IGNIS FUND MANAGERS LIMITED

Company Registration Number: SC85610

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

Contents **Page**

Directors' report 3
Statement of Directors' responsibilities in relation to the Company financial statements 6
Independent auditor's report to the members of Ignis Fund Managers Limited 7
Statement of comprehensive income 8
Statement of financial position 9
Statement of cash flows 10
Statement of changes in equity 11
Notes to the financial statements 12

Directors' report

Company Registration No: SC85610

Country of incorporation: Scotland

Registered Office:
50 Bothwell Street
Glasgow
G2 6HR

The Directors present their Report and Financial Statements of Ignis Fund Managers Limited ("the Company") for the year ended 31 December 2012.

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ('IFRS').

Business review

Principal activities
The principal activity of the Company is the management of Unit Trusts, as well as Personal Equity Plans (PEPs) and Individual Savings Accounts (ISAs) investing solely in Unit Trusts.

The Company is a private limited company whose principal place of business is the UK. The Company is authorised and regulated by the Financial Services Authority.

The Company is a member of the Ignis Asset Management Group of companies. The Ignis Asset Management Group itself is a member of The Phoenix Group.

Strategy
The Phoenix Group aims to be the saver-friendly, industry solution for the safe, innovative and profitable management of closed life funds.

The Ignis Asset Management Group aims to be a leading asset management business committed to performance excellence and innovation, where talented people want to work and, most importantly, where clients want to invest their money.

The Ignis Asset Management Group intends to fulfil this aim by achieving its goals:

- Meet or exceed investment performance expectations for all clients;
- Work with clients to provide creative solutions to changing product needs;
- Maintain our business with a well-controlled and efficient operating platform;
- Develop further as a high quality and profitable company.

These goals are supported by our foundations of:

- Innovative people;
- Partnership culture;
- Processes and Technology;
- Stability.

The development of a profitable and growing third party business remains a key objective of the Ignis Asset Management Group.

Corporate activity
During the course of 2012 the Company launched several institutional share classes in the Multi-Manager and the Property Funds. In December 2012, the Emerging Market Equity Fund was launched under the Bothwell brand, for the specific use of Phoenix Group Life Companies. The Company continues to seek to identify other opportunities for both new retail and institutional collectives.

On 28 May 2012, Ignis Investment Services Limited, a fellow group entity, sold part of its business to HSBC Bank plc ("HSBC"). This comprised investment operations, fund accounting and other related activities, and resulted in a transfer of 147 roles to HSBC in both London and Glasgow on that date. The transition of the remaining activities, systems and processes will continue until May 2014.

On 14 July 2012, Schemes of Arrangement transferred the assets and clients of the Argonaut European Alpha Fund, the Argonaut European Income Fund, the Argonaut European Absolute Return Fund and the Argonaut European Enhanced Fund. The Company ceased to act as Authorised Fund Manager on 15 January 2013. This was following a re-structuring of the joint venture arrangements between Argonaut Capital Partners LLP and Ignis.

Result and dividends
The result of the Company for the year is shown in the statement of comprehensive income on page 8. The profit before tax was £2,932,000 (2011: £777,000).

No dividends were paid during the year (2011:£nil).

Principal risks and uncertainties
The Ignis Risk Management framework provides a structured approach for identifying, assessing, controlling and monitoring risk within the Ignis Group. The main risks to the Company's financial performance are loss of key investment management mandates and reductions in fees due to significant market movements. The key financial risks the Company is exposed to are market risk, credit risk and liquidity risk. The Company does not apply hedge accounting. Financial risk management is discussed within note 20 to the financial statements.

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

Future developments
The Company will continue to focus on delivering the key elements of its strategy. In achieving this, the Company seeks to grow profitability through growing third party business across its retail, institutional and international channels. This, together with outperformance of the funds managed by the Company, is key to the growth in profitability.

Going concern
The Board has followed the UK Financial Reporting Council's "Going Concern and Liquidity Risk: Guidance for Directors of UK Companies 2009" when performing their going concern assessment. As part of its comprehensive assessment of whether the Company is a going concern, the Board has prepared cash flow forecasts for the Company for the foreseeable future based on annual operating plan profits, under both normal and stressed conditions. In addition the Board has also considered the cash position of the Ignis group, Parent company financial position, and contingent liabilities.

As a result of this review, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the 12 months from the date of signing of the accounts. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Directors and their interests
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:

C Bannister, Chairman
C Samuel
C Fellingham
C Chene
J McConville – appointed 28 June 2012
T Roberts – resigned 29 January 2013
P Miles – appointed 16 March 2012, resigned 19 December 2012
I Paterson Brown – resigned 29 June 2012

Company Secretary
S Griffin acted as Secretary throughout the year.

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

Disclosure of information to 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

Stephanie Griffin

S GRIFFIN
Company Secretary
19 March 2013

Statement of Directors' responsibilities in relation to the Company's Financial Statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and International Financial Reporting Standards as adopted by the European Union.

