



SUFFOLK LIFE PENSIONS LIMITED

REPORT AND ACCOUNTS

2008

SUFFOLK LIFE PENSIONS LIMITED

CONTENTS

Page

3	Directors' Report
6	Report of the Independent Auditors
7	Profit and Loss Account
9	Balance Sheet
10	Notes to Financial Statements

Registered Office:
153 Princes Street
Ipswich IP1 1QJ
Suffolk
IP1 1QJ

Registered in England & Wales No. 1180742

The directors submit their annual report together with the audited financial statements of Suffolk Life Pensions Limited ("the Company") for the year ended 31 December 2008.

Principal activities

The Company's principal activities during the year continued to be the provision and administration of SIPPS and similar self invested pensions. The Company is authorised and regulated by the Financial Services Authority.

The Directors' do not envisage any change in activities in the foreseeable future.

Review of the business and key performance indicators

The Company as part of the Suffolk Life Group plc was acquired by Legal & General Retail Investment (Holdings) Limited, a subsidiary of Legal & General Group Plc in May 2008.

Operating loss for 2008 was £615,152 compared with a restated profit of £327,671 for 2007. The results reflect an exceptional cost of £1,554,000 relating to the write off of some fixed assets transferred from Suffolk Life Group plc at the beginning of the year. The Company continued to grow its fee income generated from the administration of SIPP and similar self invested pension products. Revenue for the year was £12.1 million (2007 restated: £8 million).

On 1st January 2008, a new outsourcing agreement was entered into with Suffolk Life Annuities Limited reflecting the transfer of additional work to the Company. This resulted in an increase in the level of administration fees payable to the Company.

On the same day, the Company increased its issued share capital from £870,000 to £3,484,770 by the allotment of 2,614,770 ordinary shares of £1 each. On that date 2,614,770 ordinary shares of £1 each, fully paid were allotted to Suffolk Life Group plc as part of a group reorganisation.

The Company will continue to provide administration services for Suffolk Life Annuities Limited's existing products and Suffolk Life Annuities Limited's protected rights trustee investment plan of the Company's MasterSIPP. The assets of MasterSIPP are legally owned by the trustee of the scheme, Suffolk Life Trustees Limited, a wholly owned subsidiary of the Company. The funds held for MasterSIPP at the year end amount to £491 million.

We aim to improve efficiency in all areas of our operations through cost reduction, motivating and retaining talented people who are committed to our goals, and by working closely with our business partners to deliver effective distributions channels. Customer service remains a top priority.

Principal Risks and uncertainties facing the company

The principal risks and uncertainties of the company are shown below:

1) Market and Economic Conditions

The Company's principal business channel is the pensions market and uncertainty in this would limit new clients. Competitor activity and changes in market would impact new business targets for MasterSIPP.

2) Regulation and Legislation

The Company operates in a highly regulated and specialist industry and therefore is susceptible to any adverse changes in regulation and taxation legislation. Regulation and government fiscal policy influence the overall framework for the design, marketing and distribution of products; the acceptance and administration of business; and the prudential capital that regulated companies should hold.

The Company regards compliance with regulation as very important and is continuously monitoring the position to ensure that it meets its regulatory obligations. The potential for change is continuously identified and analysed. Sudden, unanticipated changes in legislation, or the differing interpretation and application of regulation over time, may have a detrimental effect on the company's strategy and profitability.

Operational risk

The other main risks faced by the Company are operational risks around the administration of the group's SIPP and similar self invested pension products. Given the nature of the Company's business maintaining reputation is important.

A continuous process is in place to formally identify, evaluate and manage significant risks to achieve the Company's objectives. A standard approach is used to assess risks. The group maintains a risk register that is regularly discussed by the Company's directors and senior management. The risk register is updated for changes and new risks when identified either by the directors or following reviews carried out by each department within the Company.

Financial Risk management

The Company's exposure to financial risk through its financial assets and liabilities is not considered material to the assessment of the Company's assets, liabilities, financial position and the profit and loss of the Company.

