partnership

Partnership Home Loans Limited

Financial Statements

For the year ended 31 December 2010

Registered Number 05108846

Contents

Directors, Officers and Advisers 1
Directors' Report 2
Statement of Directors' Responsibilities 4
Independent Auditors' Report 5
Statement of Comprehensive Income 7
Statement of Changes in Equity 8
Balance Sheet 9
Cash Flow Statement 10
Notes to the Financial Statements 11

Directors, Officers and Advisers

Directors & Officers

Chairman
IB Owen, FIA *

Chief Executive Officer
SJ Groves, FIA

Directors
AM Dearsley, ACA
JA Kennedy
A Megson
RA Phipps*
DTM Young, FCA, CTA*
AJM Chamberlain, FIA

Company Secretary
FE Darby, Solicitor

* Denotes Non-Executive Directors

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

Independent Advisers and Consultants

Auditors
Deloitte LLP

Bankers
Lloyds Banking Group plc

Solicitors
Clyde & Co LLP

Directors' Report

For the year ended 31 December 2010

The Directors present their annual report and the audited financial statements for the year ended 31 December 2010

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 arranges the sale of equity release products through independent financial 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 relied on third party funding to enable it to offer mortgage and reversion products Developments in the wholesale funding market meant the Company chose to withdraw from the sale of these products in 2008 The Company continues to explore opportunities to re-enter the equity release market

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 (2009 Nil)

Directors

The current Directors are listed on page 1 Directors who served the Company during 2010 and up to the date of this report were

IB Owen	
SJ Groves	
AM Dearsley	
JA Kennedy	
A Megson	
RA Phipps	
DTM Young	
AJM Chamberlain	(Appointed 25 October 2010)
RJ Houghton	(Resigned 16 February 2011)

Principal risks and uncertainties

The Company's exposure to, and management of principal risks and uncertainties is set out in note 10

Directors' Report (continued)

For the year ended 31 December 2010

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 S418 of the Companies Act 2006

Deloitte LLP has indicated their willingness to continue in office as auditors

Approved by the Board and signed on its behalf by

EE Darby, Solicitor
Company Secretary
Sackville House
143 – 149 Fenchurch Street
London
EC3M 6BN

25 March 2011

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 Auditors' 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 2010 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 12 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 2010 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 Auditors' 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
Senior Statutory Auditor
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, UK
25 March 2011

Statement of Comprehensive Income

For the year ended 31 December 2010

	Notes	2010 £	2009 £
Fee income		35,614	114,336
Interest receivable		-	3
Total Income		**35,614**	**114,339**
Operating expenses		(9,326)	(70,948)
Interest on subordinated debt		(1,925)	(1,993)
Total expenses		**(11,251)**	**(72,941)**
Profit before tax	**2**	**24,363**	**41,398**
Income tax (charge)	**3**	(6,821)	(11,591)
Profit for the year		**17,542**	**29,807**

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 16 are an integral part of these financial statements

Statement of Changes in Equity

For the year ended 31 December 2010

	Share Capital £	Retained Profit £	Total £
At 1 January 2009	110,000	(9,855)	100,145
Profit for the year	-	29,807	29,807
At 31 December 2009	**110,000**	**19,952**	**129,952**
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**

The profit for each year was entirely attributable to equity

The notes on pages 11 to 16 are an integral part of these financial statements

Balance Sheet

At 31 December 2010

	Notes	2010	2009
		£	£
Current assets			
Receivables	**4**	220,000	33,732
Cash and cash equivalents	**5**	3,325	178,109
Total assets		**223,325**	**211,841**
Equity			
Share capital	**6**	110,000	110,000
Retained Profit		37,494	19,952
Total equity		**147,494**	**129,952**
Liabilities			
Payables	**7**	20,831	26,889
Subordinated debt	**8**	55,000	55,000
Total liabilities		**75,831**	**81,889**
Total equity and liabilities		**223,325**	**211,841**

The notes on pages 11 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 25 March 2011

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 2010

	Notes	2010	2009
		£	£
Profit before tax		**24,363**	**41,398**
Adjustment for			
Interest receivable		-	(3)
Interest on subordinated debt		1,925	1,993
Operating cash flows before changes in operating assets and liabilities		**26,288**	**43,388**
(Increase) / decrease in receivables		(186,268)	147,490
(Decrease) in payables and other taxation and social security costs		(6,058)	(113,730)
Tax losses purchased from parent undertaking		(6,821)	(11,591)
Cash (utilised) / generated from operations		**(172,859)**	**65,557**
Interest on subordinated debt		(1,925)	(1,993)
Interest receivable		-	3
Net cash (utilised) / generated from operating activities		**(174,784)**	**63,567**
Cash and cash equivalents at beginning of year		178,109	114,542
Cash and cash equivalents at end of year	**5**	**3,325**	**178,109**

