

SUFFOLKLIFE

'2003 was an excellent year for Suffolk Life – we achieved notable growth in new business whilst still maintaining quality of service to both Policyholders and their advisers alike.'

Suffolk Life is a pensions administration specialist with a primary focus on Self-Invested Personal Pensions – SIPPs.

Suffolk Life is committed to providing quality pensions administration at a fair price and charging for it transparently.

Group structure

Suffolk Life Group plc has 2 major operating subsidiaries

Suffolk Life Annuities Limited (SLA);

SLA is an authorised life insurance company and is the provider of the Suffolk Life Self-Invested Personal Pension

Suffolk Life Pensions Limited (SLP);

SLP is the administrator of all Suffolk Life schemes

Both of the above subsidiaries are authorised and regulated by the **Financial Services Authority**

Suffolk Life Group plc

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Results at a glance

Growth of SIPP business The number of SIPPs under administration rose by a net 894 from 2,544 to 3,438, an increase of 35%.

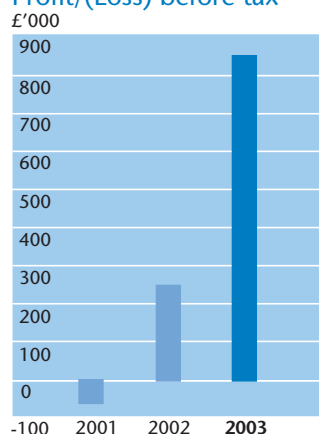
Income attributable to the Group from SIPPs consists of set up fees on establishment of a policy, transaction fees which are activity based and an annual fee per policy.

2003 profits benefited from the compounding effect of existing policies, new policies written and higher activity levels particularly in the area of commercial property transactions.

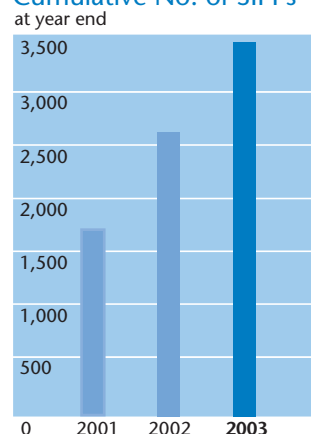
Funds under administration These rose from £538m in 2002 to £801m in 2003; of these £135m represent funds held by Small Self Administered Schemes (SSAS) as at 31 December 2003. This part of the Suffolk Life operation was closed to new business in 2003 to enable the Group to focus on the SIPP business. The average value of SIPPs under administration rose from £165,000 to £195,000 during the year.

SIPP Provider of the Year Award Suffolk Life was delighted to be awarded this for the second year running. This award is given based upon the comments and votes of financial advisers across the country from their day-to-day experiences. It is vindication of the high levels of service we provide.

Profit/(Loss) before tax



Cumulative No. of SIPPs



Chairman's Statement

2003 was an excellent year for Suffolk Life – we achieved notable growth in new business whilst still maintaining quality of service to both Policyholders and their advisers alike.

This progress was underlined by Suffolk Life winning the Pension Management 'SIPP Provider of the Year Award', voted on by financial intermediaries, for the second year running.

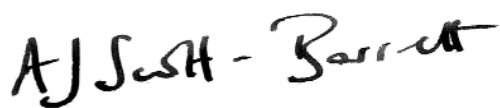
In a time when there is dissatisfaction and concern about pension provision generally, SIPPs provide one clear route forward. We believe that separating the investment function from the administration function provides the best means for individuals to monitor what they are getting and at what cost. Indeed, Suffolk Life is committed to working alongside financial advisers and investment managers and concentrating on providing efficient and cost effective pension administration.

During the year the number of SIPPs provided by Suffolk Life has risen from 2,554 to 3,438 and the number of SSAS schemes from 208 to 221. Since the end of the year, we have decided not to seek further SSAS business. We will, naturally, continue to service all our existing SSAS clients just as before. We are, of course, not precluded from recommencing SSAS business at a later date should we so wish. For now, however, it makes sense for us to focus on our existing SSAS book and our thriving SIPP business where we have acknowledged expertise.

The financial results for the year, highlighted on the opposite page, are testament to the hard work put in by everyone at Suffolk Life during the year. High standards of service are our benchmark. Going forward we can only sustain excellence by maintaining the standard of the people we have. We are fortunate to have such a skilled work force, who now number over 50 at our Ipswich office. Coupled with good people, we must ensure that we harness technology efficiently to underpin cost effective and reliable service. We are therefore continuing to invest heavily in this area, particularly in electronic delivery systems.

Forthcoming changes to pension legislation bode well for the SIPP industry, recognising that allowing individuals a full range of investment options in a cost transparent and tax efficient structure is the only way to encourage saving for a decent retirement. Suffolk Life is gearing up to be able to meet such anticipated demand.

In short, we face the future with great confidence and look forward to another year of substantial progress in 2004.



AJ Scott-Barrett
Chairman

Directors' Report

The directors present their annual report and financial statements for the year ended 31st December 2003.

