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PROPERTY GROWTH PENSIONS AND ANNUITIES LIMITED

DIRECTORS' REPORT AND ACCOUNTS
for the year ended 15th DECEMBER 1985



PROPERTY GROWTH PENSIONS AND ANNUITIES LIMITED

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1.

PROPERTY GROWTH PENSIONS AND ANNUITIES LIMITED

DIRECTORS

G. Bowler FCIS

J.H. Aubrey MA

S.A. Barnett BSc FIA

W.G. Niven FCA

D.D. Stringer

B.A. Wright FIA

MANAGING DIRECTOR

D.D. Stringer

ACTUARY

S.A. Barnett BSc FIA

SECRETARY

J.H. Aubrey MA

AUDITORS

Touche Ross & Co.,
Hill House,
1 Little New Street,
London, EC4A 3TR.

PROPERTY GROWTH PENSIONS AND ANNUITIES LIMITED

2.

REPORT OF THE DIRECTORS
for the year ended 15th DECEMBER 1985

1. BUSINESS

The company continued to carry on ordinary long-term insurance business.

2. POST BALANCE SHEET EVENT

Following the year end a decision was made to reassure with Sun Alliance Group companies, in 1986, the liabilities represented by the present and future allocation of units to unit linked funds.

3. DIRECTORS

The names of the persons who were directors of the company on 15th December 1985 are given on Page 1. Mr. G. Bowler, Mr. W.G. Niven and Mr. B.A. Wright were appointed directors on 11th April 1985. Mr. R.G. Williams resigned as a director on 11th April 1985 and Mr. M.H. Field resigned as a director on 16th May 1985. Mr. R.K. Bishop was appointed a director on 16th May 1985 and resigned on 31st October 1985.

4. DIRECTORS' INTERESTS

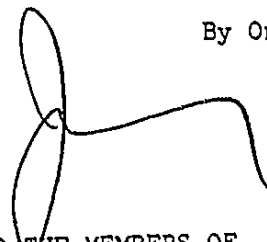
All persons who were directors of the company at 15th December 1985 were also directors of the holding company, Property Growth Assurance Company Limited and their relevant interests in group companies are given with the accounts of that company.

Leon House,
High Street,
Croydon, CR9 1LU.

19th March 1986.

By Order of the Board

J.H. AUBREY,
Secretary.



REPORT OF THE AUDITORS TO THE MEMBERS OF
PROPERTY GROWTH PENSIONS AND ANNUITIES LIMITED

We have audited the accounts and notes on pages 3 to 12 in accordance with approved Auditing Standards.

In our opinion the accounts and notes comply with the provisions of the Companies Act 1985 applicable to insurance companies.

Touche Ross & Co.,
Hill House,
1 Little New Street,
London, EC4A 3TR.

19th March 1986.



TOUCHE ROSS & CO.

Chartered Accountants.

3.

PROPERTY GROWTH PENSIONS AND ANNUITIES LIMITEDPROFIT AND LOSS ACCOUNT
for the year ended 15th DECEMBER 1985

	NOTES	1985	1984
		£	£
Adverse balance brought forward		-	(730,141)
Transfer from reserves	6	600,000	1,405,036
Interest receivable		138,526	26,105
Management expenses		(1,000)	(1,000)
Transfer to long-term business revenue account	4	(600,000)	(700,000)
Balance carried forward		£137,526 =====	- =====

PROPERTY GROWTH PENSIONS AND ANNUITIES LIMITED

4.

LONG-TERM BUSINESS REVENUE ACCOUNT
for the year ended 15th DECEMBER 1985

	NOTES	1985 £	1984 £
Balance at beginning of year		62,811,087	33,845,876
Premiums (net of reinsurance)	1	45,439,635	29,675,875
Interest, dividends and rents receivable	1	8,776,513	4,301,262
Net gain on revaluation or disposal of investments	1	2,152,572	2,474,536
Transfer from profit and loss account	4	600,000	700,000
		56,968,720	37,151,673
		119,779,807	70,997,549
Claims (net of reinsurance)	1	11,751,586	3,708,866
Commission payable		3,080,937	2,087,318
Management expenses	2	2,696,030	2,380,571
Taxation charge	1,3	7,426	9,707
		17,535,979	8,186,462
Balance at end of year		£102,243,828 =====	£62,811,087 =====

5.

