O'Brien and Mr Murray will be greatly missed from our meetings.

The directors are pleased to recommend the election to the Board of Mr F B Corby, the Group Chief Executive. This is a new development but one which is consistent with the new Group structure and the role of the Corporation Board within the Group.

As you will see from the Resolution which appears in the notice of the Annual General Meeting, shareholders are being asked to raise by £100,000 to £400,000 the total amount from which directors' fees can be drawn. This amount covers the fees for all directorships within the Group which your directors hold. Fees paid to individual directors were last increased in 1979 and your directors are now intending to increase them by 7½ per cent. The extra amount proposed in the Resolution will provide for immediate needs and some margin for the future.

### Our Role in the Community

As a major company we believe it right to make an active contribution, at both national and local levels, to the needs of the community, especially since our business success depends to an important extent on the prosperity and stability of the communities in which we operate.

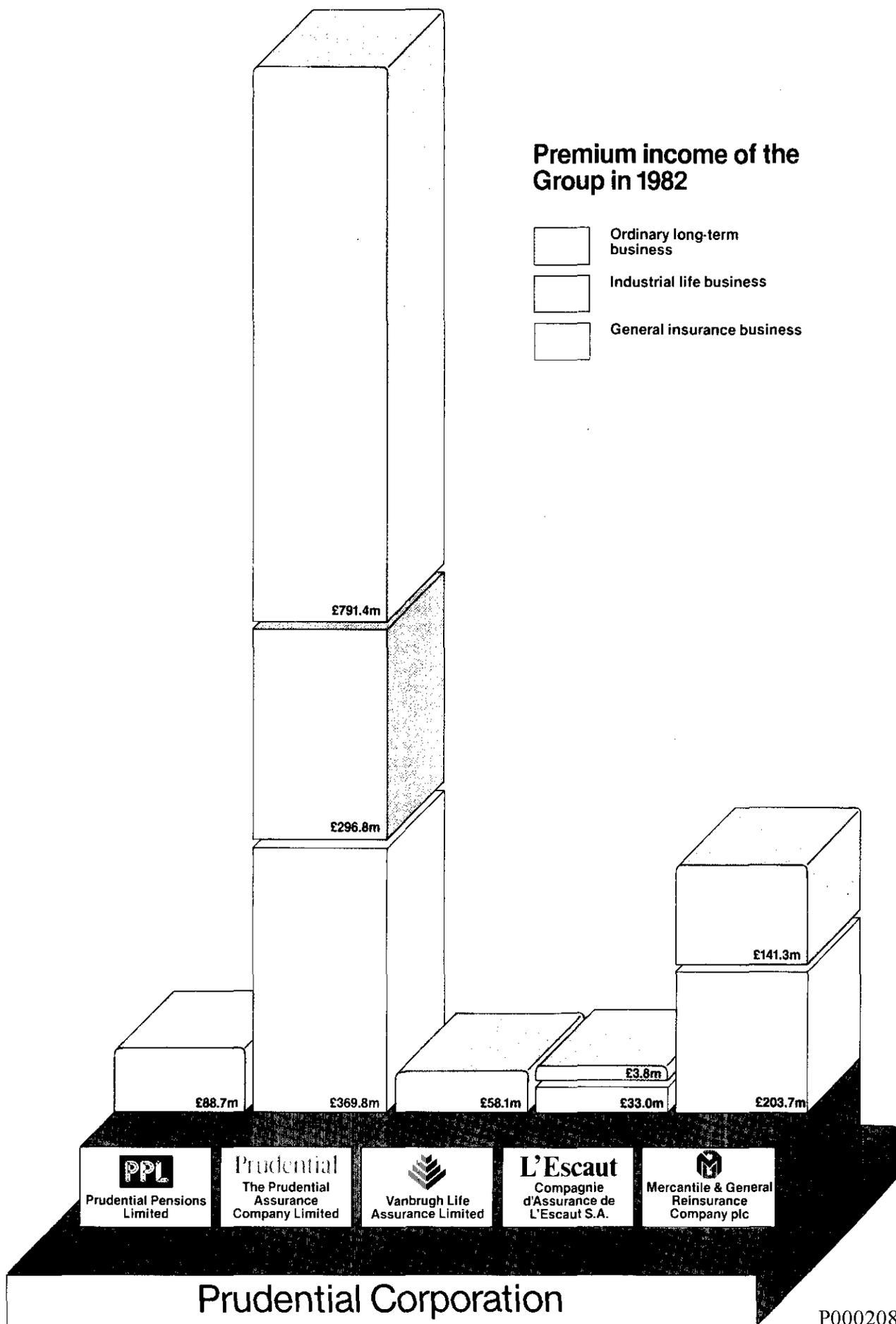
For many years we have made substantial charitable donations mainly in fields such as health and welfare closely connected with our main business of life assurance. In recent years, we have started in addition to help various community projects both by giving money and by seconding at our expense members of our staff to provide needed business skills and experience. An early example of this was our involvement with Action Resource Centre. In 1982 we made substantial new commitments to Project Fullempley for its work in the Borough of Islington and to the Northern Ireland Voluntary Trust. We are also playing an active part in the development of the new Youth Training Scheme both by providing training places and by giving strong support to the work of the CBI's Special Programmes Unit.

Carr of Hadley  
Chairman  
14 April 1983

  
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## Premium income of the Group in 1982

-  Ordinary long-term business
-  Industrial life business
-  General insurance business



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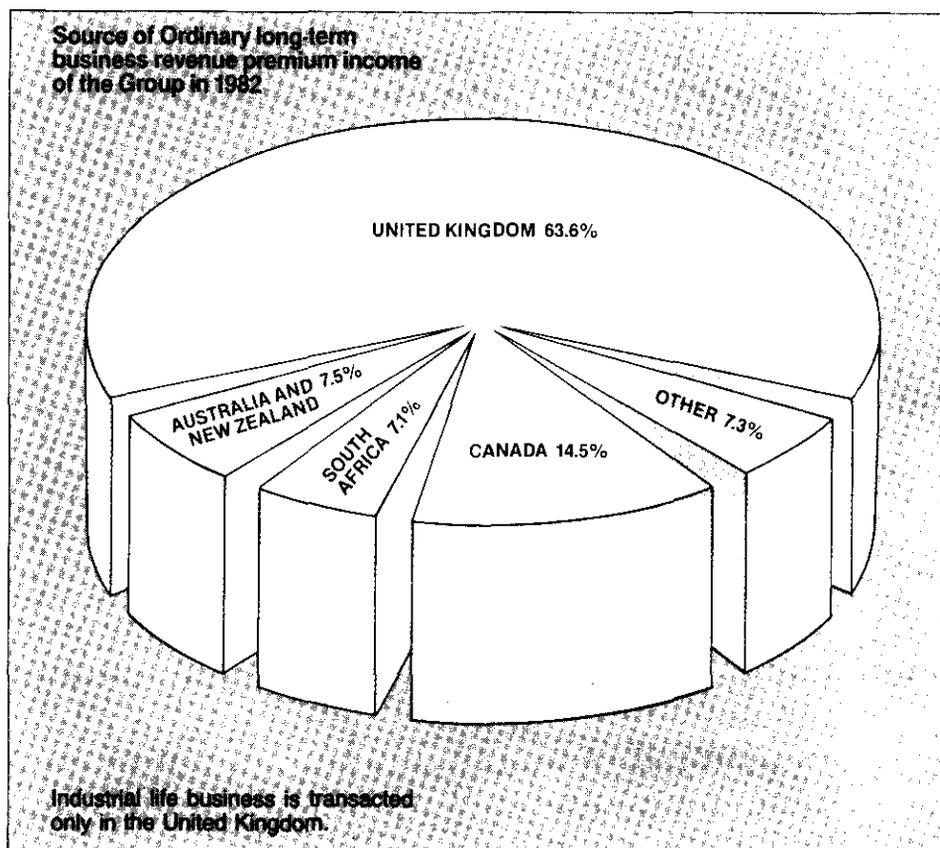
# Progress Report Long-Term Business

## Long-Term Business Summary

The worldwide long-term business of the Group was as follows:

	1982 £m	1981 £m	% increase
<b>New business:</b>			
Annual premiums	279.2	251.9	11
Single premiums	208.6	143.9	45
<b>Total revenue premium income</b>	<b>1,380.1</b>	<b>1,232.6</b>	<b>12</b>
<b>Business in force at the end of the year:</b>			
Annual premium income	1,206.7	1,116.8	8
Sums assured, including bonus	62,494.4	53,650.6	16
Annuities per annum (immediate and deferred) including bonus	1,309.3	1,117.4	17
Surplus for distribution	637.9	552.1	
Policyholders' bonuses	587.5	508.7	
Shareholders' profits after tax	50.4	43.4	

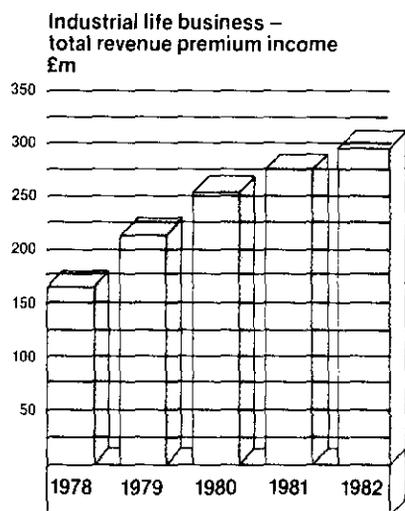
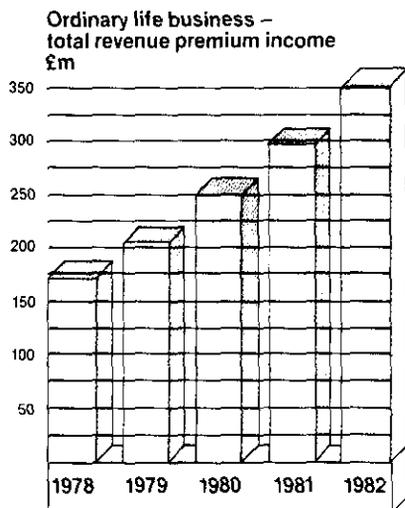
Note: Long-term accident and disability business previously included with General insurance business is now included with Ordinary life business under the heading "Ordinary long-term business". Comparative figures have been adjusted accordingly.



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## Individual Life Business — United Kingdom

### Prudential Assurance



### Ordinary Life Business

#### New business:

	1982 £m	1981 £m	% increase
Annual premiums	78.5	66.0	19
Single premiums	29.8	19.8	51
Total revenue premium income	352.1	298.1	18

### Industrial Life business

New business premiums	75.7	65.8	15
Total revenue premium income	296.8	274.5	8

During 1982 a number of significant steps were taken to increase our marketing strength. Our traditional sales force was augmented by increased numbers of specialist salesmen, and our product range widened by the introduction of new unit-linked retirement and savings plans. At the end of the year we were one of the first major offices to introduce non-smoker rates for all new individual Ordinary life policies. We also improved our term assurance contracts and reduced premium rates for females.

The success of our marketing efforts, against a difficult economic background, is shown by the increases in new business recorded above. Sales of with-profits endowment assurances and personal retirement annuity plans continued to form the major part of our new annual Ordinary business, but there was also a steady increase in sales of unit-linked savings plans. The notable increase in single premiums was partly due to the new unit-linked Prufund Investment Bond, which was launched in November and had attracted £6m by the end of the year. For Industrial business our growth of 15% in new premiums continued to be higher than that of our competitors, so that our market share again increased. The number of new policies we sold rose by 7%.

Annual premium income in force at the year-end was 15% higher at £347m for Ordinary business and 9% higher at £315m for Industrial business. These increases were both well in excess of the rate of inflation, and would have been higher but for the rise in the number of policies being surrendered. This rise partly reflects the recession but is of concern because of the number of policies surrendered at short durations. At the beginning of 1983 we realigned our surrender scales to reflect values more in line with policy reserves, which had the effect of reducing values on contracts surrendered after a short duration but improving them for contracts which had been in force for a number of years.

There has been a further substantial increase in the value of our investments, and it has again been possible to make improvements in the level of benefits for with-profits policyholders, mainly through increases in terminal bonuses and additional reversionary bonuses, varying with duration in force.

As an indication of the effect of these new bonuses, the maturity proceeds under 15 year endowment assurances for £1,000 sum assured maturing in April 1983 will be 7% higher both for Ordinary business policies, at £2,254, and Industrial business policies, at £2,029.

### Vanbrugh

	1982 £m	1981 £m	% increase
<b>New business:</b>			
Annual premiums	2.0	7.8	(74)
Single premiums	37.6	29.5	27
Total revenue premium income	58.1	49.3	18

The exceptional amount of new annual premiums reported in 1981 stemmed from Vanbrugh's introduction of the 'loanback' facility on pension plans, which

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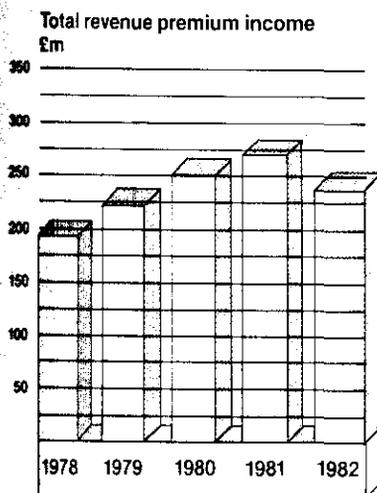
competitors were quick to follow with their own versions during 1982. As a result, Vanbrugh's new annual premiums in 1982 reverted to a level comparable with that of earlier years.

The 'Vanbrugh Inheritance Trust' was improved in 1982 and contributed substantially to the increase in single premiums.

Vanbrugh's total life funds at the end of the year were over £350m.

Vanbrugh's Currency Fund had another successful year, increasing in size from £17m to £46m. This is not life business, and the new subscriptions during 1982 are therefore not included in the table above.

## Group Pensions Business — United Kingdom



	1982 £m	1981 £m	% increase
<b>New business:</b>			
<b>Annual premiums:</b>			
Annuities and assurances	25.2	26.2	(4)
Investment-linked plans	13.9	19.0	(27)
	<u>39.1</u>	<u>45.2</u>	(13)
<b>Single premiums:</b>			
Annuities and assurances	36.8	28.3	30
Investment-linked plans	8.2	13.2	(38)
	<u>45.0</u>	<u>41.5</u>	8
<b>Total revenue premium income:</b>			
Annuities and assurances	138.3	149.4	(7)
Investment-linked plans	88.7	117.5	(25)
	<u>227.0</u>	<u>266.9</u>	(15)

Total new annual premiums for group pensions business were 13% lower at £39.1m. These premiums are derived principally from new entrants to, and increases in benefits in, existing pension schemes, and the fall reflects the effect of the recession on many of our clients.

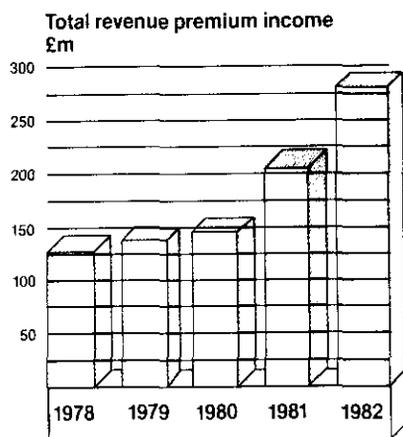
The total figure includes new annual premiums on Executive Pensions Plans which at £2.7m were up 9%.

An encouraging feature was the growth of 8% to £45.0m in new single premiums. To a large extent these were applied to increase pensions in payment, thus demonstrating the continuing efforts of employers to mitigate the effects of inflation on the pensions of their retired employees.

Total revenue premiums for insured and investment-linked contracts were 15% lower at £227m. However, part of this reduction stems from certain clients switching to the segregated fund investment service of Prudential Portfolio Managers.

During 1982 further phases of our new computerised pensions administration system were successfully brought into operation. A reorganisation of staff to take full advantage of these new facilities has been made, and the improved service available to our clients will help in our marketing of the specialist skills necessary for the efficient management of pension schemes.

