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Registered number: 02962287



**SUFFOLK LIFE GROUP LIMITED**  
**FINANCIAL STATEMENTS**  
**2015**

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## **SUFFOLK LIFE GROUP LIMITED**

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Registered office:  
153 Princes Street  
Ipswich  
Suffolk  
IP1 1QJ

Registered in England & Wales No. 02962287

## SUFFOLK LIFE GROUP LIMITED

### STRATEGIC REPORT

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#### Principal activities

The principal activity of the Company is that of a holding company for a group which provides and administers Self Invested Personal Pensions (SIPPs) and similar self invested pensions. The directors do not envisage any change in activities in the foreseeable future. The Company's principal operating subsidiaries are Suffolk Life Annuities Limited and Suffolk Life Pensions Limited. The Company's registered office is 153 Princes Street, Ipswich IP1 1QJ.

#### Business review

The Company made a profit of £2,709,621 (2014: £13,149) for the financial year. The total equity stood at £7,177,621 (2014: £12,667,518) at the year end.

The Company is part of the Suffolk Life group of companies (the "Group") which consists of the following:

	Relationship	Nature of business
Suffolk Life Annuities Limited	Company subsidiary	Life insurance and pension provider
Suffolk Life Pensions Limited	Company subsidiary	Management and administration of pension funds
Suffolk Life Trustees Limited	Company subsidiary	Trustee company (dormant)
Suffolk Life (Spartan Estate) Limited	Company subsidiary	Trustee company (dormant)
SLA Property Company Limited	Company subsidiary	Trustee company (dormant)

As a wholly-owned subsidiary, the Company is exempt from preparing consolidated financial statements under Section 400 of the Companies Act 2006.

This is the first year that the Company has presented its results under FRS 101. The last financial statements under UK GAAP were for the year ended 31 December 2014, with the date of transition being 1 January 2014. Shareholders were notified of, and did not object to, the use of the EU-adopted IFRS disclosure exemptions. There were no material recognition or measurement differences arising on the adoption of FRS 101.

#### Principal risks and uncertainties

The directors of Legal & General Group Plc manage the group's risk at group level rather than at an individual business unit level. For this reason, the Company's directors believe that a discussion of the group's risks would not be appropriate for an understanding of the development, performance or position of the Company's business. The principal risks and uncertainties of the Legal & General Group, which includes those of the Company, are discussed in the Strategic Report of the group's annual report, which does not form part of this report.

##### 1) Compliance Risk

The Suffolk Life group ('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 taxation 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. There is an increasing volume of regulatory and legislative change and a developing international dimension. The SIPP competitor market is consolidating as a result.

The Group regards compliance with regulation as very important and is continuously monitoring the position to ensure that it meets its regulatory obligations. Significant, unanticipated changes could impact the Group's ability to develop, market and administer its products effectively and compliantly and have a detrimental effect on the Group's strategy and profitability.

## SUFFOLK LIFE GROUP LIMITED

### STRATEGIC REPORT (continued)

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#### Principal risks and uncertainties (continued)

##### *2) Market and economic conditions*

The Group's principal business is the provision and administration of SIPPs and similar self invested products. Over recent years SIPPs have been growing in popularity compared to other pension products. However, the volume of new business is subject to economic conditions, individuals' propensity to save and competitor activity. The market is still increasingly competitive and products are often selected on price.

Market impacts on profitability or regulatory changes affecting the Group may lead to a requirement for Suffolk Life Group Limited to provide additional financial support to its subsidiaries, Suffolk Life Annuities Limited and Suffolk Life Pensions Limited, in order for them to maintain the necessary regulatory capital.

There is also an exposure to interest rate risk on banking deposits held in the ordinary course of business, which is continually monitored by the Company.

The referendum on UK membership of the European Union also has the potential to increase financial market volatility as markets speculate on the impact of the potential outcomes.

##### *3) Operational risk impacting*

The Group faces operational risks associated with the administration of SIPPs and similar self invested pension products. Given the nature of the Group's business, maintaining its reputation for self invested pension administration is important. Operational risk cannot be completely eliminated; the Group's Management of Financial Risk Framework is set out in note 2 to the financial statements.

The loss of key personnel could impact the Group's financial and operational performance. The Group actively focuses on retaining the best personnel and ensuring that key dependencies do not arise through employee training and development programmes, remuneration strategies and succession planning. Failure to manage resource effectively, particularly during periods of significant change, may impact the Group's earnings and operational effectiveness.

