

**PHOENIX UK FUND LTD.**

**Financial Statements  
For The Year Ended December 31, 2015  
And Independent Auditor's Report**

## **PHOENIX UK FUND LTD.**

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**PHOENIX UK FUND LTD.**

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**Fund Information**

**DIRECTORS**

Alan Cole  
Mark Wildish  
Steve Tatters

**REGISTERED OFFICE**

C/O Sterling Group  
P.O. Box N-9934  
Suite 205-A  
Saffrey Square  
Bay Street  
Nassau  
Bahamas

**INVESTMENT MANAGER**

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64-66 Glenthams Road  
London SW13 9JJ  
United Kingdom

**ADMINISTRATOR**

State Street (Cayman) Trust Limited  
P.O. Box 896  
Gardenia Court  
Suite 3307  
Camana Bay  
Grand Cayman KY-1103  
Cayman Islands

**DEPOSITORY**

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Dublin 2  
Ireland

**AUDITORS**

Deloitte, Bahamas  
2<sup>nd</sup> Terrace West  
Centreville  
Nassau N-7120

**LEGAL ADVISORS**

Taylor Wessing LP  
5 New Street Square  
London, EC4A 3TW  
United Kingdom

## **Directors' Report**

For a detailed commentary and review of the portfolio activity, performance, structure and outlook, please refer to the Phoenix Asset Management Partners 2015 Q4 Annual & Quarterly Review published and posted in Jan 05, 2016. This report provides explanatory commentary for the audited financial accounts for the 12 month period ended 31 December 2015.

The Net Assets of the Fund as at 31 December 2015 were £188,803,219 versus £216,165,486 on 31 December 2014. The Net Assets comprise: the equity portfolio valued at £150,230,857 (2014 - £209,778,746); cash and cash equivalents and other assets of £40,467,284 (2014 - £8,074,479) and taken away from those are accruals (e.g. for fees & subscriptions in advance) of £1,894,922 (2014 - £1,687,739). The fall in Net Assets of £27,362,267 (versus a net rise of £67,369,821 in 2014) was due to net gains of £32,773,081 and net redemptions of £60,135,348.

The number of shares in issue at year-end were 16,813.90 Class A and 19,897.22 Class B (2014 - 21,435.86 Class A and 26,679.74 Class B) giving a 31 December 2015 NAV per share of £5,211.13 for the Class A and £5,085.32 for the Class B (2014 - £4,544.25 for the Class A and £4,451.15 for the Class B).

## **Fees & Expenses**

The cost of operating the Fund for the year (excluding manager's and performance fees) was £329,427 versus £161,117 for 2014. These comprise: Administrator's fees (International Fund Services (Ireland) Limited) of £165,954; Audit Fees of £29,578; and other (including Directors and depository services fees) of £133,895.

All of these costs are invoiced in US dollars. The average size of the Fund for the year was £230.4 million (2014 - £182.9 million), so the cost ratio annualised is 0.14% (2014 - 0.09%). The cost ratio has risen due to regulatory changes such as the AIFMD Directive which require the appointment of a depository. We still believe this ratio to be one of the lowest in the industry. Annual management fees amounted to £2,303,799 (i.e. 1% per annum) and there was a £8,096,370 performance fee for the year.

## **Share Capital**

In 2008 the Fund amended its authorised share capital consisting of Class A shares to also include a Class B share. A dividend of £0.19 per share for the Class B was declared in June 2015 (2014 - £0). The B Class share continues to hold reporting status under Regulation 55(1)(a) of The Offshore Funds (Tax) Regulations 2009 on behalf of HM Revenue & Customs.

**PHOENIX UK FUND LTD.**

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**Directors' Report (Continued)**


**Share Capital (Continued)**

The Class A shares are unchanged and do not have a distribution policy, all income earned and realised from operations will be reinvested.

Although it is not a disclosure requirement, we report the holdings of the current Directors and employees of the Fund and Phoenix Asset Management Partners Limited (PAMP).

<u>Year End</u>	<u>Units Owned</u>	<u>Value</u>
31/12/2015	4,096	£21.3m
31/12/2014	4,091	£18.5m

  
Steve Tatters and Alan Cole on behalf of the Directors



## **INDEPENDENT AUDITORS' REPORT**

To the Shareholders of Phoenix UK Fund Ltd.:

We have audited the accompanying financial statements of Phoenix UK Fund Ltd. (the "Fund"), which comprise the Statement of Financial Position as at December 31, 2015, and the related Statement of Comprehensive Income, Statement of Changes in Net Asset Attributable to Holders of Redeemable Shares, Statement of Cash Flows and the related notes 1 to 13 for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's responsibility for the financial statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of Phoenix UK Fund Ltd. as at December 31, 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

*Deloitte & Touche*

June 8th, 2016

**PHOENIX UK FUND LTD.**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015**

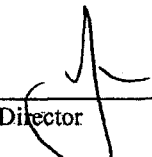
**STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2015**  
*(Expressed in British Pound Sterling)*

	12/31/2015	12/31/2014
	£	£
<b>ASSETS</b>		
Cash and cash equivalents ( Note 3b)	40,135,139	7,518,651
Financial assets at fair value through profit or loss (Note 3b)	150,230,857	209,778,746
Dividends receivable	329,695	555,828
Interest receivable	1,783	-
Other assets	667	-
Total assets	<u>190,698,141</u>	<u>217,853,225</u>
<b>LIABILITIES</b>		
Amounts due to Broker (Note 7)	-	1,143,510
Performance fee payable (Note 3b)	1,619,277	216,267
Subscriptions received in advance	8,520	105,000
Management fee payable (Note 3b)	157,467	180,288
Accrued expenses	109,658	42,674
Total liabilities (excluding net assets attributable to holders of redeemable shares)	<u>1,894,922</u>	<u>1,687,739</u>
<b>NET ASSET ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES</b>	<u>188,803,219</u>	<u>216,165,486</u>