## Life and Pensions Business — Overseas



	1982 £m	1981 £m	% increase
<b>New business:</b>			
Annual premiums	42.9	35.6	21
Single premiums	89.0	46.3	92
<b>Total revenue premium income</b>	<b>277.6</b>	<b>204.2</b>	<b>36</b>

New annual premiums for overseas business showed good progress, with an underlying increase of 13%. Australia and New Zealand produced the highest rates of growth.

The substantial increase in single premiums, as last year, owed much to the reinvestment of guaranteed surrender values in Canada and to transfers from the staff pension scheme in Australia.

Revenue premiums increased overall in currency terms by 26%. The greatest growth was in Canada, which now accounts for over 40% of the total.

## Specialist Life Reinsurance Business

	1982 £m	1981 £m	% increase
<b>New business:</b>			
Annual premiums	26.7	21.5	24
Single premiums	7.2	6.8	6
<b>Total revenue premium income</b>	<b>109.9</b>	<b>94.3</b>	<b>17</b>

At Mercantile & General, life business has continued to develop satisfactorily. New business annual premiums overseas, amounting to £18.8m, were buoyant and the growth in terms of local currencies was 25%. New annual premiums in the United Kingdom, at £7.9m, were unchanged from 1981.

Over one quarter of the new annual premiums now arises in the United States. During 1982 a new life subsidiary company was established there to assume gradually the responsibility for this business, which is currently written through the Canadian Life Branch.

## Accident and Disability Business

	1982 £m	1981 £m	% increase
<b>New business premiums</b>	<b>14.3</b>	<b>10.0</b>	<b>43</b>
<b>Total revenue premium income</b>	<b>58.6</b>	<b>45.3</b>	<b>29</b>

Over half the 1982 premiums are accounted for by Mercantile & General's continuous disability business, and another quarter by Constellation, the Group's specialist Accident and Health company in Canada; both recorded substantial growth in revenue premiums. In the United Kingdom, Prudential Assurance introduced an improved personal health insurance contract with a wider range of benefits.

Total profits after tax from this business amounted to £2.8m (£1.9m in 1981).

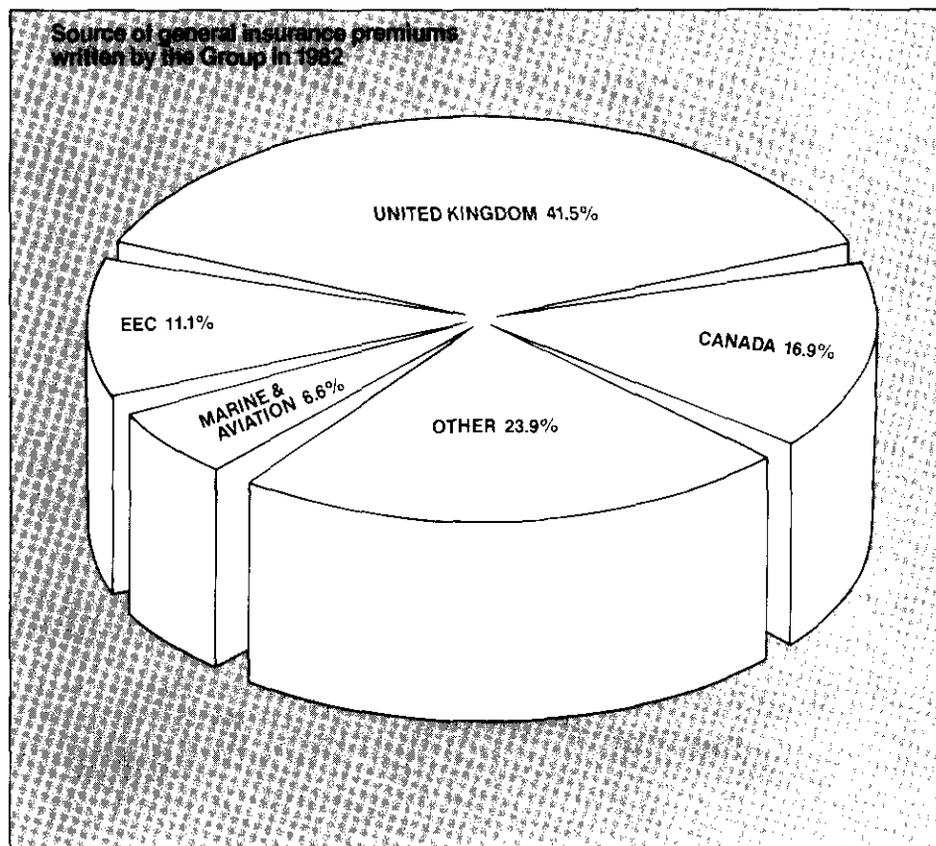
# Progress Report General Insurance

## General Insurance Summary

	Premiums written		Underwriting result		Investment income		Trading profit/(loss)	
	1982 £m	1981 £m	1982 £m	1981 £m	1982 £m	1981 £m	1982 £m	1981 £m
United Kingdom	216.5	195.0	(20.0)	(13.6)	20.5	15.0	0.5	1.4
Canada	83.5	62.5	2.6	(9.7)	6.8	4.4	9.4	(5.3)
EEC	42.2	36.9	(6.1)	(4.7)	5.2	3.8	(0.9)	(0.9)
Other countries	45.7	43.1	(9.2)	(10.0)	4.6	3.8	(4.6)	(6.2)
Marine and Aviation	14.9	11.8	(3.0)	(1.0)	2.8	2.0	(0.2)	1.0
Specialist reinsurance	203.7	174.4	(31.9)	(23.8)	20.4	17.1	(11.5)	(6.7)
	<u>606.5</u>	<u>523.7</u>	<u>(67.6)</u>	<u>(62.8)</u>	<u>60.3</u>	<u>46.1</u>	<u>(7.3)</u>	<u>(16.7)</u>
Tax credit							3.6	6.6
Loss after tax							<u>(3.7)</u>	<u>(10.1)</u>

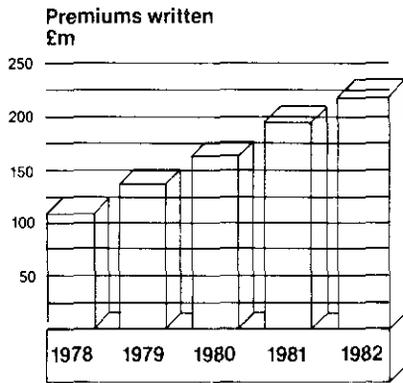
Note: Long-term accident and disability business previously included with General insurance business is now included with Long-term business. Comparative figures have been adjusted accordingly.

†This is the first year in which the analysis of general insurance results has been presented in the form of trading profits, which is the sum of the underwriting result and the appropriate proportion of the general insurance investment income. It should be noted that the investment income figures for 1982 are not directly comparable with those for 1981 because of the reallocation of investments made as at 1 January 1982 (see note 6(b) on page 29).



P00020876

United Kingdom



	1982 £m	1981 £m	% increase
Premiums written	216.5	195.0	11
Underwriting result	(20.0)	(13.6)	
Investment income†	20.5	15.0	
Trading profit/(loss) before tax	0.5	1.4	

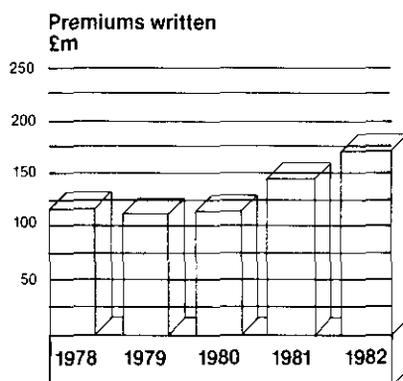
Despite the extreme weather conditions in the early part of the year, which gave rise to additional claims of £7.8m (£5.5m in 1981), there was an overall trading profit of £0.5m from United Kingdom general insurance business.

Premium income in the domestic property account rose by 16% to over £100m. The number of claims notified has continued to rise, reflecting an increasing claims awareness and the alarming increase in thefts in many parts of the country. There was an underwriting loss of £8.5m (£5.2m in 1981), including over £7m from the bad weather, producing a trading loss of £1.6m.