##### *4) Counterparty Credit Risk*

The Group's exposure to counterparties is the risk arising from the failure of the banks that hold the Group's liquid assets. All cash deposits held by the Group are short term and are subject to pre-approval by the Suffolk Life Asset & Liability Committee (SLALCO). The failure of a significant counterparty could result in disruption, adverse media and financial loss.

The Group is potentially exposed to the failure of an insurance company with which Suffolk Life Annuities Limited has taken out a trustee investment plan to hold SIPP investments as requested by the policyholder.

##### *5) Financial risk*

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.

The Group uses Internal Capital Adequacy Assessment Process (ICAAP) and Individual Capital Assessment (ICA) principles to manage its risk capital requirements and to ensure it has the financial strength and capital adequacy to support the growth of the business and to meet the requirements of policyholders and regulation.

The liquidity risk relating to the obligation Suffolk Life Annuities Limited has towards policyholders is limited by the fact that all funds being administered are held under non-participating investment contracts where the policyholders accept the liquidity risk of the assets they choose.

**SUFFOLK LIFE GROUP LIMITED**

**STRATEGIC REPORT (continued)**

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**Financial key performance indicators**

The directors utilise a range of measures in their ongoing assessment of the Company's performance. The key measure along with their full year results is detailed below:

Key Performance Indicator	31 December 2015	31 December 2014	Definition
Profit after tax for the financial year (£'000)	2,710	13	This is on a new United Kingdom GAAP reported basis and is compared group wide to plan on a monthly basis.

By Order of the Board



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

29 March 2016

## **SUFFOLK LIFE GROUP LIMITED**

### **DIRECTORS' REPORT**

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The directors present their annual report together with the audited financial statements of Suffolk Life Group Limited ("the Company") for the year ended 31 December 2015.

#### **Future developments**

On 15 January 2016 it was announced that Curtis Banks Group Plc has agreed to purchase 100% of the shares in the Company from Legal & General Retail Investments (Holdings) Limited. The purchase is expected to complete in the first half of 2016, subject to regulatory approval. The directors consider the change in ownership to have a neutral effect on the Company's financial performance. Other future developments of relevance to the Company can be found within the Principal Activities section of the Strategic Report.

#### **Result for the year and dividend**

The results of the Company are set out on page 10. The Company's profit on ordinary activity before taxation for the year was £2,712,621 (2014: profit of £17,149).

On 10 September 2015 the Board resolved a capital reduction by way of a Statement of Solvency in accordance with Section 642 of the Companies Act 2006 to be effected by a reduction in the Company's Share Premium Account from £7,146,390 to £ nil by the cancellation of the Share Premium per ordinary share of £1.8143. This resolution was accepted by Companies House on 22 September 2015. An interim dividend was proposed and agreed at a meeting of the Board on 28 September 2015 and a subsequent dividend payment of £8,200,000 was made to the Company's parent company, Legal & General Retail Investments (Holdings) Limited on 29 September 2015. The directors do not recommend the payment of a final dividend (2014: £nil).

#### **Going Concern**

No material uncertainties that cast significant doubt about the ability of the Company to continue as a going concern have been identified by the directors.

#### **Financial Instruments**

Legal & General companies use financial instruments to manage certain financial risks. 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.

The Company's exposure to price risk, credit risk, liquidity risk and cash flow risk is not material for an assessment of the Company's assets, liabilities, financial position and profit and loss. No further information has therefore been provided.

#### **Directorate**

The directors of the Company, who were in office during the year and up to the date of signing the financial statements are shown below:

W A Self  
J M Bury  
M P Rudge (appointed 27 April 2015)  
S T Lloyd (resigned 27 April 2015)

R A K Chester (resigned 14 January 2015)  
C F Jones (resigned 14 January 2015)  
D P Fagan (resigned 14 January 2015)

#### **Directors' insurance**

The ultimate parent company, Legal & General Group Plc, maintains an appropriate level of Directors' and Officers' liability insurance which is reviewed annually.

## SUFFOLK LIFE GROUP LIMITED

### DIRECTORS' REPORT (continued)

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#### Directors' indemnities (S236 of the Companies Act 2006)

As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force.

#### Financial risk management

Disclosure on financial risk management is included in the Strategic Report.