See notes to financial statements

These financial statements were approved by the Board of Directors on June 8th, 2016, and are signed on its behalf by:

  
 \_\_\_\_\_  
 Director

  
 \_\_\_\_\_  
 Director



## PHOENIX UK FUND LTD.

### STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2015

(Expressed in British Pound Sterling)

	12/31/2015	12/31/2014
	£	£
<b>INCOME</b>		
Dividends	4,849,580	4,596,802
Net gain on financial instruments at fair value through profit or loss (Note 4)	39,517,967	649,879
Interest	16,417	44,018
Net foreign exchange gain / (loss)	75,280	(17,475)
Other income	7,603	-
Total income	<u>44,466,847</u>	<u>5,273,224</u>
<b>EXPENSES</b>		
Management fees (Note 5)	2,303,799	1,829,084
Performance fees (Note 5)	8,096,370	1,081,336
Administration fees (Note 6)	165,954	109,747
Regulatory fees	-	16,645
Audit fees	29,578	15,773
Other expenses	101,070	9,792
Directors' fees	16,180	9,160
Total expenses	<u>10,712,951</u>	<u>3,071,537</u>
Operating Profit	33,753,896	2,201,687
<b>FINANCE COST</b>		
Distribution to holders of redeemable shares	<u>(539,944)</u>	<u>-</u>
Profit after Distribution and before tax	<u>33,213,952</u>	<u>2,201,687</u>
<b>WITHHOLDING TAX EXPENSE</b>	<u>(440,871)</u>	<u>(542,235)</u>
<b>NET INCREASE IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES</b>	<u>32,773,081</u>	<u>1,659,452</u>

See notes to financial statements

**PHOENIX UK FUND LTD.**

**STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES**

**FOR THE YEAR ENDED DECEMBER 31, 2015**

*(Expressed in British Pound Sterling)*

	12/31/2015	12/31/2014
	£	£
Net increase in net assets attributable to holders of redeemable shares resulting from operations	32,773,081	1,659,452
<i>Share capital transactions:</i>		
Issue of redeemable shares	31,994,952	74,774,592
Redemption of redeemable shares	<u>(92,130,300)</u>	<u>(9,064,223)</u>
	<u>(60,135,348)</u>	<u>65,710,369</u>
(Decrease) / increase in net assets attributable to holders of redeemable shares from share capital transactions	(27,362,267)	67,369,821
<b>Net asset attributable to holders of redeemable shares, Beginning of year</b>	<u>216,165,486</u>	<u>148,795,665</u>
<b>Net asset attributable to holders of redeemable shares, End of year</b>	<u>£ 188,803,219</u>	<u>£ 216,165,486</u>

See notes to financial statements

# PHOENIX UK FUND LTD.

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2015 (Expressed in British Pound Sterling)

	12/31/2015	12/31/2014
	£	£
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net increase in net assets resulting from operations	32,773,081	1,659,452
Adjustments to reconcile net increase in net assets resulting from operations to net cash provided by / (used in) operating activities:		
Distribution recognised on profit and loss	539,944	
Change in financial assets at fair value through profit or loss	59,547,889	(83,269,493)
Change in amount due to broker	(1,143,510)	333,175
Change in management fee payable	(22,821)	55,842
Change in accrued expenses	66,984	24,978
Change in interest receivable	(1,783)	1,834
Change in performance fee payable	1,403,010	(1,436,552)
Change in dividends receivable	226,133	(300,063)
Change in other assets	(667)	-
Net cash provided by / (used in) operating activities	<u>93,388,260</u>	<u>(82,930,827)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from issue of redeemable shares	31,802,327	74,774,592
Payments on redemption of redeemable shares	(92,130,300)	(9,064,223)
Distribution to holders of redeemable shares	(347,319)	-
Change in subscriptions received in advance	(96,480)	(3,525,000)
Net cash (used in) / provided by financing activities	<u>(60,771,772)</u>	<u>62,185,369</u>
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	32,616,488	(20,745,458)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>7,518,651</u>	<u>28,264,109</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>40,135,139</u>	<u>7,518,651</u>
<b>SUPPLEMENTAL CASH FLOW INFORMATION:</b>		
Dividends received, net of withholding taxes	<u>4,634,842</u>	<u>3,754,504</u>
Interest received	<u>£ 14,634</u>	<u>£ 45,852</u>

See notes to financial statements

## PHOENIX UK FUND LTD.

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### SCHEDULE OF INVESTMENTS (Unaudited) As at December 31, 2015

	Number of Shares	Fair Value £	% NAV
<b>Investment in securities</b>			
Aurora Investment Trust Plc.	1,824,536	2,828,031	1.50%
Barratt Developments Plc.	4,303,730	26,941,349	14.27%
Bellway Plc.	364,514	10,337,617	5.48%
BWIN Party Digital Entertainment Plc.	3,832,833	4,967,352	2.63%
CPP Group Plc.	149,722,256	16,469,448	8.72%
Diageo Plc.	199,796	3,709,213	1.96%
Games Workshop Group Plc.	520,970	3,047,675	1.61%
GlaxoSmithKline Plc.	737,622	10,127,550	5.36%
Hornby Plc.	6,834,384	6,287,633	3.33%
Lloyds Banking Group Plc.	23,706,634	17,322,437	9.17%
Morrisson (WM.) Supermarkets Plc.	6,250,856	9,263,769	4.91%
Randall & Quilter Investment Holdings Limited	3,636,956	3,382,369	1.79%
RQLM Limited	100,690	4,448,031	2.36%
Sports Direct International Plc.	466,643	2,692,530	1.43%
Tesco Plc.	8,855,049	13,238,298	7.01%
Unilever Plc.	122,660	3,589,645	1.90%
Vesuvius Plc.	971,832	3,237,172	1.71%
Wetherspoon (J.D.) Plc.	1,114,327	<u>8,340,738</u>	4.42%
		<u>£ 150,230,857</u>	
<b>Cash</b>		£ 40,135,139	
<b>Other Assets &amp; Liabilities</b>		£ (1,562,777)	
<b>Net Assets Attributable to Holders of Redeemable Shares</b>		<u>£ 188,803,219</u>	

