

PHOENIX UK FUND LTD.

**Financial Statements
For The Year Ended December 31, 2016
And Independent Auditors' Report**

PHOENIX UK FUND LTD.

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PHOENIX UK FUND LTD.

Fund Information

DIRECTORS

Alan Cole
Mark Wildish
Steve Tatters

REGISTERED OFFICE

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Bay Street
Nassau
Bahamas

INVESTMENT MANAGER

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United Kingdom

ADMINISTRATOR

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Cayman Islands

DEPOSITORY

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Ireland

AUDITORS

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2nd 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 2016 Q4 Annual and Quarterly Review published and posted on Jan 04, 2017. This report provides explanatory commentary for the audited financial accounts for the twelve-month period, ended 31 December 2016.

The Net Assets of the Fund as at December 31, 2016 were £190,615,897 versus £188,803,219 on 31 December 2015. The Net Assets comprise: the equity portfolio valued at £185,986,065 (2015 - £150,230,857); cash and cash equivalents and other assets of £5,484,109 (2015 - £40,467,284) and taken away from those are accruals (e.g. for fees & subscriptions in advance) of £854,277 (2015 - £1,894,922). The rise in Net Assets of £1,812,678 (versus a net fall of £27,362,267 in 2015) was due to net gains of £13,730,642 and net redemptions of £11,917,964.

The number of shares in issue at year-end were 18,822.38 Class A; 15,499.26 Class B and 267.70 Class D (2015 - 16,813.90 Class A and 19,897.22 Class B) giving a 31 December 2016 NAV per share of £5,605.58 for the Class A, £5,469.68 for the Class B and £1,231.30 for the Class D (2015 - £5,211.13 for the Class A and £5,085.32 for the Class B).

Fees & Expenses

The cost of operating the Fund for the year (excluding manager's and performance fees) was £253,116 versus £312,782 for 2015. These comprise: Administrator's fees (State Street (Cayman) Trust Limited) of £129,019; Audit Fees of £27,591; and other (including Directors and depository services fees) of £96,506.

These costs are all invoiced in US dollars. The average size of the Fund for the year was £183.7 million (2015 - £230.4 million), so the cost ratio annualised is 0.14% (2015 - 0.14%). We still believe this ratio to be one of the lowest in the industry. Annual management fees amounted to £1,810,307 (i.e. 1% per annum) and there was a £637,984 performance fee for the year.

Share Capital

In 2016 the Fund amended its authorised share capital consisting of Class A and Class B shares to also include a Class D share. A dividend of £0.00 per share was declared for Class B in June 2016, (2015 - £0.19 per share for the Class B). 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.

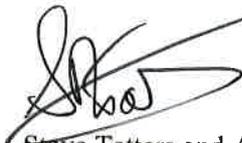
Directors' Report (Continued)

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. Class D is an employee share class.

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>Value</u>
31/12/2016	£20.7m
31/12/2015	£21.3m



Steve Tatters and Alan Cole on behalf of the Directors

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Phoenix UK Fund Ltd.:

Opinion

We have audited the financial statements of Phoenix UK Fund Ltd. (the Fund), which comprise the statement of financial position as at December 31, 2016, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, 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.

In preparing the financial statements, management is responsible for assessing the Fund'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 management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

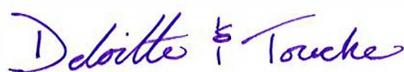
Auditor's Responsibilities for the Audit of the Financial Statements

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 auditors' 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 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.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



May 15, 2017

PHOENIX UK FUND LTD.

FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2016

(Expressed in British Pound Sterling)

	31/12/2016	31/12/2015
	£	£
ASSETS		
Cash and cash equivalents (Note 3b)	4,560,043	40,135,139
Financial assets at fair value through profit or loss (Note 3a)	185,986,065	150,230,857
Dividends receivable	924,027	329,695
Interest receivable	39	1,783
Other assets	-	667
Total assets	<u>191,470,174</u>	<u>190,698,141</u>
LIABILITIES		
Performance fee payable (Note 3b)	637,984	1,619,277
Subscriptions received in advance	9,288	8,520
Management fee payable (Note 3b)	156,619	157,467
Accrued expenses	50,386	109,658
Total liabilities (excluding net assets attributable to holders of redeemable shares)	<u>854,277</u>	<u>1,894,922</u>
NET ASSET ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES	<u>190,615,897</u>	<u>188,803,219</u>

See notes to financial statements

These financial statements were approved by the Board of Directors on May 15th, 2017, and are signed on its behalf by:



Director



Director

PHOENIX UK FUND LTD.

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2016

(Expressed in British Pound Sterling)

	12/31/2016	12/31/2015
	£	£
INCOME		
Dividends	5,915,963	4,849,580
Net gain on financial instruments at fair value through profit or loss (Note 4)	10,276,119	39,517,967
Interest	7,814	16,417
Net foreign exchange gain	209,292	75,280
Other income	560,676	7,603
Total income	<u>16,969,864</u>	<u>44,466,847</u>
EXPENSES		
Management fees (Note 5)	1,810,307	2,303,799
Performance fees (Note 5)	637,984	8,096,370
Administration fees (Note 6)	129,019	165,954
Audit fees	27,591	29,578
Directors' fees	18,900	16,180
Other expenses	77,606	101,070
Total expenses	<u>2,701,407</u>	<u>10,712,951</u>
Operating Profit	14,268,457	33,753,896
FINANCE COST		
Distribution to holders of redeemable shares	-	(539,944)
Profit after distribution and before tax	<u>14,268,457</u>	<u>33,213,952</u>
WITHHOLDING TAX EXPENSE	<u>(537,815)</u>	<u>(440,871)</u>
NET INCREASE IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES	<u>13,730,642</u>	<u>32,773,081</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, 2016 *(Expressed in British Pound Sterling)*

	12/31/2016	12/31/2015
	£	£
Net increase in net assets attributable to holders of redeemable shares	13,730,642	32,773,081
<i>Share capital transactions:</i>		
Issue of redeemable shares	20,847,495	31,994,952
Redemption of redeemable shares	<u>(32,765,459)</u>	<u>(92,130,300)</u>
	<u>(11,917,964)</u>	<u>(60,135,348)</u>
Decrease in net assets attributable to holders of redeemable shares from share capital transactions	1,812,678	(27,362,267)
Net asset attributable to holders of redeemable shares, Beginning of year	<u>188,803,219</u>	<u>216,165,486</u>
Net asset attributable to holders of redeemable shares, End of year	<u>190,615,897</u>	<u>188,803,219</u>

See notes to financial statements

PHOENIX UK FUND LTD.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2016

(Expressed in British Pound Sterling)

	12/31/2016	12/31/2015
	£	£
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net increase in net assets attributable to holders of redeemable shares	13,730,642	32,773,081
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	(35,755,208)	59,547,889
Change in amount due to broker	-	(1,143,510)
Change in management fee payable	(848)	(22,821)
Change in accrued expenses	(59,272)	66,984
Change in interest receivable	1,744	(1,783)
Change in performance fee payable	(981,293)	1,403,010
Change in dividends receivable	(594,332)	226,133
Change in other assets	667	(667)
Net cash (used in) / provided by operating activities	<u>(23,657,900)</u>	<u>93,388,260</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issue of redeemable shares	20,847,495	31,802,327
Payments on redemption of redeemable shares	(32,765,459)	(92,130,300)
Distribution to holders of redeemable shares	-	(347,319)
Change in subscriptions received in advance	768	(96,480)
Net cash used in financing activities	<u>(11,917,196)</u>	<u>(60,771,772)</u>
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	(35,575,096)	32,616,488
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>40,135,139</u>	<u>7,518,651</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>4,560,043</u>	<u>40,135,139</u>

See notes to financial statements

PHOENIX UK FUND LTD.

