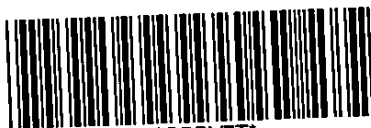


PEARL LIFE SERVICES LIMITED

Company Registration Number: 5175197

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

WEDNESDAY



ASBBBVZT

A40

20/07/2011

79

COMPANIES HOUSE

PEARL LIFE SERVICES LIMITED

Contents	Page
Directors' report	3
Statement of Directors' responsibilities	5
Independent auditors' report to the members of Pearl Life Services Limited	6
Statement of comprehensive income	7
Statement of financial position	8
Statement of cash flows	9
Statement of changes in equity	10
Notes to the financial statements	11

Directors' report

Company Registration No 5175197

Country of incorporation United Kingdom

Registered Office
1 Wythall Green Way
Wythall
Birmingham
B47 6WG

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

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

Business Review

Principal activities

The principal activity of the Company, which is being wound down, is to act as landlord for a property at Juxon House, London.

The Company has no employees.

Strategy

The strategy of the Phoenix Group, of which the Company is a member, is to be recognised as the best and most innovative manager of closed life assurance funds to improve returns for policyholders and deliver value for owners.

Result and dividends

The results of the Company for the year are shown in the statement of comprehensive income on page 7. The profit before tax was £nil (2009: £nil).

The Company pays a management expense to Pearl Life Holdings Limited ("PLHL") of an amount equal to its net income from acting as landlord. When a loss is made the Company receives a refund from PLHL, hence no profit or loss is payable by the Company.

The Directors do not recommend the payment of a dividend for the year (2009: £nil).

Principal risks and uncertainties

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

The Directors have reviewed the principal risks facing the Company and these are considered to be minimal.

Key Performance Indicators ("KPIs")

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

Going concern

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they have adopted 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 Kassimiotis		
A Moss	Appointed	31 December 2010
P M Marchant	Resigned	31 December 2010

Secretary

Pearl Group Secretariat Services Limited acted as Secretary throughout the year

Disclosure of indemnity

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

Disclosure of information to auditors

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

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

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

By order of the Directors



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

23 June 2011

Statement of Directors' responsibilities

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

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

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

Independent auditors' report to the members of Pearl Life Services Limited

We have audited the financial statements of Pearl Life Services Limited for the year ended 31 December 2010 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 15. 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 auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 5, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

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

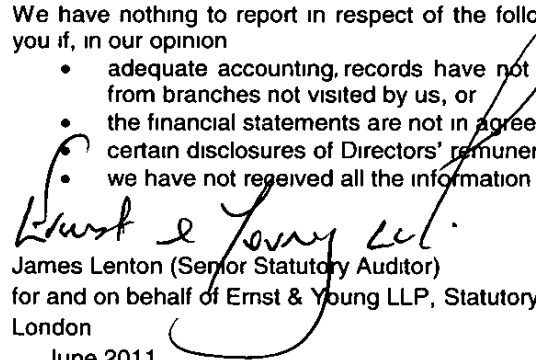
Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of Directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.


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

June 2011

PEARL LIFE SERVICES LIMITED

Statement of comprehensive income
for the year ended 31 December 2010

	Notes	2010 £000	2009 £000
Revenue			
Net investment income	4	3	4
Other operating income	5	6	13
Total income		<u>9</u>	<u>17</u>
 Administrative expenses	6	 (9)	 (17)
Total operating expenses		<u>(9)</u>	<u>(17)</u>
 Profit for the year before tax		 <u>-</u>	 <u>-</u>
 Tax charge		 -	 -
 Profit for the year attributable to owners		 <u>-</u>	 <u>-</u>
 Other comprehensive income		 -	 -
 Total comprehensive income for the year		 <u>-</u>	 <u>-</u>

PEARL LIFE SERVICES LIMITED

Statement of financial position
as at 31 December 2010

	Notes	As at 31 December 2010 £000	As at 31 December 2009 £000	As at 1 January 2009 £000
Equity attributable to owners				
Share capital	9	-	-	-
Retained earnings		-	-	-
Total equity		-	-	-
Current liabilities				
Other payables	10	835	1,047	1,034
Total current liabilities		835	1,047	1,034
Total equity and liabilities		835	1,047	1,034
Non-current assets				
Other receivables	11	171	383	383
Total non-current assets		171	383	383
Current assets				
Cash and cash equivalents	12	664	664	651
Total current assets		664	664	651
Total assets		835	1,047	1,034

On behalf of the Board


A Moss
Director

PEARL LIFE SERVICES LIMITED

Statement of cash flows
for the year ended 31 December 2010

	Notes	2010 £000	2009 £000
Cash flows from operating activities			
Cash generated by operations	13	-	13
Net cash flows from operating activities		-	13
Net increase in cash and cash equivalents		-	13
Cash and cash equivalents at the beginning of the year		664	651
Cash and cash equivalents at the end of the year	12	664	664

Supplementary disclosures on cash flow from operating activities

	Notes	2010 £000	2009 £000
Interest received	4	3	4

PEARL LIFE SERVICES LIMITED

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

	Share capital (note 9) £	Retained earnings £	Total £
At 1 January 2010	2	-	2
Profit for the year	-	-	-
At 31 December 2010	<u>2</u>	<u>-</u>	<u>2</u>

	Share capital (note 9) £	Retained earnings £	Total £
At 1 January 2009	2	-	2
Profit for the year	-	-	-
At 31 December 2009	<u>2</u>	<u>-</u>	<u>2</u>

