

PEARL CUSTOMER CARE LIMITED

Company Registration Number: 3947540

DIRECTORS' REPORT AND FINANCIAL STATEMENTS for the year ended 31 December 2021

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PEARL CUSTOMER CARE LIMITED

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PEARL CUSTOMER CARE LIMITED

Directors' report

The Directors present their report and financial statements of Pearl Customer Care Limited ('the Company') for the year ended 31 December 2021.

The Company is incorporated in England & Wales as a private limited company. Its registration number is 3947540 and its registered office is 1 Wythall Green Way, Wythall, Birmingham B47 6WG. The Company is a member of the Phoenix Group ("the Group"), headed by Phoenix Group Holdings plc.

The financial statements of the Company have been prepared in accordance with UK adopted international accounting standards.

Business review**Principal activities**

The principal activity of the Company is marketing third party 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 5. The profit before tax was £1,974 (2020: £1,609).

No dividends were paid during the year (2020: £nil), and the directors do not recommend the payment of a dividend.

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 key risks that the Company is exposed to are liquidity risk and credit risk, which are discussed within note 13 of the financial statements.

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's "Guidance on the Going Concern Basis of Accounting and Reporting on Solvency and Liquidity Risks" (issued April 2016); the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the going concern period assessed up to 30 September 2023. Accordingly, the Directors 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:

S R Buckle	(Appointed 1 October 2021)
N M Hugh	
D N Woollett	(Resigned 30 September 2021)

Secretary

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

Statement on Business Relationships

- Business relationships with customers**

Customer matters are key for the Company and play a significant part of the rationale for decision-making that takes place. Board papers require authors to consider and provide detail relating to the potential impact of proposals on customers, ensuring that the Board is able to pay due regard to such matters.

- Business relationships with Partners/Suppliers**

The "Service Companies" within Phoenix Group Holdings plc are the principal leads on maintaining relationships with suppliers.

Energy and carbon reporting

Energy and Carbon usage information is disclosed in the Group's annual report and accounts and accordingly the Company has not reported on this in these individual financial statements.

PEARL CUSTOMER CARE LIMITED

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.

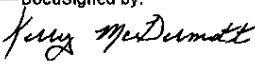
Small companies exemption

The Company has taken advantage of the exemption in section 414 of the Companies Act 2006 relating to small companies not to prepare a Strategic report.

Audit exemption

The Company has taken advantage of the exemption in section 479A of the Companies Act 2006 relating to subsidiary companies not to require an audit of these financial statements, as a guarantee over all liabilities of the Company at the balance sheet date has been granted by the Company's ultimate parent, Phoenix Group Holdings plc.

On behalf of the Board

DocuSigned by:

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

16 September 2022

PEARL CUSTOMER CARE LIMITED

Statement of Directors' responsibilities

The Directors are responsible for preparing the Directors' report and the Company's 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 UK adopted international accounting standards. 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 UK adopted international accounting standards 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 UK adopted international accounting standards 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 UK adopted international accounting standards, 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.

PEARL CUSTOMER CARE LIMITED

Statement of comprehensive income
for the year ended 31 December 2021

	Notes	2021 £	2020 £
Revenue			
Fees and commissions	3	2,314	19,344
Total income		<u>2,314</u>	<u>19,344</u>
Operating expenses	4	(340)	(17,735)
Total operating expenses		<u>(340)</u>	<u>(17,735)</u>
Profit before tax		1,974	1,609
Tax charge	6	(375)	(306)
Profit for the year attributable to owners		<u>1,599</u>	<u>1,303</u>
Other comprehensive income		-	-
Total comprehensive income for the year attributable to owners		<u>1,599</u>	<u>1,303</u>

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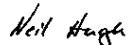
Statement of financial position
as at 31 December 2021

	Notes	2021 £	2020 £
Current assets			
Other receivables	7	196	174
Cash and cash equivalents	8	53,303	368,393
Total current assets		53,499	368,567
Total assets		53,499	368,567
Equity attributable to owners			
Share capital	9	100	100
Retained earnings		52,686	51,087
Total equity		52,786	51,187
Current liabilities			
Other payables	10	713	317,380
Total current liabilities		713	317,380
Total equity and liabilities		53,499	368,567

For the year ended 31 December 2021 the Company was entitled to exemption under section 479a of the Companies Act 2006. No members have required the Company to obtain an audit of its accounts for the year ended 31 December 2021 in accordance with section 476 of the Companies Act 2006.

The Director's acknowledge their responsibility for complying with the requirements of the Act with respect to accounting records and for the preparation of accounts.

