



Partnership Home Loans Limited

Report and Financial Statements

For the year ended 31 December 2013



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Directors, Officers and Advisers

Directors & Officers

Directors

SJ Groves, FIA
AJM Chamberlain, FIA
AM Dearsley, ACA
JA Kennedy
G M Hosty, FIA
A Megson
K Purves
D Richardson, FIA, CFA
ID Cormack*
D Ferrans*
CS Gibson-Smith*
RC Ward*
IB Owen*

Company Secretary

FE Darby, Solicitor

* Denotes Non-Executive Directors

Registered Office

Heron Tower
110 Bishopsgate
London
EC2N 4AY

Independent Advisers and Consultants

Auditor

Deloitte LLP

Bankers

Lloyds Banking Group plc

Legal Advisors

Freshfields LLP
Clyde & Co LLP

Directors' Report

The Directors present their Annual Report and the audited Financial Statements for the year ended 31 December 2013

Directors

The current Directors are listed on page 1. Directors who served the Company during 2013 and up to the date of this report were

AJM Chamberlain

AM Dearsley

SJ Groves

G M Hosty

JA Kennedy

A Megson

IB Owen

RA Phipps

(resigned 7 March 2014)

K Purves

DTM Young

(resigned 1 October 2013)

D Richardson

(appointed 11 February 2013)

ID Cormack

(appointed 6 September 2013)

D Ferrans

(appointed 28 August 2013)

CS Gibson-Smith

(appointed 28 August 2013)

RC Ward

(appointed 28 August 2013)

Directors' interests

The Directors had no interests in the share capital of Partnership Home Loans Limited at 31 December 2013 (2012: nil)

Directors' indemnities

The Company's Articles of Association provide, subject to the provisions of UK legislation, an indemnity for Directors and Officers of the Company in respect of liabilities they may incur in the discharge of their duties or in the exercise of their powers, including any liabilities relating to the defence of any proceedings brought against them which relate to anything done or omitted, or alleged to have been done or omitted, by them as officers or employees of the Company.

Directors' and Officers' liability insurance cover is in place in respect of all of the Company's Directors.

Auditor

Each of the persons who is a Director at the date of approval of this report confirms that

- So far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- The Director has taken all the steps that he/ she ought to have taken as a Director in order to make himself/ herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of S418 of the Companies Act 2006.

Deloitte LLP has indicated their willingness to continue in office as auditor.

Approved by the Board and signed on its behalf by

FE Darby, Solicitor
Company Secretary

Heron Tower
110 Bishopsgate

London
EC2N 4AY

18 March 2014

Strategic Report

Principal activity and review of the business

The principal activity of the Company is the provision of lifetime mortgage products. The Company generates sales through independent financial advisors.

The Company changed its principal activity in April 2011 after having been granted permission by the Financial Services Authority to act as lender in mortgage contracts. Prior to that, the Company's activities had been restricted to the mediation and arrangement of equity release contracts from which it continued to earn fees only during 2012.

All of the new mortgages completed during 2013 were sold to a fellow group undertaking, Partnership Life Assurance Company Limited.

Results and Dividend

The Company made a profit of £194,049 for the year as set out in the Statement of Comprehensive Income on page 7 (2012: loss of £218,736). The Directors do not recommend the payment of a dividend (2012: nil).

Principal risks and uncertainties

The Company's exposure to, and management of principal risks and uncertainties is set out in note 9.

Approved by the Board and signed on its behalf by



FE Darby, Solicitor
Company Secretary
Heron Tower
110 Bishopsgate
London
EC2N 4AY

18 March 2014

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Financial 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 give a true and fair view of the state of affairs of the Company and of the profit or loss of the company for that period.

In preparing these Financial Statements, International Accounting Standard 1 requires that Directors

- properly select and apply accounting policies,
- 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 are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance, and
- make an assessment of the company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditor's Report

To the Members of Partnership Home Loans Limited

We have audited the Financial Statements of Partnership Home Loans Limited for the year ended 31 December 2013 which comprise the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Financial Position, the Cash Flow Statement and the related notes 1 to 11. The financial reporting framework that has been applied in their preparation is applicable law and 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 Directors' Responsibilities Statement, 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 annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatement 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 2013 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 Strategic Report and the Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements.

