

Annual Report & Accounts 2005





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Suffolk Life is a pensions administration specialist with a primary focus on Self-Invested Personal Pensions – SIPP's. We provide quality pensions administration at a fair price and charge for it transparently.



Group structure

Suffolk Life Group has two main operating subsidiaries:

Suffolk Life Annuities Limited (SLA)

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

Suffolk Life Pensions Limited (SLP)

Suffolk Life is the administrator of all Suffolk Life schemes.

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



At a glance

2005 was a year spent preparing for A-Day and the changes to pensions legislation in the UK. Policy numbers and funds administered increased significantly, as the business strived to maintain service levels for which it is renowned.

Market-leading service was evidenced by again being voted Professional Pensions' SIPP Provider of the Year 2006, following the 2005 success and Professional Adviser magazine awarded us the title of Best SIPP Provider 2006.

Business growth The number of SIPPs under administration increased to 5,759 from 4,279 in 2004; up 35%. SIPP policies now own in excess of 900 commercial properties. These numbers continued to increase in the run-up to A-Day – 6 April 2006.

Funds under administration During 2005 these rose to £1.335 billion from £0.918 billion at the end of 2004. This means the average value of each SIPP rose from £214,000 to £232,000 during the year.

Business focus through 2005 and into 2006 In January 2006 the book of Small Self-Administered Schemes (SSAS business) was disposed of providing better focus on the main SIPP provision. Investment in improved IT capability and A-Day preparation, while management ensured service provision to policyholders was unaffected, had an impact on profitability in 2005. This will continue in part into 2006, while the full impact of new legislation becomes codified and established.

...2006 and beyond



Chairman's statement

2005 was a year both of substantial growth and substantial investment for Suffolk Life



New SIPP volumes rose by 35% in the year and we now have over double the number of SIPPs as we had at the end of 2002. This growth has again been achieved without reducing our levels of client service and we were pleased to be awarded the Professional Pensions SIPP Provider of the Year award for the second year running in 2006.

Growth of this scale cannot be achieved without making significant investments in our people and our operating capability, more detail of which is set out in the Managing Director's report. This has also taken place against the background of significant structural changes in our operating environment brought about by 'A-Day' for pensions in April 2006.

Shareholders will be aware of the potential for the SIPP industry of these changes but there has been significant cost expended in making Suffolk Life ready and compliant for the new legislative framework.

This is to say nothing of the considerable time and cost spent by us and others in preparing for the allowance of residential property as a SIPP investment, which was summarily rescinded without warning or consultation a matter of weeks before the new rules became law.

There has clearly been an impact on profitability in 2005 as a result of the various steps taken to strengthen the business but the Board believes that Suffolk Life has invested properly to be able to take maximum benefit of the opportunities in its marketplace.

We remain very confident of Suffolk Life's future and 2006 has started well with strong growth in new SIPPs and profits in line with expectations, in the first quarter. Shareholders will also be pleased to note that Suffolk Life will be proposing the payment of its first dividend of 10p per share to shareholders; if approved, this is likely to be made in October 2006.

All in all, Suffolk Life is strongly placed to make further good progress in 2006 and beyond.

AJ Scott-Barrett
Chairman



Henry Catchpole
Managing Director



Renata Chester
Finance Director



Peter Weir
Director and
Head of Property



John Moret
Director of Sales
and Marketing

The executive team

Henry Catchpole

Managing Director

Henry, having qualified as a solicitor, joined Suffolk Life in 1994. He has been Managing Director since 1997. He has led the company from its very early days in SIPPs to its current position as one of the leading players. He has been concerned to ensure that our reputation for service delivery is never compromised.

Renata Chester

Finance Director

Renata is a qualified chartered accountant. She joined Suffolk Life in 1997 and was instrumental in redesigning our IT platform which is the core of all our business processing. Renata also oversees all operational issues and through her work with the Association of Member-Directed Pension Schemes (AMPS) has a good understanding of all industry issues.

Peter Weir

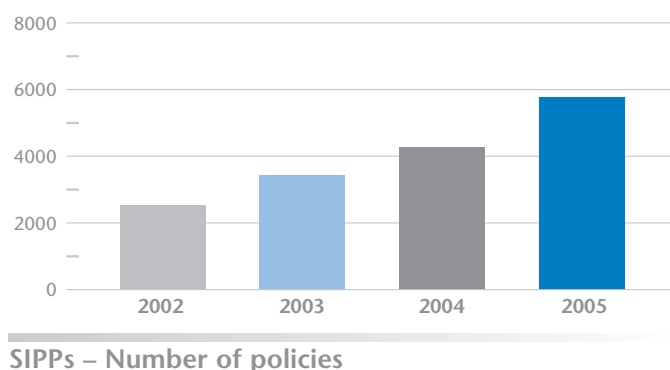
Head of Property

Peter is a qualified solicitor who joined Suffolk Life in September 2000. Previously he was a partner in a large and well-regarded law practice where he specialised in commercial property. Peter has overseen the development of our property department into a 'centre of excellence' and also provides technical input to the company on a range of legal and legislative issues.

John Moret

Director of Sales and Marketing

John has led the development of SIPPs in the UK since 1990. He joined Suffolk Life in 2004 from Capita PPML where he was Executive Chairman/Managing Director for four and a half years. He has worked in the pensions and financial services sector for over 35 years.



Managing Director's statement

2005 has been an exceptional year for Suffolk Life

The last twelve months have seen Suffolk Life grow enormously. Premium income within the Technical Account has grown 46% to £0.335bn (2004: £0.230bn), the number of SIPP policies has grown 35% to 5,759 (2004: 4,279) and total SIPP funds under administration have grown by 45% to £1.335bn (2004: £0.918bn). This pattern of growth will provide substantial future income. However, such growth cannot be properly sustained without a corresponding level of investment being made, too. Indeed, pre-tax profit for the year has been checked back to £0.273m (2004: £1.262m). This figure needs to be considered in the light of three exceptional items, namely our move to new premises, website developments and lastly, A-Day. These, and other significant items, are explained in more detail over the following pages.