In the very competitive motor sector our market share has declined, and despite increased premium rates, premium income was virtually unchanged. There was an underwriting loss of £1.3m (£2.2m in 1981), but a trading profit of £6.7m.

For the remaining classes, mainly commercial, there was an underwriting loss of £10.2m (£6.2m in 1981). The high level of claims in the hotel and shopkeepers' account, plus a major fire loss in the Strand, had a substantial impact in a sector of the business where intense competition continued to depress premium levels. A particular feature for 1982 was our entry into extended warranty business. Although commercial business generates substantial investment income, the level of underwriting losses was such that the result for 1982 was an overall trading loss of £4.6m.

Overseas



	1982 £m	1981 £m	% increase
Premiums written	171.4	142.5	20
Underwriting result	(12.7)	(24.4)	
Investment income†	16.6	12.0	
Trading profit/(loss) before tax	3.9	(12.4)	

There was an underlying increase in premium income from our overseas general insurance business, assuming constant exchange rates, of 15%. Although underwriting conditions in many areas of the world still give cause for concern, there was a major improvement in the results from Canada. Overall, there was a trading profit from overseas business of £3.9m.

In Canada we were able to achieve increases to more realistic premium levels during 1982, especially in the personal lines and motor accounts, which together represent a major part of our premium income. Competition for business, however, remains severe, particularly in the commercial classes where premium rates are inadequate. Most of the 17% growth in premium income in local currency stemmed from rate increases. The action taken to improve underwriting performance, together with a welcome reduction in claims frequency in the motor account, contributed to the very satisfactory underwriting profit of £2.6m (loss of £9.7m in 1981). After including a buoyant investment income, which reflected the high interest rates prevailing and an increased investment in fixed income securities, there was a trading profit in Canada of £9.4m.

†The 1981 figures are not directly comparable because of the reallocation of investments between General insurance and Shareholders' funds (see note 6(b) on page 29).

P00020877

In Belgium the growth in l'Escaut's premium income was 6% in local currency. Competition continues to be keen, particularly for motor business, where premium reductions have been made by a number of companies, but despite an increased underwriting loss, l'Escaut managed to produce a breakeven result at the trading level (loss of £0.6m in 1981). Elsewhere in Europe trading results were generally unsatisfactory.

Many of our other, smaller, operations overseas contributed trading profits, but there were losses from the run-off of a number of terminated agencies.

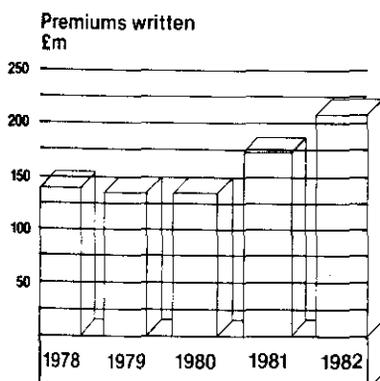
Conditions are still very unsatisfactory in the London market for writing overseas business, especially treaty reinsurance, which reflects the low level of rates worldwide. A number of corrective actions have been taken to improve results. However, our London market activities suffered an underwriting loss of £7.2m (loss of £5.7m in 1981); this figure includes losses from our associated company, Phoenix Prudential Australia.

## Marine and Aviation

There was a small underwriting profit of £0.1m on the aviation account, but a loss of £3.1m on marine business, producing a combined loss of £3.0m (loss of £1.0m in 1981), in part due to adverse exchange rate movements. After including allocated investment income there was a trading loss of £0.2m on the joint accounts.

Although there are indications of reducing competitive pressures in the marine market, this business is suffering the effects of the continuing recession in the shipping industry.

## Specialist Reinsurance



	1982 £m	1981 £m	% increase
Premiums written:			
Fire and Miscellaneous	178.6	151.7	18
Marine and Aviation	25.1	22.7	11
	<u>203.7</u>	<u>174.4</u>	17
Underwriting result	(31.9)	(23.8)	
Investment income	20.4	17.1	
Trading profit/(loss) before tax	<u>(11.5)</u>	<u>(6.7)</u>	

Underwriting conditions remained extremely unfavourable during 1982 reflecting the continuing world economic recession and intense competition for business. Much of the 17% growth in premium income shown was due to the weakening of sterling, but there was an underlying increase in selected areas, principally in non-proportional treaty business.

Fire business has again proved very unprofitable and the deterioration in Accident results noted last year has continued, requiring a further substantial strengthening of the technical reserves. Marine and Aviation business appears to have stabilised somewhat but basic rates are still less than adequate.

## Investment Income

Investment income on general insurance and shareholders' funds combined increased by 18% from £65.9m to £77.9m. Part of this increase was due to currency movements, and at constant exchange rates the growth would have been 15%. The total income was not affected by the reallocation of investments in the general insurance and shareholders' funds (see note 6(b) on page 29).

P00020878

# Progress Report Investments

## Investment Funds under Management

	Long-term business £m	General insurance and Shareholders £m	Other funds under management £m
<b>Market values at the end of 1982</b>			
Ordinary shares	4,920	264	802
Properties	3,395	67	162
British Government securities			
—fixed income	2,108	105	285
—index-linked	122	—	52
Other fixed income securities	1,293	380	73
Mortgages and loans	554	27	6
	<u>12,392</u>	<u>843</u>	<u>1,380</u>

In 1982 there was a substantial increase in the value of the investments supporting our long-term business, which now exceeds £12 billion. Other funds under management showed an increase of nearly 50%, reflecting in part a transfer of funds from our group pensions business but also the buoyant market conditions.

## Net Investment in 1982

	Long-term business £m	General insurance and Shareholders £m	Other funds under management £m
<b>Funds arising in the United Kingdom</b>			
Ordinary shares—United Kingdom	86	2	125
Ordinary shares—Overseas	73	—	36
Properties—United Kingdom	48	2	6
Properties—Overseas	45	—	—
British Government securities			
—fixed income	145	14	48
—index-linked	14	—	15
Other fixed income securities (including mortgages)	37	9	8
Increase in uninvested cash	(43)	8	2
	<u>405</u>	<u>35</u>	<u>240</u>
<b>Funds arising overseas</b>			
Ordinary shares	22	(11)	—
Properties	29	2	—
Fixed income securities (including mortgages)	245	47	5
Increase in uninvested cash	(33)	8	22
	<u>263</u>	<u>46</u>	<u>27</u>

Surrenders of policies were at a rather higher level during 1982, with the result that money becoming available for investment for our life funds in the United Kingdom was less than in 1981. Cash available for investment for the non-insurance funds under our control showed a significant increase.

P00020879

The pattern of new investment for the United Kingdom life funds changed appreciably in 1982 compared with the previous year. Net purchases of ordinary shares in the United Kingdom were lower. In part this reflects the lower level of fresh capital sought by companies by way of rights issues. The low net investment total provides no measure of the considerable volume of purchases and sales which are an integral part of the active management of the portfolios, nor the continuing increase in our activities associated with stimulating and supporting new and promising enterprises. We continued our efforts to build constructive, yet where necessary critical, relationships with the managements of companies in which we are substantial investors.

The amount invested in ordinary shares overseas was also lower than in 1981 as we approached what we regard as a more satisfactory proportion of our funds invested in overseas equities.

We reduced the amounts of new money committed to long-term index-linked British Government securities from the high levels seen in 1981 — the first year in which we were able to make this form of investment — choosing, instead, to increase the investment in conventional gilt-edged securities.

Investment in property in the United Kingdom was at a slightly lower level and largely arose from the continued funding of the development programme referred to last year. We also made a modest net investment in North American properties, in order to introduce a measure of diversification into our real estate portfolios.

The total of funds arising overseas showed another substantial increase in 1982. Most of this money arises from life business, and is subject to regulatory constraints which emphasise fixed interest investment. As a result, the pattern of investment is comparable to that of prior years, and is less affected by the investment managers' assessment of the relative attraction of the major classes of asset.

The distribution of net investment for the other funds under our control differed somewhat from that shown for the life funds. For this business, the class of asset in which investment is made is often a matter for clients' discretion.

