



Directors' Report  
and Financial Statements

*31st December 2002*  
*Registered number 1011674*



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Suffolk Life  
Annuities Limited

# Directors' Report

*and Financial Statements 2002*

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# Directors' Report

The directors present their annual report and financial statements for the year ended 31 December 2002.

## Principal Activities

The principal activity of the company in the year under review was the issue and maintenance of Self Invested Personal Pensions and Retirement Annuity Contracts approved under section 619 of the Income and Corporation Taxes Act 1988 (formerly section 226 of ICTA 1970).

## Business Review

	2002 £ '000	2001 £ '000
Gross premium income has shown a further significant increase to	195,886	122,402
As a result the long term business fund as at the year end stood at	430,077	277,677
The shareholders' profit for the year, after taxation, amounted to	226	140

## Proposed Dividend and Transfer to Reserves

The directors do not recommend the payment of a dividend.

## Parent Company

The company is a wholly owned subsidiary of Suffolk Life Group plc, a company registered in England and Wales.

## Market Value of Land and Buildings

In the opinion of the directors, the market values of the company's freehold properties are not materially different from those stated in note 10 to the financial statements.

## Directors

The directors who held office during the year were as follows:

AG Barker		BGA Mitchell
AH Catchpole	Chairman	Miss RAK Sosna
HN Catchpole	Managing Director	PV Weir

None of the directors had any beneficial interest in the company's issued share capital. Those directors who were also directors of the holding company during the year have disclosed their shareholding in the Directors' Report of that company. The interest of directors who were not also directors at the end of the financial year of the holding company were as follows:

	Company	Class of share	Interest at end of year	Interest at start of year
BGA Mitchell	Suffolk Life Group plc	Ordinary £1 shares	5,000	5,000

No rights to subscribe for shares in or debentures of group companies were granted to any of the other directors or their immediate families, or exercised by them, during the financial year, except for those directors who were also directors of the holding company, which are disclosed in the Directors' Report of that company.

# Directors' Report *Continued*

## *Political and Charitable Contributions*

Political and charitable donations amounted to less than £200.

## *Supplier Payment Policy*

Although the company does not follow a specified code or standard of payment practice, it is the company's policy to agree terms for payment with suppliers in advance of the supply of goods and services and to make payment within those terms. The number of supplier credit days outstanding at the year end was ten days.

## *Auditors*

In accordance with section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

**AO Stannard**  
Secretary

27th March 2003

33 Lower Brook Street  
Ipswich  
IP4 1AQ



# Statement of Directors' Responsibilities

Company Law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is appropriate to presume that the company will continue in business.

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 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.

# Independent Auditors' Report to the Members of Suffolk Life Annuities Limited

We have audited the financial statements on pages 5 to 19.

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 auditor's 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*

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom laws and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom 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 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.

## *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 as at 31st December 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

**KPMG Audit Plc**  
Chartered Accountants  
Registered Auditor

Date 27th March 2003

6 Lower Brook Street  
Ipswich  
IP4 1AP

# Profit and Loss Account

for the year ended 31st December 2002

	Note	2002 £'000	2002 £'000	2001 £'000	2001 £'000
<b>TECHNICAL ACCOUNT - LONG TERM BUSINESS</b>					
Earned premiums, net of reinsurance					
Gross premiums written	2		195,886		122,402
Investment income	3		14,445		8,881
Realised gains on investments			863		-
Unrealised gains on investment			13,015		728
Other income			152		130
			<u>224,361</u>		<u>132,141</u>
Claims incurred, net of reinsurance					
Claims paid - gross amount	4	26,410		13,801	
Changes in other technical provisions					
Technical provisions for linked liabilities, net of reinsurance	18	152,846		94,518	
Long term business provision		-		376	
Net operating expenses	5	1,587		1,043	
Investment expenses and charges	6	2,662		1,879	
Realised losses on investments		1,933		2,431	
Unrealised losses on investments		<u>38,486</u>		<u>17,821</u>	
			<u>223,924</u>		<u>131,869</u>
<b>Balance on the technical account - long term business</b>			<u>437</u>		<u>272</u>
<b>NON-TECHNICAL ACCOUNT</b>					
Balance on the long term business technical account					
Investment income	3		362		218
Management Charges			118		12
Unrealised gains on investments			29		3
Net operating expenses	5		(592)		(314)
Investment expenses and charges	6		(22)		(11)
Realised losses on investments			(4)		-
Unrealised losses on investments			<u>(46)</u>		<u>(45)</u>
<b>Operating profit and profit on ordinary activities before tax</b>			282		135
Tax on profit on ordinary activities	9		(56)		5
<b>Retained profit for the year</b>			<u>226</u>		<u>140</u>

All of the above relate to the continuing activities of the company.