On behalf of the Board

DocuSigned by:

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N M Hugh
Director

16 September 2022

PEARL CUSTOMER CARE LIMITED

Statement of cash flows

for the year ended 31 December 2021

	Notes	2021 £	2020 £
Cash flows from operating activities			
Cash (used in) / generated from operations	11	(315,090)	32,022
Net cash flows from operating activities		<u>(315,090)</u>	<u>32,022</u>
Net (decrease) / increase in cash and cash equivalents		(315,090)	32,022
Cash and cash equivalents at the beginning of the year		368,393	336,371
Cash and cash equivalents at the end of the year	8	<u>53,303</u>	<u>368,393</u>

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Statement of changes in equity
As at 31 December 2021

	Share capital £	Retained earnings £	Total £
At 1 January 2021	100	51,087	51,187
Profit for the year	-	1,599	1,599
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	1,599	1,599
At 31 December 2021	<u>100</u>	<u>52,686</u>	<u>52,786</u>

Of the above £52,686 (2020: £51,087) of retained earnings are considered distributable.

	Share capital £	Retained earnings £	Total £
At 1 January 2020	100	49,784	49,884
Profit for the year	-	1,303	1,303
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	1,303	1,303
At 31 December 2020	<u>100</u>	<u>51,087</u>	<u>51,187</u>

PEARL CUSTOMER CARE LIMITED

Notes to the Financial Statements**1. Accounting policies****(a) Basis of preparation**

The financial statement for the year ended 31 December 2021, set out on pages 5 to 14 were authorised by the Board of Directors for issue on 16 September 2022.

The financial statements have been prepared on a historical cost basis.

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.

The financial statements are presented in sterling (£) rounded to the nearest £ unless otherwise stated.

Going concern

When performing their going concern assessment, the Directors have considered cash flow forecasts for the Company for the period to 30 September 2023.

The Company had £53k of cash and liquidity funds at 31 December 2021 and £54k (unaudited) at 30 June 2022. The Company's forecasts show it has sufficient liquidity to meet its liabilities as they fall due over the going concern period to 30 September 2023.

Having carried out this assessment, the Directors consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements. Further detail is provided within the Directors' report.

Statement of Compliance

The financial statements of the Company for the year ended 31 December 2021 have been prepared in accordance with UK adopted international accounting standards.

(b) Critical accounting estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The area that the directors consider particularly susceptible to changes in estimates and assumptions are detailed below:

Impairment of financial assets

The impairment provisions for financial assets are based on assumptions about risk of default and expected loss rates. The company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the company's past history and existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, see note (c).

(c) Financial assets

Financial assets are measured at amortised cost where they have:

- contractual terms that give rise to cash flows on specified dates, that represent solely payments of principal and interest on the principal amount outstanding; and
- are held within a business model whose objective is achieved by holding to collect contractual cash flows.

These financial assets are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the financial asset. All transaction costs directly attributable to the acquisition are also included in the cost of the financial asset. Subsequent to initial recognition, these financial assets are carried at amortised cost, using the effective interest method.

Financial assets measured at amortised cost are included in note 7 Other receivables and note 8 Cash and cash equivalents.

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Impairment of financial assets

The Company assesses the expected credit losses associated with its other receivables and cash carried at amortised cost. The impairment methodology depends upon whether there has been a significant increase in credit risk.

The Company measures loss allowances which have low credit risk using the 12-month Expected Credit Loss (ECL). Interest revenue is recognised on a gross basis. A simplified approach is used to determine the loss allowances for other receivables as these are always measured at an amount equal to lifetime ECLs. See note 13 for detail of how the Company assesses whether the credit risk of a financial asset has increased since initial recognition and when estimating ECLs.

The loss allowance reduces the carrying value of the financial asset and is reassessed at each reporting date. ECLs are recognised using a provision for doubtful debts account in profit and loss. For other receivables, the ECL rate is recalculated each reporting period taking into account which counterparties are included in the reporting period.

ECLs are derived from probability-weighted estimates of expected loss, and are measured as follows:

- 12-month ECLs – Total expected credit losses that result from default events that are possible within 12 months after the reporting date.
- Lifetime ECLs – Expected credit losses that result from all possible default events over the expected life of the financial asset.

No significant changes to estimation techniques or assumptions were made during the reporting period.

(d) Income tax

Income tax comprises current and deferred tax. Income tax is recognised as income or an expense in profit and loss to the extent that it relates to items recognised as other comprehensive income in which case it is recognised in other comprehensive income.

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.

(e) 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.

(f) 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.

(g) Operating expenses

Operating expenses, including commissions received from third parties payable to other Group companies, are accounted for on an accruals basis.

(h) Share capital

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

(i) 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.

(j) 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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2. New and amended accounting standards***Adoption of New Accounting Pronouncements in 2021 and those Not Yet Effective***

In preparing the financial statements, the Company has adopted the standards, interpretations and amendments which have been issued by the International Accounting Standards Board ('IASB'):

There were no new or amended accounting standards issued by the IASB which are considered to have a significant impact on the Company's financial statements or accounting policies.