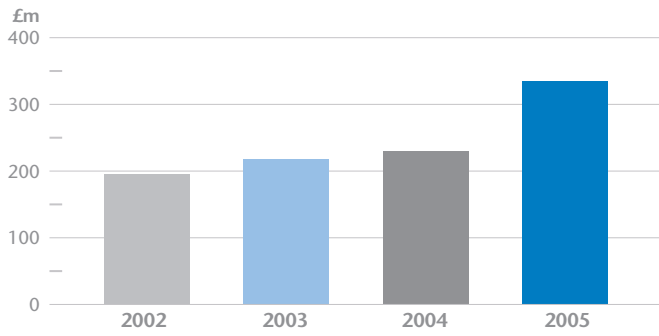
New premises

My optimism for the future is embodied by our new premises, namely 153 Princes Street. They underscore a step change in our ambition and will give us ample room for further growth over the coming years. Although knowing we would only occupy part of it at the outset, based on our experience we refurbished the whole building. We have since sub-let the majority of the unused space to AXA for a period of two years. However, the cost of refurbishment and the general cost of moving, including management time, albeit one-offs, are estimated at £295,000. That said, we are confident that these costs will more than pay for themselves in the years to come.

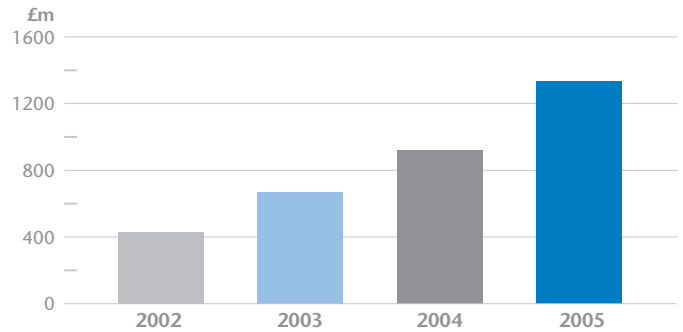
It is appropriate that I record my thanks to Clive Gissing, who masterminded the physical move to 153 Princes Street, and to Ian Long, our IT Manager who was responsible for the computer and IT aspects. It was a textbook job with the office shutting down for business at 5.30pm on Friday 26 August and re-opening again by 9.00am on Tuesday 30 August after the Bank Holiday weekend with no disruption to service. My thanks, too, to everyone else who gave of their time to help with the move.



The last twelve months have seen Suffolk Life grow enormously



Premium Income



Funds under administration

Record sales

For eleven of the twelve months of 2005 the number of new SIPP's sold each month exceeded the number sold in the previous month. Furthermore, we were able to process each SIPP application within 48 hours of receipt. This ability to consistently service clients and their advisers promptly and efficiently is a key differentiator between Suffolk Life and some of our competitors.

Staff

In order to maintain our service levels, both in respect of existing business and during the all important period either side of A-Day, we have made a substantial investment in recruitment of new staff. Numbers have grown from 67 to 105 over the calendar year. September 2005 saw our first Induction Day for new employees; 7 new starters all joined on 6 September and, with other new employees, participated in a highly structured training programme designed to introduce them both to the business as a whole and their individual roles. With a near doubling of our staff numbers, payroll costs have correspondingly increased, too. It is unrealistic to expect these extra hands to help grow the income of the firm until at least the second quarter of this year. Importantly the majority of the new starters were fully trained in time for A-Day.

A-Day

6th April 2006 is ubiquitously known as A-Day and is the date from which pensions were simplified. How successfully the Government have achieved their objective in making pensions easier to understand and thus more desirable will not be known for some time. What is known is that it has cost Suffolk Life a great deal to get ready for A-Day. Much work had been done to accommodate residential property as a permitted pension investment; this cost has had to be written off after the U-turn in the Chancellor's December Pre-Budget report.

Our best estimate of the cost of preparing for A-Day, including updating our computer systems, changing our literature and extensive staff training, is at least £600,000, of which more than £250,000 fell into the 2005 results. What we would dearly welcome now, both as a company and as an industry, is a period of stability without any more seismic changes in policy or the rules surrounding pensions. We can then begin to capitalise on some of the investment we have been making in both staff and systems.

It is anticipated there will be a rebound in underlying profit in 2006, as A-Day is expected to have a significant impact on the demand for SIPP's; albeit this is predicated on achievement of a further significant increase in new business by Suffolk Life.

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System improvements

In October 2005 we engaged Dr Joe Appiah-Kusi to help us develop datafeeds with investment firms, which means that instead of receiving paper contract notes, the data is sent to us electronically. Hitherto, all the data contained on every contract note has had to be manually keyed into our Navision operating system to ensure our records accurately reflect how any individual arrangement is being invested. Being able to receive this information electronically avoids any keying error as well as accelerating the speed with which we can update our records. I would hope that by the middle of 2006 80% of all deals placed will be reported to us electronically. This is, I should say, a costly process to implement, but once in place should provide us with terrific scale and a year on year cost saving since what was a very manual process is largely automated.

Sale of SSAS business

For some time Suffolk Life has been involved in the administration of both Self-Invested Personal Pensions (SIPPs) and Small Self-Administered Schemes (SSASs). We stopped taking on new SSAS business in 2003 and at the end of 2005 had just 180 or so such schemes, compared with 5,759 SIPP schemes. While the SSAS administration business was still a going concern, we decided to sell it to Mattioli Woods plc. The consideration received was £700,000. One of the key reasons for this decision was that it freed up some key staff and enabled them to join the fast growing SIPP side of the business where we have a growing recognition for expertise. Although sad to lose contact with some very long standing SSAS clients, I believe the opportunity to focus on SIPPs is in the best interest of Suffolk Life long-term. The proceeds from this sale, which were received in January 2006, will be shown in our results for 2006.