# Directors' Report

for the year ended 31 December 1982

## Principal Activity

Prudential Corporation plc is the Group holding company and the principal activity of its subsidiaries is transacting insurance and reinsurance business of all classes in the United Kingdom and overseas. Particulars of principal subsidiary companies are given in the notes on the accounts on page 28.

## Accounts

Changes in accounting policies are set out in note 1(a) on page 26. The Consolidated Balance sheet on page 23 shows the state of affairs of the Group at 31 December 1982. The Company's Balance sheet appears on page 24 and the Consolidated Profit and loss account on page 22. There is a five year review of the Group on page 35.

## Dividends

The Directors have declared a final dividend for 1982 of 10.0p per share payable on 26 May 1983 to shareholders on the Register at close of business on 28 April 1983. The dividend for the year, including the interim dividend of 5.0p per share paid in November 1982, amounts to 15.0p per share compared with 12.5p per share for 1981.

## Directors

The present Directors of the Company are shown on page 4.

The Directors retiring by rotation are Mr W G Haslam DFC, The Rt Hon Lord Hunt of Tanworth GCB, The Rt Hon J E Ramsden, Mr R S Skerman CBE FIA and Sir Peter Tennant CMG OBE. They offer themselves for re-election.

The Rt Hon Lord O'Brien of Lothbury GBE PC also retires by rotation but does not offer himself for re-election and Mr A F Murray CBE FIA also retires.

The Directors recommend the election of Mr F B Corby FIA.

## Directors' Shareholdings

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

	Shares of 25p each			
	On 31 December 1982		On 1 January 1982 (or later election)	
	Beneficially held	Other interest	Beneficially held	Other interest
Lord Carr of Hadley	2,000		2,000	
Sir John Butterfield	2,000		2,000	
H G Clarke	4,824		4,824	
D S Craigen (elected 27.5.82)	2,000		2,000	
D M C Donald	3,600		3,600	
W G Haslam	2,500		2,500	
E P Hatchett	3,000		2,064	
Sir John Hogg	4,392		4,392	
Lord Hunt of Tanworth	2,000		2,000	
P E Moody	2,000		2,000	
A F Murray	2,400	270	2,400	918
J A S Neave (elected 27.5.82)	315,439		315,439	
Lord O'Brien of Lothbury	2,400		2,400	
Sir Ronald Owen	6,000		6,000	
J E Ramsden	2,400		2,400	
D A Reid	152,256	331,932	152,256	343,295
R S Skerman	2,500		2,500	
Sir Peter Tennant	2,400		2,400	

Except as stated above none of the Directors had an interest, either at the beginning or at the end of the year or at the date of their election, in any shares in or debentures of the Company or of its subsidiaries.

There has been no change in Directors' shareholdings between 31 December 1982 and 31 March 1983, except that Mr Reid's non-beneficially held interest increased by 341 shares.

P00020881

<b>Employees</b>	The average number of persons employed by the Company and its subsidiaries in the United Kingdom in each week of 1982 was 22,841 and the aggregate remuneration paid or payable in respect of these employees during 1982 was £213,158,477.																											
<b>Employment of disabled persons</b>	<p>The policy of the Group is:</p> <p>(a) to give full and fair consideration to applications for employment made by disabled persons, having regard to their particular aptitudes and abilities, by recruiting on the basis of ability to carry out the job.</p> <p>(b) whenever possible to continue the employment of and to arrange appropriate training for, employees of the Group who have become disabled persons while they were employed by the Group.</p> <p>(c) provided they have the ability to carry out the job, to arrange for the training, career development and promotion of disabled persons on the same basis as that for able-bodied persons.</p>																											
<b>Donations</b>	During the year the Company and its subsidiaries gave £241,543 in the United Kingdom and £79,868 overseas for charitable purposes.																											
<b>Auditors</b>	In accordance with Section 14 of the Companies Act 1976, a resolution proposing the reappointment of Deloitte Haskins & Sells as auditors to the Company will be put to the Annual General Meeting.																											
<b>Number of Shareholders</b>	<p>The number of shareholders on the register at the end of the year was:</p> <table border="0" style="margin-left: auto; margin-right: auto;"> <tr> <td></td> <td style="text-align: right;">1982</td> <td style="text-align: right;">1981</td> </tr> <tr> <td></td> <td style="text-align: right;">29,032</td> <td style="text-align: right;">30,091</td> </tr> </table>		1982	1981		29,032	30,091																					
	1982	1981																										
	29,032	30,091																										
<b>Substantial Shareholdings</b>	As far as the Directors were aware at 31 March 1983 no person had a shareholding of 5 per cent or more of the share capital of the Company.																											
<b>Analysis of Shareholdings in the Company at 31 December 1982</b>	<table border="0" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th></th> <th style="text-align: right;">1982</th> <th style="text-align: right;">1981</th> </tr> <tr> <th></th> <th style="text-align: right;">%</th> <th style="text-align: right;">%</th> </tr> </thead> <tbody> <tr> <td>Banks and other nominee companies</td> <td style="text-align: right;">38.3</td> <td style="text-align: right;">38.0</td> </tr> <tr> <td>Insurance companies</td> <td style="text-align: right;">12.8</td> <td style="text-align: right;">13.2</td> </tr> <tr> <td>Pension funds</td> <td style="text-align: right;">23.3</td> <td style="text-align: right;">22.3</td> </tr> <tr> <td>Investment trusts and unit trusts</td> <td style="text-align: right;">1.7</td> <td style="text-align: right;">2.3</td> </tr> <tr> <td>Other corporations</td> <td style="text-align: right;">4.7</td> <td style="text-align: right;">4.8</td> </tr> <tr> <td>Individuals</td> <td style="text-align: right;">19.2</td> <td style="text-align: right;">19.4</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;">100.0</td> <td style="text-align: right; border-top: 1px solid black;">100.0</td> </tr> </tbody> </table>		1982	1981		%	%	Banks and other nominee companies	38.3	38.0	Insurance companies	12.8	13.2	Pension funds	23.3	22.3	Investment trusts and unit trusts	1.7	2.3	Other corporations	4.7	4.8	Individuals	19.2	19.4		100.0	100.0
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Carr of Hadley  
Chairman  
14 April 1983

P00020882

# Consolidated Profit and Loss Account

*year ended 31 December 1982*

	Note	1982 £m	1981 £m
<b>Profit after tax from:</b>			
Ordinary long-term business	1i & 11	38.4	33.2
Industrial life business	1i & 11	12.0	10.2
General insurance business	1j & 11	(3.7)	(10.1)
<b>Shareholders' other income:</b>			
Investment income	1k, 5 & 6	17.6	19.8
Miscellaneous net income		0.3	0.4
Expenses		(1.9)	(1.9)
		16.0	18.3
Taxation	1m & 12	(7.1)	(8.4)
		8.9	9.9
<hr/>			
<b>Profit for the year after tax</b>	7	<b>55.6</b>	<b>43.2</b>
<b>Dividends:</b>			
Interim		14.9	13.4
Final		29.9	23.9
		44.8	37.3
<hr/>			
<b>Retained profit for the year</b>		<b>10.8</b>	<b>5.9</b>

**Earnings per share** 18.6p    14.5p

Based on earnings of £55.6m (£43.2m) and 298,388,254 shares

	Note	1982 £m	1981 £m
<b>Retained profit and reserves</b>			
Balance at the beginning of the year as previously reported		77.2	72.0
Investment reserves	1g	(3.1)	0.6
<hr/>			
Balance at the beginning of the year after restatement	1g	74.1	72.6
Retained profit for the year		10.8	5.9
Transfer from General insurance investment reserves		3.9	(0.7)
Profit on sale of investments of the Company		2.0	—
Movement in Investment reserves for the year	1g	7.8	(3.7)
<hr/>			
Balance at the end of the year		<b>98.6</b>	<b>74.1</b>

