

# **Property Growth Assurance Company Limited**

## **Report and Accounts for the year 1998**



# Property Growth Assurance Company Limited

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## Report and Accounts 1998

<u>Contents</u>	<u>Page</u>
Directors	2
Directors' report	3
Directors' responsibilities for accounts	4
Auditors' report	4
Accounting policies	6
Technical account - long term business	8
Non-technical account	9
Reconciliation of movement in shareholders' funds	9
Balance sheet	10
Notes on the accounts	11

## **Property Growth Assurance Company Limited**

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### **Directors**

Mr R Calver

Mr N Criticos

Mr R E K Greenfield

Mr B J Hall

Mr C D O'Brien

Mr G S Pater

### **Secretary**

Mr J H Berg

### **Registered office**

New Hall Place, Old Hall Street, Liverpool, L69 3HS

# Property Growth Assurance Company Limited

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## Directors' report for the year ended 31st December 1998

### Principal activities

The principal activity of the Company is the transaction of long term insurance business in the United Kingdom.

### Review of business and future developments

On 31st December 1998 the long term fund of the Company was transferred to Royal & Sun Alliance Linked Insurances Limited following the approval of the High Court under Schedule 2C of the Insurance Companies Act 1982. No consideration was passed in respect of the transfer - see note 7.

### Year 2000

The Company has recognised the importance of the Year 2000 issue for a considerable period. IT systems, embedded systems and reliance on external suppliers are key areas and these are being addressed through major projects. Detailed progress is reported monthly to the Group Year 2000 Steering Committee.

At this stage the Company's plan for ensuring its systems and processes are fully compliant are well advanced and it is expected that they will be substantially completed around mid year 1999. It is also necessary to establish business interruption and contingency plans to address the situation of the Company's activities being disrupted by the failure of its own IT systems, major suppliers or, in particular, local infrastructure such as transport and power. These plans are being developed and will be in place for the year end. The incremental costs incurred in 1998 were insignificant. Future costs will be incurred by Royal & Sun Alliance Linked Insurances Limited in 1999 following the Schedule 2C transfer.

### Result and dividend

The result of the Company for the year is shown in the profit and loss account on pages 8 & 9. No dividend for the year will be paid.

### Directors

Messrs N Criticos, R E K Greenfield and C D O'Brien were appointed as directors of the Company with effect from 9th April 1998. Mr G S Pater was appointed as a director of the Company with effect from 30th March 1998. Mr J C Hance resigned as a director of the Company with effect from 23rd April 1998. Mr D R Parry resigned as a director of the Company with effect from 22nd April 1998. Mr D Shore resigned as a director of the Company with effect from 30th April 1998.

The other directors whose names appear on page 2 served throughout the year.

### Auditors

The Company's auditors, Coopers & Lybrand, merged with Price Waterhouse on 1st July 1998 following which Coopers & Lybrand resigned and the directors appointed the new firm PricewaterhouseCoopers as auditors.

By order of the directors



J H Berg

Secretary

1st March 1999

# **Property Growth Assurance Company Limited**

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## **Directors' responsibilities for accounts**

The directors are required by UK company law to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss of the Company for that period.

The directors confirm that suitable accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31st December 1998. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors have responsibility for ensuring that the Company keeps proper accounting records. The directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

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## **Report of the auditors to the members of**

### **Property Growth Assurance Company Limited**

We have audited the financial statements on pages 6 to 14.

## **Respective responsibilities of directors and auditors**

The directors are responsible for preparing the Annual Report including, as described above, the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board, and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

## **Basis of audit opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

## Property Growth Assurance Company Limited

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### Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company at 31st December 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**PricewaterhouseCoopers**

Chartered Accountants and Registered auditors  
London, 1st March 1999

# Property Growth Assurance Company Limited

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## Accounting Policies

### Accounting and disclosure requirements

The principal accounting policies of the Company as set out below comply with Section 255 of and Schedule 9A to the Companies Act 1985 and applicable UK accounting standards and with the Statement of Recommended Practice ("SORP") issued by the Association of British Insurers in December 1998.

### Change in Accounting Policy

Following the publication of the Association of British Insurers' SORP in December 1998, the following changes in accounting policy have been made:

- (i) Unrealised gains and losses on investments not attributable to the long term business are dealt with in the technical account. Previously, such unrealised gains and losses were dealt with in the revaluation reserve.
- (ii) The investment return in the technical account - long-term business includes all returns on investments directly connected with the carrying on of long-term insurance business. These investments comprise those arising in, or attributed to, the long-term fund together with such directly connected investments where the return accrues to shareholders whether held within or outside the long-term fund.

### Basis of accounting

The financial statements are prepared in accordance with the historical cost convention, modified by the revaluation of certain assets as required by the Companies Act 1985.