PROPERTY GROWTH PENSIONS AND ANNUITIES LIMITEDBALANCE SHEET at 15th DECEMBER 1985

	NOTES	1985 £	1984 £
INVESTED ASSETS	1,8	97,511,881	63,126,355
LOANS TO POLICYHOLDERS	1,9	1,478,093	812,887
AMOUNT OWING FROM HOLDING COMPANY		317,981	-
CURRENT ASSETS	1		
Debtors and prepayments		3,060,766	1,352,096
Taxation recoverable		1,548,533	784,363
Bank balances and cash		937,632	2,212,402
		5,546,931	4,348,861
		£104,854,886	£68,288,103
		=====	=====
SHARE CAPITAL	5	1,000,100	1,000,100
RESERVES	6	744,964	194,964
PROFIT AND LOSS ACCOUNT	4	137,526	-
		1,882,590	1,195,064
		-----	-----
LIFE FUND		102,243,828	62,811,087
DEFERRED TAXATION	1,3	32,273	26,972
AMOUNT DUE TO HOLDING COMPANY		-	239,425
MORTGAGES	7	87,578	87,578
CURRENT LIABILITIES			
Short term loans		-	3,250,000
Creditors and accruals		420,714	647,802
Bank overdrafts (secured)		187,903	30,175
		608,617	3,927,977
		£104,854,886	£68,288,103
		=====	=====

✓ *[Signature]*
[Signature]

PROPERTY GROWTH PENSIONS AND ANNUITIES LIMITED

6.

NOTES TO THE ACCOUNTS
for the year ended 15th DECEMBER 1985

1. ACCOUNTING POLICIES

The principal accounting policies observed by the company are as follows:

a Disclosure requirements

In preparing these accounts the company avails itself of certain exemptions from disclosure available to it as an insurance company under the Companies Acts and the accounts comply with statements of standard accounting practice except to the extent that compliance would override the exemptions.

b Premiums

Premiums are not credited to the long-term business revenue account until proposals have been accepted and cash received. Premiums due on or before 15th December 1985 but not received at that date are not included in these accounts.

c Interest, dividends and rents

Investment income is accounted for on an accruals basis except for dividends which are included upon receipt.

d Claims

All death claims notified to the company on or before 15th December 1985 have been included in these accounts. Other claims are debited to the long-term business revenue account on payment.

e Assets

i Linked assets, which are identified in the records of the company as being notionally allocated to unit-linked policies, are stated in the accounts as follows:

Properties - at open market independent professional valuation at 15th December 1985 with the exception of those in individual funds which are included at cost or at recent valuation.

Quoted investments and unit trusts - at middle market price at 15th December 1985.

Deposits and local authority loans - at cost. Interest accrued is included in debtors.

Other assets - at the amount which can reasonably be expected to be received upon realisation.

7.

PROPERTY GROWTH PENSIONS AND ANNUITIES LIMITED

NOTES TO THE ACCOUNTS
for the year ended 15th DECEMBER 1985
(continued)

1. ACCOUNTING POLICIES (continued)

ii Assets other than linked assets have been valued in the manner required by the Insurance Companies Regulations 1981 without applying Regulation 49 of those regulations which requires certain assets to be taken into account only to a specified extent.

iii Gains and losses arising on the revaluation or disposal of assets are taken to the long-term business revenue account.

f Actuarial valuation

The liabilities to policyholders are valued annually by the actuary. If, on the advice of the actuary, the directors determine that any part of the surplus should be attributed to shareholders, then that part is transferred to the profit and loss account.

g Taxation

i Provision is made for the company's liability to United Kingdom corporation tax on the basis applicable to a life insurance company.

ii Deferred taxation -

a Provision is made for deferred taxation in respect of the excess of short term timing differences over available taxation losses.

b In the case of unrealised appreciation of linked investments, where tax will ultimately be borne by the holders of linked policies appropriate provisions for deferred taxation are made by the actuary in his valuation of linked funds and these provisions are reflected within deferred taxation. In the case of unrealised appreciation of non-linked investments and of other timing differences, provision is made for deferred taxation (calculated on the liability method) except to the extent that the directors do not expect liabilities to crystallise in the foreseeable future.

h Foreign exchange

Assets and liabilities in overseas currencies have been translated into sterling at the exchange rates ruling at the balance sheet date. Gains and losses on exchange are reflected in the long-term business revenue account.

PROPERTY GROWTH PENSIONS AND ANNUITIES LIMITED

8.

NOTES TO THE ACCOUNTS
for the year ended 15th DECEMBER 1985
(continued)

2. MANAGEMENT EXPENSES

a Management expenses of £2,696,030 include the following:

	1985	1984
	£	£
Auditors' remuneration including that relating to the audit of the pricing of units	27,000	26,000
Interest payable on:		
Long term loans (see note 7)	15,082	11,837
Bank and other loans repayable within five years	281,702	257,540
	296,784	269,377

b The services of the directors are provided by holding companies and no part of their remuneration is specifically attributed to their services to this company.