The inclusion of unrealised gains and losses on investments in the profit and loss account is not deemed to be a departure from the unmodified historical cost basis of accounting and therefore a separate note of historical cost profits and losses has not been included.

All gains and losses are included within the profit and loss account and as such no Statement of Total Recognised Gains and Losses has been prepared.

The notes on pages 7 to 18 form part of these financial statements.

# Balance Sheet

as at 31st December 2002

	Note	2002 £'000	2002 £'000	2001 £'000	2001 £'000
<b>ASSETS</b>					
<b>Investments</b>					
Land and buildings	10	80		114	
Other financial investments	12	<u>720</u>		<u>954</u>	
			800		1,068
<b>Assets held to cover linked liabilities</b>	13		<b>444,567</b>		<b>285,911</b>
<b>Debtors</b>					
Debtors arising out of					
direct insurance operations	14	21,882		9,968	
Other debtors	14	<u>201</u>		<u>474</u>	
			22,083		10,442
<b>Other assets</b>					
Tangible fixed assets	11	502		191	
Cash at bank and in hand		<u>811</u>		<u>779</u>	
			1,313		970
<b>Prepayments and accrued income</b>					
Accrued interest and rent	14		233		38
<b>Total assets</b>			<b><u>468,996</u></b>		<b><u>298,429</u></b>
<b>LIABILITIES</b>					
<b>Capital and reserves</b>					
Called up share capital	15		1,256		1,256
Profit and loss account	16		584		358
<b>Shareholders' funds attributable to equity interests</b>	17		<b><u>1,840</u></b>		<b><u>1,614</u></b>
<b>Technical provisions for linked liabilities</b>					
Gross amount	18		430,077		277,231
<b>Technical provisions</b>					
Long term business provision	19		446		446
<b>Deferred taxation</b>					
	22		20		-
<b>Creditors: Amounts falling due within one year</b>					
Amounts owed to credit institutions	20	9,639		2,001	
Other creditors including taxation and social security	20	<u>1,847</u>		<u>1,584</u>	
			11,486		3,585
<b>Creditors: Amounts falling due within one year</b>					
Amounts owed to credit institutions	21		25,127		15,553
<b>Total liabilities</b>			<b><u>468,996</u></b>		<b><u>298,429</u></b>

These financial statements were approved by the board of directors on 27th March 2003 and were signed on its behalf by:

**HN Catchpole**  
Director

**RAK Sosna**  
Director

The notes on pages 7 to 18 form part of these financial statements.

# Notes

*(forming part of the financial statements)*

## 1. Accounting Policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements except as noted below. The company has adopted FRS 17 "Retirement benefits", FRS 18 "Accounting Policies" and FRS 19 "Deferred Taxation" in these financial statements. The comparative figures have been restated accordingly.

### **Accounting Convention**

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules, modified to include the revaluation of certain assets.

### **Basis of Preparation**

The financial statements have been prepared in accordance with the provisions of Section 255 of, and Schedule 9A to, the Companies Act 1985, as amended by the Companies Act 1985 (Insurance Companies Accounts) Regulations 1993, with the exception that, in accordance with Statement of Standard Accounting Practice No 19, no depreciation is provided in respect of investment properties as set out below.

In the preparation of its financial statements, the group has taken account of the recommendation stated in the ABI Statement of Recommended Practice on Accounting for Insurance Business issued in December 1998 by the Association of British Insurers (the "ABI SORP") except for in relation to Investment Returns to aid the understanding of the Company's activities. Investment Returns arising during the accounting period in relation to investments which are not directly connected with the carrying on of Long Term Insurance Business have, therefore, not been included within the Technical Account for Long Term Business but are shown in the Non-Technical Account.

The company is exempt from the requirement of Financial Reporting Standard No 1 to prepare a cash flow statement as it is a wholly owned subsidiary of Suffolk Life Group plc, and its cash flows are included within the consolidated cash flow statement of that company.

The company is exempt from the requirement of Financial Reporting Standard No 8 to disclose transactions between group undertakings as it is a wholly owned subsidiary of Suffolk Life Group plc.

### **Subsidiary Undertakings**

The financial statements present information about the company as an individual undertaking.

Subsidiary undertakings are accounted for as investments of the long term business fund.

