

# CLEARFOL INVESTMENT LIMITED

Company Registration Number: 748135

## DIRECTORS' REPORT AND FINANCIAL STATEMENTS for the year ended 31 December 2010

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**CLEARFOL INVESTMENT LIMITED**

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## **Directors' report**

The Directors present their Report and the Financial Statements of Clearfol Investment Limited ("the Company") for the year ended 31 December 2010

The Company is incorporated in the United Kingdom. Its registration number is 748135 and its registered office is 1, Wythall Green Way, Wythall, Birmingham B47 6WG

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS") and the comparative information has been restated accordingly. In previous years, the financial statements of the Company were prepared in accordance with applicable United Kingdom Generally Accepted Accounting Principles ("UK GAAP"). Information on the effect of the transition to IFRS is given in note 3 to the financial statements.

## **Business review**

### ***Principal activities***

The principal activity of the Company is the investment of surplus assets. This will continue to be the principal activity for the foreseeable future.

### ***Result and dividends***

The result of the Company for the year is shown in the statement of comprehensive income on page 6. The loss before tax was £159,000 (2009: £159,000).

No dividends were paid during the year (2009: £nil).

### ***Principal risks and uncertainties***

The Phoenix Group applies a consistent methodology for the identification, assessment, management and reporting of risk that includes a high level framework for the management of key risks within each business unit.

The main risks facing the Company are liquidity risk, arising from an inability to meet short term cash flow requirements, and credit risk, arising from counterparty default and from changes in the value of subsidiary holdings.

The Company's exposure to these risks is monitored by the Board which agrees policies for managing the risks on an ongoing basis.

### ***Key Performance Indicators ("KPIs")***

Given the straightforward nature of the business, the Company's Directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business.

### ***Going concern***

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

## **Directors**

The names of those individuals who served as Directors of the Company during the year or who held office as at the date of signature of this report are as follows:

M J Merrick  
A Moss

## **Secretary**

Pearl Group Secretariat Services Limited acted as Secretary throughout the year.

## **Disclosure of indemnity**

Qualifying third party indemnity arrangements (as defined in section 234 of the Companies Act 2006) were in force for the benefit of the Directors of the Company during the year and remain in place at the date of approval of this report.

## **Disclosure of information to auditors**

So far as each of the Directors is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Company's auditors are unaware, and each of the Directors has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information (as defined) and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418(2) of the Companies Act 2006.

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CLEARFOL INVESTMENT LIMITED

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**Re-appointment of auditors**

In accordance with section 487 of the Companies Act 2006, the Company's auditors, Ernst & Young LLP, will be deemed to have been re-appointed at the end of the period of 28 days following circulation of copies of these financial statements as no notice has been received from members pursuant to section 488 of the Companies Act 2006 prior to the end of the accounting reference period to which these financial statements relate

On behalf of the Board



S Watts

For and on behalf of Pearl Group Secretariat Services Limited  
Company Secretary

23 June 2011

**Statement of Directors' responsibilities**

The Directors are required to prepare financial statements for each accounting period that comply with the relevant provisions of the Companies Act 2006 and International Financial Reporting Standards as adopted by the European Union ("IFRS"), and which present fairly the financial performance, financial position and cash flows of the Company and the information on the transition to IFRS for the accounting period. A fair presentation of the financial statements in accordance with IFRS requires the Directors to

- select suitable accounting policies and verify they are applied consistently in preparing the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business,
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information,
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance, and
- state that the Company has complied with applicable IFRS, subject to any material departures disclosed and explained in the financial statements

The Directors are responsible for maintaining proper accounting records which are intended to disclose with reasonable accuracy at any time the financial position of the Company. They are also ultimately responsible for the systems of internal control maintained for safeguarding the assets of the Company and for the prevention and detection of fraud and other irregularities.

**Independent auditors' report to the members of Clearfol Investment Limited**

We have audited the financial statements of Clearfol Investment Limited for the year ended 31 December 2010 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and the related notes 1 to 16. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the European Union ("IFRS")

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of Directors and auditor**

As explained more fully in the Statement of Directors' Responsibilities set out on page 4, 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). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

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.

**Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2010 and of its loss for the year then ended,
- have been properly prepared in accordance with IFRS as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006

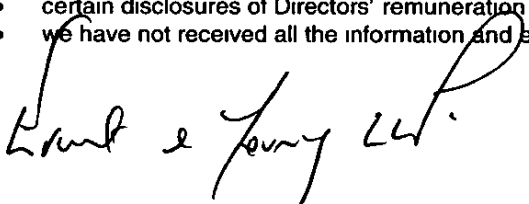
**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- 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, or
- certain disclosures of Directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



James Lenton (Senior Statutory Auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
London

24 June 2011

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**CLEARFOL INVESTMENT LIMITED**

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**Statement of comprehensive income  
for the year ended 31 December 2010**

|   | Notes | 2010<br>£000 | 2009<br>£000 |
|---|-------|--------------|--------------|
| Finance costs                                   | 8     | (159)        | (159)        |
| <b>Loss for the year before tax</b>             |       | <b>(159)</b> | <b>(159)</b> |
| Tax credit                                      | 9     | 46           | 45           |
| <b>Loss for the year attributable to owners</b> |       | <b>(113)</b> | <b>(114)</b> |
| Other comprehensive income                      |       | -            | -            |
| <b>Total comprehensive income for the year</b>  |       | <b>(113)</b> | <b>(114)</b> |

# CLEARFOL INVESTMENT LIMITED

## Statement of financial position as at 31 December 2010

|                                      | Notes | As at 31<br>December<br>2010<br>£000 | As at 31<br>December<br>2009<br>£000 | As at 1<br>January<br>2009<br>£000 |
|--------------------------------------|-------|--------------------------------------|--------------------------------------|------------------------------------|
| <b>Equity attributable to owners</b> |       |                                      |                                      |                                    |
| Share capital                        | 10    | 3                                    | 3                                    | 3                                  |
| Share premium                        |       | 7,471                                | 7,471                                | 7,471                              |
| Retained earnings                    |       | 4,982                                | 5,095                                | 5,209                              |
| <b>Total equity</b>                  |       | <b>12,456</b>                        | <b>12,569</b>                        | <b>12,683</b>                      |
| <b>Current liabilities</b>           |       |                                      |                                      |                                    |
| Other payables                       | 11    | 1,982                                | 1,982                                | 1,982                              |
| <b>Total liabilities</b>             |       | <b>1,982</b>                         | <b>1,982</b>                         | <b>1,982</b>                       |
| <b>Total equity and liabilities</b>  |       | <b>14,438</b>                        | <b>14,551</b>                        | <b>14,665</b>                      |
| <b>Current assets</b>                |       |                                      |                                      |                                    |
| Other receivables                    | 12    | 14,438                               | 14,551                               | 14,665                             |
| <b>Total assets</b>                  |       | <b>14,438</b>                        | <b>14,551</b>                        | <b>14,665</b>                      |

On behalf of the Board



A Moss  
Director  
23 June 2011



# CLEARFOL INVESTMENT LIMITED

## Statement of changes in equity for the year ended 31 December 2010

|   | Share capital<br>(note 10)<br>£000 | Share<br>premium<br>£000 | Retained<br>earnings<br>£000 | Total<br>£000 |
|---|------------------------------------|--------------------------|------------------------------|---------------|
| <b>At 1 January 2010</b>                | 3                                  | 7,471                    | 5,095                        | 12,569        |
| Loss for the year                       | -                                  | -                        | (113)                        | (113)         |
| Other comprehensive income for the year | -                                  | -                        | -                            | -             |
| Total comprehensive income for the year | -                                  | -                        | (113)                        | (113)         |
| <b>At 31 December 2010</b>              | <b>3</b>                           | <b>7,471</b>             | <b>4,982</b>                 | <b>12,456</b> |

Of the above, £4,982,000 (2009 £5,095,000) of retained earnings is considered distributable

|   | Share capital<br>(note 10)<br>£000 | Share<br>premium<br>£000 | Retained<br>earnings<br>£000 | Total<br>£000 |
|---|------------------------------------|--------------------------|------------------------------|---------------|
| <b>At 1 January 2009</b>                | 3                                  | 7,471                    | 5,209                        | 12,683        |
| Loss for the year                       | -                                  | -                        | (114)                        | (114)         |
| Other comprehensive income for the year | -                                  | -                        | -                            | -             |
| Total comprehensive income for the year | -                                  | -                        | (114)                        | (114)         |
| <b>At 31 December 2009</b>              | <b>3</b>                           | <b>7,471</b>             | <b>5,095</b>                 | <b>12,569</b> |

**Notes to the financial statements**

**1. Accounting policies**

**(a) Basis of preparation**

The financial statements have been prepared on a historical cost basis

**Statement of compliance**

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS")

The financial statements are presented in sterling (£) rounded to the nearest £000 except where otherwise stated

Assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expenses are not offset in the statement of comprehensive income unless required or permitted by an international financial reporting standard or interpretation, as specifically disclosed in the accounting policies of the Company

**(b) Income tax**

Income tax comprises current and deferred tax. Income tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised in the statement of changes in equity, in which case it is recognised in this statement.

Current tax is the expected tax payable on the taxable income for the year, using tax rates and laws enacted or substantively enacted at the date of the statement of financial position together with adjustments to tax payable in respect of previous years.

