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Partnership Home Loans Limited

Financial Statements

For the year ended 31 December 2011

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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
AJM Chamberlain, FIA
AM Dearsley, ACA
JA Kennedy
G M Hosty, FIA
A Megson
RA Phipps*
K Purves
DTM Young, FCA, CTA*

Company Secretary
FE Darby, Solicitor

* Denotes Non-Executive Directors

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

Independent Advisers and Consultants

Auditor
Deloitte LLP

Bankers
Lloyds Banking Group plc

Solicitors
Clyde & Co LLP

Directors' Report

For the year ended 31 December 2011

The Directors present their annual report and the audited financial statements for the year ended 31 December 2011

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

All of the new mortgages completed during 2011 were sold to a fellow group undertaking, Partnership Life Assurance Company Limited

Results and Dividend

The Company made a profit for the year as set out in the Statement of Comprehensive Income on page 7 The Directors do not recommend the payment of a dividend (2010 Nil)

Directors

The current Directors are listed on page 1 Directors who served the Company during 2011 and up to the date of this report were

AJM Chamberlain	
AM Dearsley	
SJ Groves	
G M Hosty	(appointed 29 March 2011)
JA Kennedy	
A Megson	
IB Owen	
RA Phipps	
K Purves	(appointed 22 February 2012)
DTM Young	

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 2011

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
Sackville House
143 – 149 Fenchurch Street
London
EC3M 6BN

27 March 2012

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 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 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 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 2011 which comprise the Statement of Comprehensive Income, the Statement of Changes in Equity, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 13 The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) 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 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 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

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

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
27 March 2012

Statement of Comprehensive Income

For the year ended 31 December 2011

	Notes	2011	2010
		£	£
Fee income and other income	2	706,737	35,614
Interest receivable		175	-
Total Income		**706,912**	**35,614**
Operating expenses		(233,959)	(9,326)
Acquisition costs		(344,329)	-
Interest on subordinated debt		(1,925)	(1,925)
Total expenses		**(580,213)**	**(11,251)**
Profit before tax	3	**126,699**	**24,363**
Income tax charge	4	(33,575)	(6,821)
Profit for the year		**93,124**	**17,542**

The Company's results are from continuing operations

The profit 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 11 to 17 are an integral part of these financial statements

Statement of Changes in Equity

For the year ended 31 December 2011

	Share Capital	Retained Profit	Total
	£	£	£
At 1 January 2010	110,000	19,952	129,952
Profit for the year	-	17,542	17,542
At 31 December 2010	**110,000**	**37,494**	**147,494**
At 1 January 2011	110,000	37,494	147,494
Profit for the year	-	93,124	93,124
At 31 December 2011	**110,000**	**130,618**	**240,618**

The profit for each year was entirely attributable to equity

The notes on pages 11 to 17 are an integral part of these financial statements

Balance Sheet

At 31 December 2011

	Notes	2011	2010
		£	£
Current assets			
Receivables	5	362,500	220,000
Cash and cash equivalents	6	75,219	3,325
Total assets		**437,719**	**223,325**
Equity			
Share Capital	7	110,000	110,000
Retained Profit		130,618	37,494
Total equity		**240,618**	**147,494**
Liabilities			
Payables	8	142,101	20,831
Subordinated debt	9	55,000	55,000
Total liabilities		**197,101**	**75,831**
Total equity and liabilities		**437,719**	**223,325**

The notes on pages 11 to 17 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 27 March 2012

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 2011

	Notes	2011 £	2010 £
Profit before tax	3	**126,699**	**24,363**
Adjustment for			
Interest receivable		175	-
Interest on subordinated debt		1,925	1,925
Operating cash flows before changes in operating assets and liabilities		**128,799**	**26,288**
Increase in receivables	5	(142,500)	(186,268)
Increase/ (decrease) in payables and other taxation and social security costs	8	87,695	(6,058)
Tax losses purchased from parent undertaking		-	(6,821)
Cash generated/ (utilised) from operations		**73,994**	**(172,859)**
Interest on subordinated debt		(1,925)	(1,925)
Interest receivable		(175)	-
Net cash generated/ (utilised) from operating activities		**71,894**	**(174,784)**
Cash and cash equivalents at beginning of year		3,325	178,109
Cash and cash equivalents at end of year	6	**75,219**	**3,325**

The notes on pages 11 to 17 are an integral part of these financial statements

Notes to the Financial Statements

For the year ended 31 December 2011

1 Significant accounting policies

General information

The principal activity and review of the business on page 2 outlines the Company's activities and performance 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 financial statements

Basis of preparation

These financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the European Union, and those parts of the Companies Act 2006 applicable to companies reporting under IFRS's

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

Fee income

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

Other income

Other income includes premium received on the sale of lifetime mortgages

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

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

Notes to the Financial Statements

For the year ended 31 December 2011

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

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 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

