partnership

Partnership Home Loans Limited

Financial Statements

For the Year Ended 31December 2008

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COMPANIES HOUSE

Registered Number: 05108846

Contents

Directors, Officers and Advisers

Directors & Officers

Chairman
IB Owen FIA *

Chief Executive Officer
SJ Groves, FIA

Directors
C Rhodes, ACA
GA Waterman, FCII DMU (AMS)
R Clarke
J Kennedy
DTM Young, ACA, CTA *
R Phipps*
R Houghton
AM Dearsley

Company Secretary
P Lagerberg, ACIS

* Denotes Non-Executive Directors

Registered Office
Sackville House
143 – 149 Fenchurch Street
London
EC3M 6BN

Independent Advisers and Consultants

Auditors
Deloitte LLP

Bankers
Bank of Scotland

Solicitors
Clyde & Co

Directors' Report

For the year ended 31 December 2008

The directors present their annual report and the audited financial statements for the year ended 31 December 2008.

Principal activity and review of the business

The principal activity of the Company is the arrangement of equity release contracts. The Company earns fees for the provision of this service. The Company is regulated by the Financial Services Authority and has permission to carry on mortgage mediation activities.

The Company performs mediation activities and the arranging of sales of equity release products through independent advisers, for which it earns a fee. Funding and administration of the equity release products, through reversion contracts or mortgages, is carried out by third-parties not related to the Company.

The Company is a member of the trade organisation, Safe Home Income Plans ('SHIP'), and together with other SHIP members, the Company will continue to promote Equity Release products in the market. The Company will also seek to expand its distribution channels wherever possible. During the year the Company suspended the promotion of the mortgage product due to the excessively high cost of third party funding. Subsequent to the balance sheet date, the Company also suspended the promotion of the reversion product, and as a result the Company is temporarily not promoting the sale of any equity release products (see Note 13). The Company shall continue to monitor its funding arrangements and will seek to maximise its income stream from the best available options.

Results and Dividend

The Company made a profit for the year as set out in the income statement. The directors do not recommend the payment of a dividend (2007: Nil).

Directors

The current directors are listed on page 1. Directors who served the Company during 2008 and up to the date of this report were:

IB Owen	
SJ Groves	
C Rhodes	
GA Waterman	
R Clarke	
J Kennedy	
DTM Young	
AW Muirhead	(Resigned 5 August 2008)
R Phipps	(Appointed 28 February 2008)
R Houghton	(Appointed 23 September 2008)
AM Dearsley	(Appointed 1 April 2009)

Principal risks and uncertainties

The Company's exposure to, and management of principal risks and uncertainties is set out in note 11.

Directors' Report (continued)

For the year ended 31 December 2008

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.

Auditors

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 auditors are 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 auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

Deloitte LLP have indicated their willingness to continue in office as auditors.

Approved by the Board and signed on its behalf by:

P Lagerberg.

P Lagerberg
Company Secretary

9 July 2009

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 (IFRSs) as adopted by the European Union. The financial statements are required by law to be properly prepared in accordance with IFRSs as adopted by the European Union and the Companies Act 1985.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. However, directors are also required to:

- 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 IFRSs 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 proper accounting records that 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 1985. 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.

Independent Auditors' Report

to the Member of Partnership Home Loans Limited

We have audited the financial statements of Partnership Home Loans Limited for the year ended 31 December 2008 which comprise the Income Statement, the Statement of Changes in Equity, the Balance Sheet, the Cash Flow Statement and related notes 1 to 13. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's member, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's member those matters we are required to state to them in an auditors' 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 member as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards as adopted by European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, whether the financial statements are properly prepared in accordance with the Companies Act 1985 and whether the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs adopted by the European Union, of the state of the Company's affairs as at 31 December 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Director's Report is consistent with the financial statements.