As a wholly owned subsidiary of Suffolk Life Group plc the company is exempt from preparing consolidated accounts under Section 228 of the Companies Act 1985.

### **Long Term Business**

The company's Long Term Business is comprised of internal unit linked and non-linked policies and self invested personal pension schemes.

Technical provisions for linked liabilities are actuarially valued at the year end, in accordance with applicable valuation guidelines and directives. Any surplus/(deficit) recognised within the year is, on the advice of the actuary, allocated by the directors to the non-technical profit and loss account, to be included within the shareholders' profit for the year. Investment income attributable to share capital and reserves is credited directly to shareholders' profit and loss account (non technical account).

The long term business provision arising in connection with non-linked policies has been calculated based upon actuarial assumptions as a multiple of the annual annuity payment, an annuity factor dependent upon mortality and economic conditions together with an expense loading. Any surplus/(deficit) recognised within the year is, on the advice of the actuary, allocated by the directors to the non-technical profit and loss account, to be included within the shareholders' profit for the year.

# Notes *Continued*

## 1. Accounting Policies (Continued)

### **Premiums**

Premiums relating to the company's linked and non-linked business are credited to the profit and loss account in the same period in which the associated liability is established.

### **Investment Income, Expenses and Charges**

Investment income is accounted for on a receivable basis, including, where appropriate, the imputed tax credit. Dividends are recognised on the date on which the related investment is marked ex-dividend. Interest income is accrued up to the balance sheet date.

Investment expenses include investment management fees and interest payable.

### **Realised and Unrealised Investment Gains and Losses**

Realised gains and losses are calculated as the difference between the net sale proceeds and the original cost or, if previously valued, the valuation at the last balance sheet date and are included in investment income or investment expenses. Unrealised gains and losses on investments are calculated as the difference between the current valuation and their original cost or, if previously valued, their valuation at the last balance sheet date.

Realised gains and losses, movements in unrealised gains and losses, expenses and charges which are held to cover linked liabilities are included in the technical account - long term business. Realised gains and losses, expenses and charges on other investments are reported in the non-technical account. Movements in unrealised gains and losses on other investments are included in the non-technical account.

### **Claims**

Death claims and surrenders are accounted for when the associated liability of the company is fully extinguished. Annuities are recognised as they fall due for payment. Claims payable include related claims handling costs. Provision is made for claims admitted or intimated but not paid by the balance sheet date, including related claims handling costs.

Transfers between linked funds are included within claims paid and premiums earned when the transfer occurs.

### **Acquisition Costs**

Acquisition costs comprise all direct and indirect costs arising from the conclusion of insurance contracts.

No deferred acquisition costs asset has been established as the costs in question have already been recovered.

### **Investments**

All investments, including those classified as assets held to cover linked liabilities, except unlisted securities, are stated at their current value. Listed shares and securities are valued at middle market price at the balance sheet date. All land and buildings, including those occupied by the company, are treated as investments. Investment properties are included in the balance sheet at their estimated open market value. Full valuations are made by independent professionally qualified chartered surveyors every five years. In the intervening years, these valuations are reviewed by the directors on the basis of independent professional advice, and any decrease in values accounted for as value adjustments.

### **Tangible Fixed Assets**

Depreciation is provided on tangible fixed assets at the following annual rates in order to write off each asset over its estimated economic useful life:

Computer equipment                      over 4 years

Additional provisions are made to reflect any permanent diminution in value.

# Notes *Continued*

## 1. Accounting Policies (Continued)

### Investments (Continued)

In accordance with Statement of Standard Accounting Practice No 19, no depreciation is provided in respect of investment properties. This is a departure from the requirements of the Companies Act 1985 which requires all properties to be depreciated. However, these properties are not held for consumption but for investment and the directors consider that systematic depreciation would be inappropriate. The accounting policy is therefore necessary for the financial statements to give a true and fair view.

In accordance with Financial Reporting Standard No 15, depreciation is charged on properties owned by the company so as to write off the cost or valuation less estimated residual value by equal instalments over their estimated useful economic lives of 50 years.

Unlisted shares and securities are included at cost, less provisions for diminution in value.

Loans secured by mortgage are included at cost, less provisions for diminution in value.

Investments in group undertakings are stated at cost less provisions for permanent diminution in value.

### Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. No provision is made for future taxation on investments included in the balance sheet at revalued amounts. Deferred taxation is recognised without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

## 2. Premiums

	2002 £ '000	2001 £ '000
<b>Gross premiums</b>		
Periodic premiums relating to self invested personal pensions	2,101	1,582
Single premiums relating to existing self invested personal pensions	60,131	11,032
Single premiums relating to new self invested personal pensions	133,654	109,476
Single premiums relating to trustee investment policy	-	20
Annuity premiums	-	292
	<u>195,886</u>	<u>122,402</u>

All business arose within the United Kingdom.

There are no reinsurance amounts.

# Notes *Continued*

## 3. *Investment Income*

	2002 Shareholders £ '000	2002 Long term business £ '000	2001 Shareholders £ '000	2001 Long term business £ '000
Income from other investments				
Land and buildings	7	6,172	4	4,049
Other investment income (see below)	350	8,273	201	4,437
	<u>357</u>	<u>14,445</u>	<u>205</u>	<u>8,486</u>
Gains on the realisation of investments	5	-	13	395
	<u>362</u>	<u>14,445</u>	<u>218</u>	<u>8,881</u>
Other investment income				
Interest receivable	344	4,283	172	2,725
Loan commitment fees	-	-	2	3
Dividends received on listed investments	6	3,990	27	1,709
	<u>350</u>	<u>8,273</u>	<u>201</u>	<u>4,437</u>

## 4. *Claims Paid*

	2002 £ '000	2001 £ '000
Gross claims paid		
Lump sums on death	371	510
Lump sums on pensions vesting	13,560	7,427
Income withdrawals	4,975	2,715
Annuities paid	20	11
Annuities purchased	5,186	10
Transfers out	2,298	3,128
	<u>26,410</u>	<u>13,801</u>



# Notes *Continued*

## 5. Net Operating Expenses

	2002 Shareholders	2002 Long term business	2001 Shareholders	2001 Long term business
	£ '000	£ '000	£ '000	£ '000
<b>Acquisition costs</b>				
Management fees payable	-	176	-	151
<b>Administrative expenses</b>				
Actuarial fees	12	36	10	29
Audit and accountancy fees	9	30	6	18
Other professional fees	33	190	46	70
Insurance and regulatory costs	125	33	68	(2)
Rent payable	34	-	34	-
Repairs and renewals	1	108	2	41
Depreciation of tangible fixed assets	127	-	13	-
Sundry expenses	88	6	23	2
Management fees payable to group undertakings	147	1,008	104	734
Irrecoverable VAT	16	-	8	-
	<u>592</u>	<u>1,411</u>	<u>314</u>	<u>892</u>
Net operating expenses	<u>592</u>	<u>1,587</u>	<u>314</u>	<u>1,043</u>

There were no employees other than the Directors and Company Secretary during the year. All other staff are employed by fellow subsidiary companies within the group. Management fees shown above include amounts recharged to Suffolk Life Annuities Limited to cover staff, office and related costs attributable to this company.

## 6. Investment Expenses and Charges

	2002 Shareholders	2002 Long term business	2001 Shareholders	2001 Long term business
	£ '000	£ '000	£ '000	£ '000
<b>Investment management expenses</b>				
Management fees payable to group undertakings	6	10	10	12
Other management expenses	16	1,761	1	731
Interest payable on bank loans and overdrafts	-	891	-	1,136
	<u>22</u>	<u>2,662</u>	<u>11</u>	<u>1,879</u>

Management fees payable to group undertakings relate to the management of loan advances by the company, secured by mortgage.

# Notes *Continued*

## 7. Profit on Ordinary Activities Before Taxation

	2002 £ '000	2001 £ '000
<b>Profit on ordinary activities before taxation is stated after charging:</b>		
Depreciation of tangible fixed assets	127	13
Auditors' remuneration:		
Audit	39	18
Fees for other services payable to the auditors and their associates	-	-
	<u>          </u>	<u>          </u>

## 8. Remuneration of Directors

	2002 £ '000	2001 £ '000
Directors' emoluments:		
As executive	<u>          16</u>	<u>          18</u>

## 9. Taxation

	2002 £ '000	2001 £ '000
<b>Non-technical account</b>		
<b>Current Tax</b>		
UK Corporation tax on profits of the period	36	-
Tax attributable to franked investment income	-	(5)
	<u>          36</u>	<u>          (5)</u>
<b>Deferred Taxation</b>		
Origination and reversal of timing differences ( <i>see note 22</i> )	20	-
	<u>          56</u>	<u>          (5)</u>

The long term business fund transacts only pension business, and is exempt from United Kingdom taxation.