Awards

As with all businesses, it is important for us to benchmark what we do, not only to look for year on year improvements but also to see how we compare with our competitors. A number of surveys compare hard facts such as establishment fees or dealing costs. What these surveys cannot do is gauge the overall market satisfaction with our offering. While not conclusive proof of excellence or otherwise, the number and variety of awards are as good an indicator as any as to how we are perceived externally. At the April UK Pension Awards it was very pleasing to win, for the second consecutive year, the Professional Pensions 2006 SIPP Provider of the Year award. We were also delighted that in January Professional Adviser magazine awarded us the title of Best SIPP Provider 2006.

Website

Today, no business can afford to have a website that is not completely up to date. In my last statement I mentioned some of the planned developments for the website. The changes made to its functionality as well as its look and feel are enormous. If you have not already done so I would urge you to take a look for yourself at www.suffolklife.co.uk.

The most important developments have been in how we can support advisers who recommend Suffolk Life to their clients.

First, we now offer an online Illustration Wizard. This allows advisers to prepare illustrations (an FSA requirement) under a variety of scenarios. Previously the advisers had to supply us with their client's details for us to prepare the illustration and send it out by post. This development saves both us and the advisers a great deal of time.



The second development is our secure web portal, which is being rolled out on a gradual basis. Advisers will be able to see live data for all their clients, either aggregated or with the ability to drill down on a client by client basis. Again, this will provide information that advisers would otherwise have to contact us for and request hard copies to be sent in the post.

The breadth of information and ease of use are proving very popular with the pilot group of advisers who have used the applications.

The cost of these developments has been in excess of £500,000 which has been capitalised, rather than expensed, during the trial phase. That said, we are confident that we and the increasing number of advisers who use Suffolk Life web services will benefit from these developments with concomitant cost savings for both us and them going forward.

Dividend

It is with great pleasure that I can report that we are proposing to pay a maiden dividend of 10p per share, conditional on some legal obligations being fulfilled including the passing of a Special Resolution by you, the shareholders, at the forthcoming AGM. At the time of writing there are just over 3,100,000 shares in issue.

Conclusion

In short 2005 has been an exceptional year for Suffolk Life. A lot of people have put in a lot of hard work. We are only as good as the people we employ and in that regard we are extremely fortunate to have such willing and talented staff. My thanks to everybody at Suffolk Life for their contributions to the year just passed.

HN Catchpole
Managing Director

Directors' report

The directors present their annual report and financial statements for the year ended 31 December 2005.

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 dividends

The group's results for the year are set out in the consolidated profit and loss account on page 12. The directors are not recommending the payment of a dividend in respect of 2005 (2004: Nil).

The group's long-term business fund, which relates to the life assurance business of Suffolk Life Annuities Limited, stood at £1,335.9 million (2004: £918.5 million) at the year end.

Business review

The principal business of the group remains pensions administration; in particular Self-Invested Personal Pensions (SIPPs). On 27 January 2006 the Group disposed of the Small Self-Administered Schemes (SSASs) book for a consideration of £700,000. While the administration income in relation to these Schemes was relinquished as from 1 January, the signing date of the agreement means the disposal transaction will be accounted for in the 2006 financial year.

The SIPP business continued to perform well with over 1,500 new SIPPs being established during the year. SIPP premium income increased once again from £229.9 million in 2004 to £335.5 million in 2005.

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 £438 (2004: £970). There were no political donations made during either 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 according to those terms. The number of supplier credit days outstanding at the year-end was 24 days (2004: 16 days).

Directors and directors' interests

The directors who held office during the year, or appointed since the year-end, are as follows:

AJ Scott-Barrett Chairman
HN Catchpole Managing Director
Mrs RAK Chester Finance Director
AG Barker
PG Burley
KG Burrage
AH Catchpole
AJ Moret (appointed 14 April 2005)
HG May (appointed 23 February 2006)
PV Weir

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	70,772	116,200
PG Burley	Suffolk Life Group plc	Ordinary £1 shares	193,615	204,615
KG Burrage	Suffolk Life Group plc	Ordinary £1 shares	5,900	5,900
AH Catchpole	Suffolk Life Group plc	Ordinary £1 shares	63,000	63,000
HN Catchpole	Suffolk Life Group plc	Ordinary £1 shares	254,402	148,300
RAK Chester	Suffolk Life Group plc	Ordinary £1 shares	140,000	113,712
A J Moret	Suffolk Life Group plc	Ordinary £1 shares	4,000	4,000
A J Scott-Barrett	Suffolk Life Group plc	Ordinary £1 shares	102,000	36,885
P V Weir	Suffolk Life Group plc	Ordinary £1 shares	184,876	105,000

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:

	Number of options			At end of year	Exercise price	Date from which exercisable	Expiry date
	At start of year	Granted	Exercised				
HN Catchpole	50,000	–	(50,000)	–	£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
	4,083	–	–	4,083	£1.80	01/11/07	30/04/08
	1,378	–	–	1,378	£3.20	01/11/08	30/04/09
	591	–	–	591	£4.80	01/12/09	31/05/10
	605	–	–	605	£5.90	01/12/11	31/05/12
	–	20,000	–	20,000	£14.00	11/08/05	11/08/09
	–	1,052	–	1,052	£6.50	01/12/12	31/05/13
RAK Chester	25,000	–	(25,000)	–	£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
	3,750	–	–	3,750	£1.80	01/11/05	30/04/06
	1,368	–	–	1,368	£4.80	01/12/07	31/05/08
	560	–	–	560	£5.90	01/12/09	31/05/10
	–	15,000	–	15,000	£14.00	11/08/05	11/08/09
	–	990	–	990	£6.50	01/12/10	31/05/11
AJ Moret	25,000	–	–	25,000	£7.00	10/09/04	10/09/07
	25,000	–	–	25,000	£10.50	10/09/04	10/09/08
	100,000	–	–	100,000	£14.00	10/09/04	10/09/09
PV Weir	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	01/11/08	30/04/09
	–	15,000	–	15,000	£14.00	11/08/05	11/08/09

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

27 April 2006

153 Princes Street
Ipswich
IP1 1QJ

Statement of directors' responsibilities

in respect of the directors' report and the Financial Statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group and parent company financial statements in accordance with UK Accounting Standards.

