

Property Growth Assurance Company Limited

(A member of the Resolution Life Group)

Report and Financial Statements for the year ended 31 December 2004



Property Growth Assurance Company Limited

Report and financial statements for the year ended 31 December 2004

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Property Growth Assurance Company Limited

Directors

Mr R Craine

Mr R E K Greenfield

Secretary

Ms J J Wilman

Registered office

New Hall Place, Old Hall Street, Liverpool L3 9UE

Auditors

Ernst & Young LLP

1 More London Place, London, SE1 2AF

Property Growth Assurance Company Limited

Directors' report for the year ended 31 December 2004

Principal activities and review of business

The directors continue to review the operations of the Company with a view to its future developments.

Sale of the Company's parent to Resolution Life Group

On the 30 July 2004 Royal & SunAlliance announced its sale of its UK Life Operations, which included the Company's immediate parent to the Resolution Life Group. Following Royal & SunAlliance shareholder and Financial Services Authority (FSA) approval, the sale was completed on 30 September 2004.

Result and dividends

The result of the Company for the year is shown in the profit and loss account on page 7. An interim dividend of **£291k** was paid in 2004 (2003 £Nil).

Directors and their interests

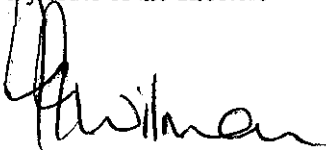
Messrs R Craine and R E K Greenfield were appointed directors of the Company with effect from 30 September 2004. Mr J V Miller and Non-Destructive Testers Limited resigned as directors of the Company with effect from 30 September 2004.

None of the directors had any interests in the shares of the Company.

Auditors

With effect from 30 September 2004 PricewaterhouseCoopers LLP resigned as auditors of the Company and on the same date Ernst & Young LLP were appointed in their place. Ernst & Young LLP will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

By order of the directors



J J Wilman
Secretary

23 March 2005

Property Growth Assurance Company Limited

Directors' responsibilities for financial statements

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 31 December 2004. The directors also confirm that applicable accounting standards have been followed and that it is appropriate for the financial statements to have been prepared on the going concern basis.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Property Growth Assurance Company Limited

Report of the independent auditors to the members of Property Growth Assurance Limited

We have audited the Property Growth Assurance Company Limited financial statements for the period ended 31 December 2004 which comprise the profit and loss account, movement in shareholders' funds, the balance sheet and the related notes 1 to 13 including the accounting policies. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities the Company's directors are responsible for the preparation of the financial statements in accordance with United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards.

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 1985. 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 with the Company is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company as at 31 December 2004 and of the profit of the Company for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Ernst & Young LLP

Registered Auditor

London

23 March 2005

Property Growth Assurance Company Limited

Accounting Policies

Accounting and disclosure requirements

The financial statements are drawn up in compliance with Part VII, Chapter I and Schedule 4 to the Companies Act 1985 and applicable United Kingdom accounting standards.

Basis of accounting

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

Investment income

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

Taxation

The UK taxation in the profit and loss account is based on profits/(losses) and income in the year as determined in accordance with the relevant tax legislation, together with adjustments to provisions of prior years.

Deferred tax is provided in full and consists of the estimated taxation or relief from taxation which is expected to arise from material timing differences using rates based on tax rates and laws which have been substantively enacted by the balance sheet date. Credit is taken for relief for trading and other losses only to the extent that the directors anticipate that suitable profits will absorb such losses in future periods.

Deferred tax assets and liabilities are discounted at rates reflecting post-tax yields to maturity that can be obtained at the balance sheet date on government bonds with maturity dates and in currencies similar to those of the deferred tax assets and liabilities.

Property Growth Assurance Company Limited

Profit and loss account

for the year ended 31 December 2004

	Notes	2004 £'000	2003 £'000
Investment income	1	36	56
Profit on ordinary activities before taxation		36	56
Taxation on profit on ordinary activities	2	(10)	(17)
Profit on ordinary activities after taxation		26	39
Dividends	3	(291)	-
Transfer to retained profits		(265)	39

All figures relate to continuing operations.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the years stated above and their historical cost equivalents.