	2002 £ '000	2001 £ '000
Profit on ordinary activities multiplied by the company's corporation tax rate of 30% (2001: 30%)	84	40
Expenses not deductible for tax purposes	2	2
Capital allowances in excess of depreciation	(7)	6
Unrealised gains on investments	(7)	(1)
Chargeable gain	-	(11)
Utilisation of tax losses	(30)	(36)
Small companies relief	(6)	-
	<u>          36</u>	<u>          -</u>
UK Corporation tax on profits of the period	<u>          36</u>	<u>          -</u>

# Notes *Continued*

## 10. Freehold Land and Buildings

	2002 Shareholders	2002 Long term business	2001 Shareholders	2001 Long term business
	£ '000	£ '000	£ '000	£ '000
<b>Cost or valuation</b>				
At beginning of year	114	50,219	225	30,135
Additions	-	26,695	114	21,074
Disposals	(56)	(1,107)	-	(1,417)
Transfer to parent undertaking	-	-	(225)	-
Surplus on revaluation	22	-	-	427
At end of year	<u>80</u>	<u>75,807</u>	<u>114</u>	<u>50,219</u>
<b>Depreciation</b>				
At beginning of year	-	-	2	-
Charge for the year	-	-	1	-
On transfer to parent undertaking	-	-	(3)	-
At end of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net book value</b>				
At 31 December 2002	<u>80</u>	<u>75,807</u>	<u>114</u>	<u>50,219</u>
At 31 December 2001	<u>114</u>	<u>50,219</u>	<u>223</u>	<u>30,135</u>
At cost	<u>58</u>	<u>75,789</u>	<u>114</u>	<u>49,494</u>

Other freehold land and buildings form part of the long term business fund, and are included under assets held to cover linked liabilities (see note 13). All such properties have been valued by the directors at the year end with reference to previous professional valuations.

## 11. Tangible Fixed Assets

	2002 Shareholders	2002 Shareholders	2001 Shareholders	2001 Shareholders
	Computer Software £ '000	Computer Equipment £ '000	Computer Software £ '000	Computer Equipment £ '000
<b>Cost or valuation</b>				
At beginning of year	-	220	-	-
Transfer from parent undertaking	347	-	-	153
Additions	92	35	-	67
At end of year	<u>439</u>	<u>255</u>	<u>-</u>	<u>220</u>
<b>Depreciation</b>				
At beginning of year	-	29	-	-
On transfer from parent undertaking	36	-	-	17
Charge for the year	70	57	-	12
At end of year	<u>106</u>	<u>86</u>	<u>-</u>	<u>29</u>
<b>Net book value</b>				
At 31 December 2002	<u>333</u>	<u>169</u>	<u>-</u>	<u>191</u>
At 31 December 2001	<u>-</u>	<u>191</u>	<u>-</u>	<u>-</u>

# Notes *Continued*

## 12. Other Financial Investments

	2002 Shareholders	2002 Long term business	2001 Shareholders	2001 Long term business
	£ '000	£ '000	£ '000	£ '000
Shares and other variable yield securities	144	174,648	169	130,109
Debt securities and other fixed interest securities	506	39,110	444	17,952
<b>Total shares and securities</b>	<b>650</b>	<b>213,758</b>	<b>613</b>	<b>148,061</b>
Loans secured by mortgages	70	1,791	341	2,064
Deposits with credit institutions	-	153,211	-	85,567
	<b>720</b>	<b>368,760</b>	<b>954</b>	<b>235,692</b>
Shares and securities				
Listed investments	650	213,694	613	147,997
Unlisted investments	-	64	-	64
	<b>650</b>	<b>213,758</b>	<b>613</b>	<b>148,061</b>

Other financial investments owned by the long term business fund are detailed on note 13.

### Loans secured by mortgages

	2002 Shareholders	2002 Long term business	2001 Shareholders	2001 Long term business
	£ '000	£ '000	£ '000	£ '000
<b>Cost</b>				
At beginning of year	341	2,063	496	3,290
Net decrease	(271)	(272)	(155)	(1,227)
<b>At end of year</b>	<b>70</b>	<b>1,791</b>	<b>341</b>	<b>2,063</b>
<b>Provisions</b>				
At beginning and end of year	-	-	-	-
<b>Net book value</b>	<b>70</b>	<b>1,791</b>	<b>341</b>	<b>2,063</b>

Mortgage loans are secured by means of legal charge over freehold properties and are repayable within one year.