All cash deposits held by the company are short term and are subject to pre-approval by the board of directors and such approval is limited to financial institutions with an AA rating or better. The amount of exposure to any individual counterparty is subject to a limit, which is reassessed annually by the board.

Results for the year and dividends

The results of the Company are set out on page 7.

The directors do not recommend the payment of a dividend (2007: £Nil).

Directors

The directors of the Company, who served during the year, together with their dates of appointment and resignation, where appropriate are shown below:

HN Catchpole	AR Havers (resigned 21 August 2008)
RAK Chester	C F Jones (resigned 11 September 2008)
IW Furniss	Mrs LC Judge (resigned 21 August 2008)
PV Weir	AC McLaughlin (resigned 21 August 2008)
G Banks (resigned 01 September 2008)	AJ Moret (resigned 11 September 2008)
JC Burman (resigned 11 September 2008)	PJ Newman (resigned 11 September 2008)
CA Gissing (resigned 26 August 2008)	WHR Wilson (resigned 21 August 2008)

IW Furniss resigned and Legal & General CoSec Limited was appointed as Company Secretary on 1 October 2008.

Policy and practice on payment of creditors

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 22 days (2007: 21 days).

Political and charitable contributions

Charitable donations made during the year totalled £8,466 (2007: £7,166).

There were no political donations made during the year (2007: Nil).

Directors' Insurance

The Company maintains an appropriate level of Directors and Officers' liability insurance which is reviewed annually.

Auditors

During the year KPMG Audit Plc resigned as auditors of the company and PricewaterhouseCoopers LLP were appointed.

An elective resolution was passed by the Company's shareholders under the Companies Act 1985. The elective regime was abolished by the Companies Act 2006 and the transitional provisions relating to the reappointment of auditors permit the auditors to remain in office unless the Company resolves otherwise.

There is no requirement under the Companies Act or the Company's articles of association to hold an Annual General Meeting or lay the Company's report and accounts before the shareholders.

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual 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 financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing those financial statements, the directors are required to:

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

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditors

Each of the directors in office, at the date the directors' report is approved, confirms that:

- (a) so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- (b) the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

By order of the board

A.D. Fairhurst
For and on behalf of Legal & General Co Sec Limited
Company Secretary

29 April 2009

Independent auditors' report to the members of Suffolk Life Pensions Limited

We have audited the financial statements of Suffolk Life Pensions Limited for the year ended 31 December 2008 which comprise the Profit and Loss Account, the Balance Sheet, Statement of Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 5.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards of Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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.

In addition we report to you if, in our opinion 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 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 company's affairs as at 31 December 2008 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

London

30 April 2009

SUFFOLK LIFE PENSIONS LIMITED
PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2008

	<i>Note</i>	2008 £	As Restated 2007 £
Profit on continuing operations			
Turnover	<i>1(e), 2</i>	12,113,057	8,060,104
Administrative expenses		(12,728,208)	(7,732,433)
Operating (loss) / profit		(615,151)	327,671
Other interest payable and similar charges	<i>4</i>	(1,094)	(466)
Other interest receivable and similar income	<i>7</i>	206,589	97,052
(Loss) / Profit on ordinary activities before taxation	<i>3</i>	(409,656)	424,257
Tax on (loss) / profit on ordinary activities	<i>8</i>	104,333	(115,871)
(Loss) / profit for the financial year	<i>15,16</i>	(305,323)	308,386

There were no gains or losses in the year other than those included in the above profit and loss account.

There is no difference between the profit on ordinary activities before taxation and the profit for the financial period stated above and their historical cost equivalents.

The notes on pages 10 to 16 form an integral part of these financial statements.

