PEARL CUSTOMER CARE LIMITED

Company Registration Number: 3947540

DIRECTORS' REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2011

Contents | **Page**

Directors' report

The Directors present their Report and Financial Statements of Pearl Customer Care Limited ('the Company') for the year ended 31 December 2011

The Company is incorporated in the United Kingdom Its registration number is 3947540 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 EU ('IFRS')

Business Review

Principal activities
The principal activity of the Company is marketing financial services products to customers of other Group companies 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 profit before tax was £143,755 (2010 £251,904)

There were no dividends paid during the year (2010 £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

- the risk arising from the failure of a customer or group entity to make payments to the Company as and when they fall due (counterparty risk),
- credit risk, arising from counterparty default in relation to bank deposits held, and
- liquidity risk, arising from insufficient liquid assets to meet payment obligations

Key components of the monitoring framework include regular monitoring of cash flow and frequent reviews with the parent company to identify cash flow requirements

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
Having reviewed the position in light of the Financial Reporting Council Guidance issued in October 2009, 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

A B Guest
S D McInnes

Secretary
Pearl Group Secretariat Services Limited was appointed as Secretary on 1 July 2011 D P Glen resigned on that date

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/she ought to have taken as a Director to make himself/herself 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

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

L Nuttall
For and on behalf of Pearl Group Secretariat Services Limited

13 June 2012

Statement of Directors' responsibilities

The Directors are responsible for preparing the Directors' Report and the Company financial statements ("the financial statements") in accordance with applicable United Kingdom law and regulations

Company law requires the Directors to prepare financial statements for each financial year Under the law the Directors have elected to prepare those statements in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union Under company law, the Directors must not approve the financial statements unless they are satisfied that they present fairly the financial performance, financial position and cash flows of the Company for the accounting period A fair presentation of the financial statements in accordance with IFRS requires the Directors to

- select suitable accounting policies in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- 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,
- state that the Company has complied with applicable IFRSs, 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 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 taking reasonable steps for the prevention and detection of fraud and other irregularities

Independent Auditors' report to the members of Pearl Customer Care Limited

We have audited the financial statements of Pearl Customer Care Limited for the year ended 31 December 2011 which comprise the statement of comprehensive income, the statement of financial position, the statement of cash flows, 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 In addition, we read all the financial and non-financial information in the Directors' report and financial statements to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

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 2011 and of its profit 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

Ernst + Young LLP

Benjamin Gregory (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
14 June 2012

Statement of comprehensive income
for the year ended 31 December 2011

	Notes	2011 £	2010 £
Revenue			
Fees and commissions	3	248,685	331,904
Total income		248,685	331,904
Administrative expenses	15	(104,930)	(80,000)
Total operating expenses		(104,930)	(80,000)
Profit before tax		143,755	251,904
Tax charge	7	(38,095)	(70,533)
Profit for the year attributable to owners		105,660	181,371
Other comprehensive income		-	-
Total comprehensive income for the year attributable to owners		105,660	181,371

Statement of financial position
as at 31 December 2011

	Notes	2011 £	2010 £
Equity attributable to owners			
Share capital	8	100	100
Retained earnings		287,031	181,371
Total equity		287,131	181,471
Current liabilities			
Other payables	9	302,301	170,393
Total liabilities		302,301	170,393
Total equity and liabilities		589,432	351,864
Current assets			
Other receivables	10	15,907	100
Cash and cash equivalents	11	573,525	351,764
Total current assets		589,432	351,864
Total assets		589,432	351,864

On behalf of the Board

A B Guest
Director
13 June 2012

Statement of cash flows
for the year ended 31 December 2011

	Notes	2011 £	2010 £
Cash flows from operating activities			
Cash generated by operations	12	221,761	351,764
Net increase in cash and cash equivalents		221,761	351,764
Cash and cash equivalents at the beginning of the year		351,764	-
Cash and cash equivalents at the end of the year		573,525	351,764

Statement of changes in equity
for the year ended 31 December 2011

	Share capital (note 8) £	Retained earnings £	Total £
At 1 January 2011	100	181,371	181,471
Profit for the year	-	105,660	105,660
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	105,660	105,660
At 31 December 2011	100	287,031	287,131

Of the above £287,031 (2010 £181,371) of retained earnings are considered distributable

	Share capital (note 8) £	Retained earnings £	Total £
At 1 January 2010	100	-	100
Profit for the year	-	181,371	181,371
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	181,371	181,371
At 31 December 2010	100	181,371	181,471

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 £

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

(d) Income recognition

Revenue relates to commission receivable in respect of marketing financial services products to third parties It is recognised as contractual rights to receive commission arise

(e) Share capital

The Company has issued an ordinary share which is classified as equity

(f) 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

(g) 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

2. Financial information

The financial statements for the year ended 31 December 2011, set out on pages 6 to 14, were authorised by the Board of Directors for issue on 13 June 2012

In preparing the financial statements the Company has adopted all applicable standards, interpretations and amendments which have been issued by the Accounting Standards Board and have been adopted for use by the EU None of these have a material effect on the results of Company