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 31 December 2004	Share capital £'000	Profit & loss account £'000	Total 2004 £'000	Total 2003 £'000
Shareholders' funds at 1 January	4,000	265	4,265	4,226
Shareholders' recognised gains	-	26	26	39
Dividends		(291)	(291)	-
Shareholders' funds at 31 December	4,000	-	4,000	4,265

The profit and loss account includes £Nil (2003 £265k) which is realised.

The notes on pages 9 and 10 form part of these financial statements.

Property Growth Assurance Company Limited

Balance Sheet

at 31 December 2004

	Notes	2004 £'000	2003 £'000
Current assets			
Debtors			
Amounts due from group companies		4,000	4,294
Cash at bank and in hand		-	5
		<u>4,000</u>	<u>4,299</u>
Creditors: amounts falling due within one year			
Taxation		-	(34)
Net current assets		<u>4,000</u>	<u>4,265</u>
Net assets		<u>4,000</u>	<u>4,265</u>
Capital and reserves (see page 6)			
Called up share capital	4	4,000	4,000
Profit and loss account		-	265
Shareholders' funds – equity interests		<u>4,000</u>	<u>4,265</u>

The notes on pages 9 and 10 form part of these financial statements.

The financial statements on pages 6 to 10 were approved by the directors on 23 March 2005 and were signed on their behalf by:



R Craine
Finance Director
23 March 2005

Property Growth Assurance Company Limited

Notes on the financial statements

1. Investment income

	2004 £'000	2003 £'000
Investment income comprises:		
Interest receivable from Group Companies	36	56

2. Taxation

The charges for taxation in the profit and loss account comprise:

	2004 £'000	2003 £'000
United Kingdom taxation charge:		
Corporation tax	(10)	(17)

UK corporation tax for the current year included above is at the standard rate of 30% (2003 at the standard rate of 30%).

3. Dividends

	2004 £'000	2003 £'000
Interim dividend paid	(291)	-

4. Share Capital

	2004 £	2003 £
Authorised		
10,000,000 ordinary shares of £1 each	10,000,000	10,000,000
Issued and fully paid		
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

5. Directors' emoluments

Prior to the sale of the Company's immediate parent to Resolution Life Group, the directors were remunerated by Royal & Sun Alliance through Royal & Sun Alliance Life Insurance Services Limited. After the sale of the Company, the directors were remunerated by Resolution Life Group through Resolution Life Services Limited. The directors received no emoluments in respect of their services to the Company.

6. Auditors' remuneration

The remuneration of the auditors of the Company amounted to £1,000 (2003 £1,158). Amounts shown for 2003 are in respect of the Company's former auditors, PricewaterhouseCoopers LLP.

7. Pension costs and other post-retirement benefits

All of the staff are employed by Resolution Life Group (the Group) which does not currently operate any pension schemes for its employees. However, the Group made contributions during the period into pension schemes of Royal and SunAlliance Insurance Group (RSA) on behalf of its ex RSA UK Life Companies employees.

8. Capital commitments

The Company had no capital commitments at 31 December 2004 (2003 £Nil).

Property Growth Assurance Company Limited

Notes on the financial statements

9. Financial commitments

The Company had no financial commitments under non-cancellable operating leases at 31 December 2004 (2003 £ Nil).

10. Cash flow

The Company is a wholly owned subsidiary of Resolution Life Group Limited and the cash flows of the Company are included in the consolidated cash flow statement of Resolution Life Limited. The Company has thus taken advantage of the exemption permitted by Financial Reporting Standard 1 (revised) and has elected not to prepare its own cash flow statement.

11. Contingent liabilities

Other than in the normal course of business the Company had no material contingent liabilities at 31 December 2004 (2003 £ Nil).

12. Related party transactions

Advantage has been taken of the exemption provided in Financial Reporting Standard 8 from disclosing details of transactions with Resolution Life Group Limited and its subsidiaries.

13. Parent companies

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

The Company's ultimate parent company and controlling party is Resolution Life Group Limited, which is registered in England and Wales, and is the parent undertaking of the largest group to consolidate these financial statements. A copy of that company's accounts can be obtained from Juxon House, 100 St Paul's Churchyard, London EC4M 8BU.