

**PRUDENTIAL
CORPORATION**
Annual Report and Accounts

1983

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PRUDENTIAL CORPORATION

ANNUAL REPORT & ACCOUNTS 1983

Notice of meeting	2
Directors	3
Group organisation and management	4
Chairman's statement and summary of results	5
Business review of the Group	9
Individual life business-UK	9
Vanbrugh	10
Group pensions business-UK	11
General insurance business-UK	12
Overseas business	14
Mercantile & General	15
Group investments	17
Prudential in the Community	18
Business analysis of the Group	19
Long-term business	20
General insurance business	22
Investments	24
5 year review of results	26
Directors' report	28
Dividends	28
Consolidated Profit and loss account	30
Consolidated Balance sheet	31
Balance sheet of the Company	32
Source and application of funds	33
Notes on the accounts	34
Actuarial report	40
Report of the Auditors	40

Prudential Corporation plc
Registered Office and Transfer Office:
142 Holborn Bars London EC1N 2NH.

NOTICE OF MEETING

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

Notice is hereby given that the Annual General Meeting of the Company will be held at No. 142 Holborn Bars London EC1 on Thursday 31 May 1984 at 12.15 pm for the following purposes:

To receive and consider the Directors' Report and Statement of Accounts for the year ended 31 December 1983

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.

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 Mr Edward Preston Hatchett FIA, and Sir Ronald Hugh Owen FIA, who retire by rotation and who will be aged 71 and 73 respectively at the date of the meeting.

By order of the Board of Directors

R E Artus
Secretary
142 Holborn Bars London EC1N 2NH
27 April 1984

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.

DIRECTORS

The Rt Hon Lord Carr of Hadley PC

Chairman

A Director since 1976 and Chairman since 1980. Former Home Secretary. Director of Cadbury Schweppes, SGB Group and Securicor.

W G Haslam DFC

Deputy Chairman

A Director and Deputy Chairman since 1980. Former Chief General Manager of Prudential Assurance and Chief Executive of Prudential Corporation. Former Chairman of the British Insurance Association.

The Rt Hon Lord Hunt of Tanworth GCB

Deputy Chairman

A Director since 1980 and Deputy Chairman since 1982. Former Secretary of the Cabinet. Chairman of Banque Nationale de Paris plc, director of IBM (UK) and advisory director of Unilever.

Sir John Butterfield OBE FRCP

A Director since 1981. Vice-Chancellor and Regius Professor of Physic, University of Cambridge. Master of Downing College. Member of several medical committees. Director of BCB Instrumentation.

H G Clarke FIA

A Director since 1973 and Deputy Chairman 1974-79. Former Joint Secretary and Chief Investment Manager of Prudential Assurance.

F B Corby FIA (Executive Director)

A Director since 1983. Chief Executive of Prudential Corporation and Chief General Manager of Prudential Assurance.

D S Craigen

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

D M C Donald WS

A Director since 1979 and Chairman of Mercantile and General since 1977. Director of Robert Fleming Holdings and Chairman of a number of investment trusts.

Sir Victor Garland KBE

A Director since January 1984. Chartered Accountant. Member of the Australian Federal Parliament 1969-81, holding various ministerial posts. High Commissioner for Australia in the UK 1981-83. Director of T R Australia Investment Trust and Mitchell Cotts.

E P Hatchett FIA

A Director since 1978. Former Joint Secretary and Chief Investment Manager of Prudential Assurance. Director of Coats Patons.

Sir John Hogg TD

A Director since 1964 and Deputy Chairman 1972-76. A former director of Royal Bank of Scotland Group, and director and Deputy Chairman of Williams & Glyn's Bank.

P E Moody CBE FIA

A Director since 1981. Former Joint Secretary and Group Chief Investment Manager. Director of Equity Capital for Industry, Inmos International, Laird Group, Investors in Industry and the Post Office. Former President of the Institute of Actuaries.

J A S Neave CBE JP DL

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

Sir Ronald Owen FIA

A Director since 1974 and Chairman from 1975-80. Former Chief General Manager of Prudential Assurance.

The Rt Hon J E Ramsden

A Director since 1972 and Deputy Chairman 1976-82. Member of Parliament 1954-74, holding various ministerial posts. Former director of STC.

The Rt Hon Lord Richardson of Duntisbourne KG PC

Appointed a Director in April 1984. Governor of the Bank of England 1973-83. A director of Bank for International Settlements, General Electric Company and Saudi International Bank.

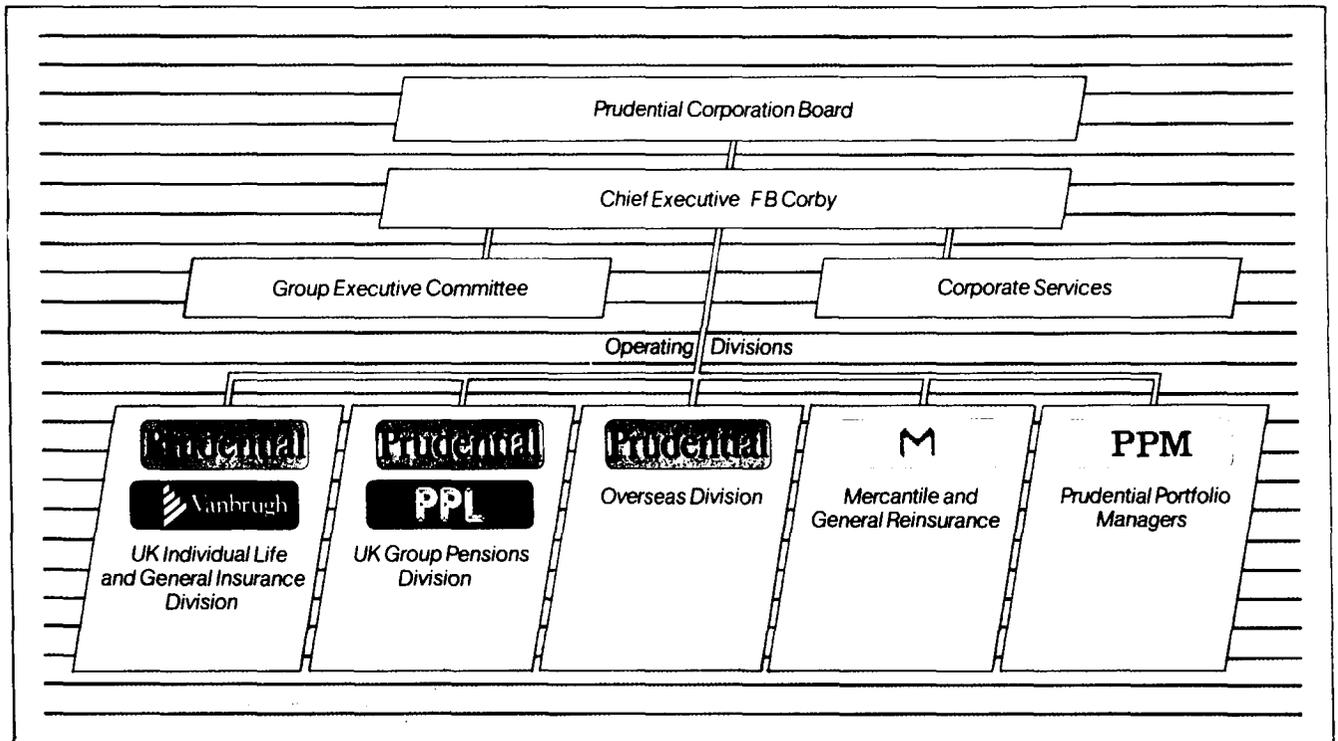
R S Skerman CBE FIA

A Director since 1980. Former Group Chief Actuary. Former President of the Institute of Actuaries, and former Chairman of the Life Offices Association and of the British Insurers European Committee.

Sir Peter Tennant CMG OBE

A Director since 1973. Former Deputy Director of the Federation (now Confederation) of British Industry. Director of the International Energy Bank. Vice-President, London Chamber of Commerce and Industry.

GROUP ORGANISATION AND MANAGEMENT



Group Executive Committee

F B Corby
 Chief Executive
 Chief General Manager, Prudential Assurance

R E Artus
 Group Chief Investment Manager
 Chairman, Prudential Portfolio Managers

D E Fellows
 Chief Actuary
 Prudential Assurance

J A Freeman
 General Manager (UK Individual Division)
 Prudential Assurance

P J Howell
 Managing Director
 Mercantile & General

B Medhurst
 General Manager (Overseas Division)
 Prudential Assurance

M G Newmarch
 Managing Director
 Prudential Portfolio Managers

R W Paget
 Group Taxation Manager

D F Roper
 Group Legal Adviser

D Sirkett
 Group Finance Controller

F G Wood
 Deputy Chief General Manager
 Prudential Assurance

CHAIRMAN'S STATEMENT



I am pleased to report that profits in 1983 rose by £10.4m to £66.0m after tax.

In view of this continued progress, and the financial strength of the Group, your directors have declared an increased final dividend of 13.5p per share, which with the interim payment of 5.5p makes a total for the year of 19p, compared with 15p for 1982.

The principal source of improvement in profits was again our long-term business both in the United Kingdom and Overseas, whilst our short-term general insurance results continue to reflect the difficult conditions which have existed for several years. The signs of a more realistic approach to writing general insurance business continue to be seen, particularly in the field of international reinsurance, but as I wrote last year, the return to an acceptable level of profitability will be slow and uneven.

The market value of the investments held in our general insurance and shareholders' funds increased by more than £90m. This does not appear in our published profits, but adds to the already considerable financial strength of the Group. The capital resources in these funds, including retained profits, have risen to £475m and are now equivalent to 67 per cent of our general insurance premium income.

During the past year there have been substantial changes in our business and in the environments in which we operate. All of these increase the pressures on our staff at all levels, at home and overseas. I offer my very sincere thanks to them all for the way in which they have responded to the challenges.

Group Organisation

The businesses which are carried on within the Prudential Group are extremely varied in type and by country of operation. Managing these very diverse businesses in the best interests of shareholders, policyholders and employees requires an organisation which is both flexible and adaptable, and in which the objectives and responsibilities of individual managers and groups of managers are clearly defined. This is particularly true at a time like the present, when the conditions under which we operate are changing rapidly.

In 1983 we have carried out a review of our organisation and decided on a number of changes which will effectively complete the process which we began when the Corporation

was formed in 1978. With effect from 1 July this year we shall establish a new executive structure which recognises the separation of Prudential Assurance into three operating divisions, respectively responsible for our United Kingdom individual life and general insurance business, our United Kingdom group pensions business and our Overseas direct insurance business. The heads of these divisions, together with those of the Mercantile & General and Prudential Portfolio Managers, will be responsible to the Group Chief Executive, Mr F B Corby, for the profitable operation of the businesses under their control. Assisting him there will be a Group Executive Committee. The new management organisation is set out on page 4.

In conjunction with these changes we have decided it is appropriate to increase the representation on the Corporation Board of executives in the Group. The directors are pleased to recommend that Mr R E Artus, Group Chief Investment Manager, and Mr F G Wood, Deputy Chief General Manager of Prudential Assurance, join the Board as executive directors.

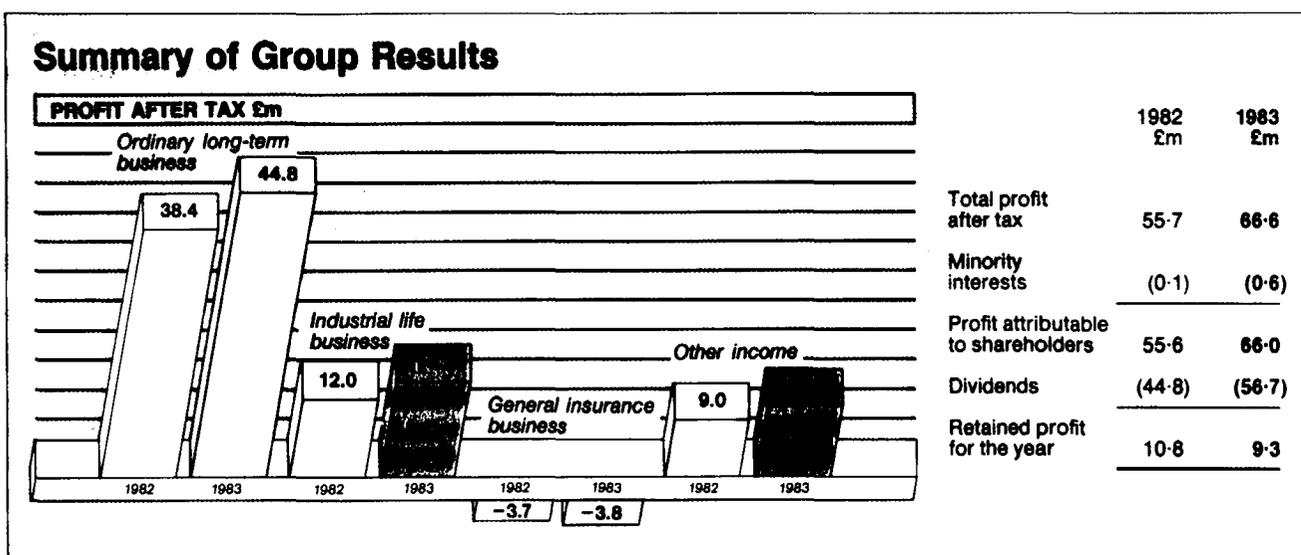
Business Development

During the last year we have continued to place emphasis on improving our selling and marketing capability wherever we operate and on expanding our product range.

