ALCOBENDAS ENTRUST LIMITED

Company Registration Number 3835752

DIRECTORS' REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2012

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Directors' report

The Directors present their Report and the Financial Statements of Alcobendas Entrust Limited ("the Company") for the year ended 31 December 2012

The Company is incorporated in the United Kingdom as a private limited company Its registration number is 3835752 and its registered office is 1 Wythall Green Way, Wythall, Birmingham, B47 6WG

The financial statements of the Company for the year ended 31 December 2012 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and applied in accordance with the Companies Act 2006

Business review

Principal activities
The principal activity of the Company was previously the development of, and investment in property in both the UK and Spain until the last property was sold during 2011 Since then, the principal activity of the Company is the investment of surplus funds The Company's Spanish Branch is in the process of liquidation

Result and dividends
The results of the Company for the year are shown in the statement of comprehensive income on page 8 The profit before tax was £74,841 (2011 loss £361,789)

No dividends were paid during the year (2011 £450,000)

Principal risks and uncertainties
The Phoenix Group applies a consistent methodology for the identification, assessment, management and reporting of risk that includes a high level framework for the management of key risks within each business unit

The principal risks and uncertainties facing the Company are

- interest rate risk, since the movement in interest rates will impact the return on deposits, and
- liquidity risk, arising from insufficient assets to meet payment obligations

The Company's exposure to these risks is monitored by the Directors, who agree policies for managing each of these risks on an ongoing basis

Key Performance Indicators ('KPIs')
Given the straightforward nature of the business, the Company's Directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business

Going concern
Having reviewed the position in light of the Financial Reporting Council Guidance issued in October 2009, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future Accordingly, they continue to adopt the going concern basis in preparing the financial statements

Directors
The names of those individuals who served as Directors of the Company during the year or who held office as at the date of signature of this report are as follows

G S Felston	Resigned 16 April 2013
M J Merrick	Appointed 3 September 2013
A Moss	

Secretary
Pearl Group Secretariat Services Limited acted as Secretary for the year

Disclosure of indemnity
Qualifying third party indemnity arrangements (as defined in section 234 of the Companies Act 2006) were in force for the benefit of the Directors of the Company during the year and remain in place at the date of approval of this report

Disclosure of information to auditors
So far as each of the Directors is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Company's auditors are unaware, and each of the Directors has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information (as defined) and to establish that the Company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of section 418(2) of the Companies Act 2006

Re-appointment of auditors
In accordance with section 487 of the Companies Act 2006, the Company's auditors, Ernst & Young LLP, will be deemed to have been re-appointed at the end of the period of 28 days following circulation of copies of these financial statements as no notice has been received from members pursuant to section 488 of the Companies Act 2006 prior to the end of the accounting reference period to which these financial statements relate

On behalf of the Board

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

26 September 2013

Statement of Directors' responsibilities

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

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

- select suitable accounting policies in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information,
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance,
- state that the Company has complied with applicable IFRS, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the Company and hence taking reasonable steps for the prevention and detection of fraud and other irregularities

Independent Auditors' report to the members of Alcobendas Entrust Limited

We have audited the financial statements of Alcobendas Entrust Limited for the year ended 31 December 2012 which comprise the accounting policies, the statement of comprehensive income, the statement of financial position, the statement of cash flows, the statement of changes in equity and the related notes 1 to 17 The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of Directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 4, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the Directors' report and financial statements to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with IFRS as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of Directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Ernst & Young LLP

Benjamin Gregory (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
2 September 2013

Accounting Policies

(a) Basis of preparation
The financial statements have been prepared on a historical cost basis except for those financial assets that have been measured at fair value

Statement of compliance
The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ('IFRS') as they apply to the financial statements of the Company for the year ended 31 December 2012, and applied in accordance with the Companies Act 2006

The financial statements are presented in sterling (£) rounded to the nearest £

Assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously Income and expenses are not offset in the statement of comprehensive income unless required or permitted by an international financial reporting standard or interpretation, as specifically disclosed in the accounting policies of the Company

(b) Critical accounting estimates and judgements
The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of the judgements about carrying values of assets and liabilities that are not readily apparent from other sources Actual results may differ from these estimates

Critical accounting estimates are those which involve the most complex or subjective judgements or assessments The areas of the Company's business that typically require such estimates is the determination of the fair value of investment property

(c) Foreign currency translation
Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the closing rate at the period end Income and expenses denominated in foreign currencies are translated at the prevailing rate at the date of the transaction Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income

(d) Income tax
Income tax comprises current and deferred tax Income tax is recognised as income or an expense in the statement of comprehensive income except to the extent that it relates to items recognised as other comprehensive income in the statement of comprehensive income, in which case it is recognised as other comprehensive income in that statement

Current tax is the expected tax payable on the taxable income for the year, using tax rates and laws enacted or substantively enacted at the date of the statement of financial position together with adjustments to tax payable in respect of previous years

