

SUFFOLK LIFE GROUP PLC

REPORT AND ACCOUNTS

2008

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SUFFOLK LIFE GROUP PLC

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Registered Office:
153 Princes Street
Ipswich
Suffolk
IP1 1QJ

Registered in England & Wales No. 2962287

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

Principal activities

The company was acquired by Legal & General Retail Investment (Holdings) Limited, a subsidiary of Legal & General Group Plc in May 2008.

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

The principal activity of Suffolk Life Group plc is that of a holding company.

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

Results and dividends

The company's profit before tax for the year was £631,000 (2007: loss £419,000). The Company directors do not recommend the payment of a dividend (2007: £293,977).

The results include an exceptional cost of £1,031,000 relating to the write off of costs associated with the disposal of the group to Legal & General Retail Investment (Holdings) Limited. The company also transferred at net book value of £2,614,770 all of its fixed assets to Suffolk Life Pensions Limited at the beginning of the year and in exchange increased its shareholding in the subsidiary by 2,614,770 ordinary shares of £1 each. Recharges of £901,000 in 2007 were no longer applicable in 2008.

During the year, the company made a loan to a fellow subsidiary Legal & General Finance Plc for £7million.

Principal Risks and uncertainties facing the group

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

1) Market and Economic Conditions

The Group's principal business is the administration of pensions and market uncertainty will limit the potential for new business. The market is open to increased competition.

2) Regulation and Legislation

The group 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 group 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 group's strategy and profitability.

Operational risk

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

A continuous process is in place to formally identify, evaluate and manage significant risks to achieve the Group's objectives. A standard approach is used to assess risks. The group maintains a risk register that is regularly discussed by the group'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 group.

DIRECTORS' REPORT

Financial Risk management

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

All cash deposits held by the group 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.

Directors' Insurance

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

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 10 days (2007: 10 days).

Directors

The directors who held office during the year, or who were appointed or retired during the year, are as follows:

HN Catchpole		SR Pistell	(Appointed 15 May 2008)
RAK Chester		PG Burley	(Resigned 15 May 2008)
IW Furniss		KG Burrage	(Resigned 11 December 2008)
AJ Moret		HG May	(Resigned 12 September 2008)
PV Weir		JW Poulter	(Resigned 15 May 2008)
AJ Scott-Barrett	(Chairman)		(Resigned 15 May 2008)
CRR Avery	(Chairman)		(Appointed 15 May 2008; Resigned 28 January 2009)
R G Williams			(Appointed 15 May 2008)
LW Dobson			(Appointed 15 May 2008)
CF Jones			(Appointed 12 September 2008)

IW Furniss resigned, as company secretary on 1 October 2008 and AD Fairhurst was appointed.

Auditors

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

A resolution to reappoint the auditors, PricewaterhouseCoopers LLP, who have expressed their willingness to be re-appointed will be proposed at the Annual General Meeting.

DIRECTORS' REPORT

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.

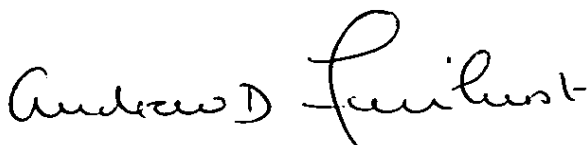
The directors confirm that they have complied with the above requirements in preparing the financial statements.

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.

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
Company Secretary

29 April 2009

Report of the independent auditor to the members of Suffolk Life Group plc

We have audited the financial statements of Suffolk Life Group plc for the year ended 31 December 2008 which comprise the Profit and Loss Account, the Balance Sheet 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 on 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 whether in our opinion the information given in the Directors' Report is 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 profit 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

3029 April 2009

SUFFOLK LIFE GROUP PLC
PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2008

	<i>Note</i>	2008 £'000	2007 £'000
Profit on continuing operations			
Turnover	<i>1 (c)</i>	-	901
Gross profit		<u>-</u>	<u>901</u>
Administrative expenses		<u>(17)</u>	<u>(1,082)</u>
Operating (loss)		(17)	(181)
Income from shares in group undertaking	<i>3</i>	1,500	-
Exceptional Item	<i>4</i>	(1,031)	(225)
Other interest payable and similar charges	<i>5</i>	(17)	(14)
Other interest receivable and similar income	<i>2</i>	196	1
Profit / (Loss) on ordinary activities before taxation	<i>4</i>	<u>631</u>	<u>(419)</u>
Tax on profit / (loss) on ordinary activities	<i>7</i>	(103)	30
Retained profit / (loss) for the year	<i>16</i>	<u><u>528</u></u>	<u><u>(389)</u></u>

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 9 to 16 form an integral part of these financial statements.