#### Statement of Directors' Responsibilities

The directors are responsible for preparing the Strategic Report, 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 prepared the financial statements in accordance with United Kingdom Accounting Standards, comprising Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101"), and applicable law (United Kingdom Generally Accepted Accounting Practice).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of the affairs of the Company and of the profit or loss of the Company 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 accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed;
- notify the Company shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of 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.

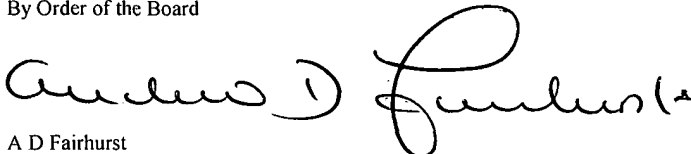
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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, who held 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) he has taken all the steps that he ought to have taken as a director in order to make himself 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 March 2016

## **SUFFOLK LIFE GROUP LIMITED**

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SUFFOLK LIFE GROUP LIMITED**

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#### **Report on the financial statements**

##### **Our opinion**

In our opinion, Suffolk Life Group Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the Company's affairs as at 31 December 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

##### **What we have audited**

The financial statements comprise:

- the Statement of Financial Position as at 31 December 2015;
- the Income Statement for the year then ended;
- the Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

##### **Opinion on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements;
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the Company and its environment, obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

##### **Other matters on which we are required to report by exception**

##### **Adequacy of accounting records and information and explanations received**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SUFFOLK LIFE GROUP LIMITED (continued)

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**Directors' remuneration**

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

**Responsibilities for the financial statements and the audit**

**Our responsibilities and those of the directors**

As explained more fully in the Directors' Responsibilities Statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

**What an audit of financial statements involves**

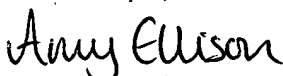
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.



Amy Ellison (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London

29 March 2016

**SUFFOLK LIFE GROUP LIMITED**

**INCOME STATEMENT**

**For the year ended 31 December 2015**

	<i>Note</i>	<b>2015 £'000</b>	<b>2014 £'000</b>
<b>Continuing operations</b>			
Administrative expenses		(5)	(7)
Other income	6	2,718	24
<b>Profit on ordinary activities before taxation</b>	4	<u>2,713</u>	<u>17</u>
Income tax expense	9	(3)	(4)
<b>Profit and total comprehensive income for the year</b>		<u><u>2,710</u></u>	<u><u>13</u></u>
 Dividend distributions to equity holders of the Company during the year	 10	 8,200	 -

There were no gains or losses in the year other than those included in the above income statement.

The notes on pages 13-19 form an integral part of these financial statements.

## STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Note	2015 £'000	2014 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Investments in subsidiaries, associates and joint ventures	11	7,000	7,000
<b>Total non-current assets</b>		<u>7,000</u>	<u>7,000</u>
<b>Current assets</b>			
Trade and other receivables	12	-	5,123
Cash and cash equivalents		183	548
<b>Total assets</b>		<u>7,183</u>	<u>12,671</u>
<b>Current liabilities</b>			
Trade and other payables	13	2	-
Current tax liabilities	13	3	3
<b>Total liabilities</b>		<u>5</u>	<u>3</u>
<b>Net assets</b>		<u>7,178</u>	<u>12,668</u>
<b>Equity</b>			
Share capital and share premium	14	3,939	11,085
Retained earnings		3,239	1,583
<b>Total equity</b>		<u>7,178</u>	<u>12,668</u>

The notes on pages 13-19 form an integral part of these financial statements.

The financial statements on pages 10-19 were authorised for issue by the Board of directors on 29 March 2016 and were signed on its behalf by:

W A Self  
Director

M P Rudge  
Director

## STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

For the year ended 31 December 2015	Note	Share Capital £'000	Share Premium £'000	Retained Earnings £'000	Total Equity £'000
As at 1 January 2015	14	3,939	7,146	1,583	12,668
Profit for the financial year and total comprehensive income		-	-	2,710	2,710
Cancellation of Share Premium Account		-	(7,146)	7,146	-
Dividends paid	10	-	-	(8,200)	(8,200)
As at 31 December 2015		<u>3,939</u>	<u>-</u>	<u>3,239</u>	<u>7,178</u>

For the year ended 31 December 2014		Share Capital £'000	Share Premium £'000	Retained Earnings £'000	Total Equity £'000
As at 1 January 2014	14	3,939	7,146	1,570	12,655
Profit for the financial year and total comprehensive income		-	-	13	13
Dividends paid		-	-	-	-
As at 31 December 2014		<u>3,939</u>	<u>7,146</u>	<u>1,583</u>	<u>12,668</u>

## SUFFOLK LIFE GROUP LIMITED

### NOTES TO FINANCIAL STATEMENTS

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#### 1 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

##### (a) Basis of preparation

The Company is a private limited company incorporated and domiciled in the UK.