Deferred tax is provided for on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes Deferred tax is not provided in respect of temporary differences arising from the initial recognition of goodwill and the initial recognition of assets or liabilities in a transaction that is not a business combination and that, at the time of the transaction, affects neither accounting nor taxable profit The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates and laws enacted or substantively enacted at the period end

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised

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

(f) Dividends

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

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

(g) Income recognition

Net investment income comprises interest, dividends, rents receivable, and fair value gains and losses on investment property

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

Rental income from investment property is recognised in the statement of comprehensive income on a straight-line basis over the term of the lease Lease incentives granted are recognised as an integral part of the total rental income

Fair value gains and losses on investment property are recognised in the statement of comprehensive income Realised gains and losses are the difference between the net sale proceeds and the original cost Unrealised gains and losses are the difference between the valuation at the period end and their valuation at the previous period end or cost, if acquired during the year

(h) Share capital

The Company has issued ordinary shares which are classified as equity

(i) Events after the reporting period

The financial statements are adjusted to reflect significant events that have a material effect on the financial results and that have occurred between the period end and the date when the financial statements are authorised for issue, provided they give evidence of conditions that existed at the period end Events that are indicative of conditions that arise after the period end that do not result in an adjustment to the financial statements are disclosed

Statement of comprehensive income
for the year ended 31 December 2012

	Notes	2012 £	2011 £
Revenue			
Net investment income	2	332	21,914
Total income		332	21,914
Administrative expenses	3	(21,524)	(28,610)
Total operating expenses		(21,524)	(28,610)
Loss before foreign exchange movements		(21,192)	(6,696)
Gain / (loss) on foreign exchange movements		96,033	(355,093)
Profit / (loss) for the year before tax		74,841	(361,789)
Tax (charge) / credit	6	(14,559)	93,224
Profit / (loss) for the year attributable to owners		60,282	(268,565)
Other comprehensive income		-	-
Total comprehensive income for the year attributable to owners		60,282	(268,565)

Statement of financial position
as at 31 December 2012

	Notes	As at 31 December 2012 £	As at 31 December 2011 £
Equity attributable to owners			
Share capital	7	5,927,104	5,927,104
Retained earnings		2,137,566	2,077,284
Total equity		8,064,670	8,004,388
Current liabilities			
Other payables	9	26,890	1,428,743
Total current liabilities		26,890	1,428,743
Total equity and liabilities		8,091,560	9,433,131
Current assets			
Other receivables	11	7,732,211	9,106,066
Cash and cash equivalents	12	359,349	327,065
Total current assets		8,091,560	9,433,131
Total assets		8,091,560	9,433,131

On behalf of the Board

A Moss
Director

26 September 2013

Statement of cash flows
for the year ended 31 December 2012

	Notes	2012 £	2011 £
Cash flows from operating activities			
Cash generated / (absorbed) by operations	13	32,284	(29,547)
Taxation received		-	20,624
Net increase / (decrease) in cash and cash equivalents		32,284	(8,923)
Cash and cash equivalents at the beginning of the year		327,065	335,988
Cash and cash equivalents at the end of the year	12	359,349	327,065

Statement of changes ın equıty
for the year ended 31 December 2012

	Notes	Share capıtal (note 7) £	Retaıned earnıngs £	Total £
At 1 January 2012		5,927,104	2,077,284	8,004,388
Profit for the year		-	60,282	60,282
Other comprehensıve ıncome for the year		-	-	-
Total comprehensıve ıncome for the year		-	60,282	60,282
At 31 December 2012		5,927,104	2,137,566	8,064,670

Of the above £2,137,566 (2011 £2,077,284) of retaıned earnıngs are consıdered dıstrıbutable

	Notes	Share capıtal (note 7) £	Retaıned earnıngs £	Total £
At 1 January 2011		5,927,104	2,795,849	8,722,953
Loss for the year		-	(268,565)	(268,565)
Other comprehensıve ıncome for the year		-	-	-
Total comprehensıve ıncome for the year		-	(268,565)	(268,565)
Dıvıdends paıd	8	-	(450,000)	(450,000)
At 31 December 2011		5,927,104	2,077,284	8,004,388

Notes to the financial statements

1 Financial information

The financial statements for the year ended 31 December 2012, set out on pages 6 to 15 were authorised by the Board of Directors for issue on 26 September 2013

The IASB has issued the following standards, interpretations and amendments which, subject to adoption for use by the EU, apply from the dates shown The Company has decided not to early adopt any of these standards, interpretations or amendments where this is permitted The impact on the Company of adopting them is subject to evaluation

- IFRS 10 *Consolidated Financial Statements* (2013) provides a single consolidation model that identifies control as the basis for consolidation for all types of entities
- IAS 27 *Separate Financial Statements* (Revised) (2013) IAS 27 now only deals with the requirements for separate financial statements, which have been carried over largely unamended from IAS 27 *Consolidated and Separate Financial Statements* Requirements for consolidated financial statements are now contained in *Consolidated Financial Statements*
- Annual improvements to IFRS 2009-2011 cycle (2013) This makes a number of minor improvements to existing standards and interpretations

Further standards, interpretations and amendments have been issued but are not currently relevant to the Company