The group and parent company financial statements are required by law to give a true and fair view of the state of affairs of the group and the parent company and of the profit or loss for that period.

In preparing these 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 group and the parent company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its 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 group and to prevent and detect fraud and other irregularities.

Independent auditors' report

to the members of Suffolk Life Group plc

We have audited the group and parent company financial statements (the "financial statements") of Suffolk Life Group plc for the year ended 31 December 2005 which comprise the Group Profit and Loss Account, the Group and Company Balance Sheets, the Group Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities on page 10.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and 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, in accordance with UK Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 31 December 2005 and of the group's 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

6 Lower Brook Street
Ipswich
IP4 1AP

27 April 2006

Consolidated profit and loss account

for the year ended 31 December 2005

	Note	2005 £'000	2005 £'000	2004 £'000	2004 £'000
Technical account – long-term business					
Gross premiums	2	335,453		229,890	
Investment income	3	42,802		31,786	
Realised gains on investments		23,486		9,922	
Unrealised gains on investments		97,989		46,677	
Other income		348		214	
			500,078		318,489
Claims incurred	4	53,537		38,117	
Changes in other technical provisions					
Technical provisions for linked liabilities	22	417,338		250,057	
Long-term business provision		20		(1)	
Net operating expenses	5	4,871		3,653	
Investment expenses and charges	6	9,023		6,071	
Realised losses on investments		5,576		4,772	
Unrealised losses on investments		8,467		14,930	
			(498,832)		(317,599)
Balance on the technical account – long-term business			1,246		890
Non-technical account					
Balance on the long-term business technical account			1,246		890
Investment income	3		1,366		946
Realised gains on investments			1		13
Unrealised gains on investments			21		25
Net operating expenses	5		(2,720)		(1,147)
Investment expenses and charges	6		(17)		(24)
Unrealised losses on investments			(14)		(16)
Realised losses on investments			(1)		(14)
Other income – continuing	10		7		105
– discontinued	10		384		484
Operating profit on ordinary activities before tax	7		273		1,262
Tax on profit on ordinary activities	11		439		(9)
Retained profit for the financial year	21		712		1,253

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 9 to 23 form part of these financial statements.

Consolidated balance sheet

as at 31 December 2005

	Note	2005 £'000	2005 £'000	2004 £'000	2004 £'000
Assets					
Investments					
Land and buildings	12	956		3,108	
Other financial investments	14	587		643	
			1,543		3,751
Assets held to cover linked liabilities	15		1,383,640		949,908
Debtors					
Debtors arising out of direct insurance operations	16	56,348		34,721	
Other debtors	16	2,082		717	
			58,430		35,438
Other assets					
Tangible fixed assets	17	1,878		767	
Cash at bank and in hand		5,700		3,455	
Other		10		12	
			7,588		4,234
Prepayments and accrued income					
Other prepayments and accrued income	16		702		816
Total assets			1,451,903		994,147
Liabilities					
Capital and reserves					
Called up share capital	20		3,105		2,409
Share premium account	21		3,464		1,208
Revaluation reserve	21		2		2
Profit and loss account	21		3,036		2,324
Shareholders' funds attributable to equity interests	21		9,607		5,943
Technical provisions					
Linked liabilities	22		1,335,390		918,052
Long-term business provision	23		501		481
Creditors: Amounts falling due within one year					
Amounts owed to credit institutions	24	12,911		12,446	
Obligations due under finance leases	24	9		5	
Other creditors including taxation and social security	24	1,989		2,056	
			14,909		14,507
Accruals and deferred income	24		4,458		3,443
Creditors: Amounts falling due after more than one year					
Amounts owed to credit institutions	24	87,038		51,712	
Obligations due under finance leases	24	-		9	
			87,038		51,721
Total liabilities			1,451,903		994,147

These financial statements were approved by the board of directors on 27 April 2006 and were signed on its behalf by:

AJ Scott-Barrett
Director

HN Catchpole
Director

The notes on pages 9 to 23 form part of these financial statements.

Company balance sheet

as at 31 December 2005

	Note	2005 £'000	2005 £'000	2004 £'000	2004 £'000
Fixed assets					
Freehold property	12	956		3,108	
Other tangible fixed assets	18	1,878		43	
Investments	13	1,939		1,939	
			4,773		5,090
Current assets					
Current asset investments	19	10		12	
Debtors	16	415		42	
Cash at bank and in hand		1,153		–	
			1,578	54	
Creditors: amounts falling due within one year	24	(621)		(1,809)	
Net current assets/(liabilities)			957		(1,755)
Creditors: amounts falling due after more than one year	24		–		(9)
Net assets			5,730		3,326
Capital and reserves					
Called up share capital	20	3,105		2,409	
Share premium account	21	3,464		1,208	
Profit and loss account	21	(839)		(291)	
Shareholders' funds attributable to equity interests	21	5,730		3,326	

These financial statements were approved by the board of directors on 27 April 2006 and were signed on its behalf by:

AJ Scott-Barrett	HN Catchpole
Director	Director

The notes on pages 9 to 23 form part of these financial statements.

Consolidated cash flow statement

for the year ended 31 December 2005

	Note	2005 £'000	2005 £'000	2004 £'000	2004 £'000
Cash flow statement					
Cash flow from operating activities	27		460		1,522
Interest paid	28		(10)		(17)
Taxation			(60)		(280)
Capital expenditure	28		(1,674)		(412)
Cash inflow before financing			(1,284)		813
Financing	28		2,947		729
			1,663		1,542
Cash flows were invested as follows					
Increase in cash holdings			4,021		(285)
Net portfolio investment (not including long-term business)					
Ordinary shares	29		–		(123)
Repayment of mortgage loans	29		(70)		–
Investment properties	29		(2,288)		1,950
			(2,358)		1,827
Net investment of cash flows			1,663		1,542
Movement in opening and closing portfolio investments net of financing					
Net cash inflow for the year			4,021		(285)
Portfolio investments			(2,358)		1,827
Capital element of hire purchase contracts repaid			5		19
Movement arising from cash flows			1,668		1,561
Changes in long-term business provision			20		(1)
Changes in market values and exchange rate effects			155		8
Mortgage interest and fees capitalised			–		8
Depreciation of investment properties			(11)		(14)
Movement in portfolio investments net of financing			1,832		1,562
Portfolio investments net of financing at the beginning of the year	29		5,402		3,840
Portfolio investments net of financing at the end of the year	29		7,234		5,402

The notes on pages 9 to 23 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.

