PGMS (GLASGOW) LIMITED

Company Registration Number: SC159852

DIRECTORS' REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2017

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Directors' report

The Directors present their Report and the Financial Statements of PGMS (Glasgow) Limited ("the Company") for the year ended 31 December 2017.

The Company is incorporated in the United Kingdom as a private limited company. Its registration number is SC159852 and its registered office is 301 St Vincent Street, Glasgow, G2 5AB.

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

Business review

Principal activities
The Company did not trade during the year and the only transactions included in the statement of comprehensive income relates to the receipt of bank interest and tax. All operational transactions (commissions received on behalf of policy holders) are subsequently passed through to Phoenix Life Limited ('PLL'), a fellow subsidiary. This will continue to be the principal activity for the foreseeable future.

Result and dividends
The results of the Company for the year are shown in the statement of comprehensive income on page 8. The profit before tax was £11,000 (2016: £21,000).

No dividends were paid during the year (2016: £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 key financial risks the Company is exposed to are liquidity risk and counterparty risk. Financial risk management is discussed within note 12 of the financial statements.

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 followed the UK Financial Reporting Council's *"Guidance on the Going Concern Basis of Accounting and Reporting on Solvency and Liquidity Risks"* (issued April 2016) when performing their going concern assessment. As a result of this review, 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 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
S Mohammed (resigned 30 September 2017)
P Lane (appointed 30 September 2017)

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 auditor

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 auditor is unaware, and each of the Directors has taken all the steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information (as defined) 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 section 418(2) of the Companies Act 2006.

Re-appointment of auditor

In accordance with section 487 of the Companies Act 2006, the Company's auditor, 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.

The Company has taken advantage of the exemption in section 414 of the Companies Act 2006 relating to small companies not to prepare a Strategic report.

On behalf of the Board

L Nuttall
For and on behalf of Pearl Group Secretariat Services Limited
Company Secretary

7 June 2018

Statement of Directors' responsibilities

The Directors are responsible for preparing the Directors' report and the Company financial statements ("the financial statements") in accordance with applicable United Kingdom law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under the law the Directors have elected to prepare those statements in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"). Under company law, the Directors must not approve the financial statements unless they are satisfied that they present fairly the financial performance, financial position and cash flows of the Company for the accounting period. A fair presentation of the financial statements in accordance with IFRS requires the Directors to:

- select suitable accounting policies in accordance with IAS 8: *Accounting Policies, Changes in Accounting Estimates and Errors* and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- 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;
- state that the Company has complied with applicable IFRS, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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 taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report to the members of PGMS (Glasgow) Limited

We have audited the financial statements of PGMS (Glasgow) Limited for the year ended 31 December 2017 which comprise statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity and the related notes 1 to 14, including a summary of significant accounting policies. 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.

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2017 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

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

- adequate accounting records have not been kept by the parent company, 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; or
- the directors were not entitled to take advantage of the small companies' exemption in preparing the directors' report and from the requirements to prepare a strategic report.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement 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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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.

Ernst & Young LLP

Stuart Wilson (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
8 *June 2018*

Statement of comprehensive income
for the year ended 31 December 2017

	Notes	2017 £000	2016 £000
Revenue			
Net investment income	3	11	21
Total income		11	21
Profit for the year before tax		11	21
Tax charge	6	(2)	(4)
Profit for the year		9	17
Other comprehensive income		-	-
Total comprehensive income for the year		9	17

Statement of financial position
as at 31 December 2017

	Notes	2017 £000	2016 £000
Equity			
Share capital	7	5,000	5,000
Retained earnings		288	279
Total equity		5,288	5,279
Current liabilities			
Other payables	8	1,480	1,513
Total liabilities		1,480	1,513
Total equity and liabilities		6,768	6,792
Current assets			
Other receivables	9	4,072	4,080
Cash and cash equivalents	10	2,696	2,712
Total current assets		6,768	6,792
Total assets		6,768	6,792

On behalf of the Board

P Lane
Director
7 June 2018

Statement of cash flows
for the year ended 31 December 2017

	Notes	2017 £000	2016 £000
Cash flows from operating activities			
Cash (absorbed)/generated by operations	11	(27)	52
Net cash flows from operating activities		(27)	52
Cash flows from investing activities			
Interest received	3	11	21
Net cash flows from investing activities		11	21
Net (decrease)/increase in cash and cash equivalents		(16)	73
Cash and cash equivalents at the beginning of the year		2,712	2,639
Cash and cash equivalents at the end of the year		2,696	2,712

Statement of changes in equity
for the year ended 31 December 2017

	Share capital (note 7) £000	Retained earnings £000	Total £000
At 1 January 2017	5,000	279	5,279
Profit for the year	-	9	9
Total comprehensive income for the year	-	9	9
At 31 December 2017	5,000	288	5,288

Of the above £288,000 (2016: £279,000) of retained earnings are considered distributable.

	Share capital (note 7) £000	Retained earnings £000	Total £000
At 1 January 2016	5,000	262	5,262
Profit for the year	-	17	17
Total comprehensive income for the year	-	17	17
At 31 December 2016	5,000	279	5,279

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 ("IFRSs") and applied in accordance with the Companies Act 2006.