SCHEDULE OF INVESTMENTS (Unaudited) As at December 31, 2016

	Number of Shares	Fair Value £	% NAV
Investment in securities			
Aurora Investment Trust Plc.	1,824,536	3,138,201	1.65%
Barratt Developments Plc.	3,009,077	13,913,972	7.30%
Bellway Plc.	1,082,327	26,798,416	14.06%
CPP Group Plc.	132,045,256	19,146,562	10.04%
Diageo Plc.	36,396	767,956	0.40%
easyJet Plc.	497,100	4,995,855	2.62%
Games Workshop Group Plc.	257,580	1,837,833	0.96%
GlaxoSmithKline Plc.	647,922	10,120,542	5.31%
Hornby Plc.	9,277,318	2,690,422	1.41%
Lloyds Banking Group Plc.	33,236,634	20,776,220	10.90%
Morrisson (WM.) Supermarkets Plc.	5,913,756	13,643,035	7.16%
Randall & Quilter Investment Holdings Limited	3,215,956	4,116,424	2.16%
Redrow Plc.	1,810,785	7,768,268	4.08%
RQLM Limited	100,690	4,454,885	2.34%
Sports Direct International Plc.	5,225,267	14,557,594	7.64%
Tesco Plc.	8,391,249	17,357,299	9.11%
Unilever Plc.	22,160	729,618	0.38%
Vesuvius Plc.	2,494,459	9,860,596	5.17%
Wetherspoon (J.D.) Plc.	1,048,690	<u>9,312,367</u>	4.89%
		<u>£ 185,986,065</u>	
Cash		£ 4,560,043	
Other Assets & Liabilities		£ 69,789	
Net Assets Attributable to Holders of Redeemable Shares		<u>£ 190,615,897</u>	

PHOENIX UK FUND LTD.

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

	Number of Shares	Fair Value £	% NAV
Investment in securities			
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>	
Cash		£ 40,135,139	
Other Assets & Liabilities		£ (1,562,777)	
Net Assets Attributable to Holders of Redeemable Shares		<u>£ 188,803,219</u>	

PHOENIX UK FUND LTD.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

(Expressed in British Pound Sterling)

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 Fund 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

Standards and amendments to existing standards effective on or after January 1, 2016

IFRS 9 - Financial Instruments (Early Adoption - 01 November 2017, effective date on or after 01 January 2018)

In July 2014, the IASB issued a complete and final version of IFRS 9, which replaces the current standard on financial instruments. IFRS 9 sets out requirements for the classification and measurement of financial assets and financial liabilities, for the impairment of financial assets, and for general hedge accounting. Macro hedge accounting has been decoupled from IFRS 9 and will be considered and issued as a separate standard. IFRS 9 provides a single model for financial asset classification and measurement that is based on contractual cash flow characteristics and on the business model for holding financial assets. With respect to measuring financial liabilities designated at fair value through profit or loss, the standard prescribes that fair value changes attributable to an entity’s own credit risk be accounted for in other comprehensive income unless the changes offset amounts recognised in Profit and

Loss. IFRS 9 also introduces a new, single impairment model for financial assets not measured at fair value through profit or loss that requires recognition of expected credit losses rather than incurred losses as applied under the current standard. This model requires the recognition of 12-month expected credit losses as of the initial recognition date of a financial asset and recognition of lifetime expected losses if the financial instrument's credit risk has increased significantly since initial recognition.

As for the new hedge accounting model, it provides better alignment of hedge accounting with risk management activities. However, the current hedge accounting requirements may continue to be applied until the IASB finalizes its macro hedge accounting project. This version of IFRS9 supersedes all previous versions and is mandatory effective for periods beginning on or after 1 January 2018 with early adoption permitted.

IFRS 15 - Revenue from Contracts with Customers (Effective Date - 01 November 2018)

In May 2014, the IASB issued a new standard, IFRS 15, which replaces the current revenue recognition standards and interpretations. IFRS 15 provides a single comprehensive model to use when accounting for revenue arising from contracts with customers. The new model applies to all contracts with customers except those that are within the scope of other IFRS standards such as leases, insurance contracts and financial instruments. IFRS 15 is to be applied retrospectively.