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 2005 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 31 December 2005. 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.

1 Accounting policies continued

Premiums

Premiums relating to the group's 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.

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 properties, 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, other than those held to cover linked liabilities, 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 (FRS 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.

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.

Notes

forming part of the financial statements

1 Accounting policies continued

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	25% per annum
Office equipment, fixtures and fittings	12.5% per annum
Motor vehicles	25% per annum
Land and buildings	2% per annum

No depreciation had been provided on antique furniture and fittings or the library books. The directors considered 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 were carried at this book value. An impairment review was undertaken on the remaining assets by the directors at the year end and no further adjustment was considered necessary. The majority of these assets were disposed of prior to the move to new premises (see note 17).

No depreciation has been provided on land and buildings owned by the company following the move to new premises, which is a departure from the requirement under Company Law to depreciate fixed assets with a limited useful economic life. Since then, the land and buildings have been treated as investment properties in accordance with Statement of Standard Accounting Practice No. 19. The Directors anticipate that the properties will achieve their book cost and there is no cause for an impairment charge. Full valuations are sought every five years from professional advisers and where necessary a charge is taken where book cost exceeds expected realisations.

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.

2 Segmental analysis

	2005 £'000	2004 £'000
Gross premiums written		
Long-term business		
Periodic premiums relating to self-invested personal pensions	5,635	3,955
Single premiums relating to existing self-invested personal pensions	86,375	81,621
Single premiums relating to new self-invested personal pensions	243,443	144,096
Single premiums relating to existing retirement annuity contracts	–	218
	335,453	229,890
Profit after taxation		
Long-term business	1,582	960
Pension scheme administration	(870)	293
	712	1,253
Segmental net assets		
Long-term business	5,189	3,607
Pension scheme administration	4,418	2,336
	9,607	5,943

All business arose within the United Kingdom.

There are no reinsurance amounts.

3 Investment income

	2005 Other than linked business £'000	2005 Linked business £'000	2004 Other than linked business £'000	2004 Linked business £'000
Income from other investments				
Land and buildings	2	17,110	6	13,199
Other investment income (see below)	1,364	25,692	940	18,587
	1,366	42,802	946	31,786
Other investment income				
Interest receivable	1,344	15,359	918	11,402
Other fees	–	–	–	8
Dividends received on listed investments	20	10,333	22	7,177
	1,364	25,692	940	18,587

4 Claims paid

	2005 £'000	2004 £'000
Gross claims paid		
Lump sums on death	1,442	15
Lump sums on pensions vesting	13,002	14,052
Income withdrawals	14,934	11,996
Annuities paid	21	20
Annuities purchased	7,699	3,404
Transfers out	16,439	8,630
	53,537	38,117

Notes

forming part of the financial statements

5 Net operating expenses

	2005 Other than linked business £'000	2005 Linked business £'000	2004 Other than linked business £'000	2004 Linked business £'000
Acquisition costs				
Staff costs	–	182	–	120
Depreciation	–	40	–	22
Other	–	112	–	57
	–	334	–	199
Administrative expenses				
Actuarial fees	19	58	13	40
Audit and accountancy fees	41	33	47	30
Staff costs	1,366	1,563	452	1,304
Depreciation of tangible fixed assets	48	338	71	243
(Profit)/loss on disposal of tangible fixed assets	15	2	(2)	(4)
Rent payable	55	104	–	1
Repairs and renewals	181	35	16	55
Computer maintenance	91	91	18	63
External data source	31	60	14	47
Irrecoverable VAT	133	119	98	72
Professional fees	107	1,701	39	1,231
Advertising & promotion	333	226	166	87
Insurance & regulatory	177	50	124	56
Other administrative expenses	123	157	91	229
	2,720	4,537	1,147	3,454
Net operating expenses	2,720	4,871	1,147	3,653

6 Investment expenses and charges

	2005 Other than linked business £'000	2005 Linked business £'000	2004 Other than linked business £'000	2004 Linked business £'000
Investment management expenses				
Staff costs	1	–	2	2
Interest payable – on bank loans	–	5,566	–	3,373
Interest payable – on bank overdrafts	8	–	12	–
Interest payable – on finance leases	2	–	5	–
Other investment management expenses	6	3,457	5	2,696
	17	9,023	24	6,071

7 Profit on ordinary activities before taxation

	2005 £'000	2004 £'000
Profit on ordinary activities before taxation is stated after charging:		
Depreciation and other amounts written off owned tangible fixed assets	393	311
Depreciation and other amounts written off tangible fixed assets held under hire purchase contracts	6	12
(Profit)/loss on disposal of fixed assets	(17)	6
Auditors' remuneration:		
Audit	55	50
Fees for other services – tax and compliance	20	25

The auditors' remuneration charged to the parent company's profit and loss account was £10,250 (2004: £11,500).

8 Staff numbers and costs

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

	2005 £'000	2004 £'000
Office and management	94	59

The aggregate payroll costs of these persons was as follows:

	2005 £'000	2004 £'000
Wages and salaries	2,450	1,495
Social security costs	379	161
Other pension costs	140	89
	2,969	1,745

9 Remuneration of directors

	2005 £'000	2004 £'000
Directors' emoluments	642	679
Highest paid director, excluding pension contributions	168	114

There were no retirement benefits accruing (2004: £Nil) to the directors under the group's defined benefit scheme or any other scheme.

