

Registered number: 932491

Property Growth Assurance Company Limited

Report and Financial Statements for the year 1999



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Property Growth Assurance Company Limited

Report and financial statements 1999

| <u>Contents</u> | <u>Page</u> |
|--|-------------|
| Directors | 2 |
| Directors' report | 3 |
| Directors' responsibilities for financial statements | 4 |
| Auditors' report | 4 |
| Accounting policies | 5 |
| Technical account – long term business | 6 |
| Profit and loss account | 7 |
| Movements in shareholders' funds | 7 |
| Balance sheet | 8 |
| Notes on the financial statements | 9 |

Property Growth Assurance Company Limited

Directors

Mr R Calver

Mr N Criticos

Mr R E K Greenfield

Mr B J Hall

Mr G S Pater

Secretary

Mr J H Berg

Registered office

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

Property Growth Assurance Company Limited

Directors' report for the year ended 31st December 1999

Principal activities and review of business

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. During 1999 the authorisation of the Company to write life insurance business in the EEA has been voluntarily withdrawn. The directors continue to review the operations of the Company with view to its future developments.

Result and dividend

The result of the Company for the year is shown in the profit and loss account on pages 7. An interim dividend of £1,160,511 was paid in December 1999. No final dividend for the year will be paid.

Directors

Mr C D O'Brien resigned as a director of the Company with effect from 30th November 1999.

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

By order of the directors



J H Berg

Secretary

28th February 2000

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 31st December 1999. The directors also confirm that applicable accounting standards have been followed and that it is appropriate for the financial statements to be 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.

Auditors' report to the members of Property Growth Assurance Company Limited

We have audited the financial statements on pages 5 to 12, which have been prepared in accordance with the accounting policies set out on page 5.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described above, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and 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 United Kingdom 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.

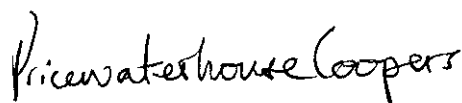
Basis of audit opinion

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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs at 31st December 1999 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, 28th February 2000

Property Growth Assurance Company Limited

Accounting Policies

Accounting and disclosure requirements

During 1999 the authorisation of the Company to write life insurance business in the EEA has been voluntarily withdrawn. The financial statements are drawn up in compliance with Part VII, Chapter I and Schedule 4 to the Companies Act 1985 and applicable accounting standards.

In previous years the financial statements, as an authorised insurer, were drawn up in compliance with Section 255A of and Schedule 9A to the Companies Act 1985. Previous years figures have been recategorised, as appropriate. The accounting policies in prior years were in accordance with the Statement of Recommended Practice ("SORP") issued by the Association of British Insurers in December 1998.

Changes in accounting policy

The Company has adopted the requirements of Financial Reporting Standard 16 "Current Tax" in 1999. As a result of this standard, incoming dividends, interest or other income receivable is recognised at an amount that includes any withholding tax but excludes any other taxes, such as attributable credits, not payable wholly on behalf of the Company. Previously attributable tax credits were included in investment income. The comparatives have been restated on this basis.

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 of the year as determined in accordance with the relevant tax legislation, together with adjustments of provisions of prior years.

Deferred taxation is calculated on the liability method and consists of the estimated taxation, or relief from taxation, which is expected to arise in the foreseeable future from material timing differences; expected future rates of tax are used where applicable. Credit is taken for relief for trading losses only to the extent that the directors anticipate that profits will absorb such losses in the foreseeable future.

Investments

Investments 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.

Property Growth Assurance Company Limited

Profit and loss account

for the year ended 31st December 1999

Technical account - long term business

| | Notes | 1999 £'000 | 1998 £'000 |
|---|-------|---------------|---------------|
| Earned premiums, net of reinsurance | | | |
| Gross premiums written | 1a | - | 1 |
| Outward reinsurance premiums | 1a | - | (1) |
| Net earned premiums | | - | - |
| Investment income | 1b | - | 113 |
| Unrealised gains on investments | 1b | - | 12 |
| Claims incurred, net of reinsurance | | | |
| Claims paid | | | |
| Gross amount | | - | (23) |
| Reinsurers' share | | - | 23 |
| | | - | - |
| Change in the provision for claims | | | |
| Gross amount | | - | - |
| Reinsurers' share | | - | - |
| | | - | - |
| Net claims incurred | | - | - |
| Change in other technical provisions, net of reinsurance | | | |
| Long term business provision | 2a | | |
| Gross amount | | - | 3 |
| Reinsurers' share | | - | (3) |
| | | - | - |
| Technical provisions for linked liabilities | 2a | | |
| Gross amount | | - | 894 |
| Reinsurers' share | | - | (894) |
| | | - | - |
| Net change in other technical provisions | | - | - |
| Taxation attributable to the long term business | | - | (36) |
| Balance on technical account - long term business | | - | 89 |

All figures relate to discontinued operations.

The notes on pages 9 to 12 form part of the financial statements.