Principal Activities

The company acts as a holding company and provides central management and support services to its subsidiary companies, whose principal activities are set out in note 13 to the financial statements.

Results and Dividend

The group's results for the year are set out in the consolidated profit and loss account on page 5. The directors do not recommend the payment of a dividend in respect of 2003 (2002: Nil).

The group's long term business fund, which relates to the life assurance business of Suffolk Life Annuities Limited, stood at £668.5 million (2002: £430.5 million) at the year end.

Business Review

The principal business of the group remains pensions; in particular Self-Invested Personal Pensions (SIPPs) and Small Self-Administered Schemes (SSASs).

The SIPP business continued to perform well with over 900 new SIPPs being established during the year. Premium income increased once again from £195.9 million in 2002 to £218.5 million in 2003.

The demand for SSASs remained high with 25 new schemes established during the year. However, 12 existing schemes either transferred to SIPPs or wound up on purchase of annuities. After the year end a decision was taken, in view of the impending changes in pensions legislation, to close the SSAS book to new business. The administration of the existing SSAS book will continue.

The mortgage administration business carried on by Suffolk Mercantile PLC has further reduced in scale and is now a very minor part of the overall business of the group.

Market Value of Land and Buildings

In the opinion of the directors, the market values of the group's freehold properties are not materially different from those stated in note 12 to the financial statements.

Political and Charitable Contributions

Charitable donations by the group during the year amounted to £790. There were no political donations made during the year.

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 eight days (2002: 8 days).

Directors and directors' interests

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

AJ Scott-Barrett Appointed a director on 11th July 2003 (Appointed Chairman on 29th August 2003)

AG Barker

AF Noble

RWH Bays

Miss RAK Sosna Finance Director

PG Burley

Mrs A Sweet

KG Burrage Chairman to 29th August 2003

PV Weir

AH Catchpole

RFH Wilshaw

HN Catchpole Managing Director

Directors' Report

The directors who held office at the end of the financial year had the following beneficial interests in the shares of group companies according to the register of directors' interests:

	Company	Class of share	Interest at end of year	Interest at start of year or date of appointment
AG Barker	Suffolk Life Group plc	Ordinary £1 shares	63,600	63,600
RWH Bays	Suffolk Life Group plc	Ordinary £1 shares	99,000	99,000
PG Burley	Suffolk Life Group plc	Ordinary £1 shares	220,000	220,000
AH Catchpole	Suffolk Life Group plc	Ordinary £1 shares	63,000	63,000
HN Catchpole	Suffolk Life Group plc	Ordinary £1 shares	102,000	117,000
AF Noble	Suffolk Life Group plc	Ordinary £1 shares	46,500	46,500
P V Weir	Suffolk Life Group plc	Ordinary £1 shares	3,000	5,000
A J Scott-Barrett	Suffolk Life Group plc	Ordinary £1 shares	10,000	–
Miss RAK Sosna	Suffolk Life Group plc	Ordinary £1 shares	45,500	45,250
RFH Wilshaw	Suffolk Life Group plc	Ordinary £1 shares	57,500	57,500

According to the register of directors' interests, no rights to subscribe for shares in or debentures of group companies were granted to any of the directors or their immediate families, or exercised by them, during the financial year, except as indicated below:

	At start of year	Number of options		At end of year	Exercise price	Date from which exercisable	Expiry date
		Granted	Exercised				
HN Catchpole	100,000	–	–	100,000	£3.00	04/09/00	02/09/05
	100,000	–	–	100,000	£4.00	04/09/00	02/09/05
	100,000	–	–	100,000	£5.00	04/09/00	02/09/05
	2,812	–	–	2,812	£1.20	01/08/04	31/01/05
	4,083	–	–	4,083	£1.80	01/11/05	30/04/06
	1,378	–	–	1,378	£3.20	01/11/06	30/04/07
	591	–	–	591	£4.80	01/11/07	30/04/08
Miss RAK Sosna	100,000	–	–	100,000	£3.00	04/09/00	02/09/05
	100,000	–	–	100,000	£4.00	04/09/00	02/09/05
	100,000	–	–	100,000	£5.00	04/09/00	02/09/05
	2,812	–	–	2,812	£1.20	01/08/04	31/01/05
	3,750	–	–	3,750	£1.80	01/11/05	30/04/06
	1,368	–	–	1,368	£4.80	01/11/07	30/04/08
PV Weir	100,000	–	–	100,000	£3.00	04/09/00	02/09/05
	100,000	–	–	100,000	£4.00	04/09/00	02/09/05
	100,000	–	–	100,000	£5.00	04/09/00	02/09/05
	2,296	–	–	2,296	£3.20	01/11/06	30/04/07

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 33 Lower Brook Street
Secretary Ipswich
 IP4 1AQ

8 April 2004

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 group 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 inappropriate 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 group 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 Group plc

We have audited the financial statements on pages to 7 to 27.