### Translation of foreign currencies

Assets and liabilities in foreign currencies and overseas revenue transactions are translated into sterling at rates ruling at the year end. For assets and liabilities within the long-term funds, the resulting exchange adjustments are included within the technical account - long term business. For assets and liabilities held outside the long term funds the resulting exchange adjustments are taken to the profit and loss account.

### Basis of profit recognition

The profits on long term business represent the transfer from the long term funds to shareholders following the actuarial valuation of liabilities together with the investment return attributable to the long term fund from investments held outside the long term fund. Profits are shown in the non-technical account grossed up for taxation at the full rate of corporation tax applicable in the period, subject to the exclusion of tax neutral items.

### Earned premiums

Earned premiums comprise written premiums and are recognised when payment is due, except for linked premiums which are accounted for when the liability for the units is included in the technical provisions for linked liabilities.

### New business premiums

New business premiums are recognised when the policy liability is set up. New single premiums include recurrent single premium contracts including DSS rebates and increments under group pension schemes.

### Investment income

Interest, rents and dividends on investments, other than ordinary shares, are included on an accruals basis. Account is taken of dividend income when the related investment is quoted 'ex-dividend'. Investment income is grossed up to include related tax credits on dividend income.

### Claims incurred

Claims arising on maturity are recognised when the claim becomes due for payment. Death claims are accounted for on notification. Surrenders are accounted for at the earlier of the payment date or the date at which the policy ceases to be included in the long term business provision or the technical provisions for linked liabilities. Reinsurance recoveries are credited to match relevant gross amounts. Claims paid include related internal and external claims handling costs.

# **Property Growth Assurance Company Limited**

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## **Acquisition costs**

Acquisition costs comprise direct and indirect costs of obtaining and processing new business. These costs are deferred as an explicit deferred acquisition cost asset and amortised over the period in which they are expected to be recovered out of margins in matching revenues from related policies. At the end of each accounting period, deferred acquisition costs are reviewed for recoverability, by category, against future margins from the related policies in force at the balance sheet date.

## **Taxation**

Taxation in the technical account - long term business and the non-technical account is based upon the taxation rules applicable to life insurance companies. Deferred taxation is provided on timing differences, other than those likely to continue in the foreseeable future.

The balance on the technical account - long term business is transferred to the non-technical account. Profits are shown in the non-technical account grossed up at the full rate of corporation tax applicable in the period. The amount of grossing up is included within the taxation on the profit or loss on ordinary activities in the non-technical account.

## **Investments**

Investments and assets held to cover linked liabilities are shown at market value, for which purpose unlisted investments, mortgages and loans are included at directors' valuation and properties at professional valuation. For listed securities the stock exchange values are used.

The treatment of realised and unrealised investment gains and losses is as follows:

### **(i) Realised gains and losses**

Net realised gains, being net sale proceeds less costs of acquisition, are included within the profit and loss account within investment income. Net realised losses are included within investment expenses and charges.

### **(ii) Unrealised gains and losses**

Unrealised gains or losses are shown separately in the profit and loss account.

## **Long-term business provision**

The long term business provision has been computed by a Fellow of the Institute of Actuaries on the basis of recognised actuarial methods. Details of the main assumptions made and the methods used are given in note 8.

## **Technical provisions for linked liabilities**

The technical provisions for linked liabilities are the repurchase value of units allocated to in-force policies at the balance sheet date, where the policy benefits are wholly or partly related to investments of any description or to indices of the value of investments.

Linked liabilities are established by reference to the value of the underlying assets which are held to meet those liabilities. These assets are included, predominantly, at mid-market value.

## **Outstanding claims**

The provision for outstanding claims comprises the estimated cost of claims reported and not settled at the balance sheet date.



# Property Growth Assurance Company Limited

## Profit and loss account

for the year ended 31st December 1998

## Technical account - long term business

	Notes	1998 £'000	1997 (restated) £'000
<b>Earned premiums, net of reinsurance</b>			
Gross premiums written	1a	1	1
Outward reinsurance premiums	1a	(1)	(1)
Net earned premiums		-	-
<b>Investment income</b>	3	113	107
<b>Unrealised gains/(losses) on investments</b>	3	12	(5)
<b>Claims incurred, net of reinsurance</b>			
Claims paid			
gross amount		(23)	(132)
reinsurers' share		23	132
		-	-
Change in the provision for claims			
gross amount		-	-
reinsurers' share		-	-
		-	-
Net claims incurred			-
<b>Change in other technical provisions, net of reinsurance</b>			
Long term business provision	7		
gross amount		3	1
reinsurers' share		(3)	(1)
		-	-
Technical provisions for linked liabilities	7		
gross amount		894	(2)
reinsurers' share		(894)	2
		-	-
Net change in other technical provisions			-
<b>Other technical charges, net of reinsurance - schedule 2C transfer</b>	7	-	-
<b>Taxation attributable to the long term business</b>		(36)	(34)
<b>Balance on technical account - long term business</b>		89	68

All figures relate to ~~discontinued~~ continuing operations.