Property Growth Assurance Company Limited

Profit and loss account

for the year ended 31st December 1999

| | Notes | 1999 £'000 | 1998 £'000 |
|--|-------|----------------|---------------|
| Balance on the long term business technical account | | - | 89 |
| Tax credit attributable to balance on the long term | 4 | - | 36 |
| Business technical account | | - | 125 |
| Investment income | 3 | 127 | - |
| Unrealised (losses) on investments | | (65) | - |
| Profit on ordinary activities before taxation | | 62 | 125 |
| Taxation on profit on ordinary activities | 4 | (19) | (36) |
| Profit on ordinary activities after taxation | | 43 | 89 |
| Dividends | | (1,161) | - |
| Transfer to/(from) retained profits | | (1,118) | 89 |

All figures relate to discontinued 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 31st December 1999 | Share Capital / Premium £'000 | Revaluation Reserve £'000 | Profit & Loss Account £'000 | 1999 £'000 | 1998 £'000 |
|--|--|---------------------------------|--------------------------------------|----------------|---------------|
| Shareholders' funds at 1st January | 4,000 | - | 1,195 | 5,195 | 5,106 |
| Shareholders' recognised gains | - | - | 43 | 43 | 89 |
| Reclassification | - | (22) | 22 | - | - |
| Dividends | - | - | (1,161) | (1,161) | - |
| Shareholders' funds at 31st December | 4,000 | (22) | 99 | 4,077 | 5,195 |

The profit and loss account includes £ 99 k (1998 £1,160 k) which is distributable.

The notes on pages 9 to 12 form part of the financial statements.

Property Growth Assurance Company Limited

Balance sheet

at 31st December 1999

| | Notes | 1999 £'000 | 1998 (recategorised) £'000 |
|---|-------|---------------|----------------------------------|
| Fixed assets | | | |
| Other financial investments | 5 | 964 | 1,102 |
| Current assets | | | |
| Amounts due from group companies | | 2,681 | 3,842 |
| Other debtors | | 30 | 40 |
| Accrued interest | | 27 | 34 |
| Cash at bank and in hand | | 420 | 259 |
| | | 3,158 | 4,175 |
| Creditors: amounts falling due within one year | | | |
| Due to group companies | | (45) | (82) |
| Net current assets | | 3,113 | 4,093 |
| Net assets | | 4,077 | 5,195 |
| Capital and reserves | | | |
| Called up share capital | 6 | 4,000 | 4,000 |
| Revaluation reserve | | (22) | - |
| Profit and loss account | | 99 | 1,195 |
| Shareholder's funds – equity interests | | 4,077 | 5,195 |

The notes on pages 9 to 12 form part of the financial statements

The financial statements on page 5 to 12 were approved by the directors on 28th February 2000 and were signed on their behalf by:



R E K Greenfield

Director

Liverpool, 28th February 2000

Property Growth Assurance Company Limited

Notes on the financial statements

1. Technical account – long term business

| 1a Written premiums | 1999 £'000 | 1998 £'000 |
|-------------------------------------|---------------|---------------|
| Gross premiums written | | |
| Individual | | |
| Unit Linked | - | 1 |
| Total direct gross premiums written | - | 1 |
| Periodic premiums | | 1 |
| Total direct gross premiums written | - | 1 |
| Reinsurance | - | (1) |
| Net premiums written | - | - |

| 1b. Investment return | 1999 £'000 | 1998 £'000 |
|--|---------------|---------------|
| ATTRIBUTABLE TO LONG-TERM BUSINESS | | |
| Income from investments | | |
| Income from other investments | - | 113 |
| Unrealised gains/(losses) on investments | - | 12 |
| Investment return attributable to long term business | - | 125 |

Property Growth Assurance Company Limited

Notes on the financial statements

2. Long term insurance funds transfer

As noted in the directors report, 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.

2a. Technical balances transferred on 31 December 1998

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

3. Investment income

| | 1999 £'000 | 1998 £'000 |
|------------------------------|---------------|---------------|
| Investment income comprises: | | |
| Other interest receivable | 127 | - |
| | <u>127</u> | <u>-</u> |

4. Taxation

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

| | 1999 £'000 | 1998 £'000 |
|--------------------------|---------------|---------------|
| United Kingdom taxation: | | |
| Group relief | (9) | (36) |
| Corporation tax | (10) | - |
| | <u>(19)</u> | <u>(36)</u> |

UK corporation tax for the current year included above is based on a rate of 30.25% (1998 31%).

Property Growth Assurance Company Limited

Notes on the financial statements

5. Fixed Assets

| | 1999 £'000 | 1998 £'000 |
|---|---------------|---------------|
| Other financial investments: | | |
| Debt securities and other fixed income securities | | |
| British government securities (all listed) | 964 | 1,102 |

The historical cost of investments is £ 995 k (1998 £1,067k).

6. Share Capital

| | 1999 £ | 1998 £ |
|---|------------|------------|
| Authorised | | |
| 10,000,000 ordinary shares of £1 each | 10,000,000 | 10,000,000 |
| Issued and full 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 |

7. Directors' emoluments

All the directors receive remuneration from Royal & Sun Alliance Insurance plc as employees of that company. The directors received no emoluments in respect of their services to the Company.

8. Auditors' remuneration

The remuneration of the auditors of the Company amounted to £1,000 (1998 £1,500). The auditors of the Company also received fees of £600 (1998 £4,500) in respect of non-audit services.

9. 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 defined benefits pension schemes, details of which are disclosed in the accounts of that company. Contributions are based on pension costs across the UK group as a whole.

10. Capital commitments

The Company had no capital commitments as at 31st December 1999 (1998 £Nil).

11. Financial commitments

The Company had no financial commitments under non-cancellable operating leases at 31st December 1999 (1998 £Nil).

12. 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 exemption permitted by FRS 1 (revised) and has elected not to prepare its own cash flow statement.

Property Growth Assurance Company Limited

Notes on the financial statements

13. Contingent liabilities

Other than in the normal course of business the Company had no material contingent liabilities at 31st December 1999 (*1998 £nil*).

14. Related party transactions

Advantage has been taken of the exemption provided in FRS 8 from disclosing details of transactions with *Royal & Sun Alliance Group plc and its subsidiaries and associated undertakings*.

15. 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.