Adoption of new and revised standards

a) None of the new standards or revisions or amendments to standards that have been adopted has affected the amounts reported or the disclosure and presentation of information in these financial statements

Notes to the Financial Statements

For the year ended 31 December 2011

b) The following new and revised or amended standards have been adopted but have not affected the amounts reported, or the disclosure and presentation of information in these financial statements, but may impact the accounting for future transactions and arrangements

Standard/ Interpretation	Content/ amendment	Applicable for financial periods beginning on or after
IAS 32 (amendment)	Financial instruments Presentation - Classification of rights issues	1 February 2010
IFRIC 19	Extinguishing financial liabilities with equity instruments	1 July 2010
IFRIC 14 (amendment)	IAS 19 – The limit on a defined benefit assets, minimum funding requirements and their interaction	1 January 2011
IFRS 7 (improvement)	Financial instruments	1 January 2011

IAS 32 (amendment) – This amendment allows rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount to be classified as equity instruments provided the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments This change does not affect these financial statements

IFRIC 19 – This clarifies the requirement of IFRSs when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially This change does not affect these financial statements

IFRIC 14 – This amendment removes unintended consequences arising from the treatment of pre-payments where there is a minimum funding requirement for pensions and other employee benefit plans This results in prepayments of contributions in certain circumstances being recognised as an asset rather than an expense This change does not affect these financial statements

IFRS 7 – This improvement emphasises the interaction between qualitative and quantitative disclosures about the nature and extent of risks associated with financial instruments This does not affect these financial statements

c) The following new and revised or amended standards are not relevant to the Company's operations

Standard/ Interpretation	Content/ amendment	Applicable for financial periods beginning on or after
IAS 24 (revised 2009)	Related party disclosures (for government-related entities)	1 January 2011
IAS 34	Interim financial reporting	1 January 2011
IFRIC 13	Customer loyalty programmes	1 January 2011
IFRS 1 (improvement)	First time adoption of IFRS	1 January 2011

Notes to the Financial Statements

For the year ended 31 December 2011

d) At the date these financial statements were authorised, the following new or revised or amended standards, in issue, were not yet effective, or in some cases not yet adopted by the EU The Company has not early adopted any

Standard/ Interpretation	Content/ amendment	Applicable for financial periods beginning on or after
IAS 1 (amendment)	Financial statement presentation regarding other comprehensive income	1 July 2012
IAS 12	Income taxes on deferred tax	1 January 2012
IAS 19 (amendment)	Employee benefits	1 January 2013
IAS 27	Separate financial statements	1 January 2013
IAS 28	Associates and joint ventures	1 January 2013
IFRS 9	Financial instruments	1 January 2013
IFRS 10	Consolidated financial statements	1 January 2013
IFRS 11	Joint arrangements	1 January 2013
IFRS 12	Disclosures of interests in other entities	1 January 2013
IFRS 13	Fair value measurement	1 January 2013

Notes to the Financial Statements

For the year ended 31 December 2011

2 Fee income and other income

	2011	2010
	£	£
Fee income	31,643	35,614
Other Income	675,094	-
Fee income and other income	**706,737**	**35,614**

3 Profit 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 No Directors are remunerated for services to the Company Auditor remuneration of £15,000 (2010 Nil) 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 26 5% for 2011 (2010 28%) as follows

Factors affecting the tax charge	2011	2010
	£	£
Profit before tax	126,699	24,363
Current taxation at 26 5% (2010 28%)	(33,575)	(6,821)
Taxation charge	**(33,575)**	**(6,821)**

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

5 Receivables

Amounts falling due within one year	2011	2010
	£	£
Amounts due from other group undertakings	220,000	220,000
Prepayments	142,500	-
	362,500	**220,000**

6 Cash and cash equivalents

	2011	2010
	£	£
Cash at bank and in hand	**75,219**	**3,325**

7 Share Capital

	2011	2010
	£	£
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

	2011	2010
Amounts falling due within one year	£	£
Amount due to parent undertaking	15,935	14,010
Amount due to other group undertakings	20,748	6,821
Other payables and accruals	71,843	-
Other taxation and social security	33,575	-
	142,101	**20,831**

9 Subordinated debt

	2011	2010
	£	£
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 of which £55,000 has been drawn down, 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 throughout and at the end of each reporting period

Notes to the Financial Statements

For the year ended 31 December 2011

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 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 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

Trading transactions

During the year the Company incurred fees of £97,605 in respect of services provided by Partnership Services Limited, a subsidiary undertaking, in respect of management services (2010 £Nil)

During the year the Company earned income of £675,094 in respect of fees on the sale of £9,471,572 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 2011 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

13 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 Partnership Holdings 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