

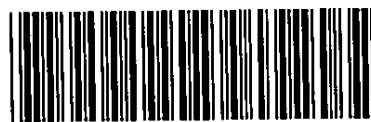
# PEARL CUSTOMER CARE LIMITED

Company Registration Number 3947540

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## DIRECTORS' REPORT AND FINANCIAL STATEMENTS for the year ended 31 December 2012

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PEARL CUSTOMER CARE LIMITED

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## **Directors' report**

The Directors present their Report and Financial Statements of Pearl Customer Care Limited ("the Company") for the year ended 31 December 2012

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") and updated in accordance with the companies Act 2006

## **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 £153,703 (2011: £143,755)

There were no dividends paid during the year (2011: £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 acted as Secretary for 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 auditor**

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 auditor 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 auditor 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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PEARL CUSTOMER CARE LIMITED

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**Re-appointment of auditor**

In accordance with section 487 of the Companies Act 2006, the Company's auditor, 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

21 June 2013

### 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 IFRS, 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 auditor's 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 2012 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 (IFRS) as adopted by the European Union.

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 2012 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.

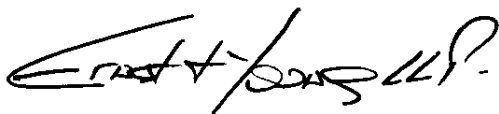
**Opinion on other matter prescribed by the Companies Act 2006**

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.



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

 June 2013

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**PEARL CUSTOMER CARE LIMITED**

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**Statement of comprehensive income**  
for the year ended 31 December 2012

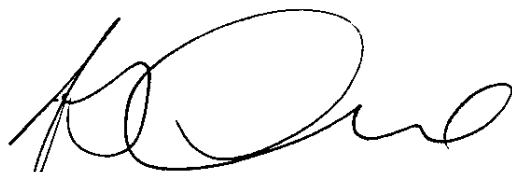
	Notes	2012 £	2011 £
<b>Revenue</b>			
Fees and commissions	3	361,085	248,685
<b>Total income</b>		<u>361,085</u>	<u>248,685</u>
Administrative expenses	4	(207,382)	(104,930)
<b>Total operating expenses</b>		<u>(207,382)</u>	<u>(104,930)</u>
<b>Profit before tax</b>		153,703	143,755
Tax charge	7	(37,657)	(38,095)
<b>Profit for the year attributable to owners</b>		<u>116,046</u>	<u>105,660</u>
Other comprehensive income		-	-
<b>Total comprehensive income for the year attributable to owners</b>		<u>116,046</u>	<u>105,660</u>

**PEARL CUSTOMER CARE LIMITED**

**Statement of financial position**  
as at 31 December 2012

	Notes	2012 £	2011 £
<b>Equity attributable to owners</b>			
Share capital	8	100	100
Retained earnings		403,077	287,031
<b>Total equity</b>		<u>403,177</u>	<u>287,131</u>
<b>Current liabilities</b>			
Other payables	9	509,442	302,301
<b>Total liabilities</b>		<u>509,442</u>	<u>302,301</u>
<b>Total equity and liabilities</b>		<u>912,619</u>	<u>589,432</u>
<b>Current assets</b>			
Other receivables	10	52,266	15,907
Cash and cash equivalents	11	860,353	573,525
<b>Total current assets</b>		<u>912,619</u>	<u>589,432</u>
<b>Total assets</b>		<u>912,619</u>	<u>589,432</u>

On behalf of the Board



A B Guest  
Director

21 June 2013



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PEARL CUSTOMER CARE LIMITED

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**Statement of cash flows**  
for the year ended 31 December 2012

	Notes	2012 £	2011 £
<b>Cash flows from operating activities</b>			
Cash generated by operations	12	286,828	221,761
<b>Net increase in cash and cash equivalents</b>		<u>286,828</u>	<u>221,761</u>
Cash and cash equivalents at the beginning of the year		573,525	351,764
<b>Cash and cash equivalents at the end of the year</b>		<u>860,353</u>	<u>573,525</u>

**PEARL CUSTOMER CARE LIMITED**

**Statement of changes in equity**  
for the year ended 31 December 2012

	Share capital (note 8) £	Retained earnings £	Total £
<b>At 1 January 2012</b>	100	287,031	287,131
Profit for the year	-	116,046	116,046
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year		116,046	116,046
<b>At 31 December 2012</b>	<b>100</b>	<b>403,077</b>	<b>403,177</b>