Deloitte LLP

Deloitte LLP
Chartered Accountants
and Registered Auditors
London, United Kingdom

9 July 2009

Income Statement

For the year ended 31 December 2008

	Notes	2008 £	2007 £
Fee income		246,974	116,701
Interest receivable		2,373	3,400
Total Income		**249,347**	**120,101**
Operating expenses		(170,775)	(171,167)
Interest on subordinated debt		(4,210)	(4,689)
Total expenses		**(174,985)**	**(175,856)**
Profit / (loss) before tax	**3**	**74,362**	**(55,755)**
Income tax	**4**	-	16,727
Profit / (loss) for the year		**74,362**	**(39,028)**

The Company's results are from continuing operations (see note 13).

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

Statement of Changes in Equity

For the year ended 31 December 2008

	Share Capital	Retained Loss	Total
	£	£	£
At 1 January 2007	110,000	(45,189)	64,811
Loss for the year	-	(39,028)	(39,028)
At 31 December 2007	**110,000**	**(84,217)**	**25,783**
At 1 January 2008	110,000	(84,217)	25,783
Profit for the year	-	74,362	74,362
At 31 December 2008	**110,000**	**(9,855)**	**100,145**

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

Balance Sheet

At 31 December 2008

	Notes	2008	2007
		£	£
Current assets			
Receivables	5	181,222	51,449
Cash and cash equivalents	6	114,542	79,375
Total assets		**295,764**	**130,824**
Equity			
Share capital	7	110,000	110,000
Retained Loss		(9,855)	(84,217)
Total equity		**100,145**	**25,783**
Liabilities			
Payables	8	140,619	50,041
Subordinated debt	9	55,000	55,000
Total liabilities		**195,619**	**105,041**
Total equity and liabilities		**295,764**	**130,824**

Approved by the board of directors and authorised for issue on 9 July 2009.

SJ Groves
Chief Executive Officer

Cash Flow Statement

For the year ended 31 December 2008

	Notes	2008	2007
		£	£
Profit / (loss) before tax		**74,362**	**(55,755)**
Adjustment for:			
Interest receivable		(2,373)	(3,400)
Interest on subordinated debt		4,210	4,689
Operating cash flows before changes in operating assets and liabilities		**76,199**	**(54,466)**
(Increase) / decrease in receivables		(129,773)	127,190
Increase / (decrease) in payables		90,578	(46,229)
Cash generated from operations		**37,004**	**26,495**
Interest receivable		2,373	3,400
Net cash generated from operating activities		**39,377**	**29,895**
Cash flows from financing activities:			
Interest on subordinated debt		(4,210)	(4,689)
Net increase in cash and cash equivalents		**35,167**	**25,206**
Cash and cash equivalents at beginning of year		79,375	54,169
Cash and cash equivalents at end of year	**6**	**114,542**	**79,375**

Notes to the Financial Statements

For the year ended 31 December 2008

1 Accounting Policies

Basis of preparation
The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS's), as adopted by the European Union, and those parts of the Companies Act 1985 applicable to companies reporting under IFRS's.

The financial statements have been prepared under the historical cost convention.

The Principal Activities and Business Review on page 2 outlines the Company's activities, performance and future outlook. Note 11 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 report and accounts.

Use of estimates
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.

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.

Subordinated debt
Subordinated debt is recorded at the proceeds received, net of direct issue costs. Finance charges are accounted for on an accruals basis in the income statement.

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 substantially enacted at the balance sheet date.

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet 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.

Accounting developments
The International Accounting Standards Board (IASB) issued IFRS 8 'Operating Segments' in November 2006 effective for annual periods beginning on or after 1 January 2009. IFRS 8 replaces IAS 14 'Segment Reporting' and requires the disclosure of financial information about the Company based on the information used internally to evaluate the performance of the operating segments and the allocation of resources to those segments. The Company has not early adopted IFRS 8.

In September 2007 the IASB issued a revised IAS 1 'Presentation of financial statements.' This standard is still subject to endorsement by the EU. Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The Company has not early adopted the revised IAS 1.