P00020883

# Consolidated Balance Sheet

31 December 1982

	Note	1982 £m	1981 £m
<b>Shareholders' funds</b>			
Share capital	3	74.6	74.6
Share premium		46.4	46.4
Revaluation reserves	1f	43.9	25.4
Retained profit and reserves		98.6	74.1
		263.5	220.5
<b>Insurance funds and reserves</b>			
Ordinary long-term business		9,307.1	7,455.3
Industrial life business		3,280.9	2,717.4
General insurance business		612.4	459.7
		13,463.9	10,852.9
<b>Investments</b>			
	1e		
Ordinary shares		5,184.9	4,114.8
Properties		3,461.9	3,269.9
British Government securities		2,334.3	1,572.8
Other fixed income securities		1,673.4	1,119.7
Mortgages and loans		581.3	510.2
		13,235.8	10,587.4
<b>Other assets</b>			
Tax recoverable		20.2	19.7
Debtors		457.9	373.6
Deposits, bank balances and cash		475.5	475.9
		14,189.4	11,456.6
<i>Less</i>			
<b>Other liabilities and provisions</b>			
Outstanding claims		280.5	260.2
Other creditors		192.0	176.4
Unsecured loans in overseas currencies	4	179.6	111.2
Bank loans and overdrafts	4	25.0	20.2
Deferred taxation	12	28.3	26.0
Taxation		17.0	12.6
Loan stocks of a subsidiary	4	1.9	1.9
Final dividend		29.9	23.9
		754.2	632.4
		13,435.2	10,824.2
<b>Goodwill</b>	1d	28.7	28.7
		13,463.9	10,852.9

▲▲▲  
P00020884

# Balance Sheet of the Company

31 December 1982

	Note	1982 £m	1981 £m
<b>Shareholders' funds</b>			
Share capital	3	74.6	74.6
Revaluation reserve	1f	—	1.0
Retained profit		15.1	8.8
		89.7	84.4
<b>Investments</b>			
	1e		
British Government securities		9.5	7.6
Other fixed income securities		0.6	—
<b>Subsidiaries</b>			
Shares in subsidiaries		74.6	74.6
<b>Other assets</b>			
Tax recoverable		0.2	0.1
Amounts due from subsidiaries		33.9	25.0
Other debtors		0.1	—
Deposits and bank balances		0.8	1.0
		119.7	108.3
<i>Less</i>			
Deferred taxation		0.1	—
Final dividend		29.9	23.9
		30.0	23.9
		89.7	84.4

The financial statements on pages 22 to 34 were approved by the Board of Directors on 14 April 1983 and are signed on its behalf by:

Carr of Hadley *Chairman*

Hunt of Tanworth *Director*

F B Corby *Chief Executive*

14 April 1983

P00020885

# Source and Application of Funds

of the Group (excluding Long-Term Business)  
year ended 31 December 1982

	1982 £m	1981 £m
<b>Source of funds</b>		
Profit for the year after tax	55.6	43.2
Adjustment for item not involving movement of funds:		
Depreciation	1.6	1.7
	57.2	44.9
Increase in General insurance business fund	89.0	86.9
Profit on sale of investments of the Company	2.0	—
Movement in Investment reserves	23.7	6.7
	171.9	138.5
<b>Application of funds</b>		
Dividends paid	38.8	34.3
Increases in investments:		
Ordinary shares	7.2	18.5
Properties	9.8	9.1
British Government securities	22.1	6.5
Other fixed income securities	73.0	50.4
Mortgages and loans	1.4	2.8
	113.5	87.3
<b>Movement in other assets, liabilities and provisions</b>		
Debtors	47.1	45.5
Outstanding claims	(13.8)	(41.9)
Taxation	(7.1)	2.7
Unsecured loans in overseas currencies	(2.8)	(0.5)
Loan stocks of a subsidiary	—	0.3
Other creditors	(13.6)	(4.6)
Deposits, bank balances and cash	10.0	15.6
Bank loans and overdrafts	(0.2)	(0.2)
	19.6	16.9
	171.9	138.5

The above figures include the effect of exchange revaluation.

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P00020886

# Notes on the Accounts

## 1. Group accounting policies (a) Changes in accounting policies

Investments are shown in the Balance sheets at market value, whereas previously they were shown mainly at cost. Depreciation is not now provided on properties and accumulated depreciation at 31 December 1981 has been transferred to Investment reserves.

Long-term accident and disability business previously included with General insurance business is now included with Ordinary life business under the heading "Ordinary long-term business".

Comparative figures have been adjusted to reflect the change to market valuation and the re-classification of long-term accident and disability business.

Dividends on ordinary shares for non-linked business are included on the basis of the ex-dividend date and not on the due date of payment as previously. Comparative figures have not been adjusted but the effect is disclosed in note 6.

## (b) Disclosure requirements

The accounts are prepared in accordance with the provisions of Sections 149A and 152A of and Schedule 8A to the Companies Act 1948. They are not required to comply with the accounting and disclosure provisions of the Companies Act 1981.

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

## (c) Basis of consolidation

The group accounts incorporate the assets and liabilities of the Company and all its subsidiaries at 31 December and the results for the year ended on that date with the exception of London Indemnity & General Insurance Company Limited whose accounts are not included in the group accounts as it would be misleading to do so; with the approval of the Department of Trade the particulars otherwise required to be given in accordance with paragraphs 15(4) and (6) of Schedule 8A to the Companies Act 1948 are omitted.

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

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

## (d) Goodwill

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

## (e) Investments

Investments are shown in the Balance sheets at market value, determined as follows:

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

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

Short-term loans — normally at par.

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

Shares in subsidiaries are shown at cost.

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**(f) Revaluation reserves**

Except for linked business, unrealised appreciation and depreciation of investments are carried to Revaluation reserves. In the Life business funds of certain insurance subsidiaries transfers are made from Revaluation reserves to the Revenue accounts, representing part of the unrealised margin of market values over cost.

No deduction is made from the Revaluation reserves for tax which would become payable if investments were realised at the values shown. The maximum amount payable is shown in note 12.

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

**(g) Investment reserves**

Investment reserves are held in all funds of the Company's insurance subsidiaries. Except for linked business, profits and losses on the realisation of investments, taxes thereon and exchange adjustments are carried to these reserves and excluded from the revenue results. Transfers may be made from time to time from or to the respective Revenue or Profit and loss accounts or insurance funds.

Investment reserves are dealt with in the Balance sheets as follows:

Shareholders' funds — included in "Retained profit and reserves".

General insurance business — shown separately in the Balance sheet on page 31. These reserves are included in the General insurance Balance sheet but are attributable to Shareholders.

Long-term business — amalgamated with Revaluation reserves.

**(h) Exchange rates**

Foreign currency assets and liabilities and revenue transactions are translated at rates of exchange ruling at the end of the year, except for certain UK revenue transactions which are translated at rates of exchange ruling at the dates of the respective transactions.

**(i) Long-term business**

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

**(j) General insurance business**

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

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

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

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

**(k) Investment income**

Dividends on ordinary shares are included by reference to ex-dividend dates. All other income is included on an accruals basis. Investment income is adjusted for accrued income included in the purchases and sales of securities so as to match the income with the period for which the security has been held.

UK dividends are grossed up by the attaching tax credit.

Investment income is shown after deducting interest payable.

**(l) Depreciation**

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

All properties within the group are regarded as investment properties and therefore they are not depreciated.

**(m) Taxation**

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

**(n) Retirement benefit schemes**

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

**2. Subsidiary companies**

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

Name	Class of share held	Country of incorporation or registration and principal operation
Compagnie d'Assurance de l'Escaut SA	Shares n.p.v.	Belgium
The Mercantile and General Reinsurance Company plc	Shares £1	Scotland (operating principally in UK)
The Prudential Assurance Company Limited	Shares 25p	England
The Prudential Assurance Company of South Africa Limited	Shares R1 (97.23%)	South Africa
Prudential Pensions Limited	Shares £1	England
Prudential Portfolio Managers Limited	Shares £1	England
Vanbrugh Life Assurance Limited	Ordinary Shares £1	England

The principal activity of these subsidiaries is insurance with the exception of Prudential Portfolio Managers Limited, an investment management company.

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

**3. Share capital**

The Company's authorised Share capital is £87,500,000 in 350,000,000 shares of 25p each of which 298,388,254 shares have been issued fully paid.

**4. Loans**

The unsecured loans in overseas currencies fall due for settlement by 1984.

Bank loans and overdrafts are repayable within one year, or on demand.