We have made a major change in the United Kingdom in moving to a system for declaring reversionary bonuses on individual with-profits life and pensions contracts in compound rather than simple form. This change has been made in the Industrial Branch as well as the Ordinary Branch and is in line with the moves we have made in recent years to increase the proportion of declared bonuses which are reversionary. At the same time we have continued our policy of improving amounts payable on policies which become claims by death or maturity.

The total value of bonuses allocated to policyholders this year increased substantially from £588m to £695m, which reflects the continuing high level of investment returns on our life funds.

The basis upon which general business reinsurance treaties were renewed has again improved, as Mercantile & General, together with other professional reinsurers, exercised greater selection in the terms upon which they were prepared to accept business. Mercantile & General has cancelled a number of unsatisfactory treaties and has obtained substantially better terms on others. The pressure for more adequate premiums, together with a greater realisation on the part of the original insurers of the importance of placing their business with financially strong reinsurers, has improved the prospects for this business, but it



based upon recognised self-regulatory agencies. The specific proposals relating to life assurance business are in accord with our own approach to dealing with members of the public and we shall welcome the introduction of legislation based upon Professor Gower's recommendations.

Pensions

Another topic of current public debate is the question of possible changes in occupational pension schemes associated with a move to what have become known as "portable pensions". We support the full consideration which is being given to what are very complex issues. As leaders in both group and individual pension products we are very well placed to meet the needs of the market whatever form it may take.

Directors

It is with deep regret that I have to report the sudden death in April last year of Mr D A Reid. Desmond Reid represented the fourth generation of his family to sit on the Board, maintaining a link that went back to 1858. He was our longest-serving director, having been appointed in 1960, and was Deputy Chairman from 1968 to 1972. He was Chairman of Prudential Portfolio Managers from 1975 to 1981 and had been Chairman of Prudential Pensions from 1975 until his death. With his wide experience of investment and insurance matters both within the Group and elsewhere he made a most valuable contribution to your Board's proceedings. He is greatly missed by us all.

You will notice from the Directors' Report that Mr H G Clarke is retiring at the Annual General Meeting. Gordon Clarke's services to the Group extend over nearly 58 years. Before he became a director in 1973 he was Joint Secretary and Chief Investment Manager. He was Deputy Chairman from 1974 to 1979, during which time he played a major role in the preparatory work leading to the formation of the Corporation. His wide experience both of the Prudential and of the City generally has been of great value to the Group, and we shall greatly miss the benefits of his advice and inquiring mind.

Mr W G Haslam will be completing his term of office as Deputy Chairman immediately following the Annual General Meeting. It is the directors' intention to elect Mr P E Moody to succeed him as Deputy Chairman.

Since the beginning of the year Sir Victor Garland and Lord Richardson of Duntisbourne have been appointed to the Board. They now offer themselves for election.

As I mentioned earlier, your directors are pleased to recommend the election to the Board of Mr R E Artus and Mr F G Wood.

In addition your directors recommend the election to the Board of Mr M D Abrahams. He is Chairman of York Trust Holdings and Weavercraft Carpets, a director of John Waddington, and has been a director of Prudential Pensions since 1981.

Carr of Hadley
Chairman
19 April 1984

BUSINESS REVIEW OF THE GROUP

Prudential

Individual life business — United Kingdom

Results

Profits in 1983 for Ordinary and Industrial life business combined rose by 25% to £34.0m after tax. We have again made material improvements in bonus additions to with-profits assurance policies, and the total value of policyholders' bonuses for individual assurance and personal pension contracts has increased from £429m in 1982 to £525m in 1983.

There was substantial growth in revenue premiums in 1983, with increases of 26% to £449.4m for Ordinary life and 8% to £320.5m for Industrial life.

Ordinary life new annual premiums rose by 27% to £99.9m, while single premiums were up by 141% to £74.6m. New premiums for Industrial life business, however, were marginally lower at £72.3m.

Prudential's 50,000th low cost endowment policyholders, Tony and Carol Bashford, outside their new home in Sussex with Life Inspector Fred Ross.



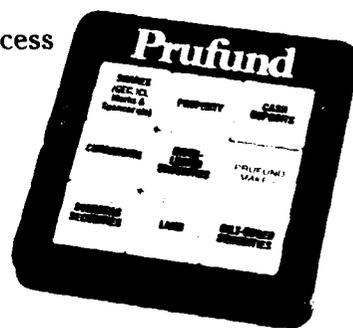
Stimulus to new business from MIRAS

The change in the method of granting tax relief on mortgage interest payments, generally referred to as MIRAS (mortgage interest relief at source), led to a very large increase in new endowment mortgage business for life companies in 1983 and was the major factor in the growth of our new annual premiums. Mortgage related business has not traditionally been one of our major markets, since many of our competitors have closer relationships with building societies. Despite this, our sales staff made great efforts to capitalise on the opportunities created by MIRAS, and sold some 56,000 low cost endowment policies for new annual premiums of over £22m.

Strong appeal of Prufund

The continuing success of the Prufund Investment Bond, launched in November 1982, was the main feature of the considerable expansion of our single premium business.

The Bond attracted investment of £48m, demonstrating the strong appeal of unit-linked lump sum investment to many savers. The Prufund Savings Plan, which is a regular premium contract, also made a highly satisfactory start, with new annual premiums of over £7m in its first full year.



Market leader in personal pension business

The Prudential Personal Retirement Plan has long been one of the best performing with-profits personal retirement policies available from any UK insurance company. 1983 was particularly noteworthy since our contract headed both the 10-year and 20-year performance tables for achieved results in the annual survey of with-profits personal pension plans published in *Planned Savings*.

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How "The Observer" saw the performance of our with-profits personal pension plans.

New annual premiums for personal retirement contracts, at £24.3m, were marginally down from the high level achieved in 1982 as a result of the concentration of our selling effort in 1983 on MIRAS and Prufund business, but we nevertheless maintained our position as the market leader in this field.

Change to compound system of bonuses

We have changed the form of Prudential Assurance's reversionary bonuses on all with-profit individual assurance and personal pension contracts from a simple to a compound basis. Under the compound system, new reversionary bonuses are based on previously declared reversionary bonuses which are attaching to the policy as well as on the initial benefit under the policy. This has the effect that, in due course, there will be a higher reversionary bonus content, and a smaller terminal bonus element, than would previously have been the case.

One immediate advantage of the change is that it has enabled us to introduce an improved low cost endowment policy for the mortgage market with much more competitive premium rates.

As an indication of the effect of this year's bonuses, increases in maturity amounts on with-profits endowment assurances maturing in April 1984 range from 9% for 10-year Ordinary life policies to 15% for 25-year Industrial life policies. On 15-year

contracts for £1,000 sum assured the maturity proceeds will be 11% higher for both Ordinary and Industrial life policies, at £2,502 and £2,258 respectively.

Expanding our product range

Our programme of business development is designed to provide the selection of products and services which will best meet the requirements of the broad range of our customers.

We have recently launched a further Prufund contract, the Prufund Protection Plan. This is a very flexible and competitive unit-linked whole life policy under which the protection and investment elements can be varied to fit the needs of the policyholder as they develop throughout the duration of the contract.

We have also introduced a waiver of premium facility on our personal retirement plan, while the more competitive low cost endowment policy mentioned above should provide a further stimulus to our mortgage related business.



Vanbrugh

Results

Total profits after tax increased from £1.0m in 1982 to £1.4m in 1983. New annual premiums rose by 9% to £2.4m, though single premiums were 15% lower at £32.1m.

Investment in Currency Fund doubles

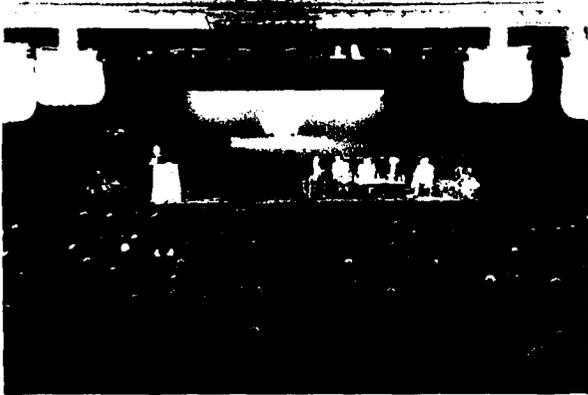
The outstanding feature of 1983 was the success of the Jersey-based Vanbrugh Currency Fund, which attracted some £59m, more than double the amount in 1982. The Fund was marketed by intermediaries both in this country and overseas.

In recognition of the growing importance of Vanbrugh's overseas activities, which have now been widened to include responsibility for marketing the newly launched Holborn Currency Fund, we have reorganised the Jersey subsidiary, renamed it Vanbrugh Fund Marketing International Limited and

seconded to it three of our most experienced sales managers.

Increasing popularity of VIP Investment Conferences

The 1983 annual investment conferences for policyowners with single premium investments of at least £25,000 in the Vanbrugh Investment Portfolio (VIP) attracted more than 800 people.



These conferences provide an opportunity for the investment managers to report directly to policyowners and to answer questions on a wide range of subjects. The conferences started in 1979 and have proved increasingly popular with policyowners and intermediaries. VIP policies have accounted for approximately one third of Vanbrugh Life's business since 1978.

Prudential

PPL

Group Pensions Business — United Kingdom

Results

Profits in 1983, taking both insured plans and investment linked business together, were £6.7m after tax, compared with £5.4m in 1982.

Although the economic recession continued to limit both the numbers of new entrants to pension schemes and salary increases for existing scheme members, total new annual premiums in 1983, at £38.8m, were very nearly maintained. Within this overall figure, new annual premiums for Executive Pension

Plans, for small groups of key employees and directors, showed an encouraging increase of 60% to £4.2m.

The fall in inflation has reduced the need for increases in the pensions which are currently being paid to retired employees and led to a 25% decline in our single premiums from last year's very high figure.

With the trend towards segregated pension fund investment, revenue premium income for insured and investment-linked contracts was down by 20% to £183.6m. Certain clients switched to the investment management services of Prudential Portfolio Managers, and the contributions received for such investment rose by 46% to £73m.

Improvements in service to clients

During 1983 we completed the reorganisation of our servicing departments so that each one now includes all the various skills which are necessary to provide a comprehensive pension scheme service to our clients. Each team has its own actuaries, specialists in administration and documentation, and liaison and technical consultants. They have at their disposal possibly the most comprehensive computer system for pensions business in the country.

Marketing of Administration Services

A special unit, Prudential Pensions Administration, has been set up to market

One of our clients for pensions administration services is Berlei (UK) Ltd. Left to right: John McGee, Berlei's financial consultant; Jim Goodwin, Prudential; Bryn Harries, Berlei's Chairman.



 **PRUDENTIAL CORPORATION**

our advanced computerised administration system, which is now available to employers who currently manage their own pension fund. Countrywide demonstrations of the system will be taking place during 1984.

Money purchase schemes

We have joined with The London Chamber of Commerce and Industry to provide a cost effective money purchase pension scheme to the employees of member firms of the Chamber. A feature of the scheme is that, if an employee moves from one member firm to another, his pension may be transferred.

Money purchase schemes are an effective way of supplementing state retirement benefits, and are particularly useful for employers who wish to provide improved pensions for their employees without incurring the commitments of a pension scheme based on final salaries.