The financial statements of Suffolk Life Group Limited have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings and derivative financial assets and financial liabilities measured at fair value through profit and loss and in accordance with the Companies Act 2006 as applicable to companies using FRS 101.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- IFRS 7, 'Financial Statements: Disclosures'
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities)
- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
  - paragraph 79(a)(iv) of IAS 1
- The following paragraphs of IAS 1, 'Presentation of financial statements':
  - 10(d), (statement of cash flows)
  - 10(f), (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements),
  - 16 (a statement of compliance with all IFRS),
  - 38A (requirement for minimum of two primary statements, including cash flow statements),
  - 38B-D (additional comparative information),
  - 40A-D (requirements for a third statement of financial position)
  - 111 (cash flow statement information) and
  - 134-136 (capital management disclosures)
- IAS 7, 'Statement of cash flows'
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation)
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.

##### (b) Going Concern

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

##### (c) Consolidation

The Company is a wholly-owned subsidiary of Legal & General Retail Investments (Holdings) Limited and of its ultimate parent, Legal & General Group Plc. It is included in the consolidated financial statements of Legal and General Group Plc, which are publically available. Therefore the Company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements.

These financial statements are separate financial statements.

**SUFFOLK LIFE GROUP LIMITED**

**NOTES TO FINANCIAL STATEMENTS (continued)**

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**1 Summary of significant accounting policies (continued)**

**(d) Investments in subsidiaries, associates and joint ventures**

Shares in trading vehicles are carried at cost and are considered for impairment at each reporting date.

**(e) Impairment**

For assets held at amortised cost the Company reviews the carrying value of its assets at each balance sheet date. Where there has been an indication that impairment has occurred, the carrying value is reduced through a charge to the income statement.

**(f) Cash and cash equivalents**

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the Statement of Financial Position, bank overdrafts are shown within 'Current liabilities'.

**(g) Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable and represents amounts stated net of value added taxes. The group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the group's activities, as described below:

**- Dividend income**

For interim dividends, the dividend income is recognised when paid, and for final dividends, it is recognised when approved by the respective subsidiary's Board.

**- Interest income**

Interest income is recognised using the effective interest method.

**(h) Investment income**

Investment income includes dividends and interest. Dividends receivable from Group companies are recognised when paid for interim dividends, and when approved by the subsidiary Board for final dividends. All other investment income is recognised on an accruals basis.

**(i) Current and deferred income tax**

The tax expense for the period comprises current and deferred tax. Tax is recognised on the Income Statement except to the extent that it relates to items recognised in other comprehensive income or directly in Shareholders' Funds. In this case, the tax is also recognised in Other Comprehensive Income or directly in Shareholders' Funds respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the date of the Statement of Financial Position in the countries where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; or arise from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the date of the Statement of Financial Position and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

**(j) Dividend recognition**

A dividend distribution to the Company's shareholders is recognised as a liability in the period in which the dividends are authorised and are no longer at the discretion of the Company.

## SUFFOLK LIFE GROUP LIMITED

### NOTES TO FINANCIAL STATEMENTS (continued)

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#### 2 Management of risk

The Suffolk Life group of companies (Suffolk Life Group Limited, Suffolk Life Pensions Limited, Suffolk Life Annuities Limited, together the "Group") approach to managing its principal risks is set out below.

Overall responsibility for the management of the Group's risks is vested in the Group's Board. To support it in this role, a risk framework is in place comprising a structure of committees, risk assessment and reporting processes and risk review functions. The framework seeks to provide assurance that risks are being appropriately identified and managed and that an independent assessment of risks is being performed.

Oversight of risk management across the Legal & General group is performed by the Legal & General Group Risk Committee. The committee's role is to ensure the effectiveness of the overall risk framework and that key risks to the Legal and General group are being identified and assessed relative to the appetite, and monitored and controlled in line with the Legal & General group risk appetite.