## PHOENIX UK FUND LTD.

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### SCHEDULE OF INVESTMENTS (Unaudited) As at December 31, 2014

	Number of Shares	Fair Value £	% NAV
<b>Investment in securities</b>			
Barratt Developments Plc.	11,811,025	55,629,928	25.73%
Bellway Plc.	1,058,929	20,532,633	9.50%
BWIN Party Digital Entertainment Plc.	5,984,345	7,049,558	3.26%
Carpetright Plc.	3,892,741	15,590,428	7.21%
Diageo Plc.	297,153	5,492,873	2.54%
Games Workshop Group Plc.	688,782	3,581,666	1.66%
GlaxoSmithKline Plc.	942,220	12,964,947	6.00%
Hornby Plc.	2,517,093	1,938,162	0.90%
Lloyds Banking Group Plc.	31,018,896	23,518,527	10.88%
Randall & Quilter Investment Holdings Limited	4,808,473	5,577,829	2.58%
RQLM Limited	4,688,553	4,688,553	2.17%
RWS Holdings Plc.	179,259	1,536,250	0.71%
Sports Direct International Plc.	696,955	4,955,350	2.29%
Tesco Plc.	11,303,392	21,363,411	9.88%
Travis Perkins Plc.	538,614	10,002,062	4.63%
Unilever Plc.	182,170	4,787,428	2.21%
Vesuvius Plc.	1,344,873	6,000,823	2.78%
Wetherspoon (J.D.) Plc.	557,112	4,568,318	2.11%
		<u>£ 209,778,746</u>	
<b>Cash</b>		£ 7,518,651	
<b>Other Assets &amp; Liabilities</b>		£ (1,131,911)	
<b>Net Assets Attributable to Holders of Redeemable Shares</b>		<u>£ 216,165,486</u>	

# PHOENIX UK FUND LTD.

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

*(Expressed in British Pound Sterling)*

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### 1. GENERAL

Phoenix UK Fund Ltd. (“the Fund”) is an open ended investment fund, which was incorporated under the International Business Companies Act 1989 (as amended), of the Commonwealth of The Bahamas (the “Bahamas”). The Company was incorporated in the Bahamas on February 15, 1998 and commenced operations on May 1, 1998. The Fund’s principal objective is to achieve long-term investment returns primarily from listed United Kingdom equities and other investments. The Fund’s registered office is located at Phoenix UK Fund c/o Sterling (Bahamas) Ltd., P. O. Box N-9934, Suite 205A, Saffrey Square, Bay Street, Nassau, Bahamas.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### *Statement of compliance*

The Fund’s financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

#### *Basis of preparation*

These financial statements are expressed in British pounds (GBP (£)). British pounds reflect the economic substance of the operations and circumstances of the Fund.

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates. The significant accounting policies are as follows.

#### *New and amended standards and interpretations*

##### *(a) Standards and amendments to existing standards effective on or after January 1, 2015*

IFRS 9, ‘Financial instruments’, addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification depends on the entity’s business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to

## PHOENIX UK FUND LTD.

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

*(Expressed in British Pound Sterling)*

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an entity's own credit risk is recorded in other comprehensive income rather than the Statement of Comprehensive Income, unless this creates an accounting mismatch. The Fund is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after January 1, 2018. The Fund will also consider the impact of the remaining phases of IFRS 9 when completed by the International Accounting Standards Board.

There are no other standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning January 1, 2015 that would be expected to have a material impact on the Fund.

***(b) New Standards, amendments and interpretations effective on or after January 1, 2015 that have not been early adopted***

Standards IFRS 14 'Regulatory Deferral Accounts' and IFRS 15 'Revenue from Contracts with Customers' are effective for annual periods beginning on or after January 1, 2016 and January 1, 2017 respectively. In relation to IFRS 14, regulatory deferral account balances, and their movements are presented separately in the statement of financial position and statement of profit or loss and other comprehensive income, with specific disclosures required. It provides a first-time IFRS adopter the decision to continue to account, (with limited changes), for regulatory deferral account balances in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements. Conversely, IFRS 15 specifies how and when an IFRS reporter will recognize revenue, using a principle-based, five-step model to be applied to contracts with customers as well as requiring entities to deliver additional informative, relevant disclosures. These new standards are not expected to have a significant impact on the Fund.

There are no other new standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning January 1, 2015 that would be expected to have a material impact on the Fund.

***Going concern***

Management has made an assessment of the Fund's ability to continue as a going concern and is satisfied that the Fund has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Fund's ability to continue as a going concern. Therefore, the financial statements are prepared on a going concern basis.

## PHOENIX UK FUND LTD.

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

*(Expressed in British Pound Sterling)*

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#### **Financial Assets**

##### **(i) Classification**

The Fund designated all its financial assets as financial assets at fair value through profit or loss in accordance with IAS 39.

The category of financial assets at fair value through profit or loss is comprised of the following:

Financial assets held for trading: financial assets are designated as being held at fair value through profit and loss.

##### **(ii) Initial measurement**

Purchases and sales of financial instruments are accounted for on a trade date basis. Realised gains and losses on disposals of financial instruments are calculated using the first-in-first-out ("FIFO") method.

Financial instruments categorised at fair value through profit or loss are measured initially at fair value. After initial measurement investments in securities traded on a national security exchange are stated as the last reported sales price on the last day of the year for the SETS system stocks in the UK Equity market and the closing bid for the none SETS system stocks. The SETS system calculates the last price through a closing auction mechanism.

##### **(iii) Subsequent measurement**

After initial measurement, the Fund measures financial instruments which are classified as at fair value through profit or loss at fair value. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The fair value of financial instruments is based on their quoted market prices on a recognised exchange or sourced from a reputable broker/counterparty at the Statement of Financial Position date without any deduction for estimated future selling costs.