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 5, 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 affairs of the company and the group as at 31st December 2003 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

Chartered Accountants 6 Lower Brook Street
Registered Auditor Ipswich
IP4 1AP

8 April 2004

Consolidated Profit and Loss Account

for the year ended 31st December 2003

	Note	2003 £'000	2003 £'000	2002 £'000	2002 £'000
Technical account – long term business					
Earned premiums, net of reinsurance					
Gross premiums written	2	218,463		195,886	
Investment income	3	22,892		14,445	
Realised gains on investments		8,330		863	
Unrealised gains on investments		46,608		13,015	
Other income		203		152	
			296,496		224,361
Claims incurred, net of reinsurance					
Claims paid – gross amount	4	34,330		26,410	
Changes in other technical provisions					
Technical provisions for linked liabilities, net of reinsurance	23	237,918		152,846	
Long term business provision		36		–	
Net operating expenses	5	3,313		1,587	
Investment expenses and charges	6	3,850		2,662	
Realised losses on investments		4,303		1,933	
Unrealised losses on investments		12,103		38,486	
			(295,853)		(223,924)
Balance on the technical account – long term business			643		437
Non-technical account					
Balance on the long term business technical account			643		437
Investment income	3		679		390
Realised gains on investments			1		–
Unrealised gains on investments			50		29
Net operating expenses	5		(1,038)		(958)
Investment expenses and charges	6		(38)		(58)
Unrealised losses on investments			(23)		(46)
Realised losses on investments			–		(5)
Other income	10		569		452
Operating profit on ordinary activities before tax	7		843		241
Tax on profit on ordinary activities	11		(257)		(59)
Retained profit for the financial year	21		586		182

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

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

In addition there are no gains and losses other than those disclosed above and therefore no statement of recognised gains and losses is required.

Consolidated Balance Sheet

as at 31st December 2003

	Note	2003 £'000	2003 £'000	2002 £'000	2002 £'000
Assets					
Investments					
Land and buildings	12	1,174		1,269	
Other financial investments	14	746		720	
			1,920		1,989
Assets held to cover linked liabilities	15		687,286		444,567
Debtors					
Debtors arising out of direct insurance operations	16	24,652		21,882	
Other debtors	16	756		351	
			25,408		22,233
Other assets					
Tangible fixed assets	17	672		657	
Cash at bank and in hand		2,201		1,208	
Other		12		12	
			2,885		1,877
Prepayments and accrued income					
Other prepayments and accrued income	16		332		360
Total assets			717,831		471,026
Liabilities					
Capital and reserves					
Called up share capital	20		2,124		2,124
Share premium account	21		745		745
Revaluation Reserve	21		2		2
Profit and loss account	21		1,071		485
Shareholders' funds attributable to equity interests	22		3,942		3,356
Technical provisions					
Linked liabilities	23		667,995		430,077
Long term business provision	24		482		446
Deferred taxation	26		–		20
Creditors: Amounts falling due within one year					
Amounts owed to credit institutions	25	8,911		9,987	
Obligations due under finance leases	25	11		8	
Other creditors including taxation and social security	25	1,542		494	
			10,464		10,489
Accruals and deferred income	25		2,410		1,493
Creditors: Amounts falling due after more than one year					
Amounts owed to credit institutions	25		32,516		25,127
Obligations due under finance leases	25		22		18
			32,538		25,145
Total liabilities			717,831		471,026

These financial statements were approved by the board of directors on 8 April 2004 and were signed on its behalf by:

AJ Scott-Barrett
Director

HN Catchpole
Director

The notes on pages 11 to 27 form part of these financial statements

Company Balance Sheet

as at 31st December 2003

	Note	2003 £'000	2003 £'000	2002 £'000	2002 £'000
Fixed assets					
Freehold property	12	1,174		1,189	
Other tangible fixed assets	18	49		–	
Investments	13	1,495		1,495	
			2,718		2,684
Current assets					
Current asset investments	19	12		–	
Debtors	16	58		188	
Cash at bank and in hand		43		17	
		113		205	
Creditors: Amounts falling due within one year	25	(98)		(99)	
Net current assets			15		106
Creditors: Amounts falling due after more than one year	25		(170)		(248)
Net assets			2,563		2,542
Capital and reserves					
Called up share capital	20		2,124		2,124
Share premium account	21		745		745
Profit and loss account	21		(306)		(327)
Shareholders' funds attributable to equity interests	22		2,563		2,542

These financial statements were approved by the board of directors on 8 April 2004 and were signed on its behalf by:

AJ Scott-Barrett
Director

HN Catchpole
Director

The notes on pages 11 to 27 form part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 31st December 2003