Deferred tax is provided for on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not provided in respect of temporary differences arising from the initial recognition of goodwill and the initial recognition of assets or liabilities in a transaction that is not a business combination and that, at the time of the transaction, affects neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates and laws enacted or substantively enacted at the period end.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

**(c) Cash and cash equivalents**

Cash and cash equivalents comprise bank balances and short-term deposits with an original maturity term of three months or less at the date of placement.

**(d) Dividends**

Final dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Company's owners. Interim dividends are deducted from equity when they are paid.

Dividends for the year that are approved after the reporting period are dealt with as an event after the reporting period.

Declared dividends are those that are appropriately authorised and are no longer at the discretion of the entity.

**(e) Finance costs**

Interest payable is recognised in the statement of comprehensive income as it accrues and is calculated using the effective interest method.

**(f) Share capital**

The Company has issued ordinary shares which are classified as equity.

**(g) Events after the reporting period**

The financial statements are adjusted to reflect significant events that have a material effect on the financial results and that have occurred between the period end and the date when the financial statements are authorised for issue, provided they give evidence of conditions that existed at the period end. Events that are indicative of conditions that arise after the period end that do not result in an adjustment to the financial statements are disclosed.

## 2 Financial information

The financial statements for the year ended 31 December 2010, set out on pages 6 to 13, were authorised by the Board of Directors for issue on 23 June 2011. The financial statements have been prepared in accordance with IFRS. The comparative amounts for the year ended 31 December 2009 are based on the Company's financial statements for that year after adjustment for the transition from United Kingdom Generally Accepted Accounting Principles ("UK GAAP") to IFRS.

Information on how the transition to IFRS has affected the financial position, financial performance and cash flows of the Company is set out in note 3.

The Company held no cash balances during the current or prior year and accordingly no statement of cash flows has been prepared.

In preparing the financial statements the Company has adopted all applicable standards, interpretations and amendments which have been issued by the International Accounting Standards Board and have been adopted for use by the EU in 2010.

In addition, the Company has adopted the amendments to IAS 24 *Related Party Disclosures*. These amend the definition of a related party, clarify its intended meaning and eliminate inconsistencies and, as permitted, have been early adopted from 2010.

The International Accounting Standards Board has issued the following amendment which, subject to adoption for use by the EU, applies from the date shown. The Company has decided not to early adopt this amendment. The impact of adopting it is subject to evaluation but is currently not expected to have a material effect on the results of the Company.

- Annual improvements 2010 (2011). This makes a number of minor improvements to existing standards and interpretations.

In addition, the following standards, interpretations and amendments have been issued but are not currently relevant to the Company.

- IFRS 9 *Financial Instruments* (2013). IFRS 9 is the first phase of the project to replace IAS 39 *Financial Instruments: Recognition and Measurement* and deals with the classification and measurement of financial assets and financial liabilities, including some hybrid contracts.
- Deferred tax: Recovery of Underlying Assets (Amendments to IAS 12) (2012). This provides a practical approach to the measurement of deferred tax liabilities and assets when investment property is measured at fair value, according to whether the entity expects to recover an asset by using or selling it.
- Disclosure – Transfer of Financial Assets (Amendments to IFRS 7) (2012). This revises the required disclosures to help users of financial statements evaluate the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position.
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* (2011).
- Classification of Rights Issues (Amendments to IAS 32) (2011).
- Prepayments of a Minimum Funding Requirement (Amendments to IFRIC 14) (2011).
- Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (Amendments to IFRS 1) (2012).

## 3. Transition to IFRS

The financial statements for 2010 have been prepared in accordance with IFRS. The date of transition from UK GAAP to IFRS is 1 January 2009 and accordingly the comparative amounts presented for the year ended 31 December 2009 are based on the Company's financial statements for that year after adjustment for the transition to IFRS.

The transition to IFRS has not resulted in any change to the amount of equity reported as at either 1 January 2009 or 31 December 2009 or to the total comprehensive income reported under IFRS for the year ended 31 December 2009 compared to the equivalent income reported under UK GAAP. Under UK GAAP the Company was exempt from presenting a cash flow statement.

No classification changes have arisen on presenting the IFRS statement of financial position as at 1 January 2009 and 31 December 2009, or on presenting the statement of comprehensive income for the comparative period to 31 December 2009.

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**CLEARFOL INVESTMENT LIMITED**

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**4. Partnership share**

The Company holds a 58.75% share in the Phoenix Clearfol partnership, whose principal place of business is Edward Pavillion, Albert Dock, Liverpool, Merseyside, L3 4SL. The partnership related to the development of properties which have been disposed of and accordingly, it has no value (2009: £nil).

**5 Employee Information**

The Company has no employees. Services are provided by Pearl Group Management Services Limited.