1983

General Insurance Business — United Kingdom

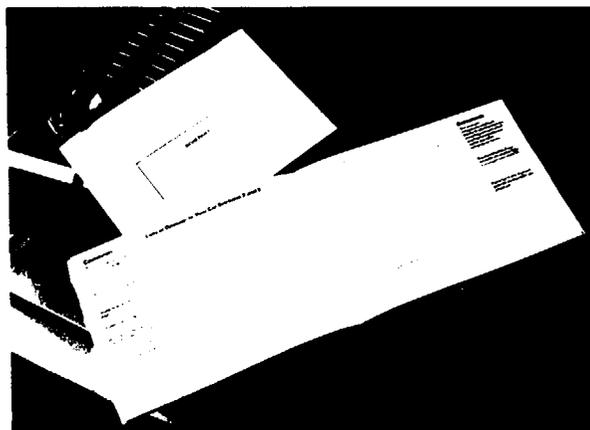
Results

1983 was a significant year for our general insurance business. We introduced several new products and made major changes in our office and sales organisation. Exceptional reorganisation costs of £2.9m and associated computer development costs of the same order have been charged in arriving at the trading loss of £2.1m before tax in 1983, which compares with a trading profit of £0.5m in 1982. Spending on computerisation is expected to continue at the higher rate for the next few years. Premium income in 1983 increased by 11% to £240.7m.

Encouraging increase in number of motor policies

In February 1983 we introduced an attractive range of discounts for private motorists and modernised our motor policy, using simplified "plain English" wording. These

moves had the intended result of increasing the number of policies in force, which rose by nearly 10% in the year. During 1983 we also negotiated a new scheme for purchasers of Yamaha motorcycles which provides insurance cover at special rates at the point of sale. Premium income for all motor



business rose by 5% to £69.2m, but the reductions in premium rates led to a lower trading profit of £2.5m before tax compared with £6.6m in 1982.

Rise in thefts affects domestic property results.

Premiums for domestic property business rose by 12% to £114.0m, but it was disappointing that the trading loss was higher at £2.3m before tax compared with £1.8m in 1982, a year in which we suffered heavy claims due to bad weather conditions.

Since our business includes a substantial volume of household contents insurance, the continuing increase in reported thefts led to a rise in the number of claims and had a major effect on the results. This problem was most apparent in major cities and it became necessary to increase premium rates for inner city areas from January 1984.

Development of commercial business

The development of our commercial business has been encouraging and is reflected in an overall increase in premiums of 16% to £57.5m. The major growth area was extended warranty

insurance where premium income increased by over half to £9.6m.

We introduced a new grade of salesmen to deal direct with smaller commercial business and increased our team of broker inspectors. The wide range of new products introduced during the year included a special scheme for coach operators, under which premiums are based upon mileage recorded, and automatic personal accident insurance for members of the Lawn Tennis Association and the Amateur Athletic Association. We also head a group of companies which provide the insurance cover for the construction of an extension to the underground railway at Heathrow Airport.

Although commercial business continues to be subject to fierce competition, the trading loss was lower at £2.3m before tax compared with £4.3m in 1982.

Office reorganisation

In order to meet the current and future requirements of our increasing business we made changes in office systems in 1983. Credit is due to our staff for adapting to the new procedures while maintaining our traditional high standard of service. To assist in improving our efficiency in the



Tours (Isle of Man) are insured under the new Prucoach policy: Manager Ray Kniveton seen with Peter Shimmin (left) and Ken Allison (right) of Prudential.

future we shall be making increasing use of technology and are currently introducing on-line computing for motor business.

Fire and Accident Manager Bill Jones with the on-line computer facilities at our Birmingham office.



Overseas Business

Life business results

Profits from our overseas life and pensions business in 1983 rose by 31% to £7.6m after tax. This increase stemmed partly from the growth of the business and partly from a change in practice under which the profit transfer to shareholders has more regard to the changing pattern of our overseas business.

Revenue premiums were £314.4m, 15% higher in sterling terms and 10% up in local currencies. New annual premiums rose by 10% in local currencies.

We continued to expand our already extensive range of policies to maintain our position in the face of strong competition for business. In Australia and New Zealand the



We manage pension funds for the directors and staff of South Australia's leading bakery specialist, Balfour Wauchope Pty Ltd. Left to right: David Wauchope, Chairman of Balfour Wauchope; Alan Cheek, Prudential; John Murray, Balfour systems director; Andrew Venning, Prudential.

increases in individual new business continued to be healthy. In the very competitive market in Canada the growth is currently coming principally from single premiums, producing a significant growth in funds under management.

Public listing for South African life subsidiary

A major event in 1983 was the offer for sale on the Johannesburg Stock Exchange of a third of the capital of our South African life subsidiary. Such was the interest generated



Trading floor of the Johannesburg Stock Exchange.

that the offer was heavily over-subscribed. Public awareness of the company was greatly increased and full advantage was taken of this publicity. In addition, our various linked funds headed most surveys of investment performance published in 1983. Our continuing success in this field has helped us to increase our share of the broker market and should lead to our obtaining significant volumes of group pensions business.

Higher trading profits from general insurance

Trading profits from our overseas fire and casualty operations in 1983 were substantially higher at £11.3m before tax, compared with profits of £3.9m in 1982.

In Canada the results were again excellent with a trading profit of £12.4m before tax compared with £9.4m in 1982. This was particularly welcome in the year in which our Canadian branch celebrated its 60th Anniversary. The improved results which had been seen in the Canadian market in 1982 led to renewed fierce competition in 1983. We did not attempt to compete for business when we considered the premiums inadequate, especially in the commercial

classes, but amended some of our rates in the important personal lines and motor accounts to preserve our market share. Our premium income in local currency terms was unchanged. The underwriting profit arose in the first half of the year and, with competitive pressures intensifying in the second half, the outlook for 1984 is less encouraging.

In the EEC there was a trading profit of £2.1m before tax, compared with a loss of £0.9m in 1982. This reflects an improvement both at our Belgian subsidiary L'Escaut and in our other, smaller, Continental operations, where our business is primarily commercial and industrial.

Elsewhere, results were generally encouraging. The Caribbean area maintained its profitable record and there was a return



Construction of the Dhekelta B power station for the Electricity Authority of Cyprus. We have been the Authority's insurers since its formation in 1952.

to underwriting profit in the Middle East. In New Zealand, however, the results showed a marked deterioration as business was severely affected by the impact of government price controls.

Whilst overseas business written in the London market still gives cause for concern, the results showed an improvement in 1983 and there are some signs of a hardening market in reinsurance business. Included within this sector of our business is reinsurance from our various associated companies overseas. This showed an encouraging improvement in 1983 despite the cost of the Australian bush fires of £0.9m.



The Chief Executives of our major overseas operations pictured with their Chief Office colleagues in July 1983 when they met to discuss business developments around the world.

Despite the improved overall results, trading conditions remained difficult in most of our overseas markets, as many insurers tried to maintain or increase their market shares. We therefore took a cautious approach to business and the overall growth in premium income in local currencies for all fire and casualty business was 4%.

There was a higher trading loss for marine and aviation business, following the need to strengthen the marine reserves for claims arising in earlier years. There are signs that a greater discipline is returning to the marine and aviation markets, where the reduction in the amount of reinsurance cover available will be an important influence.

M Mercantile & General Reinsurance

Long-term business results

Profits from the life business of Mercantile & General (M&G) in 1983 were little changed at £6.7m after tax, excluding the non-recurrent amount of £2m from overseas subsidiaries in 1982.

We continued to develop strongly during 1983, particularly in overseas markets. Market conditions were more buoyant, although competition continues to be acute. Revenue premiums were 41% ahead at £154.8m, over half the increase being due to the substantial growth in single premiums, which rose from

£7m in 1982 to £34m in 1983. New annual premiums were 17% up at £31.5m.

Our United States life subsidiary, which started operations late in 1982, is expanding gradually and is already licensed or approved in 35 states. Further licences are expected in 1984, which will enable us to provide a comprehensive service for life and health business in the USA.

Profits from M&G's long-term accident and disability business were £1.2m after tax in 1983. This is the first time that we have made a major profit transfer to shareholders from this business.

General reinsurance results

1983 was another year of considerable difficulty for general reinsurance business. There was a higher trading loss of £18.9m before tax compared with £11.5m in 1982, due largely to a deterioration in the marine and aviation accounts and in the results from the overseas subsidiaries.

However, there are now signs that terms of trade for reinsurers are improving, as market capacity contracts and increasing attention is directed towards the security of reinsurance protection. With this change in climate, we have taken the opportunity to improve the quality of our portfolio of business. In the cycle of treaty renewals at the end of 1983 we cancelled a substantial volume of business but at the same time were able to negotiate improved terms for many treaties and to increase our acceptances where the conditions and prospects for long-term profitability appeared good. Equally important, on the financial side of the business, we achieved significant success in eliminating the need to leave cash deposits with our ceding companies and in obtaining speedier settlement of balances.

Although reinsurers are still faced with substantial problems, expectation of a recovery in our underwriting results would now be justified.

Service to clients

As part of M&G's service for keeping client companies informed of our research and our



Moorfields House, London headquarters of M&G.

underwriting principles, we have continued to produce manuals and technical booklets. These are distributed to companies worldwide and ensure that the views of M&G are readily available.

Direct contact with clients is also an essential part of M&G's marketing policy. Apart from the regular visits of our officials to the countries where we transact business, we invite clients to attend conferences to discuss major reinsurance topics. The United Arab Emirates, Hong Kong and London were venues for recent conferences which covered the problems in general reinsurance, developments in permanent health insurance and the handling of overseas life claims.

To improve the service to our clients, and provide our underwriters with more accurate and up-to-date information, we have embarked on a four year programme to update all aspects of our computer processing of information and our telecommunications systems.

Group Investments

Total investments under management exceed £17 billion.

The total market value of funds under management throughout the Group rose by £2.8bn during 1983 to £17.4bn at the year end. The major part of this increase occurred in the investments supporting our long-term business, which now exceed £14bn.

Net investment in 1983 amounted to £1.1bn worldwide.

Emphasis on fixed interest investment for UK life business during 1983

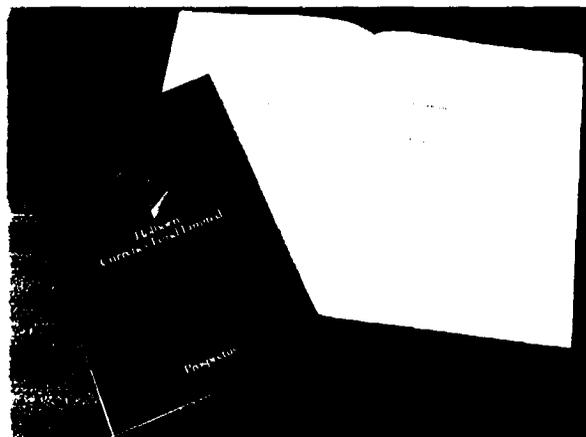
For the UK life funds, we changed markedly the pattern of new investment in 1983. We placed greater emphasis on conventional gilt-edged and other types of fixed interest securities, allocating well over three-quarters of the available cash to these categories. We continued with our UK property development programme, but on balance we were a net seller of properties in 1983. We continued to subscribe to many of the rights issues during the year but overall our net purchases of UK ordinary shares were lower than in 1982. Net investment in venture and development capital projects, however, showed an increase. The amount invested in overseas ordinary shares was broadly unchanged.

Development of PPM

The major part of the Group's investment activity is conducted through Prudential Portfolio Managers (PPM). In 1983 PPM continued to develop its organisation in the rapidly-growing markets for financial management services both in the UK and abroad. A new division was set up to market PPM's services to both the corporate and retail markets, in addition to servicing the needs of existing clients.

Two non-insurance products, which have both already become market leaders in their respective fields, have recently been

launched by PPM under the "Holborn" name. The first new product was Holborn Gilt Trust in November 1983. This was followed in January 1984 by Holborn Currency Fund, which offers both sterling and dollar managed shares together with deposit facilities in five currencies.



Development capital projects in the UK

During the past two or three years we have added to the quality and depth of PPM's expertise in the major UK and overseas capital markets by expanding its capabilities in the area of UK venture and development capital projects. PPM is now recognised as one of the leaders in this field.

PPM maintains a flexible approach to such investment and is prepared to consider investing in propositions ranging from start-ups to large scale management buy-outs. Our portfolio now includes companies in many industries and at differing stages of development. The development

Prudential has provided capital to OSEL, manufacturers of submersible craft for the offshore oil industry. "Duplus II", shown below, is used for oil rig maintenance around the world.



PRUDENTIAL
CORPORATION

capital team remains closely involved in the monitoring of individual projects once the initial investment has been made.

A number of our earlier investments are now quoted on the stock market and there are several others whose results suggest that listings will be obtained in due course. This encouraging track record has allowed PPM's development capital division to move into a leading role where we can now syndicate deals to other investors.