	Note	2003 £'000	2003 £'000	2002 £'000	2002 £'000
Cash Flow Statement					
Cash flow from operating activities	28		1,320		502
Interest paid	29		(24)		(38)
Taxation			(38)		(37)
Capital expenditure	29		(278)		(163)
Cash inflow before financing			980		264
Financing	29		(12)		85
			968		349
Cash Flows were invested as follows					
Increase in cash holdings			1,053		560
Net portfolio investment (not including long term business)					
Ordinary shares	30	1		20	
Fixed interest securities	30	–		61	
Repayment of mortgage loans	30	(6)		(294)	
Investment properties	30	(80)		2	
			(85)		(211)
Net investment of cash flows			968		349
Movement in opening and closing portfolio investments net of financing					
Net cash inflow for the year			1,053		560
Portfolio investments			(85)		(211)
Capital element of hire purchase contracts repaid			12		11
Movement arising from cash flows			980		360
Changes in long term business provision			36		–
Changes in market values and exchange rate effects			28		(51)
Mortgage interest and fees capitalised			8		23
New hire purchase contracts			(19)		–
Depreciation of investment properties			(15)		(14)
Movement in portfolio investments net of financing			1,018		318
Portfolio investments net of financing at the beginning of the year	30		2,822		2,504
Portfolio investments net of financing at the end of the year	30		3,840		2,822

The notes on pages 11 to 27 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.

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. The balance sheet of the parent company has been prepared in accordance with the provisions of Section 226 of, and Schedule 4 to, the Companies Act 1985.

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.

Basis of consolidation

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to 31st December 2003. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of during the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

Intra-group year end balances between the long term business fund and group undertakings, where these have been concluded or have arisen in accordance with normal market conditions, are not eliminated on consolidation. Such balances are disclosed separately in the financial statements, where material. All other intra-group income and balances are eliminated on consolidation.

Certain liabilities relating to the group's long term business fund, together with certain assets (changes in the values of which affect or establish policyholders' rights and entitlements), have been valued in accordance with provisions applying only to insurance undertakings. No adjustment is made in respect of such items on consolidation.

Goodwill arising on consolidation (representing the excess of the fair value of the consideration given over the fair value of the separable assets acquired) is capitalised and written off over the estimated period from which benefit is expected to be derived.

Under Section 230(4) of the Companies Act 1985 the company is exempt from the requirement to present its own profit and loss account.

Long term business

The group'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

forming part of the financial statements

1 Accounting policies continued

Premiums

Premiums relating to the Group's linked business are credited to the profit and loss accounts 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.

Other income

Other income included in the non-technical account comprises the main non group trading income receivable by subsidiary undertakings and represents the invoiced amount of services provided, exclusive of Value Added Tax, together with other income as detailed in the notes to the financial statements.

Investments

All investments, including those classified as assets held to cover linked liabilities, except unlisted securities and investments in subsidiary undertakings, are stated at their current value. Listed shares and securities are valued at middle market price at the balance sheet date. All freehold land and buildings, except those occupied by the group, are treated as investment properties. Freehold 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.

In accordance with Statement of Standard Accounting Practice No 19, no depreciation is provided in respect of freehold 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 group 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.

1 Accounting policies continued

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. In the company's financial statements, investments in subsidiary and associated undertakings are stated at cost less amounts written off.

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 held by the linked long term business 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.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Tangible fixed assets and depreciation

Depreciation is provided to write off the cost or valuation less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Computer equipment and software	4 years
Office equipment, fixtures and fittings	8 years
Motor vehicles	4 years
Land and buildings	50 years

No depreciation has been provided on antique furniture and fittings or the library books. The directors consider that the lives of these assets are so long and the residual values so high that any depreciation charge would not be material. The library books were revalued on the basis of current cost during 1996 and are carried at this book value. An impairment review was undertaken on these assets by the directors at the year end and no adjustment was considered necessary.

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Post retirement benefits

A subsidiary undertaking makes contributions to self-invested personal pension schemes on behalf of employees. The pension schemes are administered by the subsidiary undertaking.

Cash and liquid resources

Cash, for the purposes of the cashflow statement, comprises cash in hand, deposits repayable on demand and overdrafts payable on demand.

Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are either readily convertible into known amounts of cash at or close to their carrying values or are traded in an active market.

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2 Segmental analysis

	2003 £'000	2002 £'000
Gross premiums written		
Long term business		
Periodic premiums relating to Self-Invested Personal Pensions	3,111	2,101
Single premiums relating to existing Self-Invested Personal Pensions	79,704	60,131
Single premiums relating to new Self-Invested Personal Pensions	135,648	133,654
	218,463	195,886
Profit/(loss) after taxation		
Long term business	363	223
Pension scheme and mortgage administration	223	(41)
	586	182
Segmental net assets		
Long term business	2,247	1,884
Pension scheme and mortgage administration	1,695	1,472
	3,942	3,356

All business arose within the United Kingdom.

There are no reinsurance amounts.