Loan stocks of a subsidiary are repayable by the following dates:

	£m
1985	1.1 at 3½%
1985	0.1 at 4½%
1988	0.7 at 5½%
	1.9

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5. Interest on loans

Interest on loans and bank overdrafts deducted from investment income, including that of long-term business and general insurance business, is as follows:

	1982 £m	1981 £m
Loans repayable within 5 years	15.8	15.9
Others	0.1	0.1

6. Investment income

(a) The effect of including dividends on ordinary shares for non-linked business on the basis of the ex-dividend date (see note 1(a)) is to increase investment income for 1982 as follows:

Ordinary long-term business	£m
Industrial life business	16.8
General insurance business	9.3
Profit and loss account	0.7
	0.2

The effect on the profit of the Group after tax is £0.7m.

(b) In certain subsidiaries ordinary shares and properties were transferred as at 1 January 1982 from general insurance business to the Shareholders' account in exchange for fixed income securities. Had these changes not taken place it is estimated that the general insurance business investment income in 1982 would have been lower by £3.6m, while the investment income in the Consolidated Profit and loss account would have been correspondingly higher. There is no overall effect on the profit of the Company or Group.

7. Profit and loss account

	1982 £m	1981 £m
Profit of the Company for the year after tax	49.3	38.0
Profit on sale of investments of the Company	2.0	—
Revaluation reserve deficit	(0.2)	—
	51.1	38.0
Less Dividends	44.8	37.3
	6.3	0.7

8. Investment reserve

A provision of £9.0m has been charged against investment reserves. This relates to possible claims arising in the specialist reinsurance subsidiary in respect of earlier underwriting years.

9. Major shareholdings

The Group holds shares in 46 companies, other than subsidiaries, in which the holding of at least one class of equity shares amounts in nominal value to one fifth or more of the issued shares of that class and in a further 42 companies in which the holding exceeds one tenth.

In view of the number involved and as they do not materially affect the profit of the Group or the amount of its assets, details relating to individual companies are not shown. Of these companies, 39 come within the definition of an associated company but due to their insignificance and the fact that several are held wholly or partly as investments of the life funds they are not listed (see note 1(c)).

10. Auditors' remuneration

The remuneration of the auditors of the Company and its subsidiaries excluding VAT amounted to £760,000 (£717,000).

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11. Insurance business

Long-term business  
Revenue accounts

	Note	Ordinary long-term† business		Industrial business	
		1982 £m	1981 £m	1982 £m	1981 £m
Premium income		1,083.3	958.1	296.8	274.5
Investment income	1k, 5 & 6	647.3	527.5	201.8	170.9
Other income*	1f & g	384.9	156.5	98.6	74.7
		2,115.5	1,642.1	597.2	520.1
<b>Less:</b>					
Claims		810.6	604.8	268.0	214.5
Commissions and expenses		251.3	214.7	121.1	113.9
Taxation	1m & 12	42.9	33.1	25.0	17.8
Increase/(decrease) in insurance liability		576.0	407.5	(20.1)	3.8
		1,680.8	1,260.1	394.0	350.0
Surplus for distribution		434.7	382.0	203.2	170.1
Policyholders' bonuses		396.3	348.8	191.2	159.9
Transfers to Consolidated Profit and loss account	1i	38.4	33.2	12.0	10.2

\*comprises transfers from Investment and Revaluation reserves (Ordinary long-term £159.7m (£120.5m), Industrial life £98.6m (£74.7m)) and increase in value of investments related to linked business (Ordinary long-term £225.2m (£36.0m)).

Long-term business  
Balance sheets

Insurance funds		6,927.5	5,829.8	1,709.2	1,538.1
Investment and Revaluation reserves	1f & g	2,379.6	1,625.5	1,571.7	1,179.3
		9,307.1	7,455.3	3,280.9	2,717.4
<b>Investments</b>					
	1e				
Ordinary shares		3,474.2	2,734.3	1,446.4	1,154.6
Properties		2,421.0	2,257.3	974.0	948.6
British Government securities		1,563.3	1,035.1	666.7	464.2
Other fixed income securities		1,203.6	779.5	89.3	67.4
Mortgages and loans		455.7	405.2	98.1	80.0
		9,117.8	7,211.4	3,274.5	2,714.8
<b>Other assets</b>					
Tax recoverable		13.2	10.3	0.5	0.3
Debtors		221.6	184.9	48.5	33.1
Deposits, bank balances and cash		330.4	339.7	71.0	71.9
		9,683.0	7,746.3	3,394.5	2,820.1
<b>Less:</b>					
<b>Other liabilities and provisions</b>					
Outstanding claims		62.0	56.7	8.8	7.6
Other creditors		133.1	120.5	50.9	46.6
Unsecured loans in overseas currencies	4	131.9	73.9	42.8	35.2
Bank loans and overdrafts	4	21.5	13.4	4.1	7.4
Deferred taxation	1m	14.4	14.7	6.9	5.9
Taxation		13.0	11.8	0.1	—
		375.9	291.0	113.6	102.7
		9,307.1	7,455.3	3,280.9	2,717.4

†includes long-term accident and disability business previously included in P00020891 insurance business.

General insurance business  
Revenue accounts

	Note	1982 £m	1981 £m
Premiums written		606.5	523.7
Less Provision for increase in insurance liability		74.3	56.6
		532.2	467.1
<i>Less:</i>			
Claims		378.2	338.2
Commission and expenses		221.6	191.7
		599.8	529.9
Underwriting result	1j	(67.6)	(62.8)
Investment income	1k, 5 & 6	60.3	46.1
Trading profit/(loss) before tax		(7.3)	(16.7)
Taxation credit/(charge)	1m & 12	3.6	6.6
Transfer to/(from) Consolidated Profit and loss account		(3.7)	(10.1)

Shareholders' and  
General insurance business  
Balance sheets

	Note	Shareholders'		General insurance business	
		1982 £m	1981 £m	1982 £m	1981 £m
Shareholders' funds		263.5	220.5	—	—
General insurance fund		—	—	466.7	377.7
General insurance Investment reserves	1g	—	—	40.6	28.5
General insurance Revaluation reserves	1f	—	—	105.1	53.5
		263.5	220.5	612.4	459.7
Investments	1e				
Ordinary shares		121.4	75.3	142.9	150.6
Properties		35.7	11.8	31.2	52.2
British Government securities		20.3	39.6	84.0	33.9
Other fixed income securities		34.0	49.6	346.5	223.2
Mortgages and loans		1.4	0.4	26.1	24.6
		212.8	176.7	630.7	484.5
Other assets					
Tax recoverable		0.5	0.2	6.0	8.8
Debtors		61.0	40.2	196.9	167.1
Deposits, bank balances and cash		12.9	14.7	64.9	53.3
		287.2	231.8	898.5	713.7
<i>Less:</i>					
Other liabilities and provisions					
Outstanding claims	1j	—	—	209.7	195.9
Other creditors		8.9	7.6	69.4	53.4
Unsecured loans in overseas currencies	4	4.9	2.1	—	—
Bank loans and overdrafts	4	—	—	3.0	3.0
Deferred taxation	1m	6.5	4.3	0.5	1.1
Taxation		0.4	0.2	3.5	0.6
Loan stocks of a subsidiary	4	1.9	1.9	—	—
Final dividend		29.8	23.9	—	—
		52.4	40.0	286.1	254.0
Goodwill	1d	234.8	191.8	612.4	459.7
		28.7	28.7	—	—
		263.5	220.5	612.4	459.7

12. Taxation	Ordinary long-term business		Industrial life business		General insurance business		Profit and loss	
	1982 £m	1981 £m	1982 £m	1981 £m	1982 £m	1981 £m	1982 £m	1981 £m
Corporation tax at 52% less reliefs	5.6	7.5	1.7	1.7	(7.7)	(11.2)	3.7	6.0
Double taxation relief	(1.3)	(0.1)	(0.7)	—	(2.5)	(0.4)	(0.2)	(0.6)
Tax on franked investment income	4.3	7.4	1.0	1.7	(10.2)	(11.6)	3.5	5.4
Overseas taxation	23.3	16.6	21.7	15.1	3.0	2.2	0.8	1.4
	14.2	11.4	0.8	0.7	5.0	1.3	1.0	0.8
Adjustments re prior years	41.8	35.4	23.5	17.5	(2.2)	(8.1)	5.3	7.6
	(1.4)	(0.9)	0.1	(0.2)	—	0.5	—	0.1
Deferred taxation:	40.4	34.5	23.6	17.3	(2.2)	(7.6)	5.3	7.7
Current year	2.6	1.1	1.4	0.4	0.4	1.2	2.2	1.3
Prior years	—	(2.1)	—	0.2	(1.1)	—	(0.1)	(0.4)
Group relief	(0.1)	(0.4)	—	(0.1)	(0.7)	(0.2)	(0.3)	(0.2)
	42.9	33.1	25.0	17.8	(3.6)	(6.6)	7.1	8.4

The table above gives details of the taxation charged in the Consolidated Profit and loss account on page 22 and in the Revenue accounts (see note 11 pages 30 and 31) on all profits and income earned to date.