	2002 Shareholders	2002 Long term business	2001 Shareholders	2001 Long term business
	£ '000	£ '000	£ '000	£ '000
<b>Listed investments</b>				
At market value:				
At beginning of year	613	147,998	569	111,005
Additions	421	140,702	167	89,941
Disposals	(340)	(51,131)	(82)	(35,828)
Deficit on revaluation	(44)	(23,875)	(41)	(17,120)
<b>At end of year</b>	<b>650</b>	<b>213,694</b>	<b>613</b>	<b>147,998</b>
At cost	725	255,660	569	164,970

The listed investments are dealt on a recognised stock exchange.

# Notes *Continued*

## 12. Other Financial Investments (Continued)

	2002 Long term business £ '000	2001 Long term business £ '000
<b>Unlisted investments</b>		
<b>Shares in group undertakings:</b>		
Valuation at beginning of year	44	35
Disposals	-	(24)
Surplus on revaluation	4	33
	<u>48</u>	<u>44</u>
<b>Trustee Investment Policy</b>		
Valuation at beginning of year	20	-
Additions	-	20
Deficit on revaluation	(4)	-
	<u>16</u>	<u>20</u>
At end of year	<u><u>64</u></u>	<u><u>64</u></u>
Cost of shares in group undertakings comprise:		
Shares in parent undertaking	<u><u>7</u></u>	<u><u>7</u></u>

## 13. Assets Held To Cover Linked Liabilities

	Note	2002 Long term business £ '000	2001 Long term business £ '000
Land and buildings	10	75,807	50,219
Other financial investments	12	368,760	235,692
Total investments held in respect of linked liabilities		<u>444,567</u>	<u>285,911</u>
Other assets and liabilities included elsewhere in the balance sheet			
Debtors and accrued income	14	21,891	10,154
		<u>466,458</u>	<u>296,065</u>
Creditors	20	(36,381)	(18,834)
Total net assets representing long term business fund		<u><u>430,077</u></u>	<u><u>277,231</u></u>

# Notes *Continued*

## 14. Debtors

	2002 £ '000	2001 £ '000
<b>Other debtors</b>		
Amounts owed by group undertakings	15	2
Income taxation recoverable	9	183
Other taxation recoverable	1	7
Other debtors	176	282
	<u>201</u>	<u>474</u>
<b>Debtors arising out of direct insurance operations</b>		
Policy holders	21,882	9,968
	<u>22,083</u>	<u>10,442</u>
<b>Prepayments and accrued income</b>	233	38
	<u>22,316</u>	<u>10,480</u>
Relating to:		
Shareholders	425	326
Long term business fund	21,891	10,154
	<u>22,316</u>	<u>10,480</u>

## 15. Share Capital

	2002 £ '000	2001 £ '000
<b>Authorised</b>		
Equity: Ordinary shares of £1 each	<u>3,000</u>	<u>3,000</u>
<b>Allotted, called up and fully paid</b>		
Equity: Ordinary shares of £1 each	<u>1,256</u>	<u>1,256</u>

## 16. Profit and Loss Account

	2002 £ '000	2001 £ '000
At beginning of year	358	218
Profit for the financial year	226	140
At end of year	<u>584</u>	<u>358</u>

The profit and loss account includes an amount of £500,000 (2001: £400,000) which is required not to be treated as realised profits under section 268 of Companies Act 1985.

# Notes *Continued*

## 17. Reconciliation of Movements in Shareholders' Funds

	2002 £ '000	2001 £ '000
Profit for the financial year after taxation	226	140
Net addition to shareholders' funds	<u>226</u>	<u>140</u>
Opening shareholders' funds	1,614	1,474
Closing shareholders' funds	<u><u>1,840</u></u>	<u><u>1,614</u></u>

## 18. Technical Provisions for Linked Liabilities

Part of the company's long term business comprises approved retirement annuity contracts, self invested personal pensions (SIPPs) and trustee investment policies. The company operates separate personal pension funds for each class of retirement annuity contract issued; at the year end three separate funds were in existence; each SIPP is operated as a separate fund as is the trustee investment policy.

Technical provisions for linked liabilities arising in connection with the above policies are detailed below. There is no reinsurance amount (2001:Nil).

	2002 £ '000	2001 £ '000
At beginning of year	277,231	182,713
Increase in year	152,846	94,518
At end of year	<u><u>430,077</u></u>	<u><u>277,231</u></u>
These relate to:		
Series A Fund	522	499
Series B Fund	159	191
Series C Fund	900	784
SIPPs	428,480	275,737
Trustee Investment Policy	16	20
	<u><u>430,077</u></u>	<u><u>277,231</u></u>

Total assets representing the long term business fund are detailed under note 13 to the financial statements.