The notes on pages 11 to 14 form part of the accounts.

## Property Growth Assurance Company Limited

### Profit and loss account

for the year ended 31st December 1998

### Non-technical account

	Notes	1998 £'000	1997 (restated) £'000
Balance on the long term business technical account		89	68
Tax credit attributable to balance on the long term business technical account		36	34
<b>Profit on ordinary activities before taxation</b>		<b>125</b>	<b>102</b>
Taxation on profit on ordinary activities	2	(36)	(34)
<b>Profit on ordinary activities after taxation</b>		<b>89</b>	<b>68</b>
Dividends		-	-
<b>Transfer to/(from) retained profits</b>		<b>89</b>	<b>68</b>

All figures relate to discontinued operations.

There is no material difference between the results for the current year and the previous year as described in the profit and loss account and the results on an unmodified historical cost basis. Accordingly, a note of the historical cost profits and losses for the year is not given.

There have been no recognised gains or losses in either reporting year other than those recorded in the profit and loss account and accordingly a statement of total recognised gains and losses has not been presented.

### Movements in shareholders' funds

for the year ended 31st December 1998

	Share Capital £'000	Revaluation Reserve £'000	Profit & Loss Account £'000	1998 £'000	1997 £'000
<b>Shareholders' funds at 1st January as previously stated</b>	4,000	23	1,083	<b>5,106</b>	<b>5,038</b>
Prior year adjustment (see page 6)		(23)	23		
Shareholders' funds at 31st January restated	4,000	-	1,106	<b>5,106</b>	<b>5,038</b>
Shareholder recognised gains			89	<b>89</b>	<b>68</b>
<b>Shareholders' funds at 31st December</b>	<b>4,000</b>	<b>-</b>	<b>1,195</b>	<b>5,195</b>	<b>5,106</b>

The profit & loss account includes **£1,160k** (1997 **£1,083k**), which is distributable.

The notes on pages 11 to 14 form part of these accounts.

# Property Growth Assurance Company Limited

## Balance sheet at 31st December 1998

	Notes	1998 £'000	1997 (restated) £'000
<b>Assets</b>			
<b>Investments</b>			
Other financial investments	4	1,102	1,091
<b>Reinsurers' share of technical provisions</b>			
Long term business provision	7	-	3
Technical provisions for linked liabilities	7	-	894
		-	897
<b>Debtors</b>			
Other debtors	5	3,882	3,862
<b>Other assets</b>			
Cash at bank and in hand		259	231
<b>Prepayments and accrued income</b>			
Accrued interest and rent		34	35
<b>Total assets</b>		<b>5,277</b>	<b>6,116</b>
<b>Liabilities</b>			
<b>Capital and reserves (see page 9)</b>			
Called up share capital	6	4,000	4,000
Profit and loss account		1,195	1,106
<b>Shareholders' funds - equity interest</b>		<b>5,195</b>	<b>5,106</b>
<b>Technical provisions</b>			
Long term business provision	7, 8	-	3
<b>Technical provisions for linked liabilities</b>	7	-	894
<b>Creditors</b>			
Other creditors including taxation and social security	9	82	113
<b>Total liabilities</b>		<b>5,277</b>	<b>6,116</b>

The notes on pages 11 to 14 form part of these accounts.

The accounts on pages 6 to 14 were approved by the directors on 1st March 1999 and were signed on their behalf by:

  
R E K Greenfield  
Director

Liverpool, 1st March 1999

# Property Growth Assurance Company Limited

## Notes on the Accounts

### 1. Segmental analysis

No geographical segmental information, as required by Statement of Standard Accounting Practice number 25, is given as business is predominantly sourced in the United Kingdom.

<b>1a Written premiums</b>	<b>1998 £'000</b>	<b>1997 £'000</b>
Gross premiums written		
Individual		
Unit Linked	1	1
Total direct gross premiums written	1	1
Periodic premiums	1	1
Total direct gross premiums written	1	1
Reinsurance	(1)	(1)
<b>Net premiums written</b>	<b>-</b>	<b>-</b>

### 2. Taxation

The charges for taxation in the non-technical account comprise:

	<b>Other than long term 1998 £'000</b>	<b>1997 £'000</b>
United Kingdom taxation:		
Group relief	(36)	(34)
Deferred taxation	-	-
	<b>(36)</b>	<b>(34)</b>

The charge for UK corporation tax in the non-technical account is based on a rate of 31% (1997 31.5%).