Subsequent changes in the fair value of financial instruments at fair value through profit or loss are recognised in the Statement of Comprehensive Income. The fair valuation of assets is further detailed in Note 3 to the financial statements, "Fair Value Measurement".



## **PHOENIX UK FUND LTD.**

### **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015**

*(Expressed in British Pound Sterling)*

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#### ***(iv) Derecognition***

The Fund derecognises a financial asset when the contractual rights to acquire cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition in accordance with IAS 39.

#### **Foreign currency translation**

##### ***Functional and presentation currency***

Items included in the Fund's financial statements are measured using the currency of the primary economic environment in which it operates (the "functional currency"). This is the British pound (GBP), which reflects the Fund's primary activity of investing in GBP denominated securities and derivatives.

##### **Foreign currency transactions**

Monetary assets and liabilities and financial instruments categorised as at fair value through profit or loss denominated in currencies other than GBP are translated into GBP at the closing rates of exchange at each year end. Transactions during the year, including purchases and sales of securities, income and expenses, are translated at the rate of exchange prevailing on the date of the transaction. Foreign currency transaction gains and losses classified as at fair value through profit and loss are included in the Statement of Comprehensive Income.

##### **Cash and cash equivalents**

Cash comprises cash in hand and demand deposits. Cash equivalents are short term, highly liquid investments with an original maturity of three months or less and that are readily convertible to known amounts of cash and which are subject to insignificant changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investments or other purposes.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position 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.

Refer to Note 9 "Offsetting Financial Assets and Liabilities" to see the impact of netting on the Statement of Financial Position.

## **PHOENIX UK FUND LTD.**

### **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015**

*(Expressed in British Pound Sterling)*

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#### **Interest income**

Interest income is recognised in the Statement of Comprehensive Income for all interest bearing financial instruments on an accruals basis using the effective interest method.

#### **Dividend income**

Dividends are credited to the Statement of Comprehensive Income on the dates on which the relevant securities are listed as “ex-dividend”. Income is shown gross of any non-recoverable withholding taxes, which is disclosed separately in the Statement of Comprehensive Income, and net of any tax credits.

#### **Net gain from financial instruments at fair value through profit or loss**

Net gain from financial instruments at fair value through profit or loss includes all realised and unrealised fair value changes. Unrealised gains and losses comprise changes in the fair value of financial instruments for the year. Realised gains and losses on disposals of financial instruments are calculated using the FIFO method.

#### **Expenses**

All expenses, including management fees and performance fees, are recognised in the Statement of Comprehensive Income on an accruals basis.

#### **Income taxes**

The Fund is exempt from all forms of taxation in the Commonwealth of The Bahamas, including income, capital gains and withholding taxes. However, in some jurisdictions, investment income and capital gains are tax deducted at the source of the income. For the purpose of the Statement of Cash Flows, cash inflows from investments are presented gross of withholding taxes, when applicable. The Fund pays a 10% withholding tax on dividend income from United Kingdom sources.

Uncertainties exist with respect to the interpretation of complex tax regulations on foreign withholding tax. Given the wide range of international investments, differences arising between the actual investment income and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax expense already recorded. The Fund establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it invests. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective investment’s domicile.

## **PHOENIX UK FUND LTD.**

### **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015**

*(Expressed in British Pound Sterling)*

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#### **Subscriptions in advance**

Subscriptions in advance represent cash amounts received from shareholders which had not been invested in the Fund at year end.

#### **Comparative Figures**

Comparative figures have been reclassified where necessary to be consistent with current year's presentation.

The accounting policies applied are consistent with those applied for the previous year, dividends were reported gross rather than net of withholding taxes.

### **3. FAIR VALUE MEASUREMENT**

#### **(a) Financial instruments designated at fair value**

Fair value measurement establishes a hierarchical disclosure framework which prioritises and ranks the level of market price observability used to measure investments at fair value. Market price observability is impacted by a number of factors, including the type of investment and the characteristics specific to the investment. Investments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

Investments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 - Quoted prices (unadjusted) are available in active markets for identical investments from market data sources as at the reporting date.

Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or, indirectly (observed from prices).

Level 3 - Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant judgment and/or estimation.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment. Changes in the

## PHOENIX UK FUND LTD.

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

*(Expressed in British Pound Sterling)*

observability of valuation inputs may result in a reclassification for certain financial assets or liabilities.

The policy and procedures to determine the fair value of the assets of the Fund are set out in its valuation policy. The valuation policy has been approved by the board of the directors and updated at board meetings.

The fair value of the listed securities is based on their quoted market prices on a recognised exchange at the Statement of Financial Position date without any deduction for transaction costs.

The following tables summarize the valuation of the Fund's securities by the above fair value hierarchy levels as at December 31, 2015:

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Listed equities</b>				
Equities	145,782,826	-	-	145,782,826
<b>Non-listed equities</b>				
Equities	-	-	4,448,031	4,448,031
<b>Total</b>	<u>145,782,826</u>	<u>-</u>	<u>4,448,031</u>	<u>150,230,857</u>

The following tables summarize the valuation of the Fund's securities by the above fair value hierarchy levels as at December 31, 2014:

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Listed equities</b>				
Equities	205,090,193	-	-	205,090,193
<b>Non-listed equities</b>				
Equities	-	-	4,688,553	4,688,553
<b>Total</b>	<u>205,090,193</u>	<u>-</u>	<u>4,688,553</u>	<u>209,778,746</u>

There have been no transfers between Level 1 and Level 2 during 2015. The Fund purchased an investment in insurance claims during the year ending 31 December 2014. These insurance claims do not have an observable market price therefore a discounted cash flow model is employed by the Fund to fair value these claims. The investment represents known claims and the only uncertainties are the exact timings and

## PHOENIX UK FUND LTD.

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

*(Expressed in British Pound Sterling)*

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amounts of benefit payments to be received by the Fund. The claims are fair valued at £4,448,031 using a discounted cash flow model assuming a 15% discount rate.