IFRS 16 - Leases (Effective Date - 01 January 2019)

In January 2016, The IASB issued a new standard, IFRS 16, which supersedes IAS 17 'Leases' and related interpretations and is effective for periods beginning on or after 1 January 2019, with earlier adoption permitted if IFRS 15 'Revenue from Contracts with Customers' has also been applied. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. At this time, the Company has assessed that the standard will not impact its financial statements.

PHOENIX UK FUND LTD.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

(Expressed in British Pound Sterling)

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 and financial liabilities designated at fair value through profit and loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the Fund's investment strategy as documented in its offering memorandum, and information about these financial assets and liabilities are evaluated by the management of the Fund on a fair value basis together with other relevant financial information (IAS 39).

(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

PHOENIX UK FUND LTD.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

(Expressed in British Pound Sterling)

valuation of assets is further detailed in Note 3 to the financial statements, “Fair Value Measurement”.

(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 10 “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, 2016

(Expressed in British Pound Sterling)

The Fund has two classes of redeemable shares in issue: Class A and Class B. Both are the most subordinate classes of financial institutions in the Fund and rank pari passu in all material respects and have the same terms and conditions other than B Class is a distributing Share Class. As the share classes do not have identical features, these instruments do not meet the definition of puttable financial instruments to be classified as equity in accordance with IAS 32.

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

PHOENIX UK FUND LTD.

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

(Expressed in British Pound Sterling)

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, 2016

(Expressed in British Pound Sterling)

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

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NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

(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, 2016:

	Level 1 £	Level 2 £	Level 3 £	Total £
Listed equities				
Equities	181,531,180	-	-	181,531,180
Non-listed equities				
Equities	-	-	4,454,885	4,454,885
Total	<u>181,531,180</u>	<u>-</u>	<u>4,454,885</u>	<u>185,986,065</u>

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

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

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There have been no transfers between Level 1 and Level 2 during 2016. 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 and discounted rate 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 amounts of benefit payments to be received by the Fund. The claims are fair valued at £4,454,885 using a discounted cash flow model assuming a 15% discount rate.

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

	2016
	£
Balance at December 31, 2015	4,448,031
Net gain on financial instruments at fair value through profit or loss	30,503
Net change in unrealised loss on financial instruments at fair value through profit or loss	1,339,615
Distribution	<u>(1,363,264)</u>
Balance at December 31, 2016	<u><u>4,454,885</u></u>
The net change represents change in unrealised gain held at December 31, 2016	<u>1,339,615</u>
	2015
	£
Balance at December 31, 2014	4,688,553
Purchases	768,944
Sales	(2,941,141)
Net gain on financial instruments at fair value through profit or loss	292,139
Net change in unrealised loss on financial instruments at fair value through profit or loss	450,449
Distribution	<u>1,189,087</u>
Balance at December 31, 2016	<u><u>4,448,031</u></u>

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NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

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(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, 2016 but for which fair value is disclosed:

	Level 1	Level 2	Level 3	Total
	£	£	£	£
Assets				
Cash and cash equivalents	4,560,043	-	-	4,560,043
Dividends receivable	-	924,027	-	924,027
Interest receivable	-	39	-	39
Other assets	-	-	-	-
	<u>4,560,043</u>	<u>924,066</u>	<u>-</u>	<u>5,484,109</u>
Liabilities				
Performance fee payable	-	637,984	-	637,984
Subscriptions received in advance	-	9,288	-	9,288
Management fee payable	-	156,619	-	156,619
Accrued expenses	-	50,386	-	50,386
	<u>-</u>	<u>854,277</u>	<u>-</u>	<u>854,277</u>
Total	<u>4,560,043</u>	<u>69,789</u>	<u>-</u>	<u>4,629,832</u>

PHOENIX UK FUND LTD.