Inspecting deep tank fermenters used by Celltech to manufacture monoclonal antibodies in bulk. The Prudential was a foundation shareholder in Celltech, now Britain's leading specialist biotechnology company.

Prudential in the Community

Support for the young unemployed

Following on from our involvement in the Youth Opportunities Programme, the Prudential ran a successful pilot youth training scheme for 18 unemployed young people, all of whom were subsequently employed on a full-time basis. The experience gained from this and other similar pilot schemes was of value in determining the form of the national Youth Training Scheme (YTS) which was launched by the Manpower Services Commission in September 1983.



Employment Secretary Tom King and our Chairman Lord Carr with Prudential YTS trainees.

We were the first City institution to implement a YTS programme, and now act as management agent for a scheme which offers 65 training places with a number of insurance companies to 16 and 17 year old school leavers. Each week trainees spend three and a half days gaining work experience, half a day with our own training department, and the remaining day at college studying for further educational qualifications.

Experience to date with the operation of these schemes suggests that they are effective in assisting young people to find full-time employment.

Secondment of staff to community projects

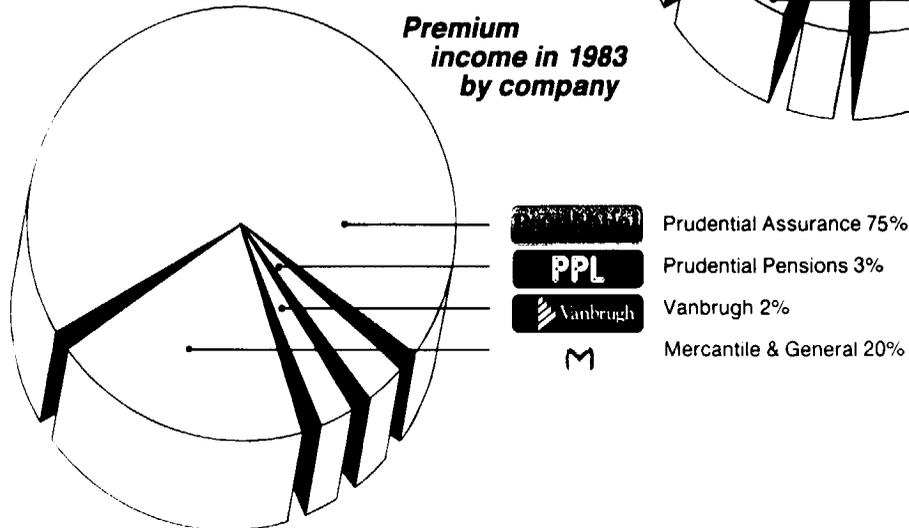
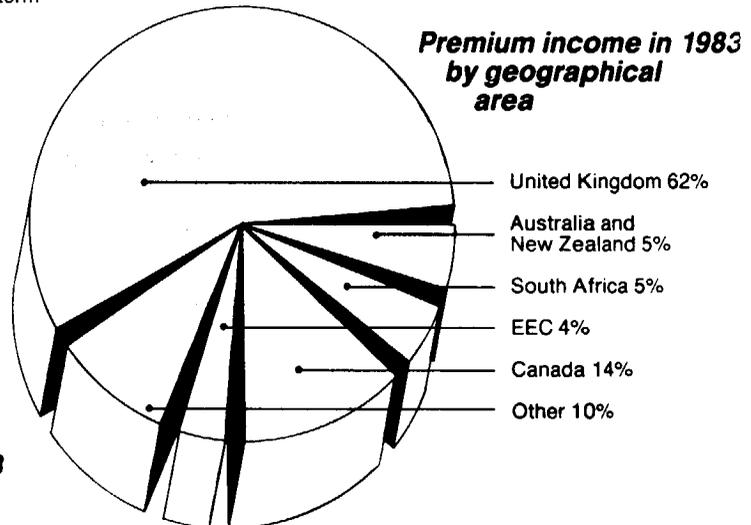
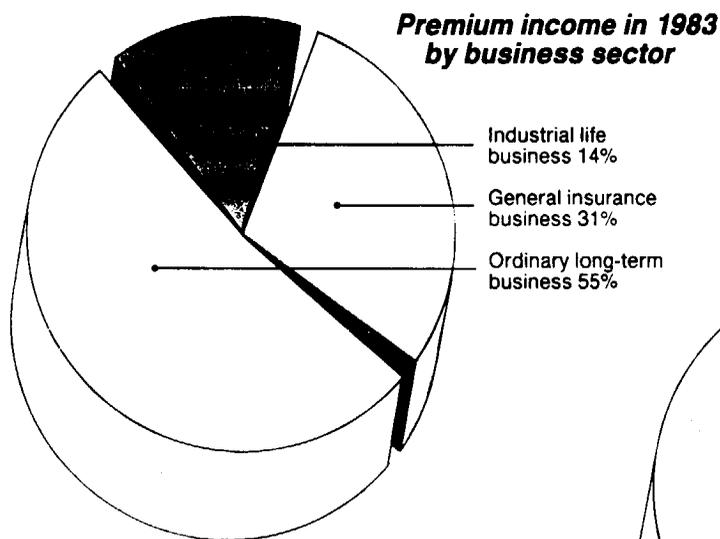
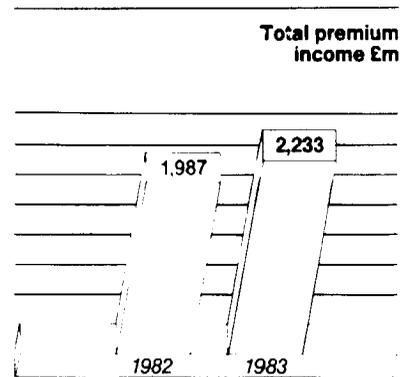
Another way in which we have given practical assistance to a variety of community projects and training schemes is by making available the experience and management expertise of members of our own staff.

A total of 16 members of staff have been seconded full-time, and 5 part-time, on such assignments. These cover a wide range of activities, including "Enterprise Agencies" in Tyne and Wear and in Camden Town, "Opportunities for the Disabled", "Work Wise" in Glasgow, and the Northern Ireland Voluntary Trust in Belfast. Another organisation we have supported is Project Fullemploy, whose eighth centre in London was opened in July by our Chairman, Lord Carr.

BUSINESS ANALYSIS OF THE GROUP

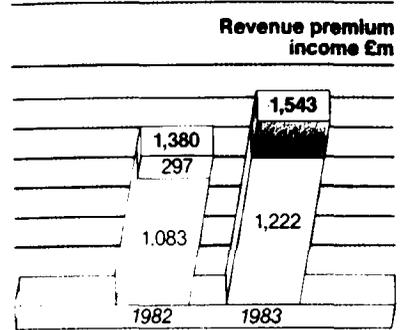
Premium income	Long-term business		General insurance business	
	1982 £m	1983 £m	1982 £m	1983 £m
Prudential Assurance†	1,092.0	1,232.8	402.8	446.7
Mercantile & General	141.3	191.7	203.7	243.6
Vanbrugh	58.1	51.1	-	-
Prudential Pensions	88.7	67.2	-	-
	1,380.1	1,542.8	606.5	690.3

† includes L'Escaut

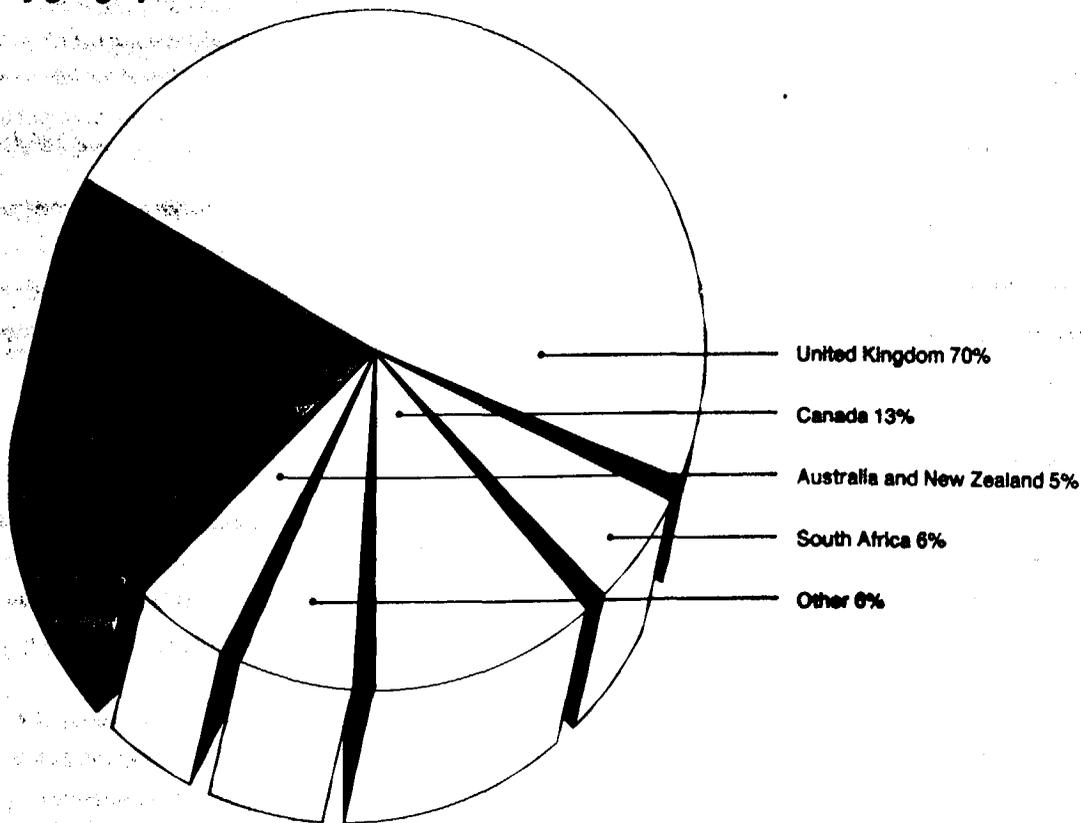


LONG-TERM BUSINESS

	1982 £m	1983 £m	% increase
New business			
Annual premiums	279.4	308.2	10
Single premiums	209.1	276.9	32
Revenue premium income	1,380.1	1,542.8	12
Business in force at the end of the year:			
Annual premium income	1,207.4	1,313.9	9
Sums assured, including bonus	62,494.4	72,445.3	16
Annuities per annum (immediate and deferred) including bonus	1,309.3	1,435.9	10
Surplus for distribution	637.9	763.5	18
Policyholders' bonuses	587.5	694.5	18
Shareholders' profits after tax	50.4	59.0	17



**Revenue premium income in 1983
by geographical area**



□ Ordinary long-term ■ Industrial life

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	1982 £m	1983 £m	% increase
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Individual Ordinary Life business - UK

New business: Annual premiums	78.8	99.9	27
Single premiums	31.0	74.6	141
Revenue premium income	355.4	449.4	26
Shareholders' profits after tax	15.2	19.8	30

Industrial Life business

New business premiums	75.7	72.3	(4)
Revenue premium income	296.8	320.5	8
Shareholders' profits after tax	12.0	14.2	18

Group Pensions business - UK Insured Plans

New business: Annual premiums	25.4	26.7	5
Single premiums	36.9	29.7	(20)
Revenue premium income	139.5	116.4	(17)
Shareholders' profits after tax	4.8	5.5	15

PPL Group Pensions business - UK Investment Linked

New business: Annual premiums	13.9	12.1	(13)
Single premiums	8.1	4.0	(51)
Revenue premium income	88.7	67.2	(24)
Shareholders' profits after tax	0.6	1.2	100

Life and Pensions business - Overseas

New business: Annual premiums	42.4	47.9	13
Single premiums	88.2	102.5	16
Revenue premium income	273.1	314.4	15
Shareholders' profits after tax	5.8	7.6	31

Vanbrugh Life and Pensions business

New business: Annual premiums	2.2	2.4	9
Single premiums	37.9	32.1	(15)
Revenue premium income	58.1	51.1	(12)
Shareholders' profits after tax	0.4	0.1	(75)