The valuation of these insurance policies under this model is sensitive to changes in the discount rate. If the discount rate is lowered by 100 basis points to 14% the valuation of the insurance claims is £4,504,197 and if the discount rate is increased by 100 basis points to 16% the valuation of the insurance claims is £4,392,483.

The changes in investments measured at fair value for which Level 3 inputs have been used to determine fair value are as follows:

	£
<b>Balance at December 31, 2014</b>	4,688,553
Purchases	768,944
Sales	(2,941,141)
Realised	292,139
Net change	450,449
Distribution	<u>1,189,087</u>
<b>Balance at December 31, 2015</b>	<u><u>4,448,031</u></u>
The net change represents change in unrealised gain held at December 31, 2015	 <u>450,449</u>

#### (b) Assets and liabilities not carried at fair value but for which fair value is disclosed

The following table analyzes within the fair value hierarchy the Fund's assets and liabilities (by class) not measured at fair value at December 31, 2015 but for which fair value is disclosed:

## PHOENIX UK FUND LTD.

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

(Expressed in British Pound Sterling)

	Level 1 £	Level 2 £	Level 3 £	Total £
<b>Assets</b>				
Cash and cash equivalents	40,135,139	-	-	40,135,139
Dividends receivable	-	329,695	-	329,695
Interest receivable	-	1,783	-	1,783
Other assets	-	667	-	667
	<u>40,135,139</u>	<u>332,145</u>	<u>-</u>	<u>40,467,284</u>
<b>Liabilities</b>				
Performance fee payable	-	1,619,277	-	1,619,277
Subscriptions received in advance	-	8,520	-	8,520
Management fee payable	-	157,467	-	157,467
Accrued expenses	-	109,658	-	109,658
	<u>-</u>	<u>1,894,922</u>	<u>-</u>	<u>1,894,922</u>
<b>Total</b>	<u>40,135,139</u>	<u>(1,562,777)</u>	<u>-</u>	<u>38,572,362</u>

The following table analyzes within the fair value hierarchy the Fund's assets and liabilities (by class) not measured at fair value at December 31, 2014 but for which fair value is disclosed:

	Level 1 £	Level 2 £	Level 3 £	Total £
<b>Assets</b>				
Cash and cash equivalents	7,518,651	-	-	7,518,651
Dividends receivable	-	555,828	-	555,828
	<u>7,518,651</u>	<u>555,828</u>	<u>-</u>	<u>8,074,479</u>
<b>Liabilities</b>				
Amounts due to Broker	-	1,143,510	-	1,143,510
Performance fee payable	-	216,267	-	216,267
Subscriptions received in advance	-	105,000	-	105,000
Management fee payable	-	180,288	-	180,288
Accrued expenses	-	42,674	-	42,674
	<u>-</u>	<u>1,687,739</u>	<u>-</u>	<u>1,687,739</u>
<b>Total</b>	<u>7,518,651</u>	<u>(1,131,911)</u>	<u>-</u>	<u>6,386,740</u>

## PHOENIX UK FUND LTD.

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015 *(Expressed in British Pound Sterling)*

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#### 4. Net gain on financial instruments at fair value through profit or loss

	£
Realised gain on investments	61,220,891
Realised loss on investments	<u>(9,875,432)</u>
<b>Net realised gain on financial assets and liabilities at fair value through profit or loss and foreign exchanges</b>	<b>51,345,459</b>
<b>Net change in unrealised loss on financial instruments at fair value through profit or loss</b>	<b><u>(12,061,856)</u></b>
<b>Net realised and change in unrealised gain on financial instruments at fair value through profit or loss</b>	<b>39,283,602</b>
Dividends	234,365
<b>Net gain on financial instruments at fair value through profit or loss</b>	<b><u>£ 39,517,967</u></b>

## **PHOENIX UK FUND LTD.**

### **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015**

*(Expressed in British Pound Sterling)*

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#### **5. PERFORMANCE AND MANAGEMENT FEES**

The investment manager of the Fund is Phoenix Asset Management Partners Limited (“PAMP”), a company incorporated in the United Kingdom. PAMP is responsible for investing the assets of the Fund in accordance with the investment objectives and policies of the Fund.

PAMP is entitled to receive a performance-based fee from the Fund which shall be calculated after all other fees and expenses including the management fee are deducted (the “Performance Fee”). The Performance Fee is equal to twenty percent (20%) of the appreciation of the net asset value above the high water mark set for that year. The Performance Fee, if any, is calculated as of the last business day of each calendar month. The offering memorandum was amended on August 16, 2012 to change the method of payment of such fee. The performance fee, if any, is payable on the last day of the month.

A distinction will be made between the Performance Fee “Accrued” and the Performance Fee “Payable” to the Investment Manager. For billing purposes, 80% of the performance fee accrued at the Fund month end is invoiced once the NAV has been reconciled. The remaining 20% is invoiced once the Fund has been audited.

For the year ended December 31, 2015, performance fees were £8,096,370 (2014: £1,081,336).

PAMP also receives a monthly management fee equal to 1% per annum of the Fund’s net asset value calculated on the “closing bid” net asset value for that month. For the year ended December 31, 2015, management fees were £2,303,799 (2014: £1,829,084).

#### **6. ADMINISTRATION FEES**

With effect beginning the month of January 2011, the Fund entered into an administration agreement with International Fund Services (Ireland) Limited, (the “Administrator”), to perform all general administrative tasks for the Fund, including the keeping of financial records and the calling and conducting of all shareholders’ meeting. The Administrator also serves as the Fund’s registrar and transfer agent. The Administrator receives an annual administration fee from the Fund, payable monthly in arrears. Administration fees for the year were £165,954 (2014: £109,747).