The notes on pages 11 to 16 are an integral part of these financial statements

Notes to the Financial Statements

For the year ended 31 December 2010

1 Significant 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 2006 applicable to companies reporting under IFRS's

The financial statements have been prepared under the historical cost convention

The Principal Activity and review of the business on page 2 outlines the Company's activities, performance and future outlook Note 10 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

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

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 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) The following new and revised or amended standards have been adopted and affect amounts reported, or the disclosure and presentation of information, in these financial statements·

Standard/ Interpretation	Content/ amendment	Applicable for financial periods beginning on or after
IAS 1 (amendment)	Presentation of financial statements	1 July 2009
IAS 36 (amendment)	Impairment of assets	1 January 2010
IAS 38 (amendment)	Intangible assets	1 January 2010

IAS 1 (amendment) - This amendment sets out components of a set of financial statements and requires entities to prepare a Statement of Comprehensive income The Company has elected to combine the Statement of Comprehensive Income with the Income Statement and has presented one single Statement of Comprehensive Income

IAS 36 (amendment) - This amendment clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment, as defined by paragraph 5 of IFRS 8, 'Operating segments'

IAS 38 (amendment) - This amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives This has no material impact on the value of the asset reported by the Company

Notes to the Financial Statements

For the year ended 31 December 2010

b) The following new and revised or amended standard has been adopted but has 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
IFRIC 17	Distribution of non-cash assets to owners	1 July 2009

IFRIC 17 - This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends IFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable This interpretation has not had a significant impact on the Company's accounts as no such payments have been made in 2009 or 2010

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
IFRS 2 (amendment)	Group cash-settled share-based payment transactions	1 January 2010
IFRS 3 (revised)	Business Combinations	1 January 2010
IFRS 5 (amendment)	Non-current assets held for sale and discontinued operations	1 January 2010
IFRIC 9	Reassessment of embedded derivatives and IAS 39	1 July 2009
IFRIC 16	Hedges of a net investment in a foreign operation	1 July 2009
IFRIC 18	Transfers of assets from customers	1 July 2009
IAS 27 (revised)	Consolidated and Separate Financial Statements	1 January 2010

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

Notes to the Financial Statements

For the year ended 31 December 2010

Standard/ Interpretation	Content/ amendment	Applicable for financial periods beginning on or after
IFRS 9	Financial Instruments	1 January 2013
IFRIC 14	Prepayments of minimum funding requirements	1 January 2011
IFRIC 19	Extinguishing financial liabilities with equity instruments	1 July 2010
IAS 24 (revised)	Related party disclosures	1 January 2011
IAS 32 (amendment)	Classification of rights issue	1 February 2010

2 Profit before tax

Partnership Services Limited, a fellow subsidiary undertaking, has incurred all administration, staff and pension costs on behalf of the Company No management charges were recharged to the Company during 2010 (2009 £37,778)

The Company incurred no Auditors' remuneration (2009 nil) in respect of the audit of the Company's and fellow group undertakings' annual financial statements

3 Income tax

The actual tax charge differs from the expected tax charge computed by applying the average UK corporation tax rate of 28% for 2010 (2009 28%) as follows

Factors affecting the tax charge	**2010**	**2009**
	£	**£**
Profit before tax	24,363	41,398
Current taxation at 28% (2009 28%)	(6,821)	(11,591)
Taxation (charge)	**(6,821)**	**(11,591)**

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

4 Receivables

Amounts falling due within one year

	2010	**2009**
	£	**£**
Amounts due from other group undertakings	220,000	33,732
	220,000	**33,732**

Notes to the Financial Statements

For the year ended 31 December 2010

5 Cash and cash equivalents

	2010 £	2009 £
Cash at bank and in hand	3,325	178,109

6 Share Capital

	2010 £	2009 £
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**

7 Payables

	2010	2009
Amounts falling due within one year	£	£
Amount due to parent undertaking	14,010	23,677
Amount due to other group undertakings	6,821	-
Other taxation and social security	-	3,212
	20,831	**26,889**

8 Subordinated debt

	2010 £	2009 £
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

9 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 2010

10 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

11 Related Party Transactions

a) Trading transactions
During the year the Company paid nil (2009 £37,778) to Partnership Services Limited, a fellow Group undertaking and subsidiary of the immediate parent undertaking, in respect of management services

Amounts due from and payable to the parent company and fellow group undertakings at 31 December are shown in Notes 4 and 7

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

12 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