3. Revenue

	2021 £	2020 £
Commissions	<u>2,314</u>	<u>19,344</u>

4. Operating expenses

	2021 £	2020 £
Bank charges	2	2
Administrative expenses due to fellow Group company	338	398
Commission charges due to immediate parent	-	17,335
	<u>340</u>	<u>17,735</u>

Included within commission charges due to fellow subsidiary are commissions received from third parties that were payable to other Group companies, net of commission handling charges due from other Group companies.

The Company has no employees. Services are provided by another Group company.

5. Directors' remuneration

The Directors are employed by another Group company. The Directors received no remuneration in respect of their services to the Company (2020: £nil).

6. Tax charge

The current tax charge for the year is £375 (2020: £306). This is equal (2020: equal) to the profit on ordinary activities of £1,974 (2020: £1,609), multiplied by the standard rate of UK Corporation tax of 19% (2020: 19%).

7. Other receivables

	2021 £	2020 £
Accrued income	<u>196</u>	<u>174</u>
Amount recoverable after 12 months	<u>-</u>	<u>-</u>

8. Cash and cash equivalents

	2021 £	2020 £
Bank and cash balances	<u>53,303</u>	<u>368,394</u>

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

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9. Share capital

	2021 £	2020 £
Allotted, Issued and fully paid: 100 (2020: 100) ordinary shares 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.

10. Other payables

	2021 £	2020 £
Amounts due to immediate parent	-	252,695
Amounts due to fellow Group companies	<u>713</u>	<u>64,685</u>
	<u>713</u>	<u>317,380</u>
Amount due for settlement after 12 months	<u>-</u>	<u>-</u>

11. Cash flows from operating activities

	2021 £	2020 £
Profit for the year before tax	1,974	1,609
Changes in operating assets and liabilities		
Change in other assets	(22)	12,681
Change in other liabilities	<u>(317,042)</u>	<u>17,732</u>
Cash (used in) / generated from operations	<u>(315,090)</u>	<u>32,022</u>

12. Capital management

The Company's capital comprises of share capital and all reserves. At 31 December 2021, total capital was £52,786 (2020: £51,187). 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.

13. Risk management

The Phoenix Group, of which the Company is a member, 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 Company is continuing to monitor developments regarding the conflict between Russia and Ukraine. As at 31 December 2021, the Company had no direct exposure to Russia and Ukraine.

The principal risks and uncertainties facing the Company are:

Liquidity risk

The Company has exposure to liquidity risk as a result of normal business activities, specifically the risk arising from an inability to meet short-term cash flow requirements and this is monitored on an ongoing basis.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. These obligations can relate to both recognised and unrecognised assets and liabilities

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Credit risk management practices

The Company's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising ECL
Performing	The counterparty has a low risk of default and does not have any past-due amounts	12m ECL
Doubtful	There has been a significant increase in credit risk since initial recognition	Lifetime ECL – not credit impaired
In default	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Company has no realistic prospect of recovery	Amount is written off

The table below details the credit quality of the Company's financial assets, as well as the Company's maximum exposure to credit risk by credit risk rating grades:

Financial Assets	Note	External credit rating	Internal credit rating	ECL recognition	Gross carrying amount	Loss Allowance	Net carrying amount
Other receivables	9	N/A	Performing	Lifetime ECL (simplified approach)	£196	-	£196
Cash and cash equivalents	10	BBB-	N/A	12m ECL	£53,303	-	£53,303

The Company considers reasonable and supportable information that is relevant and available without undue cost or effort to assess whether there has been a significant increase in risk since initial recognition. This includes quantitative and qualitative information and also, forward-looking analysis.

Other receivables - The Company's exposure to credit risk is influenced mainly by the individual characteristics of each counterparty including historic loss experiences and current market conditions. For each new counterparty, the Company also analyses the creditworthiness before the Company's standard payment terms and conditions are offered. The Company also reviews external ratings, if they are available, and financial statements.

Cash and cash equivalents - The Company's cash and cash equivalents are held with bank and financial institution counterparties, which have BBB- investment grade ratings. The Company considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties and there being no history of default.

The Company writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

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14. 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.

	2021	2020
	£	£
<i>Amounts due to related parties</i>		
Amounts due to immediate parent (note 10)	-	252,695
Amounts due to fellow Group companies (note 10)	713	64,685
	<hr/>	<hr/>

Amounts charged by related parties

Management services charged by fellow Group companies (note 4)	338	398
Commission charges due to immediate parent (note 4)	-	17,335
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Management service charges were recharged by Phoenix Customer Care Limited and relate to staff and other services.

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 2021, 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 15.

15. 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 plc, a company incorporated in England and Wales. A copy of the financial statements of Phoenix Group Holdings plc can be obtained from their company website, www.thephoenixgroup.com.