Independent Auditor's Report (continued)

To the Members of Partnership Home Loans Limited

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



Alexander Arterton BSc (Hons) ACA
Senior Statutory Auditor
For and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, UK
18 March 2014

Statement of Comprehensive Income

For the year ended 31 December 2013

	Note	2013 £	2012 £
Mortgage premium income and other income	2	2,756,443	1,191,173
Interest receivable		2,567	-
Total income		2,759,010	1,191,173
Operating expenses		(1,013,546)	(695,053)
Acquisition costs		(1,552,643)	(713,098)
Interest on subordinated debt		-	(1,767)
Total expenses		(2,566,189)	(1,409,918)
Profit/ (loss) before tax	3	192,821	(218,745)
Income tax (charge)/ credit	4	(44,824)	9
Profit/ (loss) for the year		147,997	(218,736)

The Company's results are from continuing operations

The profit/ (loss) for each year was entirely attributable to equity

There are no items of other comprehensive income in the current or previous period

The notes on pages 12 to 16 are an integral part of these Financial Statements

Statement of Changes in Equity

For the year ended 31 December 2013

	Note	Share Capital £	Retained earnings £	Total £
At 1 January 2012		110,000	130,618	240,618
Shares issued for cash	7	105,000	-	105,000
Loss for the year		-	(218,736)	(218,736)
At 31 December 2012		215,000	(88,118)	126,882
At 1 January 2013		215,000	(88,118)	126,882
Profit for the year		-	147,997	147,997
At 31 December 2013		215,000	59,879	274,879

The profit/ (loss) for each year was entirely attributable to equity

The notes on pages 12 to 16 are an integral part of these Financial Statements

Statement of Financial Position

For the year ended 31 December 2013

	Note	2013 £	2012 £
Current assets			
Receivables	5	364,797	364,797
Cash and cash equivalents	6	1,927,665	-
Total assets		2,292,462	364,797
Equity			
Share capital	7	215,000	215,000
Retained earnings		59,879	(88,118)
Total equity and reserves		274,879	126,882
Liabilities			
Bank overdraft	6	-	116,700
Payables	8	2,017,583	121,215
Total liabilities		2,017,583	237,915
Total equity and liabilities		2,292,462	364,797

The notes on pages 12 to 16 are an integral part of these Financial Statements

The Financial Statements of the Company were approved by the Board of Directors and authorised for issue on 18 March 2014

They were signed on its behalf by



SJ Groves
Chief Executive Officer

Company registered Number 05108846

Cash Flow Statement

For the year ended 31 December 2013

	Note	2013 £	2012 £
Profit/ (loss) before tax	3	192,821	(218,745)
Adjustment for			
Increase in receivables	5	-	(2,297)
Increase/ (decrease) in payables and other taxation and social security costs	8	1,885,111	(20,877)
Corporation tax	4	(33,567)	-
Net cash generated/ (used) from operating activities		2,044,365	(241,919)
Cash flows from financing activities			
Proceeds from issue of share capital		-	105,000
Repayment of subordinated debt		-	(55,000)
Net cash generated in financing activities		-	50,000
Net increase /(decrease) in cash and cash equivalents		2,044,365	(191,919)
Cash and cash equivalents at beginning of year		(116,700)	75,219
Cash and cash equivalents at end of year	6	1,927,665	(116,700)

The notes on pages 12 to 16 are an integral part of these Financial Statements

Notes to the Financial Statements

For the year ended 31 December 2013

1 Significant accounting policies

General information

The principal activity and review of the business on page 4 outlines the Company's activities and performance. Note 9 to the Financial Statements sets out the Company's policies and procedures for managing risk. Having regard to the Company's financial position, its expected performance in the future, and having made appropriate enquiries 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 annual Financial Statements.

Basis of preparation

These Financial Statements are prepared in accordance with IFRS, as adopted by the European Union, and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The financial information has been prepared in accordance with applicable accounting standards and under the historical cost convention.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial information in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Financial Statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

Mortgage premium income

Mortgage premium income includes premium received on the sale of lifetime mortgages, which is recognised when the mortgage is sold onwards.