## PHOENIX UK FUND LTD.

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015 (Expressed in British Pound Sterling)

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#### 7. BALANCES DUE TO BROKER

	2015	2014
	£	£
Amounts due to broker	-	1,143,510

In accordance with the Fund's policy of trade date accounting for regular-way sale and purchase transactions, these represent amounts awaiting settlement for receivable / payable for securities sold / purchased but not yet settled as at the reporting date.

#### 8. SHARE CAPITAL

The Fund amended its authorised share capital on July 17, 2008 and its offering memorandum on August 21, 2008 and October 1, 2011. The authorised capital consists of the 499,000 Class A non-voting participating redeemable shares having a par value of £0.01 per share, 500,000 Class B non-voting participating redeemable shares having a par value of £0.01 per share (Class A and Class B collectively, the "Shares") and 1,000 Class C voting, non-participating shares (the Management Shares) having a par value of £0.01 per share. The Class B shares are a Distributor Share Class and "reporting status" has already been obtained for these Class B shares for 2010 from HM Revenue and Customs. The Class A shares will have "non-reporting" status and do not have a distribution policy. All income earned and realised from operations in this Class will be re-invested.

Upon incorporation, the Management Shares were subscribed for and paid in full at par value by Value Partners Ltd. and transferred on November 11, 2006 to Phoenix Asset Management (Bahamas). The holder of the Management Shares has the exclusive right to vote on all matters and do not participate in the profit and losses of the Fund. The Management Shares may not be redeemed.

The Fund's net asset value per share is based upon the market value of its net assets divided by the number of shares outstanding on the date of determination. The Administrator determines the Fund's net asset value as of the close of business on the last business day of every month (the "Valuation Date").

Subscriptions will be accepted on the first day of each month with a 1 week's notice. Existing holders of shares may make subscriptions under same terms as the original agreement. No fees are charged upon redemption requests if 2 month's notice given prior to the quarter end valuation date. A 3% penalty is incurred for redemption at month end providing at least 8 business days has been given. Payment of the redemption proceeds will be made within 10 business days after the redemption valuation date.

## PHOENIX UK FUND LTD.

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

*(Expressed in British Pound Sterling)*

The purchase price of the shares will fluctuate based on the performance of the Fund and will be equal to the Fund's offer price per Share, as defined in the offering memorandum, whereas on redemption, they will receive the net asset value as at Valuation Date.

	2015		2014	
	<u>Class A</u>	<u>Class B</u>	<u>Class A</u>	<u>Class B</u>
Shares outstanding at beginning of the year	21,435.86	26,679.74	20,972.50	12,052.62
Shares issued during the year (including reinvested)	2,936.92	3,386.50	1,788.19	15,268.12
Shares transferred to Class A	-	-	-	-
Shares transferred to Class B	(1,779.57)	1,822.76	(215.14)	219.64
Shares redeemed during the year	<u>(5,779.31)</u>	<u>(11,991.78)</u>	<u>(1,109.69)</u>	<u>(860.64)</u>
Shares outstanding at end of year	<u>16,813.90</u>	<u>19,897.22</u>	<u>21,435.86</u>	<u>26,679.74</u>
Net asset value per share	<u>£ 5,211.13</u>	<u>£ 5,085.32</u>	<u>£ 4,544.25</u>	<u>£ 4,451.15</u>

Dividends of £539,944 were declared during 2015 on Class B shares (2014: Nil). Of this dividend, £192,625 (2014: £Nil) were reinvested.

#### 9. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS

Financial instruments utilised by the Fund include the majority of its recorded assets and liabilities. These financial instruments are mostly short-term in nature and the estimated fair value is not significantly different from the carrying value for each major category of the Fund's recorded assets and liabilities. The Fund is exposed to fiduciary risk, credit risk, liquidity risk and market risk (other price risk, interest rate risk and currency risk). The Fund's portfolio of financial instruments is concentrated as outlined in the portfolio on page 10. The Fund's financial performance is affected by its capacity to understand and effectively manage these risks.

##### **Fiduciary risk**

Fiduciary risk is the risk that the Fund may fail in carrying out its investment strategy which formed the basis upon which it attracted its investors; however, the Fund is managed in accordance with its offering documents and any changes thereto must be approved by the directors. High risk instruments are not considered attractive investment vehicles and are not invested in.

## PHOENIX UK FUND LTD.

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

*(Expressed in British Pound Sterling)*

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#### **Credit risk**

Credit risk is the risk that an issuer or counterparty to a financial asset or liability may cause a financial loss for the Fund by failing to discharge an obligation.

Credit risk arising from its exposure to counterparties both on amounts due from and assets held with such counterparties. As at December 31, 2015, the Fund primarily faced the following types of counterparties;

Banker and Custodians: State Street Bank & Trust Company holds the Fund's cash, assets and is counterparty to any open derivative trades.

Credit risk is managed by restricting counterparties to approved, well established, high credit quality financial institutions and corporate issuers. Given the high credit ratings, the Fund does not expect any counterparty to fail to meet its obligations.

The Investment Manager monitors the Fund's credit position on a regular basis. The main concentrations of credit risk at year end were as follows:

	2015	2014
Investment in securities, at fair value	£ 150,230,857	£ 209,778,746
Cash and cash equivalents	40,135,139	7,518,651
Dividends receivable	329,695	555,828
Interest receivable	1,783	-
Other assets	<u>667</u>	<u>-</u>
	<u>£ 190,698,141</u>	<u>£ 217,853,225</u>

#### **Liquidity risk**

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of a possibility that the Fund could be required to pay its liabilities earlier than expected.

The Fund may, from time to time hold a large concentration of certain investments which may in turn reduce liquidity and under certain circumstances it may take longer to liquidate these positions.

As at December 31, 2015, 97% (2014: 98%) of the portfolio was held in exchange-traded positions, with the 3% (2014: 2%) representing Randall and Quilter Liquidity Management.

## PHOENIX UK FUND LTD.

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

*(Expressed in British Pound Sterling)*

All of the Funds liabilities are due within 3 months of year end. Shareholders can redeem from the Fund free of charge if 2 months' notice is given prior to quarter end.