SUFFOLK LIFE PENSIONS LIMITED
Statement of total recognised gains and losses

For the year ended 31 December 2008

	<i>Note</i>	2008 £	As Restated 2007 £
(Loss) / profit for the financial year		(305,323)	308,386
Total gains and losses relating to the financial year		<u>(305,323)</u>	<u>308,386</u>
Prior year adjustment for income recognition	2	(202,489)	
Total gains and losses recognised since the last annual report		<u>(507,812)</u>	

SUFFOLK LIFE PENSIONS LIMITED
BALANCE SHEET

As at 31 December 2008

	<i>Note</i>	2008	2008	As Restated	As Restated
		£	£	2007	2007
				£	£
Fixed Assets					
Tangible Assets	9		811,912		-
Investments	10		100		100
Current assets					
Debtors	11	1,290,309		654,939	
Cash at bank and in hand		3,593,145		2,068,464	
			4,883,454	2,723,403	
Creditors: amounts falling due within one year	12	(1,102,541)		(568,858)	
Net current assets			3,780,913		2,154,545
Shareholders' net assets			4,592,925		2,154,645
Capital and reserves					
Called up share capital	13		3,484,770		870,000
Profit and loss account	15		1,108,155		1,284,645
Shareholders' funds	16		4,592,925		2,154,645

These financial statements were approved by the board of directors on 28 April 2009 and were signed on its behalf by:

HN Catchpole
Director

IW Furniss
Director

The notes on pages 10 to 16 form an integral part of these 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.

(a) Basis of preparation

The financial statements conform to applicable UK accounting standards and have been prepared on a going concern basis under the historical cost convention, modified by the revaluation of certain fixed assets, and in accordance with the provisions of section 226 and Schedule 4 of the Companies Act 1985, as amended by the Companies Act 1989 and subsequent statutory instruments.

In accordance with FRS 1 'Cash Flow Statements' (Revised 1996) the Company has not prepared a cashflow statement as the ultimate holding company, Legal & General Group Plc, has included a group cashflow statement within its publicly available accounts.

The Company has taken advantage of the exemptions under the terms of FRS 8 'Related Party Disclosures' from disclosing related party transactions with entities that are part of Legal & General Group Plc or investees of Legal & General Group Plc.

The directors and key management of the Company had no material transactions with the Company or any other group undertakings.

(b) Tangible fixed assets

Tangible fixed assets are carried at cost less accumulated depreciation. Expenditure on equipment (principally computers) is depreciated on a straight line basis over their useful economic life, having regard to residual values. Immaterial items of capital expenditure are charged to the profit and loss account as incurred. The estimated useful economic lives are as follows:

Computer equipment and software	4 years
Office equipment, fixtures and fittings	8 years

(c) Leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

(d) Subsidiary undertakings

Investments in subsidiaries are carried at cost less impairment.

(e) Turnover

Turnover is stated excluding recoverable Value Added Tax and represents the amount derived from the provision of SIPPs and administration services to fellow group undertakings.

Turnover is recognised when the Company has the right to consideration for the services performed. Turnover is deferred and held within creditors representing the directors estimate of the fair value of the contractual obligations to perform services outstanding at the balance sheet date.

(f) Investment income

Investment income includes interest and rent. Investment income is recognised on an accruals basis.

(g) Deferred tax

The charge for taxation is based on the result for the year adjusted for disallowable items. Deferred taxation is provided in full on all timing differences at the rate at which it is expected that the tax liability or benefit will arise. Deferred tax assets are recognised to the extent that it is more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

(h) Pension costs

These pension schemes are administered by the company. Subsequent to the acquisition, the company participates in a defined contribution pension scheme as part of the L&G group for UK employees. The Company charges the costs of its pension schemes against operating profit as incurred, any difference between the cumulative amounts charged against profits and contribution amounts paid is included as a provision or prepayment in the balance sheet.

(i) Share based payments

The fair value of options granted after 7th November 2002 and those not yet vested as at 1 January 2008 is recognised as an employee expense in the accounts of the company with a corresponding increase in reserves. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that are expected to vest.

(j) Impairment

The Company reviews the carrying value of its assets at each balance sheet date where there has been an indication that impairment has occurred. If the carrying value of a fixed asset or goodwill is impaired, the carrying value is reduced through a charge to the profit and loss account.

