

15/73

PROPERTY GROWTH PENSIONS AND ANNUITIES LIMITED

DIRECTORS' REPORT AND ACCOUNTS
for the year ended 19th DECEMBER 1986

PROPERTY GROWTH PENSIONS AND ANNUITIES LIMITED
19 DECEMBER 1986
CIRC

PROPERTY GROWTH PENSIONS AND ANNUITIES LIMITED

CONTENTS

	<u>Page</u>
Directors	1
Report of the directors	2
Report of the auditors	3
Profit and loss account	4
Long-term business revenue account	5
Balance sheet	6
Notes to the accounts	7
Statement of source and application of funds	13

PROPERTY GROWTH PENSIONS AND ANNUITIES LIMITED

1.

DIRECTORS	G. Bowler, Chairman J.H. Aubrey W.G. Niven D.D. Stringer B.A. Wright
MANAGING DIRECTOR	D.D. Stringer
ACTUARY	S.L. Smaller (appointed 1st October 1986)
SECRETARY	J.H. Aubrey
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 19th DECEMBER 1986

1. BUSINESS

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

2. GROUP REINSURANCE

During the year the liabilities of Property Growth Pensions and Annuities Limited represented by the present and future allocation of units to unit linked funds, with the exception of those relating to individual bonds, were reinsured with Sun Alliance Group companies by means of reinsurance agreements.

3. DIRECTORS

The names of the persons who were directors of the company on 19th December 1986 are given on Page 1. Mr. S.A. Barnett resigned as a director and as actuary on 1st October 1986.

4. DIRECTORS' INTERESTS

All persons who were directors of the company at 19th December 1986 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.

5. AUDITORS

Touche Ross & Co. have agreed not to seek reappointment so as to facilitate the rationalisation of the accounting and audit arrangements of the Sun Alliance Insurance Group. The Directors wish to record their gratitude for the valued services rendered by Touche Ross & Co.

Special notice has been received by the Company pursuant to the Companies Act 1985 that a resolution will be submitted proposing the appointment of Deloitte Haskins & Sells as auditors of the Company in succession to Touche Ross & Co.

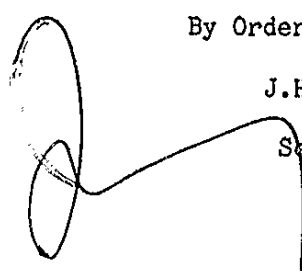
Leon House,
High Street,
Croydon, CR9 1LU.

19th March 1987.

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 for the year ended 19th December 1986 on pages 4 to 13 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 1987.

Touche Ross & Co

TOUCHE ROSS & CO.

Chartered Accountants.

PROPERTY GROWTH PENSIONS AND ANNUITIES LIMITED

4.

PROFIT AND LOSS ACCOUNT
for the year ended 19th DECEMBER 1986

	NOTES	1986	1985
		£	£
Balance brought forward		137,526	-
Transfer from reserves		-	600,000
Interest receivable	1	204,826	138,526
Management expenses		(1,000)	(1,000)
Transfer to long-term business revenue account		-	(600,000)
Balance carried forward		£341,352 =====	£137,526 =====

PROPERTY GROWTH PENSIONS AND ANNUITIES LIMITED

5.

LONG-TERM BUSINESS REVENUE ACCOUNT
for the year ended 19th DECEMBER 1986

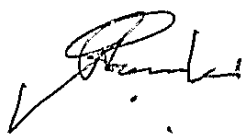
	NOTES	1986 £	1985 £
Balance at beginning of year		102,243,828	62,811,087
Premiums	1	24,594,804	45,439,635
Group reinsurance - premiums paid	2	(118,473,727)	-
Investment income	1	4,180,619	8,776,513
Net gain on revaluation or disposal of investments		4,259,216	2,152,572
Transfer from profit and loss account		-	600,000
		(85,439,088)	56,968,720
		16,804,740	119,779,807
Claims	1	26,107,998	11,751,586
Group reinsurance - claims recovered	2	(19,595,824)	-
Commission payable		1,661,710	3,080,937
Management expenses	3	1,738,469	2,696,030
Taxation (credit)/charge	4	(31,776)	7,426
		(9,880,577)	(17,535,979)
Balance at end of year		£6,924,163 =====	£102,243,828 =====

PROPERTY GROWTH PENSIONS AND ANNUITIES LIMITED

6.