Notes to the financial statements

1 Accounting policies

(a) Basis of preparation

The financial statements have been prepared on a historical cost basis

Statement of compliance

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

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

Financial assets and financial 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) Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS 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

Critical accounting estimates are those which involve the most complex or subjective judgements or assessments. The areas of the Company's business that typically require such estimates are the determination of income taxes

(c) Income tax

Income tax comprises current tax. Income tax is recognised in the statement of comprehensive income except to the extent that it relates to items in the statement of changes in equity

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

(d) Financial assets

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. These investments are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are also included in the cost of the investment. Subsequent to initial recognition, these investments are carried at amortised cost, using the effective interest method

Impairment of financial assets

The Company assesses at each period end whether a financial asset or group of financial assets held at amortised cost is impaired. The Company first assesses whether objective evidence of impairment exists for financial assets. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in the collective assessment of impairment

(e) Income recognition***Net investment income***

Net investment income comprises interest and impairment losses on loans and receivables

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

(f) Share capital and capital contributions***Ordinary share capital***

The Company has issued ordinary shares which are classified as equity

(g) Events after the reporting period

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

2. Financial information

The financial statements for the year ended 31 December 2010, set out on pages 7 to 15, were authorised by the Board of Directors for issue on 23 June 2011. The financial statements have been prepared in accordance with IFRS. The comparative amounts for the year ended 31 December 2009 are based on the Company's financial statements for that year after adjustment for the transition from United Kingdom Generally Accepted Accounting Principles ("UK GAAP") to IFRS.

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

In preparing the financial statements the Company has adopted all applicable standards, amendments and interpretations and has early adopted the amendments to IAS 24 *Related Party Disclosures* (2011) which amends the definition of a related party and clarifies its intended meaning.

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

The International Accounting Standards Board has issued the following standards, interpretations and amendments which, subject to adoption for use by the EU, apply from the dates shown. The Company has decided not to adopt any of these standards, interpretations and amendments where this is permitted. The impact of adopting them is subject to evaluation but is currently not expected to have a material effect on the results of the Company.

- IFRS 9 *Financial Instruments* (2013) IFRS 9 is the first phase of the project to replace IAS 39 *Financial Instruments: Recognition and Measurement* and deals with the classification and measurement of financial assets and financial liabilities, including some hybrid contracts.
- Annual improvements 2010 (2011) This makes a number of minor improvements to existing standards and interpretations.
- Disclosure – Transfer of Financial Assets (Amendments to IFRS 7) (2012) This revises the required disclosures to help users of financial statements evaluate the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position.

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

- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* (2011)
- Classification of Rights Issues (Amendments to IAS 32) (2011)
- Prepayments of a Minimum Funding Requirement (Amendments to IFRIC 14) (2011)
- Deferred tax: Recovery of Underlying Assets (Amendments to IAS 12) (2012) This provides a practical approach to the measurement of deferred tax liabilities and assets when investment property is measured at fair value, according to whether the entity expects to recover an asset by using or selling it.
- Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (Amendments to IFRS 1) (2012)

3 Transition to IFRS

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

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

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

4 Net investment income

	2010 £000	2009 £000
Investment income		
Interest income on cash and cash equivalents	<u>3</u>	<u>4</u>

5 Other operating income

	2010 £000	2009 £000
Interest income on other receivables	<u>6</u>	<u>13</u>

6 Administrative expenses

	2010 £000	2009 £000
Management expenses to fellow group entities	6	13
Other administrative expenses	3	4
	<u>9</u>	<u>17</u>

Other administrative expenses predominantly consist of charges for credit cards and franking machines.

7 Directors' remuneration

The Company paid no remuneration to Directors during the year.

8 Auditors' remuneration

The fees payable to the Company's auditor for the audit of the Company's annual accounts are borne by its parent company. Details of the parent company are given in note 15 of the accounts.

9 Share capital

	2010 £	2009 £
Issued and fully paid 2 (2009: 2) ordinary shares of £1 each	<u>2</u>	<u>2</u>

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

PEARL LIFE SERVICES LIMITED

10. Other payables

	2010 £000	2009 £000
Amounts owed to Group companies	<u>835</u>	<u>1,047</u>
Amount due for settlement after 12 months	<u>-</u>	<u>-</u>

Amounts owed to Group companies carry no fixed terms of repayment and are non-interest bearing

11. Other receivables

	2010 £000	2009 £000
Other receivables	<u>171</u>	<u>383</u>
Amount due for settlement after 12 months	<u>165</u>	<u>383</u>

The carrying amounts of other receivables approximate to their fair value

12. Cash and cash equivalents

	2010 £000	2009 £000
Bank and cash balances	<u>664</u>	<u>664</u>
	<u>664</u>	<u>664</u>

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

13. Cash flows

Cash flows from operating activities

	2010 £000	2009 £000
Profit for the year before tax	-	-
Changes in operating assets and liabilities		
Decrease in other receivables	212	-
Increase in other receivables	<u>(212)</u>	<u>13</u>
Cash generated by operations	<u>-</u>	<u>13</u>

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

In the year ended 31 December 2010 the Company incurred costs of £6,000 (2009 £13,000) from fellow group entities

Amounts due to related parties

	2010 £000	2009 £000
Other amounts due to the immediate parent	117	115
Other amounts due to fellow subsidiaries	<u>718</u>	<u>932</u>
	<u>835</u>	<u>1,047</u>

Parent and ultimate parent entity

Information on the Company's parent and ultimate parent is given in note 15

Key management compensation

There was no compensation payable to employees classified as key management, which comprises the Directors, as disclosed in note 7

15. Other information

The Company's principal place of business is the United Kingdom. The Company's immediate parent is Pearl Group Management Services 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.