Of the above £403,077 (2011 £287,031) of retained earnings are considered distributable

	Share capital (note 8) £	Retained earnings £	Total £
<b>At 1 January 2011</b>	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
<b>At 31 December 2011</b>	<b>100</b>	<b>287,031</b>	<b>287,131</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 £

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 ordinary shares which are 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

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**PEARL CUSTOMER CARE LIMITED**

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**2 Financial information**

The financial statements for the year ended 31 December 2012, set out on pages 1 to 13, were authorised by the Board of Directors for issue on 21 June 2013

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.

- Annual improvements to IFRS 2009-2011 cycle (2013). This makes a number of minor improvements to existing standards and interpretations.

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

**3 Fees and commissions**

	2012 £	2011 £
Commissions	<u>361,085</u>	<u>248,685</u>

**4 Administrative expenses**

	2012 £	2011 £
Administrative expenses	99,794	170,327
Commission charges	170,592	-
Expenses recovered from third party	(63,004)	(65,397)
	<u>207,382</u>	<u>104,930</u>

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 (2011: £nil).

**6 Auditor's remuneration**

The remuneration of the auditor of the Company, including their associates, in respect of the audit of the financial statements was £3,095 (2011: £2,000). These audit fees have been borne by another Group company.

**7 Tax charge**

The current tax charge for the year is equal (2011: equal) to the profit on ordinary activities multiplied by the standard rate of UK Corporation tax of 24.5% (2011: 26.5%).

**8 Share capital**

	2012 £	2011 £
Issued and fully paid 100 (2011: 100) ordinary share of £1 each	<u>100</u>	<u>100</u>

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.

**PEARL CUSTOMER CARE LIMITED**

**9 Other payables**

	2012 £	2011 £
Amounts due to immediate parent	116,818	3,090
Amounts due to fellow subsidiaries	<u>392,624</u>	<u>299,211</u>
	<u>509,442</u>	<u>302,301</u>
 Amount due for settlement after 12 months	 <u>-</u>	 <u>-</u>

**10 Other receivables**

	2012 £	2011 £
Commission income	52,166	15,807
Amounts due from parent	<u>100</u>	<u>100</u>
	<u>52,266</u>	<u>15,907</u>
 Amount recoverable after 12 months	 <u>-</u>	 <u>-</u>

The carrying amounts of other receivables approximate to their fair values

**11 Cash and cash equivalents**

	2012 £	2011 £
Bank and cash balances	<u>860,353</u>	<u>573,525</u>

All bank balances are non-interest bearing The carrying amounts approximate to fair value at the period end

**12 Cash flows**

***Cash flows from operating activities***

	2012 £	2011 £
Profit for the year before tax	153,703	143,755
Changes in operating assets and liabilities		
Increase in other assets	(36,359)	(15,808)
Increase in other liabilities	<u>169,484</u>	<u>93,814</u>
Cash generated by operations	<u>286,828</u>	<u>221,761</u>

**13 Capital management**

The Company's capital comprises of share capital and all reserves At 31 December 2012, total capital was £403,177 (2011 £287,131) 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 £99,794 (2011 £170,327) were recharged by Phoenix Customer Care Limited, a fellow Group undertaking, for the year ended 31 December 2012 and at the end of the year £167,890 (2011 £170,327) remained outstanding

Phoenix Life Assurance Limited, the Company's immediate parent, charges commission to the company. The commission charge for the year ended 31 December 2012 amounted to £113,728 (2011 £3,090) and at the end of the year £116,818 (2011 £3,090) remained outstanding

Phoenix Life Limited, a fellow subsidiary, charges commission to the company. The commission charge for the year ended 31 December 2012 amounted to £56,864 (2011 £nil) and at the end of the year £56,864 (2011 £nil) remained outstanding

**Amounts due to related parties**

	2012 £	2011 £
Amounts due to parent	116,818	3,090
Amounts due to fellow subsidiaries	<u>392,624</u>	<u>299,211</u>

**Amounts due from related parties**

	2012 £	2011 £
Amounts due from parent	<u>100</u>	<u>100</u>

**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 2012, 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 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, 1<sup>st</sup> Floor, 32 Commercial Street, St Helier, Jersey, JE2 3RU