In accordance with the Fund's policy, the Investment Manager monitors the Fund's liquidity on a regular basis. The Investment Adviser does not expect the Fund to encounter difficulty meeting obligations.

The Fund's offering memorandum allows the Fund to invest in illiquid positions, providing they do not exceed the value of insider holdings. The investment in Randall and Quilter Liquidity Management ("RQLM") at £4,448,031 does not exceed the value of insider holdings at December 31, 2015. It is the Investment Manager's policy to manage the Fund so that there is sufficient liquidity to meet all external quarterly redemptions. Less liquid holdings are restricted in size so that they are covered by the proportion of the Fund covered by insiders.

The table below analyses the Fund's financial assets and financial liabilities into relevant maturity groupings based on the remaining year at the year-end date to the contractual maturity date.

	Less than 1 month £	Within 1 - 3 months £	No stated maturity £
<b>2015</b>			
Performance fee payable	-	1,619,277	-
Subscriptions received in advance	8,520	-	-
Management fee payable	157,467	-	-
Accrued expenses	109,658	-	-
Investments	-	-	150,230,857
Net assets attributable to holders of redeemable shares	<u>£ 275,645</u>	<u>£ 1,619,277</u>	<u>£ 150,230,857</u>
<b>2014</b>			
Performance fee payable	216,267	-	-
Subscriptions received in advance	105,000	-	-
Amounts due to broker	1,143,510	-	-
Management fee payable	180,288	-	-
Accrued expenses	42,674	-	-
Investments	-	-	209,778,746
Net assets attributable to holders of redeemable shares	<u>£ 1,687,739</u>	<u>£ -</u>	<u>£ 209,778,746</u>

## PHOENIX UK FUND LTD.

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

*(Expressed in British Pound Sterling)*

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#### Price risk

The Fund is exposed to price risk on the investments held by the Fund for which prices in the future are uncertain.

As at December 31, 2015, the Fund's portfolio comprised of equity securities 79.60% of net assets (2014: 97.05%). The remainder of the portfolio was mainly in cash. All of the equity securities held by the Fund at year end are disclosed in the schedule of investments and subject to market price risk.

The maximum loss of capital on these equity securities is limited to the fair value of those positions. Where there are risk exposures in the portfolio that the Investment Manager believes can be reduced for a modest hedging cost then such tactical decisions will be considered by investing in derivatives.

The Investment Manager of the Fund manages the ultimate recovery value of the portfolio assets through careful portfolio construction, active monitoring and management of positions and strategies and opportunistic hedging.

Financial assets at fair value through profit or loss 2015.

	<b>Fair Value GBP 2015</b>	<b>Effect of 10% increase against Equity and Profit GBP 2015</b>
Equity securities	£ 150,230,857	£ 15,023,086

Financial assets at fair value through profit or loss 2014.

	<b>Fair Value GBP 2014</b>	<b>Effect of 10% increase against Equity and Profit GBP 2014</b>
Equity securities	£ 209,778,746	£ 20,977,875

## PHOENIX UK FUND LTD.

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

(Expressed in British Pound Sterling)

#### Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of interest bearing financial assets and liabilities will fluctuate because of changes in interest rates. The Fund is exposed to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

The Fund's exposure to fair value interest rate risk is concentrated in the cash and cash equivalents, which are in money market accounts.

For risk management purposes the Fund may, utilise a variety of financial instruments as and when it is deemed appropriate, to protect against possible changes in the market value of the Fund's investment portfolio resulting from changes in interest rates.

The table below summarises the Fund's exposure to interest rate risks at December 31, 2015. It includes the Fund's assets at fair values, categorised by the maturity dates.

	Less than 1 year	1 - 5 years	Over 5 years	Non-interest bearing	Total
<b>Assets</b>					
Investments in securities, at fair value	£ -	£ -	£ -	£ 150,230,857	£ 150,230,857
Cash and cash equivalents	40,135,139	-	-	-	40,135,139
Dividends receivable	-	-	-	329,695	329,695
Interest receivable	-	-	-	1,783	1,783
Other assets	-	-	-	667	667
	<u>£ 40,135,139</u>	<u>£ -</u>	<u>£ -</u>	<u>£ 150,563,002</u>	<u>£ 190,698,141</u>

None of the Fund's liabilities were subject to interest rate risk at December 31, 2015.

The table below summarizes the Fund's exposure to interest rate risks at December 31, 2014. It includes the Fund's assets at fair values, categorized by the maturity dates.

	Less than 1 year	1 - 5 years	Over 5 years	Non-interest bearing	Total
<b>Assets</b>					
Investments in securities, at fair value	£ -	£ -	£ -	£ 209,778,746	£ 209,778,746
Cash and cash equivalents	7,518,651	-	-	-	7,518,651
Dividends receivable	-	-	-	555,828	555,828
	<u>£ 7,518,651</u>	<u>£ -</u>	<u>£ -</u>	<u>£ 210,334,574</u>	<u>£ 217,853,225</u>

## PHOENIX UK FUND LTD.

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015 (Expressed in British Pound Sterling)

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None of the Funds liabilities were subject to interest rate risk at December 31, 2014.

Given the percentage of non-interest bearing securities relative to interest bearing securities, the directors believe further sensitivity analysis is not meaningful to the reader at this time.

#### Currency risk

Currency risk is the risk that the fair value of future cash flows of financial assets and liabilities will fluctuate because of changes in foreign exchange rates.

The Fund holds monetary assets denominated in currencies other than GBP, its functional currency. It is therefore exposed to currency risk, as the value of such assets may fluctuate due to changes in exchange rates.

The Fund minimises this risk by conducting its operations and investments activities principally in British pound sterling, which is the Fund's functional currency.

Currency risk is monitored continuously and actively managed by the Investment Manager.

Below is a complete list of all the closing exchange rates against the GBP for all relevant currencies at year end.