**6. Directors' remuneration**

The Directors are employed by Pearl Group Management Services Limited. The Directors received no remuneration in respect of their services to the Company (2009: £nil).

**7. Auditors' remuneration**

The remuneration of the auditors of the Company, including their associates, for auditing these financial statements was £3,460 (2009: £2,476).

**8. Finance costs**

|  | 2010<br>£000 | 2009<br>£000 |
|--|--------------|--------------|
| Interest payable to immediate parent on loan at amortised cost | <u>159</u>   | <u>159</u>   |

**9 Tax credit**

***Current year tax credit***

|                    | 2010<br>£000 | 2009<br>£000 |
|--------------------|--------------|--------------|
| Current tax        |              |              |
| UK Corporation tax | <u>46</u>    | <u>45</u>    |
| Total tax credit   | <u>46</u>    | <u>45</u>    |

UK Corporation tax for the current period is equal (2009: equal) to the standard UK corporation tax rate of 28% (2009: 28%).

**10. Share capital**

|  | 2010<br>£000 | 2009<br>£000 |
|--|--------------|--------------|
| Issued and fully paid 3,351 (2009: 3,351) ordinary shares of £1 each | <u>3</u>     | <u>3</u>     |

The Company's Articles of Association contain a restriction on the number of shares that may be allotted.

The holders of the ordinary shares are entitled to one vote per share on matters to be voted on by owners and to receive such dividends, if any, as may be declared by the Board of Directors in its discretion out of legally available profits.

**CLEARFOL INVESTMENT LIMITED**

**11. Other payables**

|   | 2010<br>£000 | 2009<br>£000 |
|---|--------------|--------------|
| Amounts due to parent                                     |              |              |
| Loan at amortised cost (at interest rate of 8% per annum) | <u>1,982</u> | <u>1,982</u> |
| Amount due for settlement after 12 months                 | <u>-</u>     | <u>-</u>     |

**12. Other receivables**

|  | 2010<br>£000  | 2009<br>£000  |
|--|---------------|---------------|
| Amount due from parent                     | 14,303        | 14,461        |
| Other amounts due from fellow subsidiaries | <u>135</u>    | <u>90</u>     |
|  | <u>14,438</u> | <u>14,551</u> |
| Amount recoverable after 12 months         | <u>-</u>      | <u>-</u>      |

The amount receivable from the Company's parent, Phoenix Life Limited ("PLL"), is interest free and repayable on demand

The carrying amounts of other receivables approximate to their fair values

**13. Capital management**

The Company's capital comprises of share capital and all reserves. At 31 December 2010, total capital was £12,456,000 (2009 £12,569,000). Information on the movements in capital is set out in the statement of changes in equity.

There are no externally imposed capital requirements on the Company. The Company's capital is monitored by the Directors and managed on an ongoing basis.

**14. Risk management**

The principal risks and uncertainties facing the Company are counterparty risk and liquidity risk.

The Company has exposure to these types of risk as a result of normal business activities, specifically:

- the risk arising from the failure of a group entity to make payments to the Company as and when they fall due (counterparty risk), and
- the Company's inability to meet short-term cash flow requirements (liquidity risk).

The Company's exposure to these risks is monitored by the Directors, who agree policies for managing each of these risks on an ongoing basis.

**15. Related party transactions**

The Company enters into transactions with related parties in its normal course of business. These are at arm's length on normal commercial terms.

In the year ended 31 December 2010 the Company accrued interest on the loan due to its immediate parent of £158,000 (2009 £159,000). This interest was offset against the amounts due from the Company's immediate parent.

**Amounts due to related parties**

|                    | 2010<br>£000 | 2009<br>£000 |
|--------------------|--------------|--------------|
| Loan due to parent | <u>1,982</u> | <u>1,982</u> |

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**CLEARFOL INVESTMENT LIMITED**

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***Amounts due from related parties***

|  | 2010       | 2009      |
|--|------------|-----------|
|  | £000       | £000      |
| Amounts due from parent                    | 14,303     | 14,461    |
| Other amounts due from fellow subsidiaries | <u>135</u> | <u>90</u> |

***Key management compensation***

The total compensation payable to employees classified as key management, which comprises the Directors, is disclosed in note 6

During the year to 31 December 2010, key management and other family members had no other transactions with the Company

***Parent and ultimate parent entity***

Information on the Company's parent and ultimate parent is given in note 16

**16 Other information**

The Company's principal place of business is the United Kingdom. The Company's immediate parent is Phoenix Life Limited and its ultimate parent is Phoenix Group Holdings, a company incorporated in the Cayman Islands and resident in Jersey. A copy of the financial statements of Phoenix Group Holdings can be obtained from the Company Secretary, 1<sup>st</sup> Floor, 32 Commercial Street, St Helier, Jersey, JE2 3RU.