

NOTES ON THE *FINANCIAL TIMES*-ACTUARIES INDEX IN 1975

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1. *Classification of Stock Exchange Securities by Industry*

The original classifications were set out in the 1970 note in this series (*J.I.A.*, 97, 111-12).

As a result of the quarterly meetings of the Joint Index Constituents and Industrial Classification Committee, the classifications of 50 companies were changed either because the company had changed its business or because the original classification was found to be incorrect. These changes were only made after notification to the company concerned and usually after discussion with the company; a further 69 companies, in addition to those with whom discussions had begun in earlier years, were first approached in 1975. The Stock Exchange Quotations Department continued to classify the few newly quoted companies. Minor amendments were made to one category definition.

2. *Constituent Changes in the Equity Indices*

During 1975 30 constituents were removed from the equity indices, as a result of bids, mergers or casualties—a slightly higher figure than the low figure of 27 recorded in 1974. Twenty-one of these were due to take-over activity, one constituent transferred its residence abroad, 3 were dropped on reclassification, and 4 were 'casualties'. These constituents are set out in Table A; the 28 new constituents are set out in Table B (the two plantation companies in Table A were not replaced).

Ten of the 50 reclassifications referred to above (1) concerned index constituents—three were dropped (see Table A) and in the other seven cases the appropriate index reclassifications were made (see Table C).

After the unusually low number of capital changes (not just those involving changes of constituent) recorded in 1974—247—the number rose in 1975 to the more normal 432. The increased figure included no less than 102 rights issues and also the spate of scrip issues in lieu of dividends announced before the Chancellor of the Exchequer's budget removed the fiscal advantages for such issues.

The 16 constituents which changed their names in 1975 are set out in Table D.

3. *Earnings and Dividends*

In his spring budget, the Chancellor of the Exchequer announced a further increase in the rate of Income Tax from 33% to 35%, and the continuation of the 52% rate of Corporation Tax: with effect from 23 April the tabulations of equity and preference dividend yields were adjusted to reflect grossing up at 35% rather than 33%—an effective increase of some 3.1%.

As from 22 May, the *Financial Times* Share Information Service was modified with regard to earnings, in that where sufficient detail was given in company interim statements, earnings relating to the first six months of the previous year were replaced by those of the first half of the current year. The effect is to give the latest annual rate of earnings of the company: formerly earnings were taken from the annual reports of companies, and only updated for specific forecasts. The same information is used for the earnings yield and price earnings ratios in the index display, and therefore some seven months' interim statements, for perhaps half the constituents, were first incorporated on 22 May.

4. *Fixed Interest Index Changes*

On 25 August 1975, the factor for Y_3 in the formula used to determine the average yield Y for the 20-year British Government Securities index became zero. Consequently the pair of constituents providing Y_3 (British Transport 3% Stock 1978/88 and 5% Treasury Stock

1986/89) were replaced by a new pair (9½% Treasury Loan 1999 and 8% Treasury Loan 2002/06) which provide Y_6 in the formula used from 26 August to determine the average yield Y :

$$Y = \frac{1}{2} \left\{ \frac{1991-t}{1754} Y_4 + Y_5 + \frac{t-237}{1754} Y_6 \right\}$$

where t = number of days from 31 December 1974.

An average price is obtained from this average yield on the basis of a bond with a 6% coupon, and a life of 20 years. To ensure continuity with previous prices, the calculated price is multiplied by a constant factor 0.9918.

Later in the year as a result of a Scheme of Arrangement, one of the constituents of the 20-year Redeemable Debenture & Loans Index, Slater, Walker Securities 9½% Unsecured Loan Stock 1997/2002 was exchanged into a 17½% stock, and was replaced as a constituent by M.E.P.C. 9½% 1st Mortgage Debenture Stock 1997/2002; no change was made to the formulae for calculating yield or price index.

During the year Associated Biscuit Manufacturers 4½% Cumulative Preference Shares were redesignated 3.65% Cumulative Preference Shares.

New fixed interest indices are to be introduced with effect from the end of 1975, but these will not be published until perhaps late summer 1976, the present indices continuing meanwhile.

5. Permanent Record

The *Financial Times* published, early in 1975, a fortnightly record of the indices from compilation in 1962.

Table A—Constituents replaced after being taken over, etc.