Fee income

Fee income represents fees for the provision of services in relation to equity release products.

Interest receivable and payable

Interest receivable and payable is accounted for on an accruals basis.

Derecognition and offset of financial assets and financial liabilities

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where

- the rights to receive cash flows from the asset have expired,
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement, or
- the Company has transferred its rights to receive cash flows from the asset and has either transferred substantially all the risk and rewards of the asset, or has neither transferred nor retained substantially all the risk and rewards of the asset, but has transferred control of the asset.

Notes to the Financial Statements (continued)

For the year ended 31 December 2013

If the Company has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset, but has retained control, it shall continue to recognise the financial asset to the extent of its continuing involvement in the financial asset

The transfer of risks and rewards is evaluated by comparing the Company's exposure, before and after transfer, with the variability in the amounts and timing of the net cash flows of the transferred asset and associated liability

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, deposits held on call with banks and other short term highly liquid investments with original maturities of 90 days or less. Bank overdrafts are included in cash and cash equivalents

Current taxation

Current taxation including UK Corporation tax is provided at amounts specified to be paid or recovered using the taxation rates applicable to the relevant financial years

Deferred taxation

Provision is made for taxation on taxable profits for the year using tax rates enacted or substantively enacted at the balance sheet date

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities

Notes to the Financial Statements (continued)

For the year ended 31 December 2013

Adoption of new and revised standards

The Company has adopted the following new standards and changes to existing standards which are relevant to the Company's operations, and became effective for financial years beginning on or after 1 January 2013

- **Amendments to IFRS 7 'Offsetting Financial Assets and Financial Liabilities'** - these amendments require disclosure about rights to set-off financial instruments and related arrangements. During the period the Company had no such arrangements, and therefore the adoption of this amendment has not affected these financial statements
- **IFRS 13 'Fair Value Measurement'** - IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when the entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The standard is applied prospectively. The application of IFRS 13 has not materially impacted the fair value measurements carried out by the Company
- **Amendments to IAS 1 "Presentation of Items of Other Comprehensive Income"** - the amendments to IAS 1 require items of other comprehensive income to be grouped by those items that will be reclassified subsequently to profit and loss and those that will never be reclassified, together with their associated income tax. During the period the Company had no items reported within Other Comprehensive Income, and therefore the adoption of this amendment has not affected these financial statements
- **Amendments to IAS 12 "Income Taxes"** - These amendments provide a presumption that recovery of the carrying amount of an asset measured using the fair value model in IAS 40 Investment Property will, normally, be through sale. The Company has held no investment property measured using the fair value model during the year, and therefore the adoption of this amendment has not affected these financial statements
- **Annual Improvements 2009 - 2011 cycle** - Amendments to five standards, IFRS 1 First Time Adoption, IAS 1 Presentation of Financial Statements, IAS 16 Property, Plant and Equipment, IAS 32, Financial Instruments - Presentation, and IAS 34, Interim Financial Reporting. The amendments clarify existing guidance and have no impact on these financial statements

The following new or revised or amended standards, in issue, were not yet effective, or in some cases not yet endorsed by the EU. The Company has not early adopted any of these standards

Standard/ Interpretation	Content/ amendment	Applicable for financial periods beginning on or after
IFRS 10	Consolidated financial statements	1 January 2014*
IFRS 11	Joint arrangements	1 January 2014*
IFRS 12	Disclosures of interests in other entities	1 January 2014*
IAS 27	Separate financial statements - amendment	1 January 2014*
IAS 28	Associates and joint ventures - amendment	1 January 2014*
IFRS 10, IFRS 12 and IAS 27	Investment Entities - amendments	1 January 2014*
IAS 32	Financial Instruments -Presentation - amendment	1 January 2014*
IAS 36	Recoverable Amount Disclosures for Non-Financial Assets - amendments	1 January 2014*
IAS 39	Novation of Derivatives and Continuation of Hedge Accounting - amendment	1 January 2014*
IFRS 9	Financial Instruments	1 January 2018

* as adopted by the EU

Notes to the Financial Statements (continued)