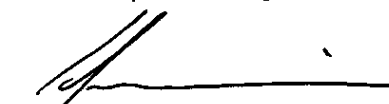
SUFFOLK LIFE GROUP PLC
BALANCE SHEET

As at 31 December 2008

	<i>Note</i>	2008 £'000	2008 £'000	2007 £'000	2007 £'000
Fixed assets					
Freehold property	8	-		500	
Other tangible fixed assets	9	-		2,615	
Investments	10	4,943		2,328	
			4,943		5,443
Current assets					
Current asset investments	12	-		2	
Debtors	13	7,006		134	
Cash at bank and in hand		635		-	
		7,641		136	
Creditors: amounts falling due within one year	14	(136)		(500)	
Net current liabilities			7,505		(364)
Net assets			12,448		5,079
Capital and reserves					
Called up share capital	15		3,939		3,303
Share premium account	16		7,146		941
Profit and loss account	16		1,363		835
Shareholders' funds attributable to equity interests	15		12,448		5,079

These financial statements on pages 7 to 17 were approved by the Board of directors on 28 April 2009 and signed on its behalf by:


MHN Catchpole
Director


IW Furniss
Director

The notes on pages 9 to 17 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) Investments

Investments in subsidiaries are carried at cost less impairment.

(c) Turnover

Turnover is stated excluding recoverable Value Added Tax and represents the amount derived from the provision of goods and services to fellow group undertakings, relating to the year. Income is deferred at the balance sheet date for amounts not earned by that date and against which costs will be incurred in the future.

(d) 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.

(e) Investment income

Dividends receivable from Group companies are recognised when paid for interim dividends, and when approved by the members for final dividends.

(f) 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.

1 Accounting policies (continued)**Tangible fixed assets and depreciation**

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

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

2 Other interest receivable and similar income

	2008 £'000	2007 £'000
Bank deposit and other interest	196	1
	<u>196</u>	<u>1</u>

3 Income from shares in group undertaking

	2008 £'000	2007 £'000
Dividend received from group undertaking	1,500	-
	<u>1,500</u>	<u>-</u>

4 Profit / (loss) on ordinary activities before taxation

	2008 £'000	2007 £'000
Profit on ordinary activities before taxation		
is stated after charging:		
Depreciation and other amounts written off owned tangible fixed assets	162	898
Profit / (loss) on disposal of fixed assets	27	(8)
Auditors' remuneration:		
Fees payable to the company's auditor for the audit of the company's annual accounts	14	11
Fees payable to the company's auditor and its associates for other services:		
The audit of the companies subsidiaries, pursuant to legislation	-	33
Other services pursuant to legislation	-	32
Tax services	5	14
	<u>5</u>	<u>14</u>

The results reflect an exceptional cost of £1,031,000 relating to the write off of costs associated with the disposal of the group to Legal & General Retail Investment (Holdings) Limited.

5 Interest payable and similar charges

	2008 £'000	2007 £'000
Interest payable - on bank overdrafts	17	12
Interest payable - on finance leases	-	2
	<u>17</u>	<u>14</u>

6 Staff numbers and costs

	2008 £'000	2007 £'000
Directors' emoluments	16	688

All staff costs excluding fees paid to Non-Executive Directors are borne by Suffolk Life Pensions Limited, a group undertaking.

7 Taxation

	2008 £'000	2007 £'000
<i>Current tax</i>		
UK corporation tax on profits of the period.	90	-
	<u>90</u>	<u>-</u>
<i>Deferred tax</i>		
Origination and reversal of timing differences (see note 17)	13	(30)
	<u>13</u>	<u>(30)</u>
Tax (credit) on profit on ordinary activities	<u>103</u>	<u>(30)</u>
The tax assessed for the year is lower than the standard rate of corporation tax in the UK of 28.5% (2007:30%) as explained below:		
Profit / (Loss) before taxation	<u>631</u>	<u>(419)</u>
UK corporation tax at 28.5% (2007: 30%)	180	(126)
Disallowable expenditure	287	48
Capital allowances short of depreciation	59	30
Non taxable income, including UK dividends	(428)	-
Excess management expenses carried forward	-	48
Other short term timing differences	(8)	-
Current tax charge for the period	<u>90</u>	<u>-</u>

8 Freehold land and buildings

	2008 £'000	2007 £'000
Cost or valuation		
At beginning of year	557	557
Disposals	(557)	-
At end of year	<u>-</u>	<u>557</u>
Depreciation		
At beginning of year	57	49
Charge for the year	1	8
Disposals	(58)	-
At end of year	<u>-</u>	<u>57</u>
Net book value		
At 31 December 2008	<u>-</u>	<u>500</u>
At 31 December 2007	<u>500</u>	<u>508</u>
At cost	<u>-</u>	<u>557</u>

9 Tangible fixed assets

	Office equipment fixtures and fittings £'000	Computer hardware & software £'000	Total £'000
<i>Cost or valuation</i>			
At beginning of year	714	4,339	5,053
Disposals	(714)	(4,339)	(5,053)
At end of year	-	-	-
<i>Depreciation</i>			
At beginning of year	201	2,237	2,438
Charge for the year	15	147	162
Disposals	(216)	(2,384)	(2,600)
At end of year	-	-	-
<i>Net book value</i>			
At 31 December 2008	-	-	-
At 31 December 2007	513	2,102	2,615