Strategic and inherent risks are reviewed on an annual basis by the Suffolk Life Risk and Compliance Committee (SLRCC) and the Suffolk Life Boards. Strategic risks are the risks and uncertainties that arise from, or are associated with, the strategy of Suffolk Life and the business environment in which it operates. Inherent risks are generally those risks that may arise from the types of products sold; the investment assets held to meet liabilities; and the overall business operating model.

The nature of strategic and inherent risks is such that it is not always possible to fully mitigate the potential for loss should the risk crystallise. Accordingly, as part of the evaluation of Suffolk Life's risk based capital requirement, consideration is given to the risk capital, to be held where appropriate, against these types of risk.

#### Counterparty credit risk

Counterparty credit risk is the risk of loss if another party fails to perform its financial obligations to the Company.

The Group's exposure to counterparties is the risk arising from the failure of the banks that hold the Group's liquid assets. All cash deposits held by the Group are short term and are subject to pre-approval by the Suffolk Life Asset & Liability Committee (SLALCO). The failure of a significant counterparty could result in disruption, adverse media and financial loss.

Suffolk Life Annuities Limited (SLA) is potentially exposed to the failure of an insurance company with which the company has taken out a trustee investment plan to hold SIPP investments as requested by the policyholder. This is considered when deciding on the capital reserves required by Suffolk Life Annuities Limited for regulatory Pillar I solvency purposes and amounts to a contingent credit reserve of £0.44 million (2014: £0.42 million).

#### Financial and liquidity risk

Financial risk is the risk that a firm will be unable to meet its financial obligations.

Suffolk Life Pensions Limited (SLP) is not significantly exposed to financial risk through its financial assets and financial liabilities.

SLP uses Internal Capital Adequacy Assessment Process (ICAAP) principles to manage the Company's risk capital requirements and to ensure that it has the financial strength and capital adequacy to support the growth of the business and to meet the requirements of policyholders and regulators.

SLA is not significantly exposed to financial risk through its financial assets and financial liabilities as these are held within non-participating investment contracts so SLA bears no insurance risk for such obligations. The financial risk on these contracts is borne by the policyholders as there is a direct link between the investments and the obligations arising from them. SLA is, therefore, not directly exposed to any market risk or currency risk for these contracts.

SLA uses Individual Capital Assessment (ICA) principles to manage the Company's risk capital requirements and to ensure that it has the financial strength and capital adequacy to support the growth of the business and to meet the requirements of policyholders and regulators.

Liquidity risk is the risk that the Company, although solvent, either does not have available sufficient financial resources to enable it to meet its obligations as they fall due, or can secure them only at excessive cost.

In relation to SLA's non-participating investment contracts payment obligations are dependent on sufficient liquid funds being available for each specific contract. This is managed by holding all cash in separate instant access bank accounts so that any funds required should be immediately available.

The liquidity risk relating to the obligation SLA has towards policyholders is limited by the fact that all funds being administered are held under non-participating investment contracts where the policyholder accepts the liquidity risk of the investments they choose.

## SUFFOLK LIFE GROUP LIMITED

### NOTES TO FINANCIAL STATEMENTS (continued)

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#### 2 Management of risk (continued)

##### Market risk

Market risk is the risk that arises from fluctuations in values of, or income from, assets or in interest or exchange rates.

There is an exposure to interest rate risk on banking deposits held in the ordinary course of business, which is continually monitored by the SLALCO.

SLA is not materially affected by market risks in respect of obligations under non-participating investment contracts as they are directly related to the investments held within them other than situations where an overdraft exists for a contract and the value of the assets (specifically property) falls to a value less than the total liabilities under the contract. SLA can try and recover the amount from the policyholder but this is reliant on the policyholder having funds to meet the liability.

##### Operational risk

Operational risk is the exposure to loss arising from inadequate or failed internal processes, people, systems, or from external events.

A continuous process is in place to formally identify, evaluate and manage significant operational 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 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 Group.

Operational risks exist around the administration of SPPs and similar self invested pension products. SLA insources the administration of products to a fellow Group company, SLP, under a service level agreement. SLP also administers products in its own right. Operational risk therefore spans the Suffolk Life Group.