Details of directors' share options, and those exercised in the year (including those exercised by the highest paid director), are set out in the Directors' Report on page 8.

Notes

forming part of the financial statements

10 Other income

	2005 £'000	2004 £'000
Pension fund management fees	350	443
Loan administration fees	–	2
	350	445
Other income	41	144
	391	589

All income arises within the United Kingdom.

As described in the Directors' Report, on 27 January 2006 the small self-administered schemes' book (the "SSAS book") was sold. The income in relation to the SSAS book included above was £384,000 (2004: £484,000).

11 Taxation

	2005 £'000	2004 £'000
Current tax		
UK corporation tax on profits of the period	–	59
UK corporation tax underprovided in previous years	1	2
	1	61
Deferred tax		
Origination and reversal of timing differences (see note 25)	(440)	(30)
Timing differences from previous periods	–	(22)
	(440)	(52)
Tax (credit)/charge on profit on ordinary activities	(439)	9

The tax assessed for the year is lower than the standard rate of corporation tax in the UK of 30% as explained below:

Profit on ordinary activities before taxation	273	1,262
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2004: 30%)	82	379
Expenses not deductible for tax purposes	92	10
Capital allowances in arrears of depreciation	112	11
Relief under schedule 23 of Finance Act 2003 on exercise of share options	(572)	(333)
Capital losses arising carried forward	–	13
Indexation on cost of sales of equity disposals	–	(2)
Revaluation of equity investments not held within linked business	4	(15)
Trading losses/excess management expenses carried forward	307	–
Small companies relief	–	(4)
Other permanent differences	(25)	–
Charge for prior years	1	2
Total UK corporation tax charge	1	61

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

Tax losses amounting to £357,000 are carried forward by a group undertaking; in addition excess management charges amounting to £690,000 (2005: £24,000) are available to relieve future profits of the company.

12 Freehold land and buildings

Group	2005 Other than linked business £'000	2005 Linked business £'000	2004 Other than linked business £'000	2004 Linked business £'000
Cost or valuation				
At beginning of year	3,164	175,225	1,216	122,882
Additions	39	110,083	2,094	58,363
Disposals	(2,186)	(18,184)	(146)	(7,362)
Surplus on revaluation	–	2,249	–	1,342
At end of year	1,017	269,373	3,164	175,225
Depreciation				
At beginning of year	56	–	42	–
Charge for the year	11	–	14	–
Disposals	(6)	–	–	–
At end of year	61	–	56	–
Net book value				
At 31 December 2005	956	269,373	3,108	175,225
At 31 December 2004	3,108	175,225	1,174	122,882
At cost	1,030	264,083	3,177	172,204

Company	2005 £'000	2004 £'000
Cost or valuation		
At beginning of year	3,164	1,216
Additions	39	1,948
Disposals	(2,186)	–
At end of year	1,017	3,164
Depreciation		
At beginning of year	56	42
Charge for the year	11	14
Disposals	(6)	–
At end of year	61	56
Net book value		
At 31 December 2005	956	3,108
At 31 December 2004	3,108	1,174
At cost	1,030	3,177

At the end of the year none of the freehold land and buildings owned by the shareholders were occupied by the company, or other members of the group, and they were not utilised for the group's activities. The freehold land and buildings owned by shareholders are held for sale and treated as investment properties.

All freehold land and buildings owned by the company at the beginning of the year were revalued at their open market value by George Woodward of EWS, a qualified chartered surveyor, on 11 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 cost and previous professional valuations.

Notes

forming part of the financial statements

13 Investments in group undertakings

Company	Shares in group undertakings £'000
Cost	
At beginning and end of year	1,939
Additions	–
At end of year	1,939
Net book value	
At 31 December 2005	1,939
At 31 December 2004	1,939

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	1,644,000	1,644,000	1,700,000	Life insurance and pension provider
Suffolk Life Pensions Limited	222,827	222,827	870,000	Management and administration of pension funds
Suffolk Life Services Limited (formerly 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
SLA Property Company Limited	100	100	100	Trustee Company
Suffolk Life (Spartan Estate) Limited	1	1	1	Trustee Company
Pension Nominees Limited	1	1	1	Nominee Company
E-Sipp.Co Ltd	1	1	1	e-based SIPPs
	1,940,393	1,939,750		

SLA Property Company Limited, Suffolk Life (Spartan Estate) Limited, E-Sipp.Co Ltd and Pension Nominees 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.

*As discussed in the Directors' Report, the small self-administered schemes book (the "SSAS book") was disposed of on 27 January 2006. As part of this disposal process Suffolk Life Trustee Company Limited was sold to the purchaser.

14 Other financial investments

Group	2005 Other than linked business £'000	2005 Linked business £'000	2004 Other than linked business £'000	2004 Linked business £'000
Equity shares and other variable-yield securities	61	691,498	72	441,480
Debt securities and other fixed-interest securities	526	72,174	501	63,583
Total shares and securities	587	763,672	573	505,063
Loans secured by mortgages	–	558	70	564
Deposits with credit institutions	–	350,037	–	269,056
	587	1,114,267	643	774,683
Shares and securities				
Listed investments	587	763,672	573	505,043
Unlisted investments	–	–	–	20
	587	763,672	573	505,063

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

Loans secured by mortgages	2005 Other than linked business £'000	2005 Linked business £'000	2004 Other than linked business £'000	2004 Linked business £'000
Cost				
At beginning of year	70	564	72	571
Net (decrease)/increase	(70)	(6)	(2)	(7)
At end of year	–	558	70	564
Net book value	–	558	70	564

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

Listed investments	2005 Other than linked business £'000	2005 Linked business £'000	2004 Other than linked business £'000	2004 Linked business £'000
At market value				
At beginning of year	573	505,043	673	356,980
Additions	–	377,198	3	240,227
Disposals	–	(205,842)	(114)	(122,566)
Surplus on revaluation	14	87,273	11	30,402
At end of year	587	763,672	573	505,043
At cost	549	649,859	549	467,533

Listed investments are dealt on a recognised stock exchange.