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(Expressed in British Pound Sterling)

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:

	Level 1	Level 2	Level 3	Total
	£	£	£	£
Assets				
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>
Liabilities				
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>
Total	<u>40,135,139</u>	<u>(1,562,777)</u>	<u>-</u>	<u>38,572,362</u>

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

	2016
	£
Realised gain on investments	12,146,077
Realised loss on investments	<u>(2,094,935)</u>
Net realised gain on financial assets and liabilities at fair value through profit or loss and foreign exchanges	10,051,142
Net change in unrealised loss on financial instruments at fair value through profit or loss	<u>459,342</u>
Net realised and change in unrealised gain on financial instruments at fair value through profit or loss	10,510,484
Dividends	(234,365)
Net gain on financial instruments at fair value through profit or loss	<u>10,276,119</u>
	2015
	£
Realised gain on investments	61,220,891
Realised loss on investments	<u>(9,875,432)</u>
Net realised gain on financial assets and liabilities at fair value through profit or loss and foreign exchanges	51,345,459
Net change in unrealised loss on financial instruments at fair value through profit or loss	<u>(12,061,856)</u>
Net realised and change in unrealised gain on financial instruments at fair value through profit or loss	39,283,602
Dividends	234,365
Net gain on financial instruments at fair value through profit or loss	<u>39,517,967</u>

PHOENIX UK FUND LTD.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

(Expressed in British Pound Sterling)

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 February 23, 2016 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, 2016, performance fees were £637,984 (2015: £8,096,370).

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, 2016, management fees were £1,810,307 (2015: £2,303,799).

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 £129,019 (2015: £165,954).

PHOENIX UK FUND LTD.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

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7. BALANCES DUE TO BROKER

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.

As at December 31, 2016, there were no amounts due to broker (2015: £Nil).

8. SHARE CAPITAL

The Fund amended its authorised share capital on July 17, 2008 and its offering memorandum on August 21, 2008; October 1, 2011, February 23, 2016 and January 09, 2017. 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"); 1,000 Class C voting, non-participating shares (the Management Shares) having a par value of £0.01 per share and 500,000 Class D non-voting, participating redeemable shares (the Employee Shares) having a par value of £0.01 per share. The Class B and Class D shares are Distributor Share Class and "reporting status" has already been obtained for these Class B shares for 2010 from HM Revenue and Customs. Class D share is currently in the process of applying for "reporting status". 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 weeks' notice. Existing holders of shares may make subscriptions under same terms as the original agreement. No fees are charged upon redemption requests if 2 months' 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, 2016

(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.

	2016			2015	
	<u>Class A</u>	<u>Class B</u>	<u>Class D</u>	<u>Class A</u>	<u>Class B</u>
Shares outstanding at beginning of the year	16,813.90	19,897.22	-	21,435.86	26,679.74
Shares issued during the year (including reinvested)	2,814.03	1,387.22	267.70	2,936.92	3,386.50
Shares transferred to Class B	(70.91)	72.67	-	(1,779.57)	1,822.76
Shares redeemed during the year	<u>(734.64)</u>	<u>(5,857.85)</u>	<u>-</u>	<u>(5,779.31)</u>	<u>(11,991.78)</u>
Shares outstanding at end of year	<u>18,822.38</u>	<u>15,499.26</u>	<u>267.70</u>	<u>16,813.90</u>	<u>19,897.22</u>
Net asset value per share	<u>£ 5,605.58</u>	<u>£ 5,469.68</u>	<u>£ 1,231.30</u>	<u>£ 5,211.13</u>	<u>£ 5,085.32</u>

A dividend of £0.00 per share was declared in June 2016. In 2015, dividends of £539,944 were declared during 2016 on Class B shares. Of this dividend, £192,625 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, 2016

(Expressed in British Pound Sterling)

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, 2016, 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. The S&P credit ratings of State Street Bank & Trust Co for the year ended 31 December 2016 is AA-.

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:

	2016	2015
Investment in securities, at fair value	£ 185,986,065	£ 150,230,857
Cash and cash equivalents	4,560,043	40,135,139
Dividends receivable	924,027	329,695
Interest receivable	39	1,783
Other assets	-	667
	<u>£ 191,470,174</u>	<u>£ 190,698,141</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, 2016, 98% (2015: 97%) of the portfolio was held in exchange-traded positions, with the 2% (2015: 3%) representing Randall and Quilter Liquidity Management.