All business managers are required to confirm monthly the performance of key controls over operational risks. There are a number of categories under which operational risk and its management across the Group can be considered as follows:

- Internal process failure
- People
- Critical supplier
- Legal
- Compliance
- Event
- Fraud and financial crime
- Technology
- Reputational risk
- Contagion

#### 3 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

#### 4 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	2015	2014
	£'000	£'000
Audit fees payable to the Company's auditors	10	6



**SUFFOLK LIFE GROUP LIMITED**

**NOTES TO FINANCIAL STATEMENTS (continued)**

**5 Segmental disclosure**

The turnover and pre-tax profit is all mainly attributable to the Company's activities as a holding company and arises wholly in the UK.

**6 Other income**

	2015 £'000	2014 £'000
Bank deposit interest	4	5
Interest receivable from group undertakings	14	19
Dividend income from subsidiary undertakings	2,700	-
	<u>2,718</u>	<u>24</u>

**7 Employees**

The Company has no employees (2014: nil).

**8 Directors**

No emoluments were paid to any director nor were any direct pension contributions paid in respect of services to this Company (2014: £nil). All emoluments paid to the directors are borne by other group entities.

**9 Income tax**

	2015 £'000	2014 £'000
<u>Current tax</u>		
UK corporation tax at 20.25% (2014: 21.5%)		
- Current tax on profits for the year	<u>3</u>	<u>4</u>
<b>Total current tax charge</b>	<u>3</u>	<u>4</u>
<b>Tax charge on profit on ordinary activities</b>	<u>3</u>	<u>4</u>

Factors affecting current tax charge for the year

The total current tax for the year differs from the standard rate of UK corporation tax and the differences are explained below:

	2015 £'000	2014 £'000
Profit on ordinary activities before taxation	<u>2,713</u>	<u>17</u>
Tax calculated at the standard UK corporation tax rate of 20.25% (2014: 21.5%)	549	4
Effects of:		
- Income not subject to tax	(546)	-
<b>Tax charge</b>	<u>3</u>	<u>4</u>

Factors which may affect future tax charges

Following the 2015 Budget announcement, the rate of corporation tax is expected to reduce progressively to 18% by 1 April 2020.

To calculate the current tax on profits, the rate of tax used is 20.25% (2014: 21.5%) which is the average rate of corporation tax applicable for the year.

The rate of tax used for the calculation of deferred tax is 18% or 19% (2014: 20%) depending on which is the rate of corporation tax that is expected to apply when the differences as mentioned above reverse.

The Company has no unprovided deferred tax assets or liabilities as at 31 December 2015 (2014: £nil).

**10 Dividends**

	Per share 2015 p	Per share 2014 p	2015 £'000	2014 £'000
Dividends approved:				
Current year interim dividend	<u>2.08</u>	<u>-</u>	<u>8,200</u>	<u>-</u>

**SUFFOLK LIFE GROUP LIMITED**

**NOTES TO FINANCIAL STATEMENTS (continued)**

**11 Investments in subsidiaries, associates and joint ventures**

	Shares in subsidiary undertakings £'000	Total £'000
At 31 December 2014	7,000	7,000
At 31 December 2015	<u>7,000</u>	<u>7,000</u>
Cost at 31 December 2015	<u>7,000</u>	<u>7,000</u>
Cost at 1 January 2015	<u>7,000</u>	<u>7,000</u>

The directors believe that the carrying value of the investments is supported by their underlying net assets.

An interim dividend of £2,700,000 was received from Suffolk Life Pensions Limited on 9 September 2015.

**12 Trade and other receivables**

	2015 £'000	2014 £'000
Amounts owed by group undertakings	-	5,123
	<u>-</u>	<u>5,123</u>

The group undertaking debtor in 2014 was in respect of a loan between Suffolk Life Group Limited and another subsidiary, Legal & General Finance Plc, within the Legal & General group. This loan was repaid fully in September 2015. Until this date, interest was payable at a rate of LIBOR less 12.5 basis points. The loan was unsecured.

**13 Trade and other payables**

	2015 £'000	2014 £'000
Trade and other payables	2	-
Current tax liabilities	3	3
	<u>5</u>	<u>3</u>
Settled within 12 months	<u>5</u>	<u>3</u>

**14 Share capital**

	2015 Number of shares	2015 £'000	2014 Number of shares	2014 £'000
<b>Authorised share capital</b>				
At 31 December: ordinary shares of £1 each	<u>3,939</u>	<u>3,939</u>	<u>3,939</u>	<u>3,939</u>
<b>Issued share capital, fully paid</b>				
	Number of shares	Share Capital £'000	Share Premium £'000	
As at 1 January 2015	3,939	3,939	7,146	
Issued shares during the year	-	-	-	
Capital reduction in year	-	-	(7,146)	
As at 31 December 2015	<u>3,939</u>	<u>3,939</u>	<u>-</u>	

There is one class of ordinary shares. All shares issued carry equal voting rights.