## 19. Long term business provision

Following the winding-up of the group's occupational pension scheme, immediate purchase annuities were written which form part of the company's long term business fund. The long term business provision arising in connection with this business is detailed below. There is no reinsurance amount (2001:Nil).

The provision has been calculated based upon the mortality tables 80% PFA92/ PMA92 and a valuation rate of interest of 3.5%. An additional 5% loading to the reserve has been included to reflect possible variations in future experience, subject to the CMI research published at the end of 2002

	2002 £ '000	2001 £ '000
At beginning of year	446	70
Increase in year	-	376
At end of year	<u><u>446</u></u>	<u><u>446</u></u>

Total assets representing the long term business fund are detailed under note 13 to the financial statements.

# Notes *Continued*

## 20. Creditors: Amounts falling due within one year

	2002 £ '000	2001 £ '000
<b>Amounts owed to credit institutions</b>		
Bank loans and overdrafts	9,639	2,001
<b>Corporation tax payable</b>	36	-
<b>Other creditors</b>	1,811	1,584
	<u>11,486</u>	<u>19,138</u>
Relating to:		
Shareholders	232	304
Long term business fund	11,254	18,834
	<u>11,486</u>	<u>19,138</u>

Bank loans and overdrafts are secured by legal charge over certain properties.

Other creditors include £4,834 (2001:£3,877) payable to group undertakings.

## 21. Creditors: Amounts falling due after more than one year

	2002 £ '000	2001 £ '000
<b>Amounts owed to credit institutions</b>		
Bank loans and overdrafts	<u>25,127</u>	<u>15,553</u>
Bank loans and overdrafts are secured by legal charge over certain properties.		
Relating to:		
Shareholders	-	-
Long term business fund	25,127	15,553
	<u>25,127</u>	<u>15,553</u>

## 22. Deferred Taxation

The amounts provided for deferred taxation at 30.0% (2001: 30.0%) are set out below:-

	2002 £ '000	2001 £ '000
On revaluation of investments	6	-
Accelerated capital allowances	14	-
	<u>20</u>	<u>-</u>



# Notes *Continued*

## *23. Related Party Disclosures*

Certain of the directors have a pension with the company being either a retirement annuity contract or a self invested personal pension or both.

## *24. Ultimate Parent Company and Parent Undertaking of Larger Group of Which the Company is a Member*

The company is a subsidiary undertaking of Suffolk Life Group plc which is the ultimate parent company.

The largest group in which the results of the company are consolidated is that headed by Suffolk Life Group plc. The consolidated accounts of these groups are available to the public and may be obtained from Companies House, Crown Way, Cardiff. No other group accounts include the results of the company.

# Detailed Balance Sheet

for the year ended 31 December 2002

	2002 Other than linked business £ '000	2002 Linked business £ '000	2001 Other than linked business £ '000	2001 Linked business £ '000
<b>Investments</b>				
Freehold land and buildings	80	75,807	114	50,219
Debt securities and other fixed interest securities	506	39,110	444	17,952
Quoted shares and other variable yield securities	144	174,584	169	130,047
Unquoted shares and Investments	-	64	-	64
Mortgage loans	70	1,791	341	2,063
Deposits with credit institutions	-	153,211	-	85,567
	<u>800</u>	<u>444,567</u>	<u>1,068</u>	<u>285,912</u>
<b>Other assets</b>				
Computer equipment	192	-	191	-
Computer software	310	-	-	-
Income taxation recoverable	-	9	-	183
Other taxation recoverable	1	-	4	3
Amounts due from group undertakings	15	-	2	-
Other debtors	176	21,882	282	9,968
Prepayments and accrued income	233	-	38	-
Cash at bank	811	-	779	-
	<u>1,738</u>	<u>21,891</u>	<u>1,296</u>	<u>10,154</u>
<b>Creditors: amounts falling due within one year</b>				
Bank loans and overdrafts	-	9,639	2	1,999
Amount due to group undertakings	16	129	5	286
Taxation liabilities	47	9	-	10
Other creditors	169	1,477	297	987
	<u>232</u>	<u>11,254</u>	<u>304</u>	<u>3,282</u>
<b>Net current assets</b>	<u>1,506</u>	<u>10,637</u>	<u>992</u>	<u>6,872</u>
<b>Total assets less current liabilities</b>	<u>2,306</u>	<u>455,204</u>	<u>2,060</u>	<u>292,784</u>
<b>Long Term Business Provision</b>	446	-	446	-
<b>Deferred taxation</b>	20	-	-	-
<b>Creditors: amounts falling due after more than one year</b>				
Bank loans and overdrafts	-	25,127	-	15,553
	<u>466</u>	<u>25,127</u>	<u>446</u>	<u>15,553</u>
<b>Net assets</b>	<u>1,840</u>	<u>430,077</u>	<u>1,614</u>	<u>277,231</u>
<b>Capital and reserves</b>				
Called up share capital	1,256	-	1,256	-
Profit and loss account	584	-	358	-
Long term business funds	-	430,077	-	277,231
	<u>1,840</u>	<u>430,077</u>	<u>1,614</u>	<u>277,231</u>