PHOENIX UK FUND LTD.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

(Expressed in British Pound Sterling)

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 £4,454,885 does not exceed the value of insider holdings at December 31, 2016. 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 £
2016			
Performance fee payable	-	637,984	-
Subscriptions received in advance	9,288	-	-
Management fee payable	156,619	-	-
Accrued expenses	50,386	-	-
Investments	-	-	185,986,065
Net assets attributable to holders of redeemable shares	<u>£ 216,293</u>	<u>£ 637,984</u>	<u>£ 185,986,065</u>
2015			
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>

PHOENIX UK FUND LTD.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

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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, 2016, the Fund's portfolio comprised of equity securities 97.57% of net assets (2015: 79.60%). 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 2016.

	Fair Value GBP 2016	Effect of 10% increase against Equity and Profit GBP 2016
Equity securities	£ 185,986,065	£ 18,598,607

Financial assets at fair value through profit or loss 2015.

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

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NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

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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.

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, 2016. 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
Assets					
Investments in securities,at fair value	£ -	£ -	£ -	£ 185,986,065	£ 185,986,065
Cash and cash equivalents	4,560,043	-	-	-	4,560,043
Dividends receivable	-	-	-	924,027	924,027
Interest receivable	-	-	-	39	39
	<u>£ 4,560,043</u>	<u>£ -</u>	<u>£ -</u>	<u>£ 186,910,131</u>	<u>£ 191,470,174</u>

None of the Fund's liabilities were subject to interest rate risk at December 31, 2016.

The table below summarizes the Fund's exposure to interest rate risks at December 31, 2015. 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
Assets					
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>

PHOENIX UK FUND LTD.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

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

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, 2016 and 2015

	2016	2015
USD	1.236	1.474

As at December 31, 2016, 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:

2016	GBP	Total
Appreciation of GBP by 5%	£	£
Decrease in net assets	223,434	223,434

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.

2015	GBP	Total
Appreciation of GBP by 5%	£	£
Decrease in net assets	233,196	233,196

PHOENIX UK FUND LTD.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

(Expressed in British Pound Sterling)

10. OFFSETTING FINANCIAL ASSETS AND LIABILITIES

As at December 31, 2016, 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 5. The Manager is responsible for the remuneration of the Investment Manager.

Directors fees incurred during the year were £18,900 (2015: £16,180) 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:

	2016	2015
	Number of	Number of
	Shares	Shares
Steve Tatters	-	1.76 Class A
	185.81 Class B	185.81 Class B
	4.31 Class D	-

Roger Canham, Non-Executive Chairman of the Manager was also Executive Chairman of Hornby PLC.

	Holding at 31.12.16	2016 Realised P&L	Dividend Income
Hornby PLC	9,277,318 shares	£(808,949)	£ -

Roger Canham, Non-Executive Chairman of the Manager was also Executive Chairman of CPP Group Plc until May 05 2016.

Tristan Chapple, Director of the manager, is also a Director of Aurora Investment Trust PLC.

	Holdings at 31.12.16	2016 Realised P&L	Dividend Income
Aurora Investments Trust Plc.	1,824,536 shares	£ -	£18,245.36
Employees' Interests		2016 Number of Shares	2015 Number of Shares
		263.39 Class D	-

12. SUBSEQUENT EVENTS

In connection with the preparation, of the accompanying financial statements as at December 31, 2016, management has evaluated the impact of all subsequent events on the Fund through May 15th, 2017, the date the financial statements were available to be issued, and has determined that there were no other material events after the reporting period.

13. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors' on May 15th, 2017.

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PHOENIX UK FUND LTD.

AIFMD Declaration (UNAUDITED) FOR THE YEAR ENDED DECEMBER 31, 2016

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, incentivized, 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, 2016**

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 2017 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.