3. TAXATION

a Taxation - long-term business revenue account -	1985	1984
	£	£
Linked funds - Transfer to deferred taxation	5,301	8,796
Non-linked funds - Overseas taxation written off	2,125	911
	-----	-----
Taxation charge	£7,426	£9,707
	=====	=====
b Deferred taxation - balance sheet	1985	1984
Linked funds - On unrealised net appreciation of investments	£32,273	£26,972
	=====	=====

9. PROPERTY GROWTH PENSIONS AND ANNUITIES LIMITED

NOTES TO THE ACCOUNTS
for the year ended 15th DECEMBER 1985
(continued)

3. TAXATION (continued)

The deferred taxation in respect of timing differences provided for in these accounts is:

	Amount provided
	£
Capital allowances	82,000
Other timing differences	937,000
Taxation losses	(1,019,000)

	£ -
	=====

The potential amount of deferred taxation which will not ultimately be borne by the holders of linked policies is fully offset by available taxation losses.

4. PROFIT AND LOSS ACCOUNT

The sum of £600,000 (1984 - £700,000) was transferred from this account to the long-term business revenue account.

5. SHARE CAPITAL

	1985	1984
	£	£
Authorised, issued and fully paid -		
1,000,000 5% deferred non-cumulative preference shares of £1 each	1,000,000	1,000,000
100 ordinary shares of £1 each	100	100
	-----	-----
	£1,000,100	£1,000,100
	=====	=====

6. RESERVES

The sum of £1,150,000 was received during the year from Property Growth Assurance Company Limited by way of contribution to reserves. £600,000 was transferred during the year to the credit of the profit and loss account leaving a balance on this account of £744,964 (1984 - £194,964).

PROPERTY GROWTH PENSIONS AND ANNUITIES LIMITED

10.

NOTES TO THE ACCOUNTS
for the year ended 15th DECEMBER 1985
(continued)

7. MORTGAGES

The amount of £87,578 comprises four mortgage loans repayable at dates between 1994 and 2002 secured on freehold property. Interest is payable at 14.75% on one loan of £16,000 and on the remainder at rates based on the Building Societies Association recommended lending rate.

8. INVESTED ASSETS	1985	1984
	£	£
Properties	7,625,536	6,145,929
Fixed income investments - British Government Gilt Edged Securities	7,015,267	5,097,166
Variable income investments - Quoted	19,185,808	12,158,370
Authorised unit trusts	1,599,481	1,002,801
	20,785,289	13,161,171
Mortgages and debenture	3,005,677	2,266,960
Deposits - Deposits at banks and other deposits	51,405,112	28,451,743
Certificates of deposit	3,700,000	1,575,382
	55,105,112	30,027,325
Local authority loans	3,975,000	6,427,804
	£97,511,881	£63,126,355
	=====	=====

Property valuations were carried out as at 15th December 1985 by Messrs. Weatherall Green & Smith.

9. LOANS TO POLICYHOLDERS

The amount of £1,478,093 includes an amount of £21,962 (1984 - £21,962) being an interest free loan to a policyholder made on the security of an annuity policy issued by the company the liability under which is fixed and equal to the amount of the loan outstanding. The remainder of the loans outstanding comprises interest bearing loans secured on both life and annuity policies issued by the company, the liabilities under these policies vary with changes in the prices of the units allocated to the policies.

11.

PROPERTY GROWTH PENSIONS AND ANNUITIES LIMITED

NOTES TO THE ACCOUNTS
for the year ended 15th DECEMBER 1985
(continued)

10. CAPITAL COMMITMENTS

At 15th December 1985 commitments for capital expenditure for which no provision has been made in the accounts were as follows:

	1985	1984
	£	£
Contracts for capital expenditure	-	338,000
Expenditure authorised but not yet contracted for	196,500	-
	=====	=====

11. POST BALANCE SHEET EVENT

Following the year end a decision was made to reassure with Sun Alliance Group companies, in 1986, the liabilities represented by the present and future allocation of units to unit linked funds.

12. ULTIMATE HOLDING COMPANY

The ultimate holding company is Sun Alliance and London Insurance plc, a company incorporated in Great Britain.

13. APPROVAL OF ACCOUNTS

At a meeting on 19th March 1986 the directors approved the publication of these accounts.

PROPERTY GROWTH PENSIONS AND ANNUITIES LIMITED

12.

STATEMENT OF SOURCE AND APPLICATION OF FUNDS
excluding long-term insurance business
for the year ended 15th DECEMBER 1985

	1985	1984
	£	£
SOURCE OF FUNDS		
Interest receivable less expenses	137,526	25,105
Contribution from holding company	1,150,000	1,600,000
Total funds generated	<u>1,287,526</u>	<u>1,625,105</u>
APPLICATION OF FUNDS		
Transfer to long-term business revenue account	(600,000)	(700,000)
	<u>£687,526</u>	<u>£925,105</u>
	=====	=====
INCREASE IN INVESTMENTS AND NET LIQUID FUNDS		
Deposits at bank	558,122	921,919
Deposits other than at bank	87,505	-
Debtors	41,899	3,186
	<u>£687,526</u>	<u>£925,105</u>
	=====	=====