Company Law requires the directors to prepare Financial Statements for each financial year, which give a true and fair view of the state of affairs of the Company and of the profit or loss for that financial year. In preparing those Financial Statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- 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 of IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance;
- state that the company has complied with IFRSs, subject to any material departures disclosed and explained in the financial statements; and
- make judgements and estimates that are reasonable and prudent.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and which enable them to ensure that the Financial Statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF IGNIS FUND MANAGERS LIMITED

We have audited the financial statements of Ignis Fund Managers Limited for the year ended 31 December 2012 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, the Statements of Changes in Equity and the related notes 1 to 24. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material 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 IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

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

Amarjit Singh (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
20 March 2013

Statement of comprehensive income
for the year ended 31 December 2012

	Notes	2012 £000	2011 £000
Revenue			
Fees and other income	3	15,172	17,071
Net investment income	4	1,392	867
Total income		16,564	17,938
Administrative expenses	5	(13,632)	(17,161)
Profit for the year before tax		2,932	777
Tax charge	9	(684)	(315)
Profit for the year attributable to owners		2,248	462
Other comprehensive income		-	-
Total comprehensive income for the year attributable to owners		2,248	462

Balance Sheet

IGNIS FUND MANAGERS LIMITED

Statement of financial position
as at 31 December 2012

	Notes	2012 £000	2011 £000
Equity attributable to owners			
Share capital	10	1,308	1,308
Share premium	11	520	520
Retained earnings		6,642	4,394
Total equity		8,470	6,222
Current liabilities			
Trade & other payables	12	6,156	14,204
Total current liabilities		6,156	14,204
Total equity and liabilities		14,626	20,426
Non-current assets			
Deferred tax	13	42	46
Total non-current assets		42	46
Current assets			
Financial assets	15	733	546
Trade & other receivables	16	7,495	10,657
Cash and cash equivalents	17	6,356	9,177
Total current assets		14,584	20,380
Total assets		14,626	20,426

On behalf of the Board

Chris Samuel

19 March 2013

Company Registration No: SC85610

Statement of cash flows
for the year ended 31 December 2012

	Notes	2012 £000	2011 £000
Cash flows from operating activities			
Cash absorbed by operations	18	(2,821)	(3,394)
Net cash flows from operating activities		(2,821)	(3,394)
Net increase/(decrease) in cash and cash equivalents		(2,821)	(3,394)
Cash and cash equivalents at the beginning of the year		9,177	12,571
Cash and cash equivalents at the end of the year	17	6,356	9,177

Statement of changes in equity
for the year ended 31 December 2012

	Share capital (note 10)	Share premium (note 11)	Retained earnings	Total
	£000	£000	£000	£000
At 1 January 2012	1,308	520	4,394	6,222
Profit for the year	-	-	2,248	2,248
Total comprehensive income for the year	-	-	2,248	2,248
At 31 December 2012	1,308	520	6,642	8,470

	Share capital (note 10)	Share premium (note 11)	Retained earnings	Total
	£000	£000	£000	£000
At 1 January 2011	1,308	520	3,932	5,760
Profit for the year	-	-	462	462
Total comprehensive income for the year	-	-	462	462
At 31 December 2011	1,308	520	4,394	6,222

Notes to the financial statements

1. Accounting policies

(a) Basis of preparation
The financial statements have been prepared on a historical cost basis except for the stock of units which are carried at fair value.

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

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

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 income statement 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 requires such estimates relate to the determination of the fair value of financial assets and income taxes.

Fair value of financial assets
The fair values of financial assets are classified and accounted for as set out in accounting policy (f). All financial assets are categorised as Level 1 financial instruments and do not involve estimates.

Income taxes
Deferred tax assets are recognised to the extent that they are regarded as recoverable, that is to the extent that, on the basis of all the available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which the losses can be relieved. The UK taxation regime applies separate rules to trading and capital profits and losses. The distinction between temporary differences that arise from items of either a capital or trading nature may affect the recognition of deferred tax assets. Any judgements made, and uncertainties considered, in arriving at the carrying values of deferred tax assets and liabilities in the financial statements are discussed in note 13.

The accounting policy for income taxes (both current and deferred taxes) is discussed in more detail in accounting policy (c).

(c) Income tax
Income tax comprises current and deferred tax. Income tax is recognised in the statement of comprehensive income.

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.

(d) Foreign currency transactions

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.

(e) Employee benefits

Defined contribution plans

Employees of the Company are members of the Phoenix Group Pension Scheme which now comprises only a defined contribution section; the defined benefit section was closed for future accrual on 30 June 2011. Please refer to note 14 for further details.

Defined contribution pension plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in the statement of comprehensive income as incurred.

Defined benefit scheme

The Company did not make any contributions to the defined benefit scheme and all costs were borne by Pearl Group Holdings (No 1) Limited, a fellow Phoenix Group company. For details of the closure of the defined benefit scheme please refer to note 14.

The assets of the defined benefit section (the scheme) are held in a trustee administered fund. An independent actuary carries out a valuation of the scheme every three years and contributions to the scheme are paid in accordance with his recommendations after consultation with the sponsoring employers.