<b>3. Investment return</b>	<b>1998 £'000</b>	<b>1997 £'000</b>
<b>ATTRIBUTABLE TO LONG-TERM BUSINESS</b>		
Income from investments		
Income from other investments	113	107
Unrealised gains/(losses) on investments	12	(5)
<b>Investment return attributable to long term business</b>	<b>125</b>	<b>102</b>

# Property Growth Assurance Company Limited

## Notes on the Accounts

### 4. Investments

	1998 £'000	1997 £'000
<b>Other financial investments:</b>		
Debt securities and other fixed income securities (all listed)	1,102	1,091

The historical cost of investments is £1,067k (1997 £1,067k).

### 5. Debtors

	1998 £'000	1997 £'000
<b>Other debtors</b>		
Taxation	40	20
Due from parent company	3,842	3,842
	3,882	3,862

### 6. Share capital

	1998 £	1997 £
<b>Authorised</b>		
10,000,000 ordinary shares of £1 each	10,000,000	10,000,000
<b>Issued and fully paid</b>		
4,000,000 ordinary shares of £1 each fully paid	4,000,000	4,000,000
10,000 ordinary shares 3p per share paid up	300	300
	4,000,300	4,000,300

# Property Growth Assurance Company Limited

## Notes on the Accounts

### 7. Long term insurance funds transfer - technical balances

	Long term business provision £'000	Technical provisions for linked liabilities £'000	Total £'000
<b>Gross amount</b>			
Balance at 1 January 1998	(3)	(894)	(897)
Movement prior to the transfer	-	(81)	(81)
Schedule 2C transfer	3	975	978
Technical account credit/(charge)	3	894	897
Balance at 31 December 1998	-	-	-
<b>Reinsurers' share</b>			
Balance at 1 January 1998	3	894	897
Movement prior to the transfer	-	81	81
Schedule 2C transfer	(3)	(975)	(978)
Technical account credit/(charge)	(3)	(894)	(897)
Balance at 31 December 1998	-	-	-
<b>Net amount</b>			
Balance at 1 January 1998	-	-	-
Movement prior to the transfer	-	-	-
Schedule 2C transfer	-	-	-
Technical account credit/(charge)	-	-	-
Balance at 31 December 1998	-	-	-

### 8. Long-term business provision

Following the transfer of the Company's long term fund to that of Royal & SunAlliance Linked Insurances Limited, as part of the Schedule 2C transfer, there is no long term provision at 31st December 1998 - see note 7.

The long-term business provision at 31st December 1997 was calculated as the present value of non-unit liabilities and expenses where not covered by future margins. Future expenses were assumed to be at approximately the rate experienced in the year preceding the balance sheet date, subject to inflation. The principal assumptions used were as follows:-

	Interest rate p.a.	Mortality table	Inflation p.a.
Life without profit (unit linked)	5.24%	A67/70	4.50%

## Property Growth Assurance Company Limited

### Notes on the Accounts

#### 9. Creditors

	1998 £'000	1997 £'000
Other creditors including taxation and social security		
Due to group companies	82	113

#### 10. Directors' emoluments

All the directors receive remuneration from Royal & Sun Alliance Insurance plc as employees of that company. It is not appropriate, because of the non-executive nature of their services, to make an apportionment of their emoluments in respect of the Company.

#### 11. Auditors' remuneration

The remuneration of the auditors of the Company amounted to **£1,500** (1997 **£1,000**). The auditors also received fees of **£4,500** (1997 *Nil*) in respect of non-audit fees.

#### 12. Pension costs and other post-retirement benefits

All of the staff in the UK are employed by Royal & Sun Alliance Insurance plc and are members of a defined benefits pension scheme, details of which are disclosed in the accounts of that company.

#### 13. Cash flow

The Company is a wholly owned subsidiary of Royal & Sun Alliance Insurance Group plc and the cash flows of the Company are included in the consolidated cash flow statement of Royal & Sun Alliance Insurance Group plc. The Company has thus taken advantage of the exception permitted by FRS 1 (revised) and has elected not to prepare its own cashflow statement.

#### 14. Contingent liabilities

Other than in the normal course of business the Company had no material contingent liabilities at 31st December 1998 (1997 *£nil*).

#### 15. Related party transactions

Advantage has been taken of the exemption provided in FRS8 from disclosing details of transactions with Royal & Sun Alliance Insurance Group plc and its subsidiaries and associated undertakings.

#### 16. Parent companies

The Company's immediate parent company is Phoenix Assurance plc, which is registered in England and Wales.

The parent of the smallest group for which consolidated accounts including Property Growth Assurance Company Limited are drawn up is Royal & Sun Alliance Insurance plc, which is registered in England and Wales.

The Company's ultimate parent company is Royal & Sun Alliance Insurance Group plc which is registered in England and Wales. A copy of that company's accounts can be obtained from 30 Berkeley Square, London, W1X 5HA.