- Annual improvements 2010 This makes a number of minor improvements to existing standards and interpretations

The IASB has issued the following standards, interpretations and amendments which, subject to adoption for use by the EU, apply from the dates shown The Company has decided not to early adopt any of these standards, interpretations or amendments where this is permitted The impact on the Company of adopting them is subject to evaluation

- IFRS 9 *Financial Instruments* (2015) These are the first two parts of a replacement standard for IAS 39 *Financial Instruments Recognition and Measurement* and deals with the classification and measurement of financial assets and financial liabilities, including some hybrid contracts
- IFRS 13 *Fair Value Measurement* (2013) defines fair value and sets out in a single IFRS a framework for measuring fair value
- IAS 27 *Separate Financial Statements* (Revised) IAS 27 now only deals with the requirements for separate financial statements, which have been carried over largely unamended from IAS 27 *Consolidated and Separate Financial Statements* Requirements for consolidated financial statements are now contained in IFRS 10 *Consolidated Financial Statements*

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

- IFRS 10 *Consolidated Financial Statements* (2013) provides a single consolidation model that identifies control as the basis for consolidation for all types of entities
- Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (Amendments to IFRS 1) (2012)
- IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine* (2013)
- Deferred tax Recovery of Underlying Assets (Amendments to IAS 12) (2012)
- Disclosure – Transfer of Financial Assets (Amendments to IFRS 7) (2012)
- IFRS 11 *Joint Arrangements* (2013)
- IFRS 12 *Disclosure of Interests in Other Entities* (2013)
- Presentation of Items of Other Comprehensive Income (Amendments to IAS 1) (2013)
- IAS 19 *Employee Benefits* (Amendment) (2013)
- IAS 28 *Investments in Associates and Joint Ventures* (Revised)
- IAS 32 *Financial Instruments Presentation* (Amendment) The amendment alters the definition of a financial liability in IAS 32 to enable entities to classify rights issues and certain options or warrants as equity instruments
- IFRIC 14 *Prepayments of a Minimum Funding Requirement* (Amendment) The amendment permits a prepayment of future service costs in accordance with a minimum funding requirement to be recognised as a pension asset
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* Addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in its equity instruments being issued to extinguish all or part of the financial liability

3. Fees and commissions

	2011	2010
	£	£
Commissions	248,685	331,904

4 Employee information

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

5 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 (2010 £nil)

6. Auditors' remuneration

The remuneration of the auditors of the Company, including their associates, in respect of the audit of the financial statements was £2,000 (2010 £1,500) This audit fee has been borne by another Group company

7. Tax charge

The current tax charge for the year is equal to the profit on ordinary activities multiplied by the standard rate of UK Corporation tax of 26 5% (2010 28%)

8 Share capital

	2011	2010
	£	£
Issued and fully paid 100 (2010 100) ordinary share of £1 each	100	100

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

The holders of the ordinary share 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

9. Other payables

	2011	2010
	£	£
Amounts due to fellow subsidiaries	302,301	170,393
Amount due for settlement after 12 months	-	-

10. Other receivables

	2011	2010
	£	£
Commission income	15,807	-
Amounts due from parent	100	100
	15,907	100
Amount recoverable after 12 months	-	-

The carrying amounts of other receivables approximate to their fair values

11. Cash and cash equivalents

	2011	2010
	£	£
Bank and cash balances	573,525	351,764

All deposits are subject to fixed interest rates The carrying amounts approximate to fair value at the period end

12. Cash flows

Cash flows from operating activities

	2011	2010
	£	£
Profit for the year before tax	143,755	251,904
Changes in operating assets and liabilities		
Increase in other assets	(15,808)	-
Increase in other liabilities	93,814	99,860
Cash generated by operations	221,761	351,764

13 Capital management

The Company's capital comprises of share capital and all reserves At 31 December 2011, total capital was £287,131 (2010 £181,471) 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 on-going 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 customer to make payments to the Company as and when they fall due (counterparty risk),
- credit risk, arising from counterparty default in relation to bank deposits held, and
- the Company's inability to meet short-term cash flow requirements (liquidity risk)

The Company's exposure to all these risks is monitored by the Directors, who regularly monitor cash flow and hold frequent reviews with the parent company to identify cash flow requirements

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

Management service charges of £104,930 (2010 £80,000) were recharged by Phoenix Customer Care Limited , a fellow Group undertaking, for the year ended 31 December 2011 and at the end of the year £104,930 (2010 £80,000) remained due

Amounts due to related parties

	2011	2010
	£	£
Amounts due to fellow subsidiaries	302,301	170,393

Amounts due from related parties

	2011	2010
	£	£
Amounts due from parent	100	100

Key management compensation
The compensation payable to employees classified as key management, which comprises the Directors, is disclosed in note 5

During the year to 31 December 2011, 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 Pearl Assurance 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, 1st Floor, 32 Commercial Street, St. Helier, Jersey, JE2 3RU