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

The Company has taken advantage of the exemption in section 414 of the Companies Act 2006 relating to small companies not to prepare a Strategic report.

Assets and 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 Company has no critical accounting estimates.

(c) Income tax

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

(d) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits with an original maturity term of three months or less at the date of placement.

(e) Dividends

Final dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Company's owners. Interim dividends are deducted from equity when they are paid.

Dividends for the year that are approved after the reporting period are dealt with as an event after the reporting period.

Declared dividends are those that are appropriately authorised and are no longer at the discretion of the entity.

(f) Income recognition

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

(g) Share capital

The Company has issued ordinary shares which are classified as equity.

(h) 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 2017, set out on pages 8 to 16 were authorised by the Board of Directors for issue on 7 June 2018.

In preparing the financial statements the Company has adopted the following standards, interpretations and amendments which have been issued by the International Accounting Standards Board ("IASB") and have been adopted for use by the EU. None of the following have a material effect on the results of the Company.

- Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses.
- Annual Improvements to IFRSs 2014-2016 Cycle.

The IASB has issued the following new or amended standards and interpretations which apply from the dates shown. The Company has decided not to early adopt any of these standards, interpretations or amendments where this is permitted.

- IFRS 9 Financial Instruments (2018). Under IFRS 9, all financial assets will be measured either at amortised cost or fair value and the basis of classification will depend on the business model and the contractual cash flow characteristics of the financial assets. In relation to the impairment of financial assets, IFRS 9 requires the use of an expected credit loss model, as opposed to the incurred credit loss model required under IAS 39. The expected credit loss model will require the Company to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition.

  The Company has performed a high-level impact assessment to consider the impact of IFRS 9. Overall, the Company expects no significant impact on its statement of financial position and equity from applying both the classification and expected credit loss requirements of the standard. A process has been established to calculate the expected credit loss allowance for all debt instruments held by the company at amortised cost. For other intercompany receivables a three stage impairment model is used which is based on whether there has been a significant increase in credit risk, this considers both qualitative and quantitative information. Based upon information currently available no material expected credit loss allowances are expected.

3. Net investment income

	2017 £000	2016 £000
Interest income on cash and cash equivalents	11	21

4. Directors' remuneration

The Directors are employed by another Group Company. The Directors received no remuneration in respect of their services to the Company (2016: £nil).

5. Auditor's remuneration

The remuneration of the auditor of the Company, including their associates, in respect of the audit of the financial statements was £4,000 (2016: £4,000). This audit fee has been borne by its parent company. Details of the parent company are given in note 14 to the financial statements.

6. Tax charge

Current year tax charge

	2017 £000	2016 £000
Current tax:		
UK Corporation tax	(2)	(4)
Total tax charge	(2)	(4)

Reconciliation of tax charge

	2017 £000	2016 £000
Profit before tax	11	21
Tax at standard UK rate of 19.25% (2016: 20%)	(2)	(4)
Total tax charge for the year	(2)	(4)

7. Share capital

	2017 £000	2016 £000
Issued and fully paid: 5,000,000 (2016: 5,000,000) ordinary shares of £1 each	5,000	5,000

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

The holders of the ordinary shares are entitled to one vote per share on matters to be voted on by owners and to receive such dividend, if any, as may be declared by the Board of Directors in its discretion out of legally available profits.

8. Other payables

	2017 £000	2016 £000
Amounts due to fellow subsidiaries	1,480	1,513
Amount due for settlement after 12 months	-	-

Amounts due to fellow subsidiaries are due to PLL and carry no fixed terms of repayment and are non-interest bearing.

9. Other receivables

	2017 £000	2016 £000
Amounts due from immediate parent	4,072	4,080
Amount recoverable after 12 months	-	-

10. Cash and cash equivalents

	2017 £000	2016 £000
Bank and cash balances	2,696	2,712

All deposits are subject to fixed interest rates. The carrying amounts equal fair value at the year end.

11. Cash flows

Cash flows from operating activities

	2017 £000	2016 £000
Profit for the year before tax	11	21
Non-cash movements in profit for the year before tax		
Interest received	(11)	(21)
Changes in operating assets and liabilities		
(decrease)/increase in other liabilities	(35)	52
Increase in other assets	8	-
Cash generated/(absorbed) by operations	(27)	52

The cash flow has been prepared using the indirect method.

12. Risk management

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 key risks that the Company is exposed to mainly relate to a variety of financial risks; liquidity risk and counterparty risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

Liquidity risk
The Company monitors its cash flow requirements on an ongoing basis and has regular reviews with its parent company to help mitigate its exposure to liquidity risk.

Counterparty risk
The Company holds the majority of its cash with one financial institution, Santander, and therefore bears counterparty risk of the bank defaulting.

13. 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.

Amounts due to related parties

	2017 £000	2016 £000
Other amounts due to fellow subsidiaries	1,480	1,513

Amounts due from related parties

	2017 £000	2016 £000
Other amounts due from immediate parent	4,072	4,080

Key management compensation
There was no compensation (2016: £nil) payable to employees classified as key management, which comprises the Directors, as disclosed in note 4.

Parent and ultimate parent entity
Information on the Company's parent and ultimate parent is given in note 14.

14. 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, 100 St Paul's Churchyard, London, EC4M 8BU or www.thephoenixgroup.com.