3 Investment income

	2003 Other than linked business £'000	2003 Linked business £'000	2002 Other than linked business £'000	2002 Linked business £'000
Income from other investments				
Land and buildings	23	9,112	25	6,172
Other investment income (see below)	656	13,780	360	8,273
	679	22,892	385	14,445
Gains on the realisation of investments	–	–	5	–
	679	22,892	390	14,445
Other investment income				
Interest receivable	640	8,004	352	4,283
Other fees	–	–	2	–
Dividends received on listed investments	16	5,776	6	3,990
	656	13,780	360	8,273

4 Claims paid

	2003 £'000	2002 £'000
Gross claims paid		
Lump sums on death	589	371
Lump sums on pensions vesting	16,545	13,560
Income withdrawals	8,189	4,975
Annuities paid	20	20
Annuities purchased	6,165	5,186
Transfers out	2,822	2,298
	34,330	26,410

	2003 Other than linked business £'000	2003 Linked business £'000	2002 Other than linked business £'000	2002 Linked business £'000
5 Net operating expenses				
Acquisition costs				
Staff costs	–	124	–	118
Depreciation	–	26	–	20
Other	–	53	–	38
	–	203	–	176
Administrative expenses				
Actuarial fees	18	55	12	36
Audit and accountancy fees	43	36	21	30
Staff costs	371	1,000	444	521
Depreciation of tangible fixed assets	59	213	82	100
Profit on disposal of tangible fixed assets	1	1	6	7
Repairs and renewals	8	207	46	108
Computer maintenance	19	70	4	34
External data source	10	36	9	43
Irrecoverable VAT	42	40	36	20
Professional fees	72	1,213	74	305
Advertising & promotion	138	8	48	2
Insurance & regulatory	176	58	125	45
Other administrative expenses	81	173	51	160
	1,038	3,110	958	1,411
Net operating expenses	1,038	3,313	958	1,587

	2003 Other than linked business £'000	2003 Linked business £'000	2002 Other than linked business £'000	2002 Linked business £'000
6 Investment expenses and charges				
Investment management expenses				
Staff costs	2	2	5	3
Depreciation	–	1	1	1
Interest payable – on bank loans	22	2,360	27	891
Interest payable – on bank overdrafts	–	–	8	–
Interest payable – on finance leases	2	–	2	–
Other investment management expenses	12	1,487	15	1,767
	38	3,850	58	2,662

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7 Profit on ordinary activities before taxation

	2003 £'000	2002 £'000
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation and other amounts written off owned tangible fixed assets	268	200
Depreciation and other amounts written off tangible fixed assets held under hire purchase contracts	15	13
Profit on disposal of fixed assets	–	(10)
Auditors' remuneration:		
Audit	58	45
Fees for other services payable to the auditors and their associates	31	–

The auditors' remuneration charged to the parent company's profit and loss account was £nil (2002: £nil).

8 Staff Numbers and Costs

The average number of persons employed by the group (including executive directors) during the year was as follows:

	2003 Number	2002 Number
Office and management	43	37

The aggregate payroll costs of these persons was as follows:

	2003 £'000	2002 £'000
Wages and salaries	1,165	924
Social security costs	132	95
Other pension costs	74	63
	1,371	1,082

9 Remuneration of directors

	2003 £'000	2002 £'000
Directors' emoluments	313	220
Highest paid director, excluding pension contributions	99	60

There were no retirement benefits accruing (2002: £Nil) to the directors under the group's defined benefit scheme or any other scheme.

Details of directors' share options are set out in the Directors' Report on page 2.

10 Other income

	2003 £'000	2002 £'000
Pension fund management fees	475	365
Loan administration fees	1	2
	476	367
Other income	93	85
	569	452

All income arises within the United Kingdom.

11 Taxation	2003 £'000	2002 £'000
Current tax		
UK Corporation tax on profits of the period	264	39
UK Corporation tax underprovided in previous years	13	–
	277	39
Deferred tax		
Origination and reversal of timing differences (see note 26)	(20)	20
	257	59
Profit on ordinary activities before taxation	843	241
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2002: 30%)	253	72
Expenses not deductible for tax purposes	4	9
Capital allowances in excess/(arrears) of depreciation	27	(5)
Capital items expensed	–	6
Profit on disposal	6	(3)
Unrealised gains on investments	(12)	(7)
Utilisation of tax losses	(12)	(26)
Small companies relief	(1)	(6)
Effect of subsidiary undertakings taxable at lower tax rate	(1)	(1)
Charge for prior years	13	–
Total UK corporation tax charge	277	39

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

Tax losses amounting to £24,000 (2002: £48,000) are available to relieve future profits of the company.

12 Freehold land and buildings Group	2003 Other than linked business £'000	2003 Linked business £'000	2002 Other than linked business £'000	2002 Linked business £'000
Cost or valuation				
At beginning of year	1,296	75,807	1,329	50,219
Additions	–	47,565	2	26,695
Disposals	(80)	(2,135)	(56)	(1,107)
Surplus on revaluation	–	1,645	22	–
At end of year	1,216	122,882	1,297	75,807
Depreciation				
At beginning of year	27	–	15	–
Charge for the year	15	–	13	–
At end of year	42	–	28	–
Net book value				
At 31 December 2003	1,174	122,882	1,269	75,807
At 31 December 2002	1,269	75,807	1,314	50,219
At cost	1,229	121,219	1,319	75,789

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12 Freehold land and buildings

Company	2003 £'000	2002 £'000
Cost or valuation		
At beginning of year	1,216	1,213
Additions	–	3
At end of year	1,216	1,216
Depreciation		
At beginning of year	27	13
Charge for the year	15	14
At end of year	42	27
Net book value		
At 31 December 2003	1,174	1,189
At 31 December 2002	1,189	1,200
At cost	1,229	1,229

Some of the freehold land and buildings owned by the shareholders at the year end are occupied by the company, together with other members of the group, and are utilised for the group's activities. The remaining freehold land and buildings are partially let to third parties and are treated as investment properties.