BALANCE SHEET at 19th DECEMBER 1986

	NOTES	1986	1985
		£	£
INVESTED ASSETS	7	13,889,758	97,511,881
LOANS TO POLICYHOLDERS	8	2,208,272	1,478,093
AMOUNT OWING FROM HOLDING COMPANY		-	317,981
CURRENT ASSETS			
Debtors and prepayments		324,234	3,060,766
Taxation recoverable		655,221	1,548,533
Bank balances and cash		570,332	937,632
		1,549,787	5,546,931
		£ 17,647,817	£104,854,886
		=====	=====
SHARE CAPITAL	5	1,000,100	1,000,100
RESERVES		744,964	744,964
PROFIT AND LOSS ACCOUNT		341,352	137,526
		2,086,416	1,882,590
LIFE FUND		6,924,163	102,243,828
DEFERRED TAXATION	4	-	32,273
AMOUNT DUE TO GROUP COMPANIES		7,594,329	-
MORTGAGES	6	87,578	87,578
CURRENT LIABILITIES			
Creditors and accruals		939,275	420,714
Bank overdrafts		16,056	187,903
		955,331	608,617
		£17,647,817	£104,854,886
		=====	=====


Director


Director

NOTES TO THE ACCOUNTS
for the year ended 19th DECEMBER 1986

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 Act 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 19th December 1986 but not received at that date are not included in these accounts. Premiums are shown net of premiums paid to external reinsurers.

c Investment income

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 19th December 1986 have been included in these accounts. Other claims are debited to the long-term business revenue account on payment. Claims are shown net of recoveries from external reinsurers.

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 cost or recent valuation.

Quoted investments and unit trusts - at middle market price at 19th December 1986.

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.

NOTES TO THE ACCOUNTS
for the year ended 19th DECEMBER 1986
(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.

NOTES TO THE ACCOUNTS
for the year ended 19th DECEMBER 1986
(continued)

1. ACCOUNTING POLICIES (continued)

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.

2. GROUP REINSURANCE

During the year the liabilities represented by the present and future allocation of units to unit linked funds, with the exception of those relating to individual bonds, were reinsured with Sun Alliance Group companies by means of reinsurance agreements.

Premiums of £118,473,727 were paid to and claims of £19,595,824 were recovered from group companies during the year under the agreements.

3. MANAGEMENT EXPENSES

a Management expenses of £1,738,469 include the following:

	1986	1985
	£	£
Auditors' remuneration including that relating to the audit of the pricing of units	24,725	27,000
Interest payable on:		
Long term loans	14,738	15,082
Bank and other loans repayable within five years	865,641	281,702
	880,379	296,784

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.

PROPERTY GROWTH PENSIONS AND ANNUITIES LIMITED

10.

NOTES TO THE ACCOUNTS
for the year ended 19th DECEMBER 1986
(continued)

4. TAXATION

a Taxation - long term business revenue account

	1986	1985
	£	£
Linked funds -		
Transfer (from)/to deferred taxation	(32,273)	5,301
Non-linked funds -		
Overseas taxation written off	497	2,125
Taxation (credit)/charge	£(31,776)	£7,426
	=====	=====

b Deferred taxation - balance sheet

	1986	1985
	£	£
On unrealised net appreciation of -		
Linked investments	-	£32,273
	=====	=====
In respect of timing differences -	1986	1985
	£	£
Capital allowances	-	82,000
Other timing differences	75,066	937,000
Taxation losses	(75,066)	(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.

5. SHARE CAPITAL

	1986	1985
	£	£
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
	=====	=====

PROPERTY GROWTH PENSIONS AND ANNUITIES LIMITED

11.

NOTES TO THE ACCOUNTS
for the year ended 19th DECEMBER 1986
(continued)

6. 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.

7. INVESTED ASSETS	1986	1985
	£	£
Properties	2,191,948	7,625,536
Fixed income investments - British Government Gilt Edged Securities	2,104,131	7,015,267
Variable income investments - Quoted	213,797	19,185,808
Authorised unit trusts	319,484	1,599,481
	533,281	20,785,289
Mortgages and debenture	55,000	3,005,677
Deposits - Deposits at banks and other deposits	9,005,398	51,405,112
Certificates of deposit	-	3,700,000
	9,005,398	55,105,112
Local authority loans	-	3,975,000
	£13,889,758	£97,511,881
	=====	=====

Apart from those relating to individual funds no linked assets remained at 19th December 1986. Substantial disposals to group companies took place as part of the group reinsurance arrangements.

NOTES TO THE ACCOUNTS
for the year ended 19th DECEMBER 1986
(continued)

8. LOANS TO POLICYHOLDERS

The amount of £2,208,272 includes an amount of £21,962 (1985 - £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.

9. CAPITAL COMMITMENTS

At 19th December 1986 there were no commitments for capital expenditure (1985 - £196,500).

10. ULTIMATE HOLDING COMPANY

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

12. APPROVAL OF ACCOUNTS

At a meeting on 19th March 1987 the directors approved the publication of these accounts.

PROPERTY GROWTH PENSIONS AND ANNUITIES LIMITED

13.

STATEMENT OF SOURCE AND APPLICATION OF FUNDS
excluding long-term insurance business
for the year ended 19th DECEMBER 1986

SOURCE OF FUNDS

	1986	1985
	£	£
Interest receivable less expenses	203,826	137,526
Contribution from holding company	-	1,150,000
Total funds generated	203,826	1,287,526

APPLICATION OF FUNDS

Transfer to long-term business revenue account	-	(600,000)
	£203,826	£687,526
	=====	=====

INCREASE/(DECREASE) IN INVESTMENTS AND NET LIQUID FUNDS

Deposits at bank	336,416	558,122
Deposits other than at bank	(87,506)	87,505
Debtors	(45,084)	41,899
	£203,826	£687,526
	=====	=====