Tax on capital gains charged in the year against investment reserves amounts to £15m (£5.8m).

Arising from the changes in accounting policies (see note 1 (a)) certain deferred taxation provisions were released to investment reserves. These adjustments, together with the deferred taxation charge analysed above, make up the movement in deferred taxation in the Balance sheets.

Deferred taxation in the Balance sheet of the Company relates to short-term timing differences and in the Consolidated Balance sheet relates to:

	1982		1981	
	Potential liability £m	Amount provided £m	Potential liability £m	Amount provided £m
Short-term timing differences	26.2	26.2	22.6	22.6
Tax allowances	16.7	5.2	13.9	6.1
General insurance business reserves	8.6	(3.1)	7.2	(2.7)
	51.5	28.3	43.7	26.0
Maximum tax payable if investments were disposed of at the values shown:				
Ordinary long-term business	334.6	—	255.5	—
Industrial life business	446.0	—	369.5	—
General insurance business	51.1	—	25.6	—
Shareholders	14.7	—	8.5	—
	846.4	—	659.1	—
	897.9	28.3	702.8	26.0

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

13. Commitments

The Group is committed to capital expenditure not provided of £3.3m (£8.0m) and expenditure authorised but not contracted of £1.2m (£1.6m) in respect of office buildings and computer equipment.

14. Emoluments of Directors and senior employees

The aggregate amount of the emoluments of the Directors of the Company for the year was £269,342 (£229,961).

In addition, contributions made to pension schemes for Directors were £49,170 (£41,703).

The emoluments of the Chairman amounted to £45,000 (£40,765).

The table below shows the number of Directors of the Company and senior employees of the Group in the United Kingdom whose emoluments were within the bands stated (excluding employees whose emoluments were below £30,000):

Emoluments £	Number of Directors		Number of employees	
	1982	1981	1982	1981
1 to 5,000	—	3		
5,001 to 10,000	11	8		
10,001 to 15,000	1	2		
15,001 to 20,000	3	3		
20,001 to 25,000	2	1		
30,001 to 35,000	—	—	43	20
35,001 to 40,000	—	—	16	16
40,001 to 45,000	1	1	14	7
45,001 to 50,000	—	—	4	3
55,001 to 60,000	—	—	3	2
60,001 to 65,000	—	—	1	2
65,001 to 70,000	—	—	1	1
70,001 to 75,000	—	—	1	—
80,001 to 85,000	—	—	1	1

15. Loans to and transactions with Directors and officers

No loans were granted to Directors in 1982 but the following loans subsisted during the year, the loans being granted before the person concerned became a Director of the Company.

	Liability at 1 January 1982 £	Maximum liability during 1982 £	Liability at 31 December 1982 £
House Purchase Loans			
P E Moody	12,000	12,000	12,000
J A S Neave	10,000	10,000	10,000
Loans on Policies			
W G Haslam	1,305	1,321	1,321

The house purchase loans are secured on the personal residences of the Directors and repayment will be made from endowment policies; interest on different portions of the loans is at 3.5 per cent and 8 per cent, the terms being no more favourable than those which were normally available to members of the staff when the loans were made.

The life policy loans are secured on endowment policies and repayment is made from the maturity monies or earlier at the borrower's option, on terms available to all policyholders. The rate of interest applicable on 31 December 1982 was 11%.

There is no interest due and unpaid at 31 December 1982 on any of the above loans.

Four Officers of the Company (other than Directors) had outstanding on 31 December 1982 loans from a subsidiary company totalling £81,000.

# Actuarial Reports and Report of the Auditors

## Actuarial Reports

Reports by the actuaries of the various insurance subsidiaries show in each case that at 31 December 1982 the aggregate amount of the liabilities under long-term business contracts did not exceed the value of the assets identified as representing the long-term business.

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

The surplus includes a non-recurrent release amounting to £2m from subsidiaries of Mercantile and General.

F B Corby  
*Chief Executive*  
14 April 1983

## Report of the Auditors to the members of Prudential Corporation plc

We have audited the financial statements on pages 22 to 34 in accordance with approved Auditing Standards.

In our opinion, the Balance sheet of the Company gives a true and fair view of the state of the Company's affairs at 31 December 1982 and complies with the Companies Acts 1948 to 1981, and the Consolidated accounts comply with the provisions of the Companies Acts 1948 to 1981 applicable to insurance companies.

Deloitte Haskins & Sells  
*Chartered Accountants*  
London  
14 April 1983

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# Five Year Review of the Group

	1982 £m	1981 £m	1980 £m	1979 £m	1978 £m
<b>Ordinary Long-term Business</b>					
New annual premiums	203.5	186.1	157.6	144.9	115.2
Total revenue premium income	1,083.3	958.1	801.5	708.2	620.3
Investment income	647.3	527.5	457.2	385.3	303.8
Policyholders' bonuses	396.3	348.8	259.5	211.2	176.0
Surplus attributable to Shareholders	38.4	33.2	24.7	20.2	13.7
Market value of investments†	9,117.8	7,211.4	6,227.0	5,001.1	4,367.0
<b>Industrial Life Business</b>					
New annual premiums	75.7	65.8	61.6	49.4	35.5
Total revenue premium income	296.8	274.5	253.3	213.5	166.5
Investment income	201.8	170.9	157.8	140.6	112.5
Policyholders' bonuses	191.2	159.9	113.2	92.5	72.5
Surplus attributable to Shareholders	12.0	10.2	7.1	5.7	4.8
Market value of investments†	3,274.5	2,714.8	2,495.1	1,997.4	1,835.4
<b>General Insurance Business</b>					
Premiums written	606.5	523.7	421.5	384.0	368.9
Underwriting result	(67.6)	(62.8)	(38.5)	(18.7)	(7.0)
Investment income	60.3	46.1	33.6	32.5	27.2
Trading profit/(loss) before tax	(7.3)	(16.7)	(4.9)	13.8	20.2
Taxation credit/(charge)	3.6	6.6	5.1	(3.9)	(5.3)
Profit/(loss) after tax	(3.7)	(10.1)	0.2	9.9	14.9
Market value of investments†	630.7	484.5	409.6	365.3	334.9
<b>Shareholders' Other Income</b>					
Investment income	17.6	19.8	18.7	16.2	13.3
Miscellaneous net income	0.3	0.4	0.2	—	—
Expenses	(1.9)	(1.9)	(1.1)	(1.1)	(0.3)
Taxation	(7.1)	(8.4)	(7.3)	(5.3)	(5.2)
Other income after tax	8.9	9.9	10.5	9.8	7.8

†No allowance has been made for tax on capital gains that would arise if the investments were realised at the values shown (see note 12 on page 32).

## Summary of Results

Profit from Ordinary long-term business	38.4	33.2	24.7	20.2	13.7
Profit from Industrial life business	12.0	10.2	7.1	5.7	4.8
Profit from General insurance business	(3.7)	(10.1)	0.2	9.9	14.9
Shareholders' other income	8.9	9.9	10.5	9.8	7.8
Total profit after tax	55.6	43.2	42.5	45.6	41.2
Retained profit for the year	10.8	5.9	9.7	17.3	17.1
Earnings per share	18.6p	14.5p	14.2p	15.3p	13.8p
Dividend per share	15.0p	12.5p	11.0p	9.5p	8.063p

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