All freehold land and buildings owned by the company were revalued at their open market value by George Woodward of EWS, a qualified chartered surveyor, on 11th December 2001.

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 15). All such properties have been valued by the directors at the year end with reference to previous professional valuations.

13 Investments in group undertakings

Company	Shares in group undertakings £'000
Cost	
At beginning and end of year	1,495
Provisions	
At beginning and end of year	–
Net book value	
At 31 December 2003	1,495
At 31 December 2002	1,495

13 Investments in group undertakings continued

The company owned the following subsidiary undertakings at the end of the year.

	Ordinary Shares at cost £	Net book value £	Nominal value of ordinary shares £	Principal activity
Suffolk Life Annuities Limited	1,200,000	1,200,000	1,256,000	Life insurance and pension provider
Suffolk Life Pensions Limited	222,827	222,827	870,000	Management and administration of pension funds
Suffolk Mercantile PLC	71,671	71,671	300,000	Provision of guarantee credits and management of secured loans
Suffolk Life Trustee Company Limited	1,792	1,149	100	Pensioner trustee Limited
Suffolk Life Property Trustee Company Limited	100	100	100	Trustee Company
Suffolk Life (Spartan Estate) Limited	1	1	1	Trustee Company
E-SIPP.Co Limited	1	1	1	e-based SIPPs
	1,496,392	1,495,749		

Suffolk Life Property Trustee Company Limited, Suffolk Life (Spartan Estate) Limited and E-SIPP.Co Limited are wholly owned subsidiaries of Suffolk Life Annuities Limited. All other subsidiary undertakings are wholly owned by the company and are registered in England and Wales.

14 Other financial investments

Group	2003 Other than linked business £'000	2003 Linked business £'000	2002 Other than linked business £'000	2002 Linked business £'000
Equity shares and other variable yield securities	183	306,606	144	174,648
Debt securities and other fixed interest securities	491	50,480	506	39,110
Total shares and securities	674	357,086	650	213,758
Loans secured by mortgages	72	571	70	1,791
Deposits with credit institutions	–	206,747	–	153,211
	746	564,404	720	368,760
Shares and securities				
Listed investments	674	357,017	650	213,694
Unlisted investments	–	69	–	64
	674	357,086	650	213,758

Other financial investments owned by the long term business fund are included under assets held to cover linked liabilities. (See note 15).

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	2003 Other than linked business £'000	2003 Linked business £'000	2002 Other than linked business £'000	2002 Linked business £'000
14 Other financial investments continued				
Loans secured by mortgages				
Cost				
At beginning of year	70	1,791	341	2,063
Net increase/(decrease)	2	(1,220)	(271)	(272)
At end of year	72	571	70	1,791
Net book value	72	571	70	1,791

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

	2003 Other than linked business £'000	2003 Linked business £'000	2002 Other than linked business £'000	2002 Linked business £'000
Listed investments				
At market value:				
At beginning of year	650	213,694	613	147,998
Additions	11	189,253	421	140,702
Disposals	(11)	(78,788)	(340)	(51,131)
Surplus/(deficit) on revaluation	24	32,858	(44)	(23,875)
At end of year	674	357,017	650	213,694
At cost	708	349,930	725	255,660

Listed investments are dealt on a recognised stock exchange.

	2003 Other than linked business £'000	2003 Linked business £'000	2002 Other than linked business £'000	2002 Linked business £'000
Unlisted investments				
Cost				
At beginning of year	–	64	–	64
Revaluation	–	5	–	–
At end of year	–	69	–	64
Provisions				
At beginning and end of year	–	–	–	–
Net book value	–	69	–	64
Value of shares in group undertakings comprise:				
Shares in Suffolk Life Group plc	–	50	–	48

15 Assets Held To Cover Linked Liabilities

Group	Note	2003 £'000	2002 £'000
Land and buildings	12	122,882	75,807
Other financial investments	14	564,404	368,760
Total investments held in respect of linked liabilities		687,286	444,567
Other assets and liabilities included elsewhere in the balance sheet			
Debtors and accrued income	16	25,017	21,891
		712,303	466,458
Creditors	24	(44,308)	(36,381)
Total net assets representing long term business fund		667,995	430,077