# Linked Business Detailed Revenue Accounts

for the year ended 31 December 2002


	Series A £ '000	Series B £ '000	Series C £ '000	SIPPs £ '000
<b>Income</b>				
Premiums received	-	-	-	195,886
Rents received	-	-	250	5,922
Interest receivable	27	-	-	4,256
Commitment fees	-	-	-	-
Other investment income	-	4	-	3,986
	<u>27</u>	<u>4</u>	<u>250</u>	<u>210,050</u>
Profit on disposal of investments	-	-	-	-
Profit on disposal of land and buildings	-	-	-	863
Surplus on revaluation of investments	4	-	-	13,011
	<u>31</u>	<u>4</u>	<u>250</u>	<u>223,924</u>
<b>Expenditure</b>				
Claims paid	-	-	-	26,390
Investment management fees	-	-	-	1,730
Management charges	5	1	18	1,529
Loan management fees	3	-	-	7
Bank fees and charges	-	-	-	31
Professional fees and sundries	-	-	2	337
Interest payable	-	-	113	778
	<u>8</u>	<u>1</u>	<u>133</u>	<u>30,802</u>
Deficit on revaluation of investments	-	-	-	38,482
Loss on disposal of investments	-	35	-	1,898
	<u>8</u>	<u>36</u>	<u>133</u>	<u>71,182</u>
<b>Increase/ (decrease) in funds</b>	23	(32)	117	152,742
<b>Policyholders' funds brought forward</b>	499	191	783	275,738
<b>Policyholders' funds carried forward</b>	<u>522</u>	<u>159</u>	<u>900</u>	<u>428,480</u>

Management charges payable to the shareholders' fund include management expenses of £500,000 (2001:£400,000) apportioned to the long term business fund.

# Linked Business Detailed Balance Sheets

for the year ended 31 December 2002

	Series A £ '000	Series B £ '000	Series C £ '000	SIPPs £ '000
<b>Investments</b>				
Land and buildings	-	-	3,170	72,637
Debt securities and other fixed interest securities	-	-	-	39,110
Quoted shares and other variable yield securities	-	-	-	174,584
Unquoted shares and Investments	48	-	-	-
Mortgage loans	190	-	-	1,601
Deposits with credit institutions	285	159	-	152,767
	<u>523</u>	<u>159</u>	<u>3,170</u>	<u>440,699</u>
<b>Current assets</b>				
Income taxation recoverable	-	-	-	9
Other taxation recoverable	-	-	-	-
Other debtors	-	-	-	21,882
	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,891</u>
<b>Creditors: amounts falling due within one year:</b>				
Bank loans and overdrafts	-	-	223	9,416
Amount due to group undertakings	-	-	-	129
Taxation Liabilities	-	-	9	-
Other creditors	1	-	73	1,403
	<u>1</u>	<u>-</u>	<u>305</u>	<u>10,948</u>
<b>Net current assets / (liabilities)</b>	<u>(1)</u>	<u>-</u>	<u>(305)</u>	<u>10,943</u>
<b>Total assets less current liabilities</b>	<u>522</u>	<u>159</u>	<u>2,865</u>	<u>451,642</u>
<b>Creditors: amounts falling due after more than one year:</b>				
Bank loans and overdrafts	-	-	1,965	23,162
<b>Net assets</b>	<u>522</u>	<u>159</u>	<u>900</u>	<u>428,480</u>
<b>Policyholders' funds</b>	<u>522</u>	<u>159</u>	<u>900</u>	<u>428,480</u>

A large, stylized graphic of a leaf or plant branch, rendered in a light beige color against a dark brown background. The graphic is positioned on the left side of the page, extending from the top to the bottom. It features several large, rounded leaf shapes with prominent veins, and a central stem-like structure. The overall style is minimalist and organic.

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