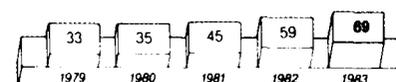
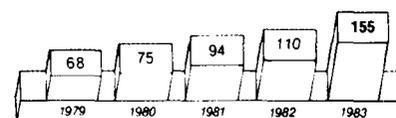
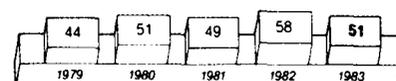
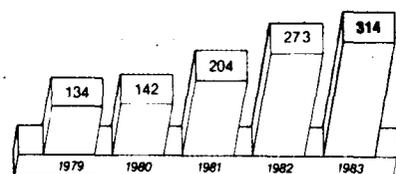
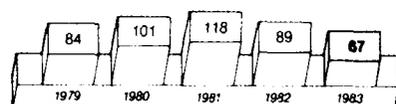
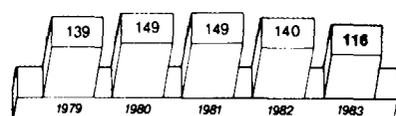
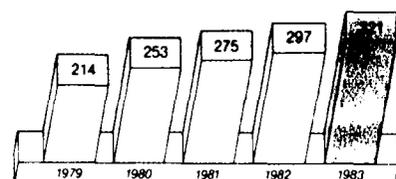
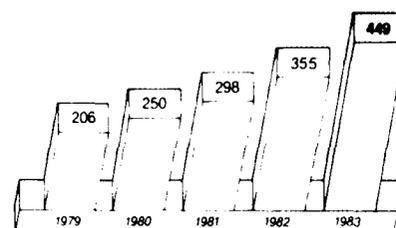
M Mercantile & General Reinsurance - Life business

New business: Annual premiums	26.9	31.5	17
Single premiums	7.0	34.0	386
Revenue premium income	109.9	154.8	41
Shareholders' profits after tax	8.8	6.7	(24)

Accident and Disability business

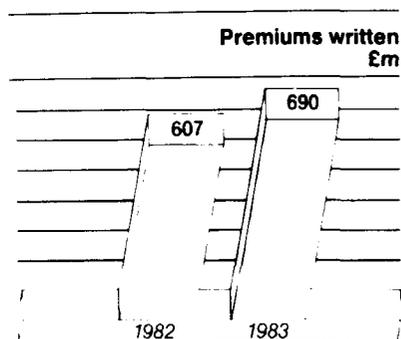
New business premiums	14.1	15.4	9
Revenue premium income	58.6	69.0	18
Shareholders' profits after tax	2.8	3.9	39

Revenue premium income £m

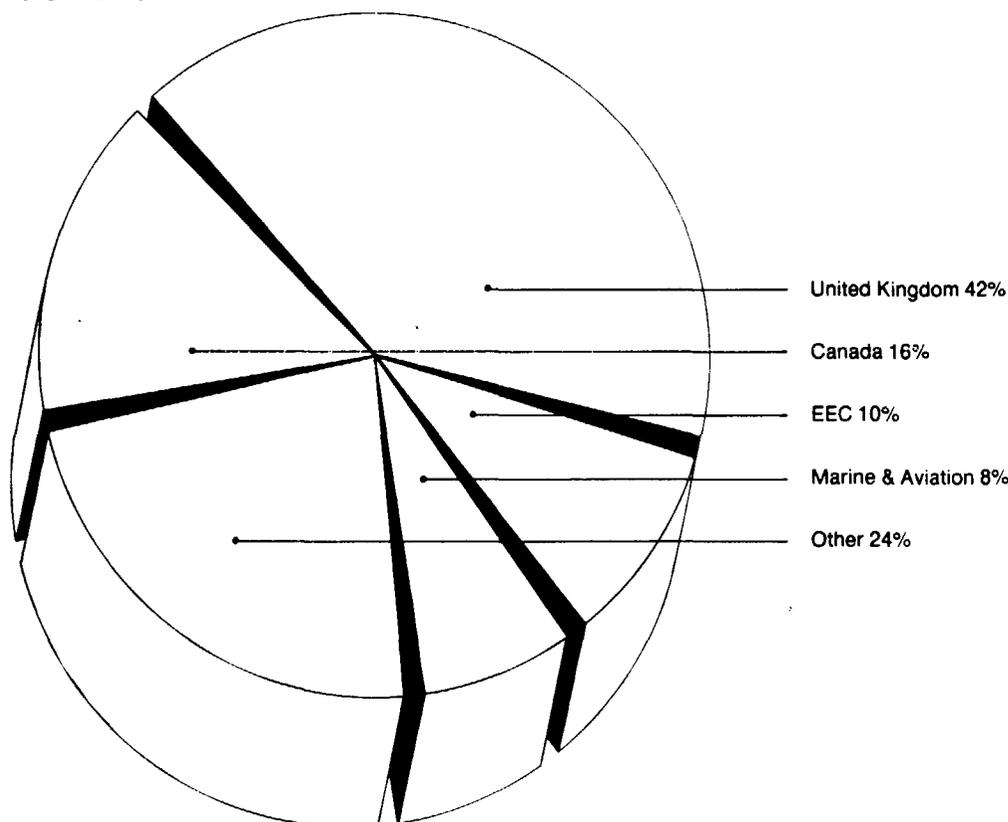


GENERAL INSURANCE BUSINESS

	1982 £m	1983 £m	% increase
Premiums written	606.5	690.3	14
Underwriting result	(67.6)	(80.1)	
Investment income	60.3	69.3	
Trading profit/(loss) before tax	(7.3)	(10.8)	
Taxation credit	3.6	7.0	
Profit/(loss) after tax	(3.7)	(3.8)	



Premiums written in 1983 by geographical area



UK	Premiums written		Underwriting result		Investment income		Trading profit/(loss) before tax	
	1982 £m	1983 £m	1982 £m	1983 £m	1982 £m	1983 £m	1982 £m	1983 £m
Domestic property	101.4	114.0	(8.5)	(10.0)	6.7	7.7	(1.8)	(2.3)
Motor	65.6	69.2	(1.3)	(6.0)	7.9	8.5	6.6	2.5
Other classes	49.5	57.5	(10.2)	(9.6)	5.9	7.3	(4.3)	(2.3)
	216.5	240.7	(20.0)	(25.6)	20.5	23.5	0.5	(2.1)

	1982 £m	1983 £m	% increase
Prudential UK			
Premiums written	216.5	240.7	11
Underwriting result	(20.0)	(25.6)	
Investment income	20.5	23.5	
Trading profit/(loss) before tax	0.5	(2.1)	

Prudential Canada			
Premiums written	83.5	92.1	10
Underwriting result	2.6	4.4	
Investment income	6.8	8.0	
Trading profit/(loss) before tax	9.4	12.4	

Prudential EEC			
Premiums written	42.2	42.2	-
Underwriting result	(6.1)	(4.2)	
Investment income	5.2	6.3	
Trading profit/(loss) before tax	(0.9)	2.1	

Prudential Other Countries			
Premiums written	15.4	17.6	14
Underwriting result	(1.9)	(2.3)	
Investment income	1.4	1.5	
Trading profit/(loss) before tax	(0.5)	(0.8)	

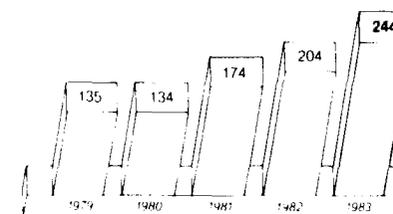
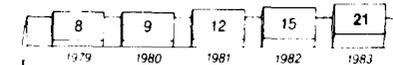
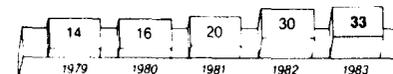
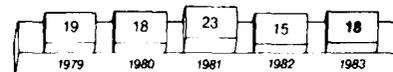
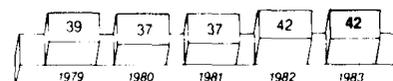
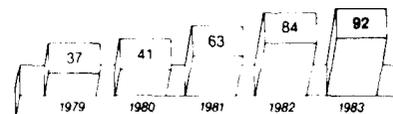
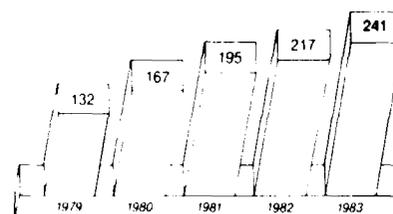
Prudential London Market-Overseas			
Premiums written	30.3	33.2	10
Underwriting result	(7.3)	(5.8)	
Investment income	3.2	3.4	
Trading profit/(loss) before tax	(4.1)	(2.4)	

Prudential Marine & Aviation			
Premiums written	14.9	20.9	40
Underwriting result	(3.0)	(3.5)	
Investment income	2.8	2.4	
Trading profit/(loss) before tax	(0.2)	(1.1)	

M Mercantile & General Reinsurance

Premiums written: Fire and miscellaneous	178.6	212.6	19
Marine and aviation	25.1	31.0	24
	203.7	243.6	20
Underwriting result	(31.9)	(43.1)	
Investment income	20.4	24.2	
Trading profit/(loss) before tax	(11.5)	(18.9)	

Premiums written £m



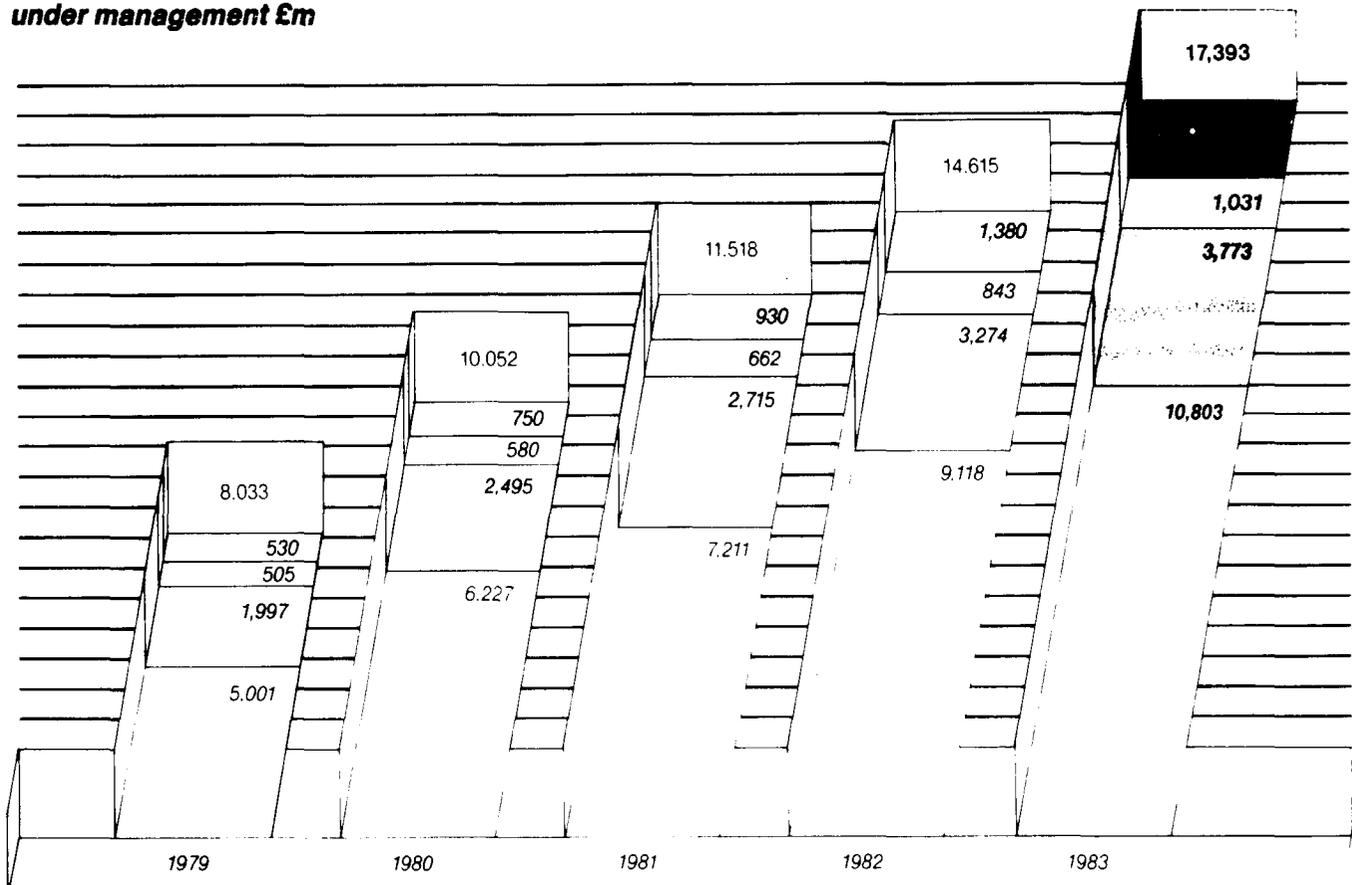
INVESTMENTS

Market value of investments under management

	Long-term business		General insurance and Shareholders		*Other funds under management	
	1982 £m	1983 £m	1982 £m	1983 £m	1982 £m	1983 £m
Ordinary shares	4,920	6,353	264	367	802	1,099
Properties	3,395	3,455	67	71	162	157
British Government securities - fixed income	2,108	2,474	105	125	285	352
British Government securities - index-linked	122	139	-	-	52	32
Other fixed income securities	1,293	1,512	380	437	73	138
Mortgages and loans	554	643	27	31	6	8
	12,392	14,576	843	1,031	1,380	1,786

*These include the Vanbrugh Currency Fund, segregated pension funds managed on a fee-paying basis and Prudential staff pension funds.