Notes

forming part of the financial statements

14 Other financial investments continued

	2005 Other than linked business £'000	2005 Linked business £'000	2004 Other than linked business £'000	2004 Linked business £'000
Unlisted investments				
Cost				
At beginning of year	–	20	–	69
Disposals	–	(20)	–	(52)
Revaluation	–	–	–	3
At end of year	–	–	–	20
Provisions				
At beginning and end of year	–	–	–	–
Net book value	–	–	–	20
Value of shares in group undertakings comprise:				
Shares in Suffolk Life Group plc	–	–	–	–

15 Assets held to cover linked liabilities

Group	Note	2005 £'000	2004 £'000
Land and buildings	12	269,373	175,225
Other financial investments	14	1,114,267	774,683
Total investments held in respect of linked liabilities		1,383,640	949,908
Other assets and liabilities included elsewhere in the balance sheet			
Debtors and accrued income	16	57,372	35,400
		1,441,012	985,308
Creditors	24	(105,622)	(67,256)
Total net assets representing the linked long-term business fund		1,335,390	918,052

16 Debtors

	Group		Company	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Other debtors				
Amounts owed by group undertakings	–	–	8	31
Taxation and social security	–	–	5	–
Deferred tax – recoverable in more than one year (note 25)	492	52	233	2
Other debtors	1,590	665	42	2
	2,082	717	288	35
Debtors arising out of direct insurance operations				
Policyholders	55,066	33,957	–	–
Income taxation recoverable	1,282	764	–	–
	56,348	34,721	–	–
Prepayments and accrued income	702	816	127	7
	59,132	36,254	415	42
Relating to:				
Other than linked business	1,760	854	415	42
Linked long-term business fund	57,372	35,400	–	–
	59,132	36,254	415	42

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	95	1,477	72	4	1,648
Additions	564	1,132	–	–	1,696
Disposals	(77)	(461)	(72)	(4)	(614)
At end of year	582	2,148	–	–	2,730
Depreciation					
At beginning of year	41	789	51	–	881
Charge for the year	47	346	6	–	399
Disposals	(52)	(319)	(57)	–	(428)
At end of year	36	816	–	–	852
Net book value					
At 31 December 2005	546	1,332	–	–	1,878
At 31 December 2004	54	688	21	4	767

The group's library of books was revalued by the directors during 1996 at estimated current cost. Original purchase cost amounted to £2,000. These were donated to a local school in the current period. Included in office equipment, fixtures and fittings was £3,000 (2004: £27,000) of antique furniture which has not been depreciated. Various of the assets were disposed of as a result of the move to new premises: Proceeds of the disposals were £8,000, and write-offs totalled £16,000.

Included in the total net book value of motor vehicles is £Nil (2004: £15,000) in respect of assets held under hire purchase contracts. Depreciation for the year on these assets was £6,000 (2004: £12,000).

Notes

forming part of the financial statements

18 Tangible fixed assets – Company

	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	27	–	20	4	51
Additions	564	848	–	–	1,412
Transfers from group undertakings	15	1,338	–	–	1,353
Disposals	(24)	–	(20)	(4)	(48)
At end of year	582	2,186	–	–	2,768
Depreciation					
At beginning of year	–	–	8	–	8
Charge for the year	28	75	1	–	104
Transfers from group undertakings	8	779	–	–	787
Disposals	–	–	(9)	–	(9)
At end of year	36	854	–	–	890
Net book value					
At 31 December 2005	546	1,332	–	–	1,878
At 31 December 2004	27	–	12	4	43

In the prior year there was £12,000 included in the total net book value of motor vehicles in respect of assets held under hire purchase contracts. Depreciation in that year for these assets was £6,000.

19 Current asset investments – Company

	Other investment £
Cost	
At beginning and end of year	12
Disposal	(2)
At end of year	10
Net book value	
At 31 December 2005	10
At 31 December 2004	10

20 Share capital

	2005 £'000	2004 £'000
Authorised		
Equity: Ordinary shares of £1 each	10,000	10,000
Allotted, called up and fully paid		
Equity: Ordinary shares of £1 each	3,105	2,409

During the year 696,186 ordinary shares were allotted, with a nominal value of £696,186. Consideration received for the shares issued was £2,952,673.

The long-term business fund of Suffolk Life Annuities Limited, a subsidiary company, held no (2004: None) ordinary shares of £1 each in the company at the year-end.

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

	Options granted	Price per share £	Period of option	Number of options
1999 Employee Share Option Scheme	1999	1.20	2004 to 2007	15,312
2000 Employee Share Option Scheme	2000	1.80	2005 to 2008	22,833
2001 Employee Share Option Scheme	2001	3.20	2006 to 2009	27,903
2002 Employee Share Option Scheme	2002	4.80	2007 to 2010	14,915
2002 Share Option Scheme	2002	7.50	2002 to 2007	100,000
2003 Employee Share Option Scheme	2003	5.60	2008 to 2011	12,753
2004 Share Option scheme	2004	7.00	2004 to 2007	25,000
2004 Share Option scheme	2004	10.50	2004 to 2008	25,000
2004 Share Option scheme	2004	14.00	2004 to 2009	100,000
2004 Employee Share Option Scheme	2004	5.90	2009 to 2012	23,357
2005 Share Option Scheme	2005	14.00	2005 to 2009	50,000
2005 Share Option Scheme	2005	7.50	2005 to 2008	30,000
2005 Share Option Scheme	2005	8.00	2005 to 2008	5,000
2005 Share Option Scheme	2005	10.00	2005 to 2009	25,000
2005 Share Option Scheme	2005	10.50	2005 to 2009	10,000
2005 Share Option Scheme	2005	11.00	2005 to 2009	10,000
2005 Share Option Scheme	2005	12.50	2005 to 2110	25,000
2005 Share Option Scheme	2005	15.00	2005 to 2110	15,000
2005 Share Option Scheme	2005	16.00	2005 to 2110	15,000
2005 Employee Share Option Scheme	2005	6.50	2010 to 2013	19,680
				571,753

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21 Reconciliation of movements in shareholders' funds

	Share capital account £'000	Share premium account £'000	Revaluation reserve £'000	Profit and loss account £'000	Total £'000
Group					
At beginning of year	2,409	1,208	2	2,324	5,943
New share capital subscribed	696	2,256	–	–	2,952
Profit for the financial year	–	–	–	712	712
At end of year	3,105	3,464	2	3,036	9,607
Company					
At beginning of year	2,409	1,208		(291)	3,326
New share capital subscribed	696	2,256		–	2,952
Loss for the financial year	–	–		(548)	(548)
At end of year	3,105	3,464		(839)	5,730

The company's loss for the year was £548,000 (2004: profit of £15,000).