16 Debtors	Group		Company	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Other debtors				
Amounts owed by group undertakings	–	–	57	183
Income taxation recoverable	–	1	–	–
Other debtors	756	350	1	5
	756	351	58	188
Debtors arising out of direct insurance operations				
Policyholders	24,287	21,632	–	–
Income taxation recoverable	365	250	–	–
	24,652	21,882	–	–
Prepayments and accrued income	332	360	–	–
	25,740	22,593	58	188
Relating to:				
Other than linked business	723	702	58	188
Linked long term business fund	25,017	21,891	–	–
	25,740	22,593	58	188

17 Tangible fixed assets – Group	Office equipment fixtures and fittings £'000	Computer Hardware & Software £'000	Motor vehicles £'000	Library books £'000	Total £'000
Cost or valuation					
At beginning of year	100	810	137	4	1,051
Additions	30	254	20	–	304
Disposals	(5)	(20)	(21)	–	(46)
At end of year	125	1,044	136	4	1,309
Depreciation					
At beginning of year	52	274	68	–	394
Charge for the year	11	240	32	–	283
On disposals	(4)	(20)	(16)	–	(40)
At end of year	59	494	84	–	637
Net book value					
At 31 December 2003	66	550	52	4	672
At 31 December 2002	48	536	69	4	657

The group's library of books was revalued by the directors during 1996 at estimated current cost. Original purchase cost amounted to £2,000. Included in office equipment, fixtures and fittings was £27,000 (2002: £27,000) of antique furniture which has not been depreciated. An impairment review was undertaken on these assets by the directors at the year end and no adjustment was considered necessary.

Included in the total net book value of motor vehicles is £38,000 (2002: £35,000) in respect of assets held under hire purchase contracts. Depreciation for the year on these assets was £15,000 (2002: £13,000).

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18 Tangible fixed assets – Company

	Office equipment £'000	Library books £'000	Motor vehicles £'000	Total £'000
Cost or valuation				
At beginning of year	–	–	–	–
Additions	–	–	20	20
Transferred from subsidiary undertakings	27	4	–	31
At end of year	27	4	20	51
Depreciation				
At beginning of year	–	–	–	–
Charge for the year	–	–	2	2
At end of year	–	–	2	2
Net book value				
At 31 December 2003	27	4	18	49
At 31 December 2002	–	–	–	–

Included in the total net book value of motor vehicles is £18,000 (2002: £nil) in respect of assets held under hire purchase contracts. Depreciation for the year on these assets was £2,000 (2002: £nil).

19 Current asset investments – Company

	Other investments £
Cost	
At beginning of year	
Transferred from subsidiary undertakings	12
At end of year	12
Net book value	
At 31 December 2003	12
At 31 December 2002	–

20 Share capital

	2003 £'000	2002 £'000
Authorised		
Equity: Ordinary shares of £1 each	10,000	10,000
Allotted, called up and fully paid		
Equity: Ordinary shares of £1 each	2,124	2,124

The long term business fund of Suffolk Life Annuities Limited, a subsidiary company, held 8,000 (2002: 8,000) ordinary Shares of £1 each in the company at the year end. The shareholders of Suffolk Life Group plc have no beneficial interest in the above share holding.

20 Share capital continued

Options granted for ordinary shares but not exercised are as follows:

	Options Granted	Price per share £	Period of Option	Number of Option
1999 Employee Share Option Scheme	1999	1.20	2004 to 2006	93,214
2000 Share Option scheme	2000	3.00	2000 to 2005	300,000
2000 Share Option scheme	2000	4.00	2000 to 2005	300,000
2000 Share Option scheme	2000	5.00	2000 to 2005	300,000
2000 Employee Share Option Scheme	2000	1.80	2005 to 2007	28,457
2001 Employee Share Option Scheme	2001	3.20	2006 to 2008	28,430
2002 Employee Share Option Scheme	2002	4.80	2007 to 2009	15,210
2002 Share Option Scheme	2002	7.50	2002 to 2007	100,000
2003 Employee Share Option Scheme	2003	5.60	2008 to 2010	13,172
				1,178,483

	Revaluation reserve £'000	Profit and loss account £'000	Share Premium Account £'000	Total £'000
21 Reserves				
Group				
At beginning of year	2	485	745	1,232
Profit for the financial year	–	586	–	586
At end of year	2	1,071	745	1,818
Company				
At beginning of year		(327)	745	418
Profit for the financial year		21	–	21
At end of year		(306)	745	439

The company's profit for the year was £21,000 (2002: loss £111,000).

	Group		Company	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
22 Reconciliation of movements in shareholders' funds				
Profit/(loss) for the financial year after taxation	586	182	21	(111)
New share capital subscribed	–	96	–	96
Net addition to shareholders' funds	586	278	21	(15)
Opening shareholders' funds	3,356	3,078	2,542	2,557
Closing shareholders' funds	3,942	3,356	2,563	2,542

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23 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 (2002: Nil).

	2003 £'000	2002 £'000
At beginning of year	430,077	277,231
Increase in year	237,918	152,846
At end of year	667,995	430,077
These relate to:		
Series A Fund	537	522
Series B Fund	216	159
Series C Fund	1,026	900
SIPPs	666,197	428,480
Trustee Investment Policy	19	16
At end of year	667,995	430,077

Total assets representing the linked long term business fund are detailed under note 15 to the financial statements.