Market value of total investments under management £m



Ordinary long-term
 Industrial life
 General insurance and shareholders
 Other funds under management

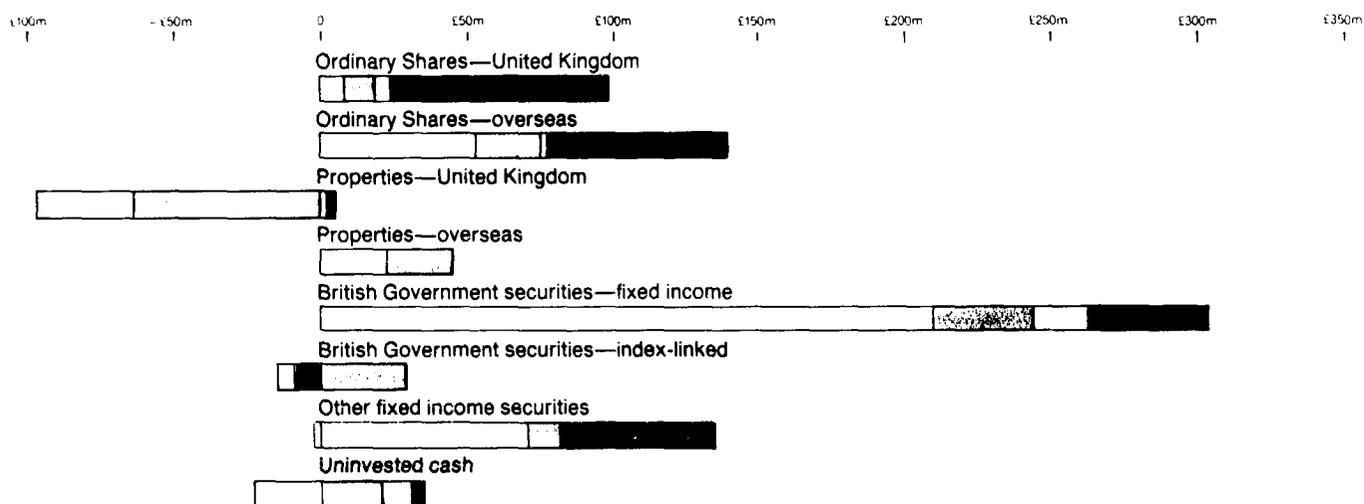
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Net investment – funds arising in the United Kingdom

	Long-term business		General insurance and Shareholders		Other funds under management	
	1982 £m	1983 £m	1982 £m	1983 £m	1982 £m	1983 £m
Ordinary shares – United Kingdom	86	22	2	5	125	73
Ordinary shares – overseas	73	75	–	2	36	64
Properties – United Kingdom	48	(97)	2	1	6	2
Properties – overseas	45	39	–	–	–	–
British Government securities – fixed income	145	245	14	19	48	41
British Government securities – index-linked	14	24	–	–	15	(9)
Other fixed income securities (including mortgages)	37	84	9	(1)	8	56
Uninvested cash	(43)	(12)	8	11	2	4
	405	380	35	37	240	231

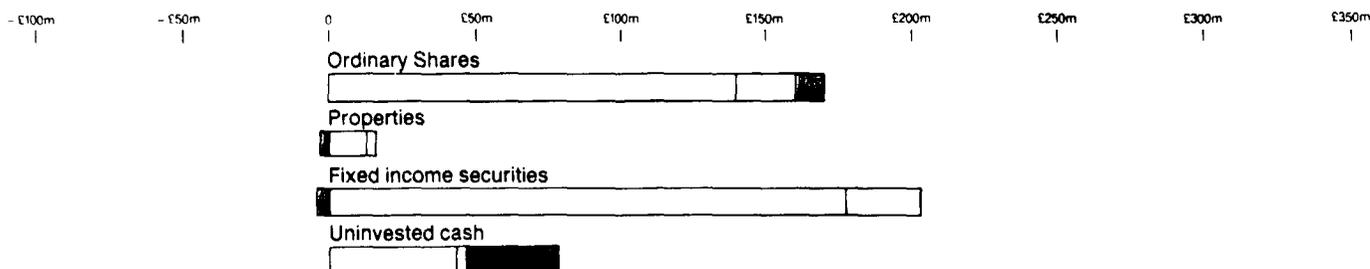
Net investment in 1983



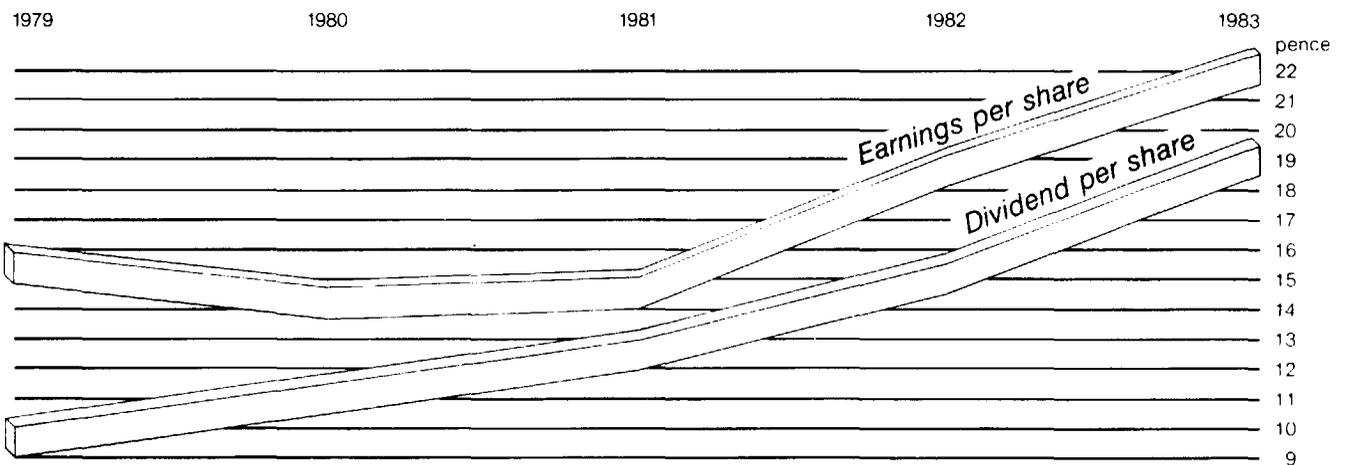
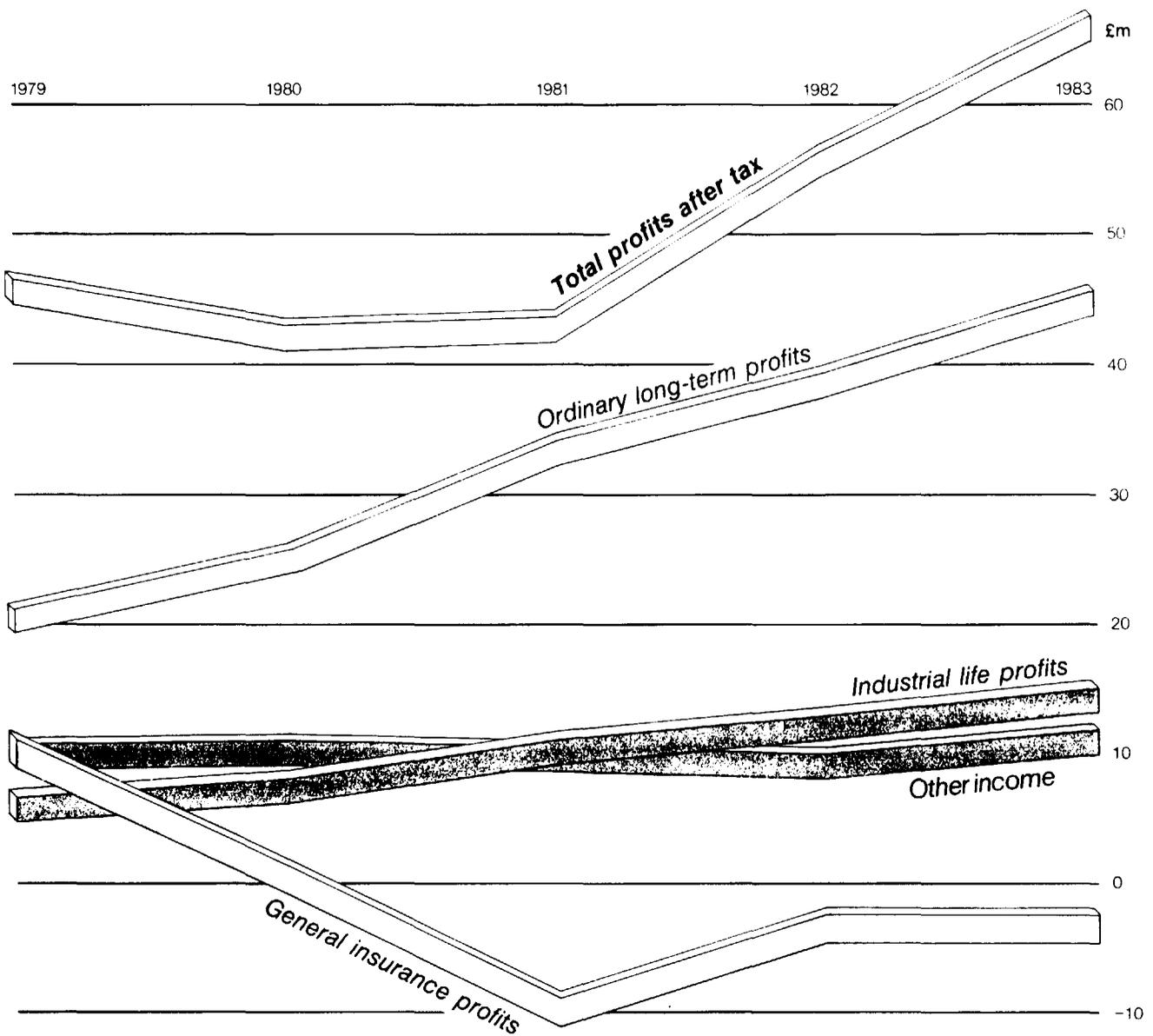
Net investment – funds arising overseas

	Long-term business		General insurance and Shareholders		Other funds under management	
	1982 £m	1983 £m	1982 £m	1983 £m	1982 £m	1983 £m
Ordinary shares	22	140	(11)	21	–	9
Properties	29	10	2	2	–	(1)
Fixed income securities (including mortgages)	245	178	47	30	5	(2)
Uninvested cash	(33)	42	8	1	22	31
	263	370	46	54	27	37

Net investment in 1983



5 YEAR REVIEW OF GROUP RESULTS



	1979 £m	1980 £m	1981 £m	1982 £m	1983 £m
Ordinary long-term business					
New business annual premiums	144.9	157.6	186.1	203.7	235.9
New business single premiums	100.5	104.4	140.7	209.1	276.9
Revenue premium income	708.2	801.5	958.1	1,083.3	1,222.3
Investment income	385.3	457.2	527.5	647.3	697.5
Policyholders' bonuses	211.2	259.5	348.8	396.3	471.7
Shareholders' profit after tax	20.2	24.7	33.2	38.4	44.8
Market value of investments	5,001.1	6,227.0	7,211.4	9,117.8	10,802.5

Industrial life business					
New business annual premiums	49.4	61.6	65.8	75.7	72.3
Revenue premium income	213.5	253.3	274.5	296.8	320.5
Investment income	140.6	157.8	170.9	201.8	207.4
Policyholders' bonuses	92.5	113.2	159.9	191.2	222.8
Shareholders' profit after tax	5.7	7.1	10.2	12.0	14.2
Market value of investments	1,997.4	2,495.1	2,714.8	3,274.5	3,773.4

General insurance business					
Premiums written	384.0	421.5	523.7	606.5	690.3
Underwriting result	(18.7)	(38.5)	(62.8)	(67.6)	(80.1)
Investment income	32.5	33.6	46.1	60.3	69.3
Trading profit/(loss) before tax	13.8	(4.9)	(16.7)	(7.3)	(10.8)
Taxation credit/(charge)	(3.9)	5.1	6.6	3.6	7.0
Profit/(loss) after tax	9.9	0.2	(10.1)	(3.7)	(3.8)
Market value of investments	365.3	409.6	484.5	630.7	736.1

Other income					
Investment income	16.2	18.7	19.8	17.6	20.7
Miscellaneous net income	-	0.2	0.4	0.3	0.8
Expenses	(1.1)	(1.5)	(2.2)	(1.8)	(2.1)
Taxation	(5.3)	(7.3)	(8.4)	(7.1)	(8.0)
Other income after tax	9.8	10.1	9.6	9.0	11.4

Summary of results					
Profit from Ordinary long-term business	20.2	24.7	33.2	38.4	44.8
Profit from Industrial life business	5.7	7.1	10.2	12.0	14.2
Profit/(loss) from General insurance business	9.9	0.2	(10.1)	(3.7)	(3.8)
Other income	9.8	10.1	9.6	9.0	11.4
Profit after tax	45.6	42.1	42.9	55.7	66.6
Minority interests	-	0.4	0.3	(0.1)	(0.6)
Profit attributable to shareholders	45.6	42.5	43.2	55.6	66.0
Retained profit for the year	17.3	9.7	5.9	10.8	9.3
Earnings per share	15.3p	14.2p	14.5p	18.6p	22.1p
Dividend per share	9.5p	11.0p	12.5p	15.0p	19.0p

DIRECTORS' REPORT

for the year ended 31 December 1983

Principal activity and business review

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 35.