# SUFFOLK LIFE GROUP LIMITED

## NOTES TO FINANCIAL STATEMENTS (continued)

### 15 Ultimate parent company

The immediate parent company as at 31 December 2015 was Legal & General Retail Investments (Holdings) Limited. On 14 January 2016 Curtis Banks Group Plc agreed to purchase 100% of the Company's share capital. The purchase is expected to complete in the first half of 2016, subject to regulatory approval.

Until completion of the sale, the ultimate parent company is Legal & General Group Plc, a company incorporated in England and Wales - the controlling party which consolidated the financial statements of the Company as at 31 December 2015. These financial statements therefore provide information about the Company as an individual undertaking. Copies of the financial statements of the ultimate holding company as at 31 December 2015, Legal & General Group Plc, are available on the Group website, [www.legalandgeneralgroup.com](http://www.legalandgeneralgroup.com) or from the Company Secretary at the Registered Office, One Coleman Street, London, EC2R 5AA.

### 16 Cash flow statement

The Company has taken advantage of the exemption under paragraph 8(h) of FRS 101 from the requirements of IAS 7 Statement of Cash Flows and hence has not presented a Cash Flow Statement.

### 17 Related party disclosures

The Company has taken advantage of the exemption under paragraph 8(j) and (k) of FRS 101 from certain disclosure requirements under IAS 24 Related Party Disclosures. These include the requirement to disclose transactions entered into by the Company with other wholly owned members of Legal & General Group Plc and the requirement to present disclosures on compensation arrangements for key management personnel.

### 18 First time adoption of FRS 101

This is the first year that the Company has presented its results under FRS 101. The last financial statements under UK GAAP were for the year ended 31 December 2014, with the date of transition being 1 January 2014. This entity is included in the consolidated financial statements of Legal & General Group Plc. There were no material recognition or measurement differences arising on the adoption of FRS 101.

The EU-adopted IFRS exemptions that have been applied are outlined in Note 1 to these financial statements.

### 19 Subsidiary Undertakings

The subsidiary undertakings of Suffolk Life Group Limited 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 Suffolk Life Group Limited.

All subsidiaries held directly by the Company are 100% owned, are incorporated and registered in England and Wales and have a 31 December financial year end.

#### Held directly by the Company

	Ordinary shares at cost £	Net book value £	Nominal value of ordinary shares £	Nature of business
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	5,356,299	3,484,770	Management and administration of pension funds

All subsidiaries below are held indirectly by the Company, 100% owned through subsidiary undertakings, are incorporated and registered in England and Wales and have a 31 December financial year end.

#### Held indirectly through subsidiary undertakings

	Ordinary shares at cost £	Net book value £	Nominal value of ordinary shares £	Nature of business
SLA Property Company Limited	100	100	100	Trustee Company
Suffolk Life (Spartan Estate) Limited	2	2	2	Trustee Company
Suffolk Life Trustees Limited	100	100	100	Trustee Company

### 20 Events after the end of the reporting period

On 14 January 2016, Curtis Banks Group Plc agreed to purchase 100% of the shares in the Company from Legal & General Retail Investments (Holdings) Limited. The purchase is expected to complete in the first half of 2016, subject to regulatory approval.

**Detailed profit and loss account  
for the year ended 2015**

	2015 £'000	2015 £'000	2014 £'000	2014 £'000
Other income		<u>2,718</u>		<u>24</u>
Total income		2,718		24
<i>Administrative expenses</i>				
Audit, accountancy and tax	5		6	
Directors' management fees & staff costs	-		-	
Depreciation	-		-	
Loss on disposal of investment	-		-	
Irrecoverable VAT	-		1	
		<u>5</u>		<u>7</u>
<b>Operating profit on ordinary activities before tax</b>		<u>2,713</u>		<u>17</u>
Dividend received from group undertaking		-		-
Interest payable and similar charges		-		-
<b>Profit on ordinary activities before taxation</b>		<u>2,713</u>		<u>17</u>
Tax on Profit on ordinary activities		(3)		(4)
<b>Profit for the financial year</b>		<u><u>2,710</u></u>		<u><u>13</u></u>

*This page does not form part of the audited financial statements.*