10 Investments in group undertakings

	Shares in group undertakings £'000
<i>Cost</i>	
At beginning of year	2,328
Additions	2,615
At end of year	4,943
<i>Net book value</i>	
At 31st December 2008	4,943
At 31 December 2007	2,328

11 Investments

The principal subsidiary undertakings of Suffolk Life Group plc are listed below. Each undertaking operates mainly in its country of incorporation and has only one class of issued ordinary shares, all of which are held by the Suffolk Life Group. None of the subsidiary undertakings omitted from the list materially affects the profits or assets of the Company.

All subsidiary undertakings are wholly-owned by the Company and are registered in England and Wales.

	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	2,837,597	3,227,811	3,484,770	Management and administration of pension funds
Suffolk Life Services Limited	71,671	71,671	300,000	Provision of guarantee credits and management of secured loans

12 Current asset investments

	Other investments £'000
<i>Cost</i>	
At beginning of year	2
Disposals	(2)
At end of year	-
At 31 December 2008	-
At 31 December 2007	2

13 Debtors

	2008 £'000	2007 £'000
Amounts owed by fellow undertakings	7,006	-
Taxation and social security	-	3
Deferred tax	-	13
Other debtors	-	118
	<u>7,006</u>	<u>134</u>

14 Creditors: amounts falling due within one year

	2008 £'000	2007 £'000
Amounts owed to credit institutions		
Bank loans and overdrafts	-	187
	<u>-</u>	<u>187</u>
Other creditors		
Amounts due to group undertakings	12	8
Other taxation and social security	110	-
Accruals and deferred income	12	97
Other creditors	2	208
	<u>136</u>	<u>313</u>
	<u>136</u>	<u>500</u>

15 Share capital

	2008 £'000	2007 £'000
Authorised		
Equity: Ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>
Allotted, called up and fully paid		
Equity: Ordinary shares of £1 each	<u>3,939</u>	<u>3,303</u>

During the year 635,488 Ordinary Shares were allotted, with a nominal value of £635,488. Consideration received for the shares issued was £6,840,494.

15 Share capital (continued)

Options exercised during the year are as follows:

	Options granted	Price per share £	Period of option	Number of options
2001 Employee Share Option Scheme	2001	3.20	2006 to 2009	5,735
2002 Employee Share Option Scheme	2002	4.80	2007 to 2010	11,571
2003 Employee Share Option Scheme	2003	5.60	2008 to 2011	9,774
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	12,685
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 Employee Share Option Scheme	2005	6.50	2010 to 2013	7,680
2006 Employee Share Option Scheme	2006	7.10	2011 to 2014	8,043
2006 Share Option Scheme	2006	8.00	2006 to 2009	2,500
2006 Share Option Scheme	2006	12.00	2006 to 2010	2,500
2007 Share Option Scheme	2007	10.00	2007 to 2010	200,000
2007 Share Option Scheme	2007	10.00	2007 to 2008	10,000
2007 Share Option Scheme	2007	10.00	2007 to 2009	10,000
2007 Share Option Scheme	2007	10.50	2007 to 2009	50,000
2007 Share Option Scheme	2007	12.50	2007 to 2010	10,000
				635,488

16 Reconciliation of movements in shareholders' funds

	Share Capital Account £'000	Share Premium Account £'000	Profit and loss account £'000	Total £'000
Company				
At beginning of year	3,303	941	835	5,079
New share capital subscribed	636	6,205	-	6,841
Profit for the financial year	-	-	528	528
At end of year	3,939	7,146	1,363	12,448

No dividend was paid during the year (2007 a dividend of £0.10 per share was paid amounting to £293,977).

17 Deferred taxation

The amounts provided for deferred taxation at 28% (2007: 28%) are set out below:

	2008 £'000	2007 £'000
Depreciation in (excess) of accelerated capital allowances	-	(13)
Net deferred tax asset	-	(13)
At 1 January 2008	(13)	17
Amount debited /(credited) in profit and loss account for period (note 11)	13	(30)
At 31 December 2008	-	(13)

18 Related party disclosures

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

19 Share based payments

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

Suffolk Life Group plc has an unapproved Executive Share Option Scheme ("ESOS") and its Savings Related Employee Share Option Scheme ("ESOP"). Both schemes deliver settlements for equity only. The number of options issued, 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 Weighted average exercise price £	2008 Number of options	2007 Weighted average exercise price £	2007 Number of options
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	-	-	10.64	689,316
Exercisable at the end of the period	-	-	11.38	595,000

20 Ultimate parent company

The immediate parent undertaking is Legal & General Retail Investment (Holdings) Limited.

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.