A review of the Group's business appears in the Chairman's statement on pages 5 to 8 and in the Business review on pages 9 to 18.

Accounts

The Consolidated Balance sheet on page 31 shows the state of affairs of the Group at 31 December 1983. The Company's Balance sheet appears on page 32 and the Consolidated Profit and loss account on page 30. There is a five year review of the Group on pages 26 and 27.

Dividends

The Directors have declared a final dividend for 1983 of 13.5p per share payable on 31 May 1984 to shareholders on the Register at close of business on 3 May 1984. The dividend for the year, including the interim dividend of 5.5p per share paid in November 1983, amounts to 19p per share compared with 15p per share for 1982.

Directors' Shareholdings

Directors' interests in shares of the Company were as follows:

	On 31 December 1983	On 1 January 1983 (or later election)
	Shares of 25p each	Shares of 25p each
Lord Carr of Hadley	2,000	2,000
Sir John Butterfield	2,000	2,000
H G Clarke	4,824	4,824
F B Corby (elected 26.5.83)	2,000	1,000
D S Craigen	2,000	2,000
D M C Donald	3,600	3,600
W G Haslam	2,500	2,500
E P Hatchett	3,000	3,000
Sir John Hogg	4,392	4,392
Lord Hunt of Tanworth	2,000	2,000
P E Moody	2,000	2,000
J A S Neave	313,939	315,439
Sir Ronald Owen	6,000	6,000
J E Ramsden	2,400	2,400
R S Skerman	2,500	2,500
Sir Peter Tennant	2,400	2,400

In addition to the interest shown above, at 31 December 1983 Mr F B Corby held an option under the Prudential Savings-Related Share Option Scheme to subscribe for 1,023 shares of 25p each in the Company.

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 1983 and 31 March 1984, except that Sir Victor Garland, who became a Director on 4 January 1984, acquired 2,000 shares.

Directors

The present Directors of the Company are shown on page 3.

Mr D A Reid died on 23 April 1983.

The Rt Hon Lord O'Brien of Lothbury GBE PC and Mr A F Murray CBE FIA retired on 26 May 1983.

The Directors retiring by rotation at the Annual General Meeting are The Rt Hon Lord Carr of Hadley PC, Mr E P Hatchett FIA, Mr P E Moody CBE FIA and Sir Ronald Owen FIA. They offer themselves for re-election. Mr H G Clarke FIA also retires by rotation but does not offer himself for re-election.

The Hon Sir Victor Garland KBE, who was appointed a Director as from 4 January 1984 and The Rt Hon Lord Richardson of Duntisbourne KG PC who was appointed a director as from 12 April 1984, retire in accordance with the Articles of Association and offer themselves for election.

In addition, the Directors recommend the election of Mr M D Abrahams, Mr R E Artus FSA and Mr F G Wood FIA ACII.

Employees

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

Number of employees

The average number of persons employed by the Company and its subsidiaries in the United Kingdom in each week of 1983 was 22,575 and the total remuneration was £227.8 million.

Employment of disabled persons

The policy of the Group is:

- (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,
- (b) whenever possible to continue the employment of and to arrange appropriate training for employees who have become disabled persons while they were employed by a company in the Group,
- (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.

Employee involvement

Our policy is to consult with and inform employees on matters which concern them, and especially to ensure that they are aware of the various financial and economic factors which affect the Company and its subsidiaries.

Consultation takes place, as appropriate, with representative bodies of the staff and with various committees, and directly with the staff concerned. The Company tries to ensure that all those employees within the Group who might be affected by any changes have the opportunity to ask questions about and to express an opinion on them.

Employee involvement in the success of the companies in the Group is encouraged in various ways, such as by relating some part of earnings to work performance. During the year a savings-related share option scheme was introduced by the Company for all UK staff who commenced employment before 1980. Also during 1983 a ballot of employees of the Prudential Assurance Company Limited was held to elect member-directors of Prudential Staff Pensions Limited, the trustee of the staff pension scheme, to enable members of it to play an active role in the trusteeship.

Information on all these matters, and on anything which concerns our employees, is conveyed to them by a variety of means such as the issue of information sheets and manuals on a regular basis, an annual publication explaining the Group's performance, and by the use of video presentations and of course meetings.

Donations

During the year the Company and its subsidiaries gave £264,000 in the United Kingdom and £148,000 overseas for charitable purposes.

Auditors

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

Number of Shareholders

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

	1983	1982
	28,352	29,032

Substantial Shareholdings

As far as the Directors were aware at 31 March 1984 no person had a shareholding of 5 per cent or more of the share capital of the Company.

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

Analysis of Shareholdings in the Company at 31 December 1983

	1983	1982
	%	%
Banks and other nominee companies	40.3	38.3
Insurance companies	13.6	12.8
Pension funds	23.1	23.3
Investment trusts and unit trusts	1.6	1.7
Other corporations	4.5	4.7
Individuals	16.9	19.2
	<hr/>	<hr/>
	100.0	100.0

Carr of Hadley
Chairman

19 April 1984

CONSOLIDATED PROFIT AND LOSS ACCOUNT

year ended 31 December 1983

	Note	1983 £m	1982 £m
Profit after tax from			
Ordinary long-term business	5	44.8	38.4
Industrial life business	5	14.2	12.0
General insurance business	5	(3.8)	(3.7)
Other income			
Investment income	10	20.7	17.6
Miscellaneous net income		0.8	0.3
Expenses		(2.1)	(1.8)
		19.4	16.1
Taxation	6	(8.0)	(7.1)
		11.4	9.0
Profit for the year after tax	8	66.6	55.7
Minority interests	2	(0.6)	(0.1)
Profit attributable to shareholders		66.0	55.6
Dividends			
Interim		16.4	14.9
Final		40.3	29.9
		56.7	44.8
Retained profit for the year		9.3	10.8

Earnings per share 22.1p 18.6p

Based on earnings of £66.0m (£55.6m) and 298,388,254 shares

	Note	1983 £m	1982 £m
Retained profit and reserves			
Balance at beginning of year		98.6	74.1
Retained profit for the year		9.3	10.8
Movement in Investment reserves for the year	11	19.0	7.8
Profit/(loss) on sale of investments of the Company		(0.2)	2.0
Goodwill written off	1c	(28.7)	-
Transfer from General insurance investment reserves		3.7	3.9
Balance at end of year		101.7	98.6

CONSOLIDATED BALANCE SHEET

31 December 1983

	Note	1983 £m	1982 £m
Investments			
Ordinary shares		6,719.5	5,184.9
Properties		3,525.7	3,461.9
British Government securities		2,738.8	2,334.3
Other fixed income securities		1,949.1	1,673.4
Mortgages and loans		674.0	581.3
		15,607.1	13,235.8
Other assets			
Tax recoverable		21.4	20.2
Debtors		511.0	457.9
Deposits, bank balances and cash		574.3	475.5
		16,713.8	14,189.4
<i>Less</i>			
Other liabilities and provisions			
Outstanding claims		323.8	280.5
Other creditors		276.7	191.5
Unsecured loans in overseas currencies	9	250.8	179.6
Bank loans and overdrafts	9	38.9	25.0
Deferred taxation	6	33.3	28.3
Taxation		24.8	17.0
Loan stocks of a subsidiary	9	1.9	1.9
Final dividend		40.3	29.9
		990.5	753.7
		15,723.3	13,435.7
Goodwill		-	28.7
		15,723.3	13,464.4
<i>Less</i>			
Insurance funds and reserves			
Ordinary long-term business	5	10,949.8	9,307.1
Industrial life business	5	3,742.0	3,280.9
General insurance business	5	713.3	612.4
		15,405.1	13,200.4
		318.2	264.0
Capital and reserves			
Called up share capital	4	74.6	74.6
Share premium		46.4	46.4
Revaluation reserves		90.8	43.9
Retained profit and reserves		101.7	98.6
		313.5	263.5
Minority interests	2	4.7	0.5
		318.2	264.0

BALANCE SHEET OF THE COMPANY

31 December 1983

	Note	1983 £m	1982 £m
Fixed assets			
Investments	7		
Shares in group companies		74.6	74.6
Fixed income securities		12.1	10.1
		86.7	84.7
Current assets			
Debtors			
Amounts owed by group companies— subsidiaries		47.2	33.9
Other debtors		0.5	0.3
Cash at bank		3.3	0.8
		51.0	35.0
Creditors: amounts falling due within one year			
Final dividend		40.3	29.9
Net current assets		10.7	5.1
Total assets less current liabilities		97.4	89.8
Provisions for liabilities and charges			
Deferred taxation	6	0.1	0.1
		97.3	89.7
Capital and reserves			
Called up share capital	4	74.6	74.6
Revaluation reserve		0.3	—
Profit and loss account		22.4	15.1
		97.3	89.7

The accounts on pages 30 to 40 were approved on 19 April 1984

Carr of Hadley *Chairman*

F B Corby *Director and Chief Executive*

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SOURCE AND APPLICATION OF FUNDS OF THE GROUP (EXCLUDING LONG-TERM BUSINESS)

year ended 31 December 1983

	1983 £m	1982 £m
Source of funds		
Profit for the year after tax	66.6	55.7
Adjustment for item not involving movement of funds:		
Depreciation	3.2	1.6
	69.8	57.3
Increase in General insurance business fund	84.3	89.0
Profit/(loss) on sale of investments of the Company	(0.2)	2.0
Movement in Investment reserves	27.0	23.7
	180.9	172.0

Application of funds

Dividends paid to shareholders	46.3	28.8
Increase in investments:		
Ordinary shares	40.1	7.2
Properties	6.4	9.8
British Government securities	20.5	22.1
Other fixed income securities	57.9	73.0
Mortgages and loans	3.5	1.4
	128.4	113.5

Movement in other assets, liabilities and provisions

Debtors	24.9	47.1
Outstanding claims	(25.7)	(13.8)
Taxation	(6.0)	(7.1)
Unsecured loans in overseas currencies	4.9	(2.8)
Other creditors	(8.1)	(13.5)
Deposits, bank balances and cash	20.9	10.0
Bank loans and overdrafts	(4.7)	(0.2)
	6.2	19.7
	180.9	172.0

NOTES ON THE ACCOUNTS

1. Group accounting policies

(a) Disclosure requirements

The consolidated 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. The Balance sheet of the Company on page 32 is prepared in accordance with Section 149 of and Schedule 8 to the Companies Act 1948.

The Company has taken advantage of the exemption from presenting its own Profit and loss account.

As most of the Company's subsidiaries are insurance companies, the group accounts do not disclose certain information, some relating to provisions and reserves, which they are exempt from disclosing under the provisions of the Companies Acts 1948 to 1981.

(b) Basis of consolidation

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

(c) Goodwill

Goodwill arising on consolidation is written off to Retained profit and reserves when incurred.

The goodwill shown in the Consolidated Balance sheet at 31 December 1982 has been written off in 1983.

(d) 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 the Directors.

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 members of the Royal Institution of Chartered Surveyors or holders of an equivalent qualification.