2 Turnover

Turnover represents the amount of services provided (stated net of value added tax) during the year together with other income as noted below:

	2008	As Restated 2007
	£	£
SIPP administration fees	9,554,729	7,692,886
TIP and SIF administration fees	144,606	78,106
MasterSIPP fee income and interest turn	2,131,877	98,903
Commissions	2,445	34
Other income	279,400	190,175
Turnover	<u>12,113,057</u>	<u>8,060,104</u>
Cost of sales	-	-
Gross profit	12,113,057	8,060,104
Administrative expenses	<u>(12,728,208)</u>	<u>(7,732,433)</u>
Operating (loss) / profit	<u>(615,151)</u>	<u>327,671</u>

During the year, the turnover recognition has been changed to reflect the directors estimate of services which have been paid for in advance but are outstanding at the balance sheet date. The directors have concluded that this is a more appropriate accounting policy under FRS5 Application Note G Revenue Recognition as it better reflects the recognition for services completed. This reduced income in the period by £202,491 (2007:increased £67,721) and deferred £404,980 (2007:£202,489) on the balance sheet within creditors.

All business arose within the United Kingdom. In the opinion of the Directors, the Company operates in a single business segment, being that of administration of personal pension schemes.

3 Profit on ordinary activities before taxation

	2008	As Restated 2007
	£	£
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation of tangible fixed assets	565,174	-
Auditors' remuneration:		
Fees payable to the company's auditors for the audit of the company's annual accounts	21,966	18,250
Tax services	7,500	3,375
Expenses recharged to group undertakings	<u>-</u>	<u>(700,353)</u>

4 Interest payable and similar charges

	2008	2007
	£	£
Bank interest and charges	<u>1,094</u>	<u>466</u>

5 Staff costs

The average number of employees during the year was made up as follows:

	2008	2007
	No	No
Office and management - Full Time Equivalent (FTE)	<u>183</u>	<u>155</u>

The aggregate payroll costs of these persons, including amounts recharged to group undertakings, was as follows:

	2008	2007
	£	£
Wages and salaries	4,929,425	4,030,036
Social security costs	839,130	393,598
Other pension costs	287,024	192,128
Share based payments	128,833	298,808
	<u>6,184,412</u>	<u>4,914,570</u>

SUFFOLK LIFE PENSIONS LIMITED

NOTES TO FINANCIAL STATEMENTS

6 Directors' remuneration

	2008 £	2007 £
Directors' emoluments	<u>1,064,447</u>	<u>606,109</u>
Highest paid director, excluding pension contributions	<u>143,332</u>	<u>116,675</u>
Pension contributions for highest paid director	<u>-</u>	<u>5,000</u>

Certain of the Directors of the Company are also directors of Suffolk Life Group plc. Their remuneration in full is disclosed in this Company's report and accounts as they receive no incremental emoluments for their role as Directors of other Group companies.

No fees were paid by the Company to the Directors.

Emoluments relate to salaries, performance bonuses receivable, and amounts (excluding shares) receivable under long term incentive schemes.

During the year, all Directors of the Company exercised share options in Suffolk Life Group plc and continuing Directors received shares in Legal & General Group Plc under a long-term incentive scheme.

7 Other interest receivable and similar income

	2008 £	2007 £
Bank deposit and other loan interest	206,585	95,933
Interest on taxation	<u>4</u>	<u>1,119</u>

8 Tax on (Loss)/profit on ordinary activities

	2008 £	2007 £
<i>Current tax</i>		
UK Corporation tax on profits of the period	62,779	14,813
	<u>62,779</u>	<u>14,813</u>
<i>Deferred tax (note 17)</i>		
Origination and reversal of timing differences in the period	(167,112)	101,058
	<u>(167,112)</u>	<u>101,058</u>
	<u>(104,333)</u>	<u>115,871</u>

Factors affecting current tax charge/(credit) for the period:

The tax assessed for the period is higher (2007:higher) than the standard rate of corporation tax in the UK for a company being 28.5% (2007:30%).