Exchange rates expressed against the GBP used in valuation as at December 31, 2015 and 2014

	2015	2014
USD	1.474	1.558

As at December 31, 2015, had the GBP appreciated by 5% in relation to all currencies without hedging in place and with all other variables held constant, net assets would have decreased by the amounts shown below:

	GBP	Total
<b>2015</b>		
Appreciation of GBP by 5%	£	£
Decrease in net assets	233,196	233,196
<b>2014</b>		
Appreciation of GBP by 5%	£	£
Decrease in net assets	176,504	176,504

A 5% depreciation of the GBP against the above currencies at December 31, 2015 would have had the equal but opposite effect on the currencies.

## PHOENIX UK FUND LTD.

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

*(Expressed in British Pound Sterling)*

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#### 10. OFFSETTING FINANCIAL ASSETS AND LIABILITIES

As at 31 December, 2015, the Fund did not hold any financial assets or liabilities subject to counterparty netting or collateral requirements. Financial assets shown in the Statement of Financial Position are shown on a gross basis.

#### 11. RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

The Manager received a Management Fee and a Performance Allocation in respect of its service to the Fund as disclosed in Note 4. The Manager is responsible for the remuneration of the Investment Manager.

Directors fees incurred during the year were £16,180 (2014: £9,160) and are included in other expenses in the Statement of Comprehensive Income.

Directors' Interests

At year end, the following directors held shares in the Fund:

	2015 Number of Shares	2014 Number of Shares
Alan Cole	-	-
Steve Tatters	185.81 Class B 1.76 Class A	180.84 Class B
Mark Wildish	-	-

Roger Canham, Non-Executive Chairman of the Manager was also Non-Executive Chairman of CPP Group PLC & Hornby PLC

	Holding at 31.12.15	2015 Realised P&L	Dividend Income
CPP Group PLC	149,722,256 shares	£ 6,028,473	0
Hornby PLC	6,834,384 shares	£ (1,160,704)	0



## **PHOENIX UK FUND LTD.**

### **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015** *(Expressed in British Pound Sterling)*

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#### **12. SUBSEQUENT EVENTS**

In connection with the preparation of the accompanying financial statements as of December 31, 2015, management has evaluated the impact of all subsequent events on the Fund through June 8, 2016, the date the financial statements were available to be issued, and has determined that there were no other material events after the reporting period.

On February 22, 2016 Directors approved the formation of a D Class of shares for employees. This share class will not incur management and performance fees. Effective 5th May 2016 Roger Canham, Non-Executive Chairman of the manager is no longer on the Board of CPP Group PLC.

#### **13. APPROVAL OF FINANCIAL STATEMENTS**

The financial statements were approved by the Board of Directors' on June 8th, 2016.

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## **PHOENIX UK FUND LTD.**

### **AIFMD DECLARATION (UNAUDITED) FOR THE YEAR ENDED DECEMBER 31, 2015**

Phoenix UK Fund Ltd. is an authorised AIFM under AIFMD and is subject to rules as set out in the Financial Conduct Authority's ("FCA") Finalised Guidance. The Investment Manager is authorised in the United Kingdom by the FCA as a full-scope AIFM for the purpose of the AIFMD.

The AIFM Directive regulates Alternative Investment Fund Manager established in the European Economic Area ("EEA"). As an authorised AIFM, the Investment Manager will comply with various obligations in relation to the Fund. The Investment Manager will continue to monitor the position and reserves the right to adopt such arrangements as it deems necessary or desirable to comply with the applicable requirements of the AIFMD.

#### **Remuneration Policy**

##### **Overall Principles**

In accordance with the requirements of the Alternative Investment Fund Managers Directive ("AIFMD"), Phoenix Asset Management Partners Limited ("PAMP") has established a Remuneration Policy which is designed to ensure it

- is consistent with and promotes sound and effective risk management;
- does not encourage excessive risk taking;
- includes measures to avoid conflicts of interest; and
- is in line with PAMP's business strategy, objectives, values and long term interests.

Due to the size of the business, PAMP has applied the principle of proportionality.

PAMP has not established a Remuneration Committee. The Directors of PAMP constitute the governing body and are responsible for the establishment and maintenance of the Remuneration Policy.

The Remuneration Policy is reviewed annually and applies to the company's financial year which ends 31st March. The overall goal is to contain fixed costs, encourage a long term approach, reward good long-term performance and share success.

PAMP is satisfied that the Remuneration Policy in place is appropriate to its size, internal organisation and the nature, scope and complexity of its activities.

##### **Remuneration Structure**

PAMP employees are remunerated with an annual fixed salary and variable compensation. The variable element is fully flexible. Payment is dependent on the overall performance of the firm. It may be a greater proportion of total remuneration than fixed salary, but could be zero.

Gary Channon is a shareholder in Channon Holdings Limited, which in turn is a shareholder of PAMP. Charlotte Maby is also a shareholder in PAMP. According to the Shareholders Agreement of PAMP all profits (after tax and allowing for future capital needs of the business) are distributed to shareholders as dividends. Gary Channon & Charlotte Maby are therefore incentivised as shareholders in the business to increase its value to shareholders and its distributable profits.

Charlotte Maby and other executive code staff participate in an internal partnership scheme which grants them a share of the operating profits. The internal partnership

**PHOENIX UK FUND LTD.**

**AIFMD DECLARATION (UNAUDITED)  
FOR THE YEAR ENDED DECEMBER 31, 2015**

scheme is assessed annually by the Chairman and CIO. This assessment is taken in the context of the firm's business strategy, its financial position, its future capital requirements and the annual performance appraisal of the scheme's participants.

PAMP's total remuneration costs for the year ended March 31st 2016 amounted to £2.2m, of which 54% constituted variable remuneration.

**Risk Management**

There are no material changes to the current risk profile of the Phoenix UK Fund or the risk management systems employed by PAMP.

**Liquidity Arrangements**

There are no material changes to the liquidity or redemption arrangements.

**Leverage**

The Phoenix UK Fund is un-leveraged. There are no material changes to the leverage policy.