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

Shares in subsidiaries are shown at cost.

(e) 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 provision is made for tax which would become payable if investments were realised at the values shown. The maximum amount payable is shown in note 6.

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.

(f) 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 37. These reserves are included in the General insurance business Balance sheet but are attributable to Shareholders.
Long-term business	– amalgamated with Revaluation reserves.

(g) Exchange rates

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

(h) 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.

(i) 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.

(j) General insurance business

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

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

The underwriting results on 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) Depreciation

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

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

(l) 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.

(m) 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 10c (64.7%)	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.

During the year the Group's interest in the shares of The Prudential Assurance Company of South Africa Limited was reduced from 97.23% to 64.7%, mainly as the result of an offer of shares to the public.

3. Major shareholdings

The Group holds shares in 56 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 48 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, 43 come within the definition of an associated company but due to their insignificance and the fact that they are held mainly as investments of the life funds they are not listed (see note 1(b)).

4. 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 allotted, called up and fully paid.

The Prudential Savings-Related Share Option Scheme was approved by the shareholders at an Extraordinary General Meeting of the Company on 3 October 1983 and following an offer to all eligible employees in the Group, 3,292 employees have options over 2,100,487 shares at a subscription price of 381p. Subject to the rules of the Scheme, the options are normally exercisable in five to seven years time.

5. Insurance business

Long-term business Revenue accounts

	Note	Ordinary business		Industrial business	
		1983 £m	1982 £m	1983 £m	1982 £m
Premium income		1,222.3	1,083.3	320.5	296.8
Investment income	10	697.5	647.3	207.4	201.8
Transfer from Investment and Revaluation reserves		226.4	159.7	107.0	98.6
Increase in value of investments related to linked business		248.6	225.2	-	-
		2,394.8	2,115.5	634.9	597.2
Less					
Claims		991.4	810.6	290.2	268.0
Commission and expenses		285.0	251.3	126.2	121.1
Taxation	6	48.5	42.9	23.6	25.0
Increase/(decrease) in insurance liability		553.4	576.0	(42.1)	(20.1)
		1,878.3	1,680.8	397.9	394.0
Surplus for distribution		516.5	434.7	237.0	203.2
Policyholders' bonuses		471.7	396.3	222.8	191.2
Transfers to Consolidated Profit and loss account		44.8	38.4	14.2	12.0

Long-term business Balance sheets

Investments					
Ordinary shares		4,541.5	3,474.2	1,811.3	1,446.4
Properties		2,483.3	2,421.0	971.7	974.0
British Government securities		1,844.6	1,563.3	769.0	666.7
Other fixed income securities		1,404.2	1,203.6	107.8	89.3
Mortgages and loans		528.9	455.7	113.6	98.1
		10,802.5	9,117.8	3,773.4	3,274.5
Other assets					
Tax recoverable		21.3	13.2	0.1	0.5
Debtors		266.8	221.6	43.2	48.5
Deposits, bank balances and cash		370.5	330.4	107.0	71.0
		11,461.1	9,683.0	3,923.7	3,394.5
Less					
Other liabilities and provisions					
Outstanding claims		78.4	62.0	10.0	8.8
Other creditors		208.0	133.1	65.0	50.9
Unsecured loans in overseas currencies	9	172.0	131.9	78.8	42.8
Bank loans and overdrafts	9	16.8	21.5	16.2	4.1
Deferred taxation		19.6	14.4	4.9	6.9
Taxation		16.5	13.0	6.8	0.1
		511.3	375.9	181.7	113.6
		10,949.8	9,307.1	3,742.0	3,280.9
Insurance funds					
Investment and Revaluation reserves		8,108.9	6,927.5	1,910.5	1,709.2
		2,840.9	2,379.6	1,831.5	1,571.7
		10,949.8	9,307.1	3,742.0	3,280.9

**General insurance business
Revenue account**

	Note	1983 £m	1982 £m
Premiums written		690.3	606.5
Less: Increase in insurance liability		76.1	74.3
		614.2	532.2
<i>Less</i>			
Claims		445.0	378.2
Commission and expenses		249.3	221.6
		694.3	599.8
Underwriting result		(80.1)	(67.6)
Investment income	10	69.3	60.3
Trading profit/(loss) before tax		(10.8)	(7.3)
Taxation credit	6	7.0	3.6
Transfer to/(from) Consolidated Profit and loss account		(3.8)	(3.7)

**Shareholders' and
General insurance business
Balance sheets**

	Note	Shareholders' General insurance business			
		1983 £m	1982 £m	1983 £m	1982 £m
Investments					
Ordinary shares		172.6	121.4	194.1	142.9
Properties		55.8	35.7	14.9	31.2
British Government securities		19.1	20.3	106.1	84.0
Other fixed income securities		45.8	34.0	391.3	346.5
Mortgages and loans		1.8	1.4	29.7	26.1
		295.1	212.8	736.1	630.7
Other assets					
Tax recoverable		0.8	0.5	5.9	6.0
Debtors		61.2	61.0	219.6	196.9
Deposits, bank balances and cash		28.2	12.9	70.9	64.9
		385.3	287.2	1,032.5	898.5
<i>Less</i>					
Other liabilities and provisions					
Outstanding claims		-	-	235.4	209.7
Other creditors		15.1	8.3	68.4	69.4
Unsecured loans in overseas currencies	9	-	4.9	-	-
Bank loans and overdrafts	9	-	-	8.1	3.0
Deferred taxation		7.4	6.5	1.4	0.5
Taxation		2.4	0.4	5.9	3.5
Loan stocks of a subsidiary	9	1.9	1.9	-	-
Final dividend		40.3	29.9	-	-
		67.1	51.9	319.2	286.1
		318.2	235.3	713.3	612.4
Goodwill		-	28.7	-	-
		318.2	264.0	713.3	612.4
Shareholders' funds					
General insurance fund		313.5	263.5	-	-
General insurance Investment reserves		-	-	551.0	466.7
General insurance Revaluation reserves		-	-	43.2	40.6
Minority interests	2	4.7	0.5	-	-
		318.2	264.0	713.3	612.4

6. Taxation

The table below gives details of the taxation charged on all profits and income earned to date included in the Consolidated Profit and loss account on page 30 and in the Revenue accounts (see note 5 pages 36 and 37). Corporation tax has been charged at 52% less reliefs for the period up to 31 March 1983 and 50% less reliefs for the period 1 April to 31 December 1983:

	Ordinary long-term business		Industrial life business		General insurance business		Profit and loss	
	1983 £m	1982 £m	1983 £m	1982 £m	1983 £m	1982 £m	1983 £m	1982 £m
Corporation tax	4.5	5.6	5.4	1.7	(6.8)	(7.7)	3.2	3.7
Double taxation relief	(2.1)	(1.3)	(0.7)	(0.7)	(7.9)	(2.5)	(0.8)	(0.2)
	2.4	4.3	4.7	1.0	(14.7)	(10.2)	2.4	3.5
Tax on franked investment income	23.4	23.3	20.8	21.7	3.4	3.0	2.3	0.8
Overseas taxation	17.7	14.2	1.0	0.8	6.4	5.0	4.0	1.0
	43.5	41.8	26.5	23.5	(4.9)	(2.2)	8.7	5.3
Adjustments re prior years	(1.1)	(1.4)	0.1	0.1	(1.6)	-	0.5	-
	42.4	40.4	26.6	23.6	(6.5)	(2.2)	9.2	5.3
Deferred taxation								
Current year	4.0	2.6	(1.7)	1.4	0.6	0.4	1.3	2.2
Prior years	1.2	-	(0.3)	-	0.3	(1.1)	(0.4)	(0.1)
Group relief	0.9	(0.1)	(1.0)	-	(1.4)	(0.7)	(2.1)	(0.3)
	48.5	42.9	23.6	25.0	(7.0)	(3.6)	8.0	7.1

Tax on capital gains charged in the year against investment reserves amounts to £44m (£15m).

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

	1983		1982	
	Potential liability £m	Amount provided £m	Potential liability £m	Amount provided £m
Short-term timing differences	30.1	30.1	26.2	26.2
Capital allowances	18.5	6.0	16.7	5.2
General insurance business reserves	9.4	(2.8)	8.6	(3.1)
	58.0	33.3	51.5	28.3
Maximum tax payable if investments were disposed of at the values shown:				
Ordinary long-term business	374.4	-	334.6	-
Industrial life business	540.6	-	446.0	-
General insurance business	59.4	-	51.1	-
Shareholders	41.0	-	14.7	-
	1,015.4	-	846.4	-
	1,073.4	33.3	897.9	28.3

7. Investments of the Company

	Fixed income securities £m
Market value at beginning of year	10.1
Add Unrealised depreciation at beginning of year	0.2
Cost at beginning of year	10.3
Additions at cost	10.1
Sales at cost	(8.6)
Cost at end of year	11.8
Unrealised appreciation at end of year	0.3
Market value at end of year	12.1

All fixed income securities were quoted on recognised stock exchanges.

There have been no movements during 1983 in "Shares in group companies".

8. Profit and loss account

	1983 £m	1982 £m
Profit of the Company for the year after tax	64.0	49.3
Profit/(loss) on sale of investments of the Company	(0.2)	2.0
Transfer from/(to) Revaluation reserve	0.2	(0.2)
	64.0	51.1
Less Dividends	56.7	44.8
Movement in retained profit of the Company	7.3	6.3

9. Loans

The unsecured loans in overseas currencies fall due for settlement during 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 3¾%
1985	0.1	at 4¼%
1988	0.7	at 5½%
	1.9	

10. 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:

	1983 £m	1982 £m
Loans repayable within 5 years	24.9	15.8
Others	-	0.1

11. Investment reserves

A provision of £6.7m has been charged against Investment reserve. This relates to possible claims arising in the specialist reinsurance subsidiary in respect of the current underwriting year.

The profit of £11m arising in 1983 on the sale of shares in The Prudential Assurance Company of South Africa has been dealt with in Shareholders' Investment reserves.

12. Auditors' remuneration

The remuneration of the auditors of the Company and its subsidiaries excluding VAT amounted to £864,000 (£760,000).

13. Commitments

The Group is committed to capital expenditure not provided of £4.0m (£3.3m) and expenditure authorised but not contracted of £6.3m (£1.2m) in respect of fixed assets (other than investments).

14. Emoluments of Directors and senior employees

The aggregate amount of the emoluments of the Directors of the Company for the year was £323,692 (£269,342), of which £267,962 (£269,342) was in respect of services as a Director.

In addition, contributions made to pension schemes for Directors were £69,795 (£49,170).

The emoluments of the Chairman amounted to £46,943 (£45,000) and of the highest paid Director £55,730. (In addition the highest paid Director received emoluments of £37,153 as an employee before he became a Director. This is included under employees' emoluments in the table below).

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	
	1983	1982	1983	1982
1 to 5,000	2	-	-	-
5,001 to 10,000	1	11	-	-
10,001 to 15,000	8	1	-	-
15,001 to 20,000	3	3	-	-
20,001 to 25,000	2	2	-	-
25,001 to 30,000	1	-	-	-
30,001 to 35,000	-	-	102	43
35,001 to 40,000	-	-	27	16
40,001 to 45,000	-	1	12	14
45,001 to 50,000	1	-	14	4
50,001 to 55,000	-	-	2	-
55,001 to 60,000	1	-	1	3
60,001 to 65,000	-	-	3	1
65,001 to 70,000	-	-	-	1
70,001 to 75,000	-	-	1	1
75,001 to 80,000	-	-	2	-
80,001 to 85,000	-	-	-	1

15. Loans to and transactions with Directors and officers

No loans were granted to Directors in 1983 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 Jan 1983 £	Max liability during 1983 £	Liability at 31 Dec 1983 £
House Purchase Loans			
F B Corby	25,000	25,000	25,000
P E Moody	12,000	12,000	-
J A S Neave	10,000	10,000	-
Loans on Policies			
F B Corby	7,410	7,827	7,025
W G Haslam	1,321	1,328	1,180

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% and 8%, 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 1983 was 11%.

There is no interest due and unpaid at 31 December 1983 on any of the above loans.

Two Officers of the Company (other than Directors) had outstanding on 31 December 1983 loans from a subsidiary company totalling £43,000.

ACTUARIAL REPORT AND REPORT OF THE AUDITORS

Actuarial Report

Reports by the actuaries of the various insurance subsidiaries show in each case that at 31 December 1983 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.

F B Corby
Chief Executive
19 April 1984

Report of the Auditors to the members of Prudential Corporation plc

We have audited the accounts on pages 30 to 40 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 1983 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
19 April 1984

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