The differences are explained below:

(Loss)/Profit on ordinary activities before taxation	<u>(409,656)</u>	<u>356,536</u>
Corporation tax rate at 28.5% (2007: 30%)	(116,741)	106,961
Disallowable expenditure	(248,374)	176,402
Other short term timing differences	-	3,825
Capital allowances in excess of depreciation (note 17)	(34,447)	(29,671)
Adjustment re prior year restatement	19,299	-
Relief under schedule 23 of Finance Act 2003 on exercise of share options	-	(34,981)
Group relief	-	(4,588)
Write off of software costs	443,042	-
Tax losses utilised	-	(195,447)
Effective small companies relief at 19% and 20%	-	(7,688)
UK Corporation tax for the year	<u>62,779</u>	<u>14,813</u>

9 Tangible Assets

Fixtures, fittings and equipment (principally computer equipment)	2008
	£
<i>Cost</i>	
At beginning of year	-
Transfer from group company	5,053,785
Additions	316,997
Write off of software costs	(2,629,324)
At end of year	<u>2,741,458</u>
<i>Depreciation</i>	
At beginning of year	-
Transfer from group company	(2,601,377)
Charge for the year	(402,812)
Write off of software costs	1,074,643
At end of year	<u>(1,929,546)</u>
Net book value at 31 December 2008	<u><u>811,912</u></u>
Net book value at 31 December 2007	<u><u>-</u></u>

10 Investments in group undertakings

	Ordinary shares at cost	NBV	Nominal value of ordinary shares
	£	£	£
The company owned the following subsidiary undertaking at the end of the year.			
Suffolk Life Trustees Limited	<u>100</u>	<u>100</u>	<u>100</u>

The principle activity of the subsidiary undertaking is that of a trustee company.

The subsidiary undertaking is wholly owned by Suffolk Life Pensions Limited and is registered in England & Wales.

The subsidiary undertaking has a 31 December financial year end.

11 Debtors

	2008	2007
	£	£
Trade debtors	144,261	115,650
Other debtors	100	100
Amounts owed by group undertakings	216,660	82,907
Deferred tax asset - recoverable in more than one year (note 17)	484,543	317,429
Prepayments and accrued income	444,745	138,853
	<u><u>1,290,309</u></u>	<u><u>654,939</u></u>

12 Creditors: amounts falling due within one year	2008	As Restated
	£	2007
		£
Trade creditors	245,882	109,228
Amounts owed to group undertakings	3,800	12,945
Other taxation and social security	289,936	35,587
Accruals and deferred income	552,923	389,748
Other creditors	10,000	21,350
	<u>1,102,541</u>	<u>568,858</u>

Accruals have been restated for income deferred for services paid for but yet to be performed at the balance sheet date as set out in note 2.

13 Share capital	2008	2007
	£	£
<i>Authorised</i>		
Equity: Ordinary shares of £1 each	<u>5,000,000</u>	<u>5,000,000</u>
<i>Allotted, called up and fully paid</i>		
Equity: Ordinary shares of £1 each	<u>3,484,770</u>	<u>870,000</u>

During the year 2,614,770 ordinary shares were issued in exchange for fixed assets. The nominal value of these shares was £1 and the consideration received was £2.6m.

14 Share based payments

The total charge relating to employee share based payments was £128,833 (2007:£298,808).

The company's immediate parent, Suffolk Life Group plc, has an unapproved Executive Share Option Scheme ("ESOS") and a Savings Related Employee Share Option Scheme ("ESOP"). Both schemes deliver settlements for equity only. The number of options exercised, option price, volatility, fair value and vesting periods are shown in the table below.

The fair value was determined using the Black-Scholes Option Pricing Model. The key input was the volatility assumption which was determined using historic data.