In May 2008 the IASB published amendments to a number of standards as part of its annual improvements projects. These amendments are still subject to endorsement by the EU. Based on the current activities of the Company it is not expected that adoption of these amendments will have a significant impact on the Company's financial statements. The Company will apply these amendments from 1 January 2009, subject to endorsement by the EU.

2 Segmental reporting

All of the Company's fee income is earned from the provision of services in relation to equity release contracts and is derived in the United Kingdom.

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. A management charge totalling £101,138 was recharged to the Company during 2008 (2007: £96,427). Included within the recharge was an amount of £6,000 (2007: £6,000) in respect of auditors' remuneration) paid to the Company's auditor in respect of non-audit services for the Company.

4 Income tax

No charge to corporation tax arises because of group losses available for tax purposes. A taxation credit arose in 2007 as a result of the Company's losses being fully utilised against profits earned in other Group companies.

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

Factors affecting the tax charge	2008 £	2007 £
Profit / (Loss) before tax	74,362	(55,755)
Current taxation of 28.5% (2007: 30%)	(21,193)	16,727
Losses incurred by fellow group companies utilised for nil consideration	21,193	-
Taxation credit	**-**	**16,727**

5 Receivables

Amounts falling due within one year:

	2008 £	2007 £
Amounts due from other group undertakings	141,441	35,719
Other receivables and prepayments	39,781	15,730
	181,222	**51,449**

6 Cash and cash equivalents

	2008 £	2007 £
Cash at bank and in hand	**114,542**	**79,375**

7 Share Capital

	2008	2007
	£	£
The authorised share capital of the Company is:		
110,000 ordinary shares of £1 each	110,000	110,000
Allotted, issued and fully paid:		
110,000 ordinary shares of £1 each	**110,000**	**110,000**

8 Payables

Amounts falling due within one year:

	2008	2007
	£	£
Amount due to parent undertaking	13,618	9,408
Amount due to other group undertakings	125,428	17,458
Other payables and accruals	-	21,102
Other taxation and social security	1,573	2,073
	140,619	**50,041**

9 Subordinated debt

	2008	2007
	£	£
Subordinated loan, repayable otherwise than by Instalments (unsecured)		
Due in more than five years	**55,000**	**55,000**

A subordinated loan facility of £100,000 was arranged with the parent undertaking on 21 August 2006. The interest rate is 3% over the Bank of England Base rate. The loan is due to be repaid in full on 31 December 2017.

In the event of insolvency of the Company, repayment of the loan is subordinated to all other creditors, except any amounts due to the shareholder of the Company. The loan is not repayable if payment results in the Company breaching minimum regulatory capital requirements.

10 Capital resources

The relevant capital requirement for the Company is the minimum solvency requirement determined in accordance with the Financial Services Authority (FSA) regulations for regulated business. The Company had capital resources in excess of the minimum required by the FSA regulations at the end of each reporting period.

11 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, bank overdrafts and the subordinated loan agreement. The Company is a subsidiary undertaking of Partnership Group Holdings Limited 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.

12 Related Party Transactions

a) Trading transactions
During the year the Company paid £101,138 (2007: £96,427) to Partnership Services Limited, a fellow Group undertaking and subsidiary of the immediate parent undertaking, in respect of management services.

The Company surrendered tax losses to Partnership Life Assurance Company Limited, a fellow Group undertaking, for £16,727 in 2007.

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

b) 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.

13 Post Balance Sheet Event

During May 2009, the Company ceased promotion of its Equity Release Reversion product, and as a result, the Company is temporarily not promoting or arranging the sale of any equity release products. The decision to cease promoting the reversion product was linked to the economic conditions which have resulted in the lack of available third party funding on commercially viable terms.

14 Ultimate Parent Company

The Company's immediate parent company is Partnership Group Holdings Limited, registered in England and Wales. The parent undertaking of the smallest group of undertakings for which Group consolidated accounts are drawn up is PAG Acquisitions Limited, (registered in England and Wales), and for the largest group of undertakings for which Group consolidated accounts are drawn up is PAG Holdings Limited (registered in Jersey).

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.