24 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 (2002: Nil).

The provision has been calculated based upon the mortality tables 80% PFA92/ PMA92 and a valuation rate of interest of 4%. 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.

	2003 £'000	2002 £'000
At beginning of year	446	446
Increase in year	36	–
At end of year	482	446

Total assets representing the linked long term business fund are detailed under note 15 to the financial statements.

25 Creditors	Group		Company	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Amounts owed to credit institutions				
Bank loans and overdrafts – due within one year	8,911	9,987	90	91
Bank loans and overdrafts – due after more than one year	32,516	25,127	158	247
	41,427	35,114	248	338
Obligations under finance leases and hire purchase contracts				
Due within one year	11	8	3	–
Due after more than one year	22	18	12	–
	33	26	15	–
Other creditors				
Amounts due to group undertakings	–	–	–	4
Corporation tax	278	39	–	–
Other creditors	1,264	455	–	–
	1,542	494	–	4
Accruals and deferred income				
Accruals	350	231	5	2
Deferred income	2,060	1,262	–	3
	2,410	1,493	5	5
	45,412	37,127	268	347
Relating to:				
Other than linked business	1,104	746	268	347
Linked long term business fund	44,308	36,381	–	–
	45,412	37,127	268	347

Mortgage loans are secured by legal charge over certain properties. Included in bank loans and overdrafts above of £41,427,000 (2002: £34,766,000) is an amount of £6,449,000 (2002: £6,378,000) which is unsecured. The remainder are secured by legal charge over certain property.

The loan drawn by the company is repayable by quarterly instalments of £22,750. The interest rate chargeable on this loan has been fixed at 7.0929% for the duration of the loan.

The maturity of obligations under finance leases and hire purchase contracts is as follows:

	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Within one year	11	8	3	–
In second to fifth years	22	18	12	–
	33	26	15	–

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26 Deferred taxation

The amounts provided for deferred taxation at 30% (2002: 30%) are set out below:

Group	2003 £'000	2002 £'000
Accelerated capital allowances	–	14
On revaluation of investments	–	6
	–	20
At beginning of year	20	–
Origination and reversal of timing differences	(20)	20
At end of year	–	20

27 Related party disclosures

Certain of the directors have a pension with Suffolk Life Annuities Limited being either a retirement annuity contract or a Self-Invested Personal Pension or both.

During September 2003 Mr HN Catchpole purchased a car from a subsidiary undertaking for £4,000. This was the deemed market value for the car at that time.

28 Reconciliation of operating profit to net cash inflow from operating activities

	2003 £'000	2002 £'000
Operating profit	843	241
Depreciation charge on tangible fixed assets	283	213
Loss on sale of tangible fixed assets	–	10
Depreciation of investment property	15	14
(Profit)/loss on disposal of investments	(1)	5
Net unrealised (gains)/losses on investments	(27)	46
Mortgage interest and fees capitalised	(8)	(23)
Bank interest payable	22	35
Interest element of hire purchase contract payments	2	3
(Increase)/decrease in debtors	(21)	34
Increase/(decrease) in creditors	212	(76)
	1,320	502

29 Analysis of cash flows

	2003 £'000	2003 £'000	2002 £'000	2002 £'000
Interest paid				
Bank interest	(22)		(35)	
Interest element of hire purchase payments	(2)		(3)	
		(24)		(38)
Capital expenditure				
Purchase of tangible fixed assets	(284)		(173)	
Sale of tangible fixed assets	6		10	
		(278)		(163)
Financing				
Capital element of hire purchase payments	(12)		(11)	
Issue of ordinary share capital	–		96	
		(12)		85
Portfolio investments				
Purchase of fixed interest securities	–		(400)	
Sale of fixed interest securities	–		339	
Purchase of ordinary shares	(12)		(20)	
Sale of ordinary shares	11		1	
Disposal of investment properties	80		–	
Repayment of mortgage loans	6		294	
Additions to investment properties	–		(2)	
		85		211

30 Movement in shareholders' cash, portfolio investments and financing

	At beginning of year £'000	Cash flow £'000	Changes in non-linked long term business £'000	Changes to market value and currencies £'000	Other non-cash changes £'000	At end of year £'000
Cash in hand and at bank	1,208	953	40	–	–	2,201
Bank loans and overdrafts	(348)	100	–	–	–	(248)
	860	1,053	40	–	–	1,953
Ordinary shares	144	1	–	38	–	183
Fixed interest securities	506	–	(4)	(11)	–	491
Secured advances	70	(6)	–	–	8	72
Investment properties	1,268	(80)	–	1	(15)	1,174
	1,988	(85)	(4)	28	(7)	1,920
Hire purchase creditor	(26)	12	–	–	(19)	(33)
	(26)	12	–	–	(19)	(33)
Total	2,822	980	36	28	(26)	3,840

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