Date of Replacement	Constituent Replaced	Index Classification	Control acquired by, or reason for replacement
6 January	Fodens	Motors & Distributors	Quotation suspended
28 January	Gallaher	Tobaccos	American Brands, Inc
24 February	Midland Aluminium	Miscellaneous Capital Goods	Tube Investments
25 March	Groveswood Securities	Miscellaneous Unclassified	Eagle Star Insurance
3 April	Australian Estates	Overseas Traders	CSR
7 May	Orion Insurance	Insurance (Composite)	Nationale-Nederlanden NV
3 June	Northern Developments (Holdings)	Contracting & Construction	Liquidator appointed
9 June	Cussons Group	Chemicals	Paterson Zochonis
12 June	Midland-Yorkshire Holdings	Chemicals	Croda International
1 July	Caravans International	Motors & Distributors	Capitalization under £1m
	Alfred Herbert	Machine & other Tools	Capitalization under £1m
15 July	British Leyland Motor Corp'n	Motors & Distributors	British Leyland Ltd
	Sheffield Twist Drill & Steel	Machine & other Tools	A B Svenska Kullagerfabriken
22 July	Long John International	Wines & Spirits	Whitbread
5 August	Daniel Doncaster & Sons	Engineering (General)	International Nickel
26 August	N Greening & Sons	Engineering (General)	Johnson & Firth Brown
2 September	Mercantile Credit	Hire Purchase	Barclays Bank
15 September	J. W. Cameron	Breweries	Ellerman Lines
	Ernest Scragg & Sons (Holdings)	Engineering (General)	Stone-Platt Industries
24 September	Vantona	Textiles	Spirella Group
6 October	Kulim Group	Rubbers	Kulim (Malaysia) Berhad
21 October	Nairn Williamson	Household Goods	Unilever
31 October	Argyle Securities	Property	See Note
	Hume Holdings	Miscellaneous Financial	Following reclassification
3 December	Crosby House Group	Teas	Following reclassification
16 December	Magnet Joinery	Building Materials	} Merged to form Magnet & Southern
	Southern-Evans	Building Materials	
29 December	Harmo Industries	Motors & Distributors	Tenneco Inc
	Holt Products	Motors & Distributors	Holt Lloyd International
31 December	First National Finance Corporation	Merchant Banks & Issuing Houses	Following reclassification

Note: Argyle Securities was replaced by Anglo-Continental Investment & Finance, which holds 46% of Argyle Securities.

Table B—New Constituents replacing those removed in Table A

<i>Date of Introduction</i>	<i>New Constituent</i>	<i>Index Classification</i>
6 January	Midland-Yorkshire Holdings	Chemicals
28 January	British American Tobacco	Tobaccos
24 February	Combined English Stores Group	Stores
25 March	Edgar Allen	Engineering (General)
3 April	Ocean Wilsons (Holdings)	Overseas Traders
7 May	Regional Properties	Property
3 June	Orme Developments	Contracting & Construction
9 June	Macarthy's Pharmaceuticals	Chemicals
12 June	Sheaf Steam Shipping	Shipping
1 July	K Shoes	Textiles
	Stead & Simpson	Textiles
15 July	Barrow Hepburn Group	Textiles
	Petbow Holdings	Electricals (excluding Light Electronics, Radio & TV)
22 July	Chamberlain Phipps	Textiles
5 August	Allied Retailers	Stores
26 August	Amalgamated Metal Corporation	Miscellaneous Capital Goods
2 September	Lloyds & Scottish	Hire Purchase
10 September	H. Brammer	Engineering (General)
	Martin the Newsagent	Stores
24 September	Halford, Shead (Holdings)	Insurance Brokers
21 October	Spirella Group	Textiles
31 October	Anglo-Continental Investment & Finance	Miscellaneous Financial
	Property & Reversionary Investment Corpn.	Property
16 December	Johnson & Firth Brown	Miscellaneous Capital Goods
	Magnet & Southern	Building Materials
29 December	Camford Engineering	Motors & Distributors
	Holt Lloyd International	Motors & Distributors
31 December	Akroyd & Smithers	Miscellaneous Financial

Table C—Reclassifications

<i>Date</i>	<i>Company</i>	<i>Former Classification</i>	<i>New Classification</i>
13 March	Raybeck	Textiles	Stores
	Smiths Industries	Miscellaneous Capital Goods	Engineering (General)
	Staveley Industries	Machine & other Tools	Miscellaneous
			Unclassified
24 September	Central & Sheerwood Trust	Miscellaneous Financial	Miscellaneous
			Unclassified
3 December	Aquascutum & Associated	Textiles	Stores
	C. T. Bowring	Merchant Banks	Insurance Brokers
	Eleco Holdings	Electricals (excluding Light Electronics, Radio & TV)	Miscellaneous
			Unclassified

Table D—Constituents which have changed their names

<i>Former Name</i>	<i>New Name</i>
Edgar Allen	Edgar Allen Balfour
Alliance Alders Paper & Packaging	Alliance Alders
Allied Colloids	Allied Colloids Group
Associated Paper Mills	Associated Paper Industries
British Insulated Callender's Cables	B.I.C.C.
British Oxygen	B.O.C. International
Central & Sheerwood Trust	Central & Sheerwood
George Cohen 600 Group	600 Group
Greeff-Chemicals Holdings	Federated Chemical Holdings
London & Northern Securities	London & Northern Group
Joseph Lucas (Industries)	Lucas Industries
Provident Clothing & Supply	Provident Financial Group
Revertex Holdings	Revertex Chemicals
Scottish Automobile	Heron Motor Group
Smith St Aubyn	Smith St Aubyn (Holdings)
Tunnel Cement	Tunnel Holdings