For the year ended 31 December 2013

2 Fee income and other income

	2013	2012
	£	£
Mortgage premium income	2,756,443	1,160,109
Fee income	-	31,064
Fee income and other income	2,756,443	1,191,173

Mortgage premium income represents premium on mortgages sold to a fellow group undertaking, Partnership Life Assurance Company Limited

3 Profit/ (loss) before tax

Partnership Services Limited, a fellow subsidiary undertaking, has incurred all administration, staff and pension costs on behalf of the Company. The Company has no employees. Directors are remunerated for services to the group, Partnership Assurance Group plc as a whole. Auditor remuneration of £8,000 (2012: £12,000) in respect of the audit of the Company's financial statements was incurred by Partnership Services Limited.

4 Income tax

The actual tax charge is computed by applying the average UK corporation tax rate of 23.25% for 2013 (2012: 24.5%) as follows:

Factors affecting the tax charge	2013	2012
	£	£
Profit/loss before tax	192,821	(218,745)
Current taxation at 23.25% (2012: 24.5%)	(44,824)	53,587
Prior period adjustment	-	9
Surrender of tax losses to other group companies	-	(53,587)
Income tax (charge)/ credit	(44,824)	9

The Company did not have a deferred tax asset or liability at the beginning or the end of the year.

5 Receivables

	2013	2012
	£	£
Amounts falling due within one year		
Amount due from parent undertaking	252,297	252,297
Prepayments and accrued income	112,500	112,500
	364,797	364,797

6 Cash and cash equivalents

	2013	2012
	£	£
Bank overdraft	-	(116,700)
Cash at bank and in hand	1,927,665	-
	1,927,665	(116,700)

Notes to the Financial Statements (continued)

For the year ended 31 December 2013

7 Share Capital

	2013 £	2012 £
Allotted, issued and fully paid 215,000 ordinary shares of £1 each (2012: 215,000)	215,000	215,000

8 Payables

	2013 £	2012 £
Amounts falling due within one year		
Amount due to other group undertaking	1,842,484	15,055
Other payables and accruals	130,276	72,594
Other taxation and social security	44,823	33,566
	2,017,583	121,215

9 Principal risks, uncertainties and financial instruments

The Company is not materially exposed to any financial risk, other than credit risk, to fellow Group companies for recovery of fees charged and interest rate risk in relation to cash positions and bank overdrafts. All risks and rewards associated with mortgage loans are transferred to Partnership Life Assurance Company Limited as they are sold at the point of origination. The Company is a subsidiary undertaking of Partnership Group Holdings Limited (PGHL) and credit risk is managed on a Group wide basis. Periodic cash settlement of intra-group balances is carried out. The cash requirements of the Company are monitored on a daily basis and managed accordingly.

10 Related party transactions

Trading transactions

During the year the Company incurred fees of £180,659 in respect of services provided by Partnership Services Limited, a subsidiary undertaking, in respect of management services (2012: £157,549).

During the year the Company earned income of £2,756,443 (2012: £1,168,853) in respect of fees on the sale of mortgage loans to a fellow group undertaking, Partnership Life Assurance Company Limited.

Amounts due from and payable to the parent company and fellow group undertakings at 31 December 2013 are shown in notes 5 and 8.

Remuneration of key management personnel

The Company does not employ any staff. The remuneration of the Directors, who are the key management personnel of the Company, is paid by Partnership Services Limited, a fellow Group undertaking and subsidiary of the immediate parent undertaking. No emoluments are paid to Directors in relation to their services provided to the Company.

Notes to the Financial Statements (continued)

For the year ended 31 December 2013

11 Ultimate parent company

The Company's immediate parent company is PGHL, registered in England and Wales. The largest group of undertakings for which Group consolidated accounts are drawn up is Partnership Assurance Group plc (registered in England and Wales).

The Company's ultimate parent undertakings are the partnerships comprising the Fourth Cinven Fund (the "Cinven Funds"), being funds managed and advised by Cinven Limited, a company incorporated under the laws of England and Wales. Accordingly, the Directors consider the Company's ultimate controlling party to be Cinven Limited, the manager and advisor to the Cinven Funds.