2 Net investment income

	2012	2011
	£	£
Investment income		
Interest income on cash at bank	332	1,413
Rental income	-	30,501
Fair value losses on investment property	-	(10,000)
Net investment income	332	21,914

3 Administrative expenses

	2012	2011
	£	£
Other operating expenses	21,524	28,610

4 Directors' remuneration

The Directors are employed by Pearl Group Management Services Limited The Directors received no remuneration in respect of their services to the Company (2011 £nil)

5 Auditors' remuneration

The remuneration of the auditors of the Company, including their associates, in respect of the audit of the financial statements was £3,095 (2011 £2,000) These audit fees have been borne by another Group company

6 Tax charge / (credit)

Current year tax charged / (credited) to income statement

	2012 £	2011 £
Current tax		
UK Corporation tax	(65,855)	(93,224)
Adjustment in respect of prior years	80,414	-
Total tax charge / (credit)	14,559	(93,224)

Reconciliation of tax charge / (credit)

	2012 £	2011 £
Profit / (loss) before tax	74,841	(361,789)
Tax at standard UK rate of 24 5% (2011 26 5%)	18,336	(95,874)
Disallowed expenses	2,472	2,650
Non taxable income	(86,663)	-
Adjustment in respect of prior years	80,414	-
Total tax charge / (credit)	14,559	(93,224)

7 Share capital

	2012 £	2011 £
Issued and fully paid		
5,927,104 (2011 5,927,104) ordinary shares of £1 each	5,927,104	5,927,104

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

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

8 Dividends on ordinary shares

	2012 £	2011 £
Interim dividend for 2011 at 7 59p per share	-	450,000
	-	450,000

The above dividend was settled by way of the in specie transfer of an investment property (see note 10)

9 Other payables

	2012 £	2011 £
Amounts due to parent	-	1,410,417
Other payables	26,890	18,326
	26,890	1,428,743
Amounts due for settlement after 12 months	-	-

10 Investment property

	2012	2011
	£	£
At 1 January	-	460,000
Fair value losses	-	(10,000)
Disposals	-	(450,000)
At 31 December	-	-

Investment property is stated at fair value and is independently valued in accordance with the Royal Institution of Chartered Surveyors' guidelines on the basis of the open market value of such properties Rental income from investment property of £nil (2011 £30,501) and direct operating expenses of £nil (2011 £2,795) arising from the investment property that generated the rental income are included in the statement of comprehensive income

11 Other receivables

	2012	2011
	£	£
Amounts due from parent	7,732,211	9,051,951
Other receivables	-	54,115
	7,732,211	9,106,066
Amount recoverable after 12 months	-	-

The amount receivable from the Company's parent, Phoenix Life Assurance Limited, is interest free and repayable on demand

The carrying amounts of other receivables approximate to their fair values

12 Cash and cash equivalents

	2012	2011
	£	£
Bank and cash balances	359,349	327,065

The carrying amounts approximate to fair value at the period end

13 Cash flows from operating activities

	2012	2011
	£	£
Profit / (loss) for the year before tax	74,841	(361,789)
Non-cash movements in profit for the year before tax		
Gain on foreign exchange movements	(96,033)	-
Fair value losses on investment property	-	10,000
Changes in operating assets and liabilities		
Change in other payables	(1,416,412)	4,198
Change in other receivables	1,469,888	318,044
Cash generated / (absorbed) by operations	32,284	(29,547)

14 Capital management

The Company's capital comprises of share capital and all reserves At 31 December 2012, total capital was £8,064,670 (2011 £8,004,388) Information on the movements in capital is set out in the statement of changes in equity

There are no externally imposed capital requirements on the Company The Company's capital is monitored by the Directors and managed on an on-going basis

15 Risk management

The principal risks and uncertainties facing the Company are

- interest rate risk, since the movement in interest rates will impact the return on deposits, and
- liquidity risk, arising from insufficient assets to meet payment obligations

The Company's exposure to these risks is monitored by the Directors, who agree policies for managing each of these risks on an ongoing basis

16 Related party transactions

The Company enters into transactions with related parties in its normal course of business These are at arm's length on normal commercial terms

Amounts due to related parties

	2012	2011
	£	£
Amounts due to parent	-	1,410,417

Amounts due from related parties

	2012	2011
	£	£
Amounts due from parent	7,732,211	9,051,951

Key management compensation
The total compensation payable to employees classified as key management, which comprises the Directors, is disclosed in note 4

During the year to 31 December 2012, key management and other family members had no other transactions with the Company

Parent and ultimate parent entity
Information on the Company's parent and ultimate parent is given in note 17

17 Other information

The Company's principal place of business is the United Kingdom The Company's immediate parent is Phoenix Life Assurance Limited and its ultimate parent is Phoenix Group Holdings, a company incorporated in the Cayman Islands and resident in Jersey A copy of the financial statements of Phoenix Group Holdings can be obtained from the Company Secretary, 1st Floor, 32 Commercial Street, St Helier, Jersey, JE2 3RU