The number and weighted average exercise prices of share options in existence are as follows:

	2008	2008	2007	2007
	Weighted	Number of	Weighted	Number of
	average	options	average	options
	exercise		exercise	
	price		price	
	£		£	
Outstanding at the beginning of the period	10.64	689,316	10.34	461,485
Granted during the period	-	-	10.18	280,000
Forfeited during the period	15.43	(16,713)	6.39	(8,592)
Exercised during the period	10.75	(635,488)	5.32	(43,577)
Lapsed during the period	6.63	(37,115)	-	-
Outstanding at the end of the period	<u>-</u>	<u>-</u>	<u>10.64</u>	<u>689,316</u>
Exercisable at the end of the period	<u>-</u>	<u>-</u>	<u>11.38</u>	<u>595,000</u>

During the year, all directors of the company exercised share options in Suffolk Life Group plc and only certain Directors received shares in Legal & General Group Plc under a long-term incentive scheme.

14 Share based payments (continued)**Share bonus plan**

SBP grants from 2005 award restricted shares which vest with employees three years after the grant date. SBP grant recipients are entitled to both vote and receive dividends. The rights associated with SBP grants are normally forfeited on leaving the Group.

The fair value of the shares awarded has been calculated as the market value on the grant date.

During the year, 563,947 shares (2007: Nil shares) were awarded under the SBP to employees of Suffolk Life Pensions Limited. The weighted average fair value of the shares issued was 98.8p (2007: Nil). Suffolk Life Pensions Ltd recognised a total expense of £130,272 (2007: £Nil) relating to the SBP.

15 Retained Profit

	2008 £	As restated 2007 £
At 1st January	1,284,645	677,451
Retained	(305,323)	308,386
Share option charges	128,833	298,808
At 31st December	<u>1,108,155</u>	<u>1,284,645</u>

16 Reconciliation of movements in shareholders' funds

	Share capital £	Profit & loss reserves £	Total £
Opening shareholder's funds - as restated	870,000	1,284,645	2,154,645
Loss for the financial year	-	(305,323)	(305,323)
Issue of share capital	2,614,770	-	2,614,770
Share option charges	-	128,833	128,833
Closing shareholders' funds	<u>3,484,770</u>	<u>1,108,155</u>	<u>4,592,925</u>

17 Deferred taxation

The deferred tax assets recognised at 28% (2007: 28%) are set out below:

	2008 £	2007 £
Tax losses carried forward	-	132,438
Schedule 23 deductions	-	101,915
Depreciation in excess of capital allowances	484,543	83,078
	<u>484,543</u>	<u>317,431</u>
At 1 January 2008	317,431	418,489
Deferred tax credit/(debit) in profit and loss account for the period (note 8)	167,112	(101,058)
At 31 December 2008	<u>484,543</u>	<u>317,431</u>

18 Pensions

The Company participates in the following pension schemes in the UK.

- Legal & General Staff Stakeholder Pension Scheme (UK) - a defined contribution scheme.

There were no contributions prepaid or outstanding at 31 December 2008 in respect of these schemes and the Group has no liability for retirement benefits other than for pensions.

19 Contingent liabilities

In 2005 staff exercised options of 665,000 shares in the immediate parent company, Suffolk Life Group plc. The company did not consider the shares at the time to be readily convertible assets and, therefore, did not assess and pay PAYE and National Insurance. This has been challenged by HMRC. The directors estimate that the company has a potential liability of £150,000 if it is determined that the group's shares were readily convertible assets.

20 Related party transactions

Certain of the directors have a self invested personal pension with Suffolk Life Annuities Limited, a sister company, and this company made pension contributions to these.

21 Ultimate parent company

The immediate parent undertaking is Suffolk Life Group plc, which was the ultimate parent undertaking until 1st May 2008 when the group was sold.

The ultimate parent company is Legal & General Group Plc, a company incorporated in England & Wales - the controlling party which consolidates the financial statements of the Company. These accounts therefore provide information about the Company as an individual undertaking. Copies of the accounts of the ultimate holding company, Legal & General Group Plc, are available at the Registered Office, One Coleman Street, London, EC2R 5AA.