22 Technical provisions for linked liabilities

Each SIPP is operated as a separate fund as is the trustee investment policy.

Previously the company's long-term business comprised approved retirement annuity contracts, self-invested personal pensions (SIPPs) and trustee investment policies. The company operated separate personal pension funds for each class of retirement annuity contract issued; at the year end the last of the three separate funds was wound up.

Technical provisions for linked liabilities arising in connection with the above policies are detailed below. There is no reinsurance amount (2004: Nil).

	2005 £'000	2004 £'000
At beginning of year	918,052	667,995
Increase in year	417,338	250,057
At end of year	1,335,390	918,052
These relate to:		
Series C Fund	–	1,360
SIPPs	1,335,390	916,672
Trustee Investment Policy	–	20
	1,335,390	918,052

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

23 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 (2004: Nil).

The provision has been calculated based upon 80% of the mortality table PMA/PFA92 and a valuation rate of interest of 3.4% (2004: 3.8%). An additional 5% loading to the reserve has been included to reflect possible variations in future experience, subject of the CMI research published at the end of 2002.

	2005 £'000	2004 £'000
At beginning of year	481	482
(Decrease)/increase in year	20	(1)
At end of year	501	481

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

24 Creditors

	Group		Company	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Amounts owed to credit institutions				
Bank loans and overdrafts – due within one year	12,911	12,446	–	1,790
Bank loans and overdrafts – due after more than one year	87,038	51,712	–	–
	99,949	64,158	–	1,790
Obligations under finance leases and hire purchase contracts				
Due within one year	9	5	9	3
Due after more than one year	–	9	–	9
	9	14	9	12
Other creditors				
Amounts due to group undertakings	–	–	334	–
Corporation tax	–	59	–	–
Other creditors	1,989	1,997	138	4
	1,989	2,056	472	4
Accruals and deferred income				
Accruals	460	324	140	12
Deferred income	3,998	3,119	–	–
	4,458	3,443	140	12
	106,405	69,671	621	1,818
Relating to:				
Other than linked business	783	2,415	621	1,818
Linked long-term business fund	105,622	67,256	–	–
	106,405	69,671	621	1,818

Included in bank loans and overdrafts above of £99,949,000 (2004: £64,158,000) is an amount of £29,000 (2004: £6,706,000) which is unsecured. The remainder are secured by legal charge over certain properties.

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24 Creditors continued

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

	Group		Company	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Within one year	9	5	9	3
In second to fifth years	–	9	–	9
	9	14	9	12

25 Deferred taxation

The amounts provided for deferred taxation at 30% (2004: 30%) are set out below:

	Group		Company	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
(Depreciation in excess of)/accelerated capital allowances	(168)	(35)	(26)	5
On revaluation of investments	3	3	–	–
Tax losses carried forward	(327)	(20)	(207)	(7)
	(492)	(52)	(233)	(2)
At beginning of year	(52)	–	(2)	–
Deferred tax credit in profit and loss account for the period (note 11)	(440)	(52)	(231)	(2)
At end of year	(492)	(52)	(233)	(2)

26 Related party disclosures

Certain of the directors have a self-invested personal pension with Suffolk Life Annuities Limited.

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

	2005 £'000	2004 £'000
Operating profit	273	1,262
Depreciation charge on tangible fixed assets	399	323
(Profit)/loss on sale of tangible fixed assets	164	(6)
Depreciation of investment property	11	14
(Profit) on sale of investment property	(147)	–
(Profit)/loss on disposal of investments	–	1
Net unrealised gains on investments	(7)	(9)
Mortgage interest and fees capitalised	–	(8)
Bank interest payable	8	12
Interest element of hire purchase contract payments	2	5
(Increase) in debtors	(465)	(79)
Increase in creditors	222	7
	460	1,522

28 Analysis of cash flows

	2005 £'000	2005 £'000	2004 £'000	2004 £'000
Interest paid				
Bank interest	(8)		(12)	
Interest element of hire purchase payments	(2)		(5)	
		(10)		(17)
Capital expenditure				
Purchase of tangible fixed assets	(1,696)		(433)	
Sale of tangible fixed assets	22		21	
		(1,674)		(412)
Financing				
Capital element of hire purchase payments	(5)		(19)	
Issue of ordinary share capital	2,952		748	
		2,947		729
Portfolio investments				
Purchase of ordinary shares	–		(3)	
Sale of ordinary shares	–		126	
Disposal of investment properties	2,327		144	
Repayment of mortgage loans	70		–	
Additions to investment properties	(39)		(2,094)	
		2,358		(1,827)

29 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	3,455	2,231	14	–	–	5,700
Bank loans and overdrafts	(1,790)	1,790	–	–	–	–
	1,665	4,021	14	–	–	5,700
Ordinary shares	72	–	–	(11)	–	61
Fixed interest securities	501	–	6	19	–	526
Secured advances	70	(70)	–	–	–	–
Investment properties	3,108	(2,288)	–	147	(11)	956
	3,751	(2,358)	6	155	(11)	1,543
Hire purchase creditor	(14)	5	–	–	–	(9)
Total	5,402	1,668	20	155	(11)	7,234

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