(f) Financial assets

Units in Unit Trusts and shares in Open Ended Investment Companies managed by the Company for subsequent sale are treated as financial assets held at fair value through profit or loss and are stated at the bid price.

A financial asset classified in this category may be either held for trading or otherwise designated as held at fair value on inception. The assets are recognised initially at fair value and transaction costs are taken directly to the statement of comprehensive income. Gains and losses arising from changes in fair value are included directly in the statement of comprehensive income. The assets are derecognised when the rights to receive cash flows have expired or the entity has transferred substantially all the risk and rewards of ownership.

Fair value estimation

For units in Unit Trusts and shares in Open Ended Investment Companies, fair value is by reference to published bid values.

(g) Cash and cash equivalents

Cash comprises cash balances held with at least BBB+ rated banks (Standard & Poor's rating).

(h) 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.

(i) Income recognition

Revenue is derived primarily from business transacted in the UK.

(i) **Management fees**

Fund management based fees are amounts due for management and registration fees charged to the funds under management less rebates payable. They are recognised as the services are provided. Income is measured at the fair value of the consideration received or receivable.

(ii) **Interest income**

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

(j) Share capital

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

(k) Share premium
The share premium account includes any excess contribution received on the initial issuing of the share capital. Incremental costs directly attributable to the issue of new share are shown in equity as a deduction from the share premium account.

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

2. Financial information

The financial statements for the year ended 31 December 2012, set out on pages 8 to 22, were authorised by the Board of Directors for issue on 19 March 2013.

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

- Deferred tax – Recovery of Underlying Assets (Amendments to IAS 12) (2012). This provides a practical approach to the measurement of deferred tax liabilities and assets when investment property is measured at fair value, according to whether the entity expects to recover an asset by using or selling it.
- Disclosure – Transfer of Financial Assets (Amendments to IFRS 7) (2012). This revises the required disclosures to help users of financial statements evaluate the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position.

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 9 *Financial Instruments* (2015). This is the first two parts of a replacement standard for IAS 39 *Financial Instruments: Recognition and Measurement* and deals with the classification and measurement of financial assets and financial liabilities, including some hybrid contracts.
- IFRS 13 *Fair Value Measurement* (2013) defines fair value and sets out in a single IFRS a framework for measuring fair value.
- 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 IFRS 10 *Consolidated Financial Statements.*
- Annual Improvements to IFRS 2009-2011 cycle (2013). This makes a number of minor improvements to existing standards and interpretations.

In addition, the following standards, interpretations and amendments have been issued but are not currently relevant to the Company:

- IFRS 10 *Consolidated Financial Statements* (2013) provides a single consolidation model that identifies control as the basis for consolidation for all types of entities.
- Investment Entities (Amendment to IFRS 10) (2013).
- Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (Amendments to IFRS 1) (2012).
- IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine* (2013).
- Government Loans (Amendments to IFRS 1) (2013).

- IFRS 11 *Joint Arrangements* (2013) establishes principles for financial reporting by parties to a joint arrangement.
- IFRS 12 *Disclosure of Interests in Other Entities* (2013) combines, enhances and replaces the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities.
- Presentation of Items of Other Comprehensive Income (Amendments to IAS 1) (2013).
- IAS 19 *Employee Benefits* (Amendment) (2013). The IASB has issued numerous amendments to IAS 19.
- IAS 28 *Investments in Associates and Joint Ventures (*Revised) (2013).
- Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12) (2013).

3. Fees and other income

	2012 £000	2011 £000
Registration fees	876	987
Management fees	43,425	48,950
Less: rebates to fellow subsidiaries	(18,924)	(21,881)
Less: rebates to third parties	(10,205)	(10,985)
	15,172	17,071

4. Net investment income

	2012 £000	2011 £000
Interest income	20	25
Gain on sale of units	1,372	842
	1,392	867

Analysis of gain on sale of units

	2012 £000	2011 £000
Sales of units	2,314,977	3,693,083
Cost of sales of units	(2,313,605)	(3,692,241)
	1,372	842

5. Administrative expenses

	2012 £000	2011 £000
Portfolio fee paid to Ignis Investment Services Limited, fellow subsidiary	2,187	2,166
Management expenses	5,471	7,625
Employee costs	5,302	6,317
Commission expenses	672	1,053
	13,632	17,161

The Company has no direct employees (2011: nil).

6. Employee Costs

	2012 £000	2011 £000
Wages and salaries	4,442	5,407
Pension costs	441	413
Social security costs	419	497
	5,302	6,317

All staff are employed by Ignis Investment Services Limited, a fellow Group entity, and the staff costs are recharged on the basis of the duties performed for the Company.

The average number of staff was 86 (2011: 124). The financial statements of Ignis Investment Services include an analysis of employees by department.

7. Directors' remuneration

	2012 £000	2011 £000
Salaries and other short term benefits	289	275
Termination benefits	-	-
Remuneration (excluding pension contributions and awards under share option schemes and other long-term incentive schemes)	289	275
Post-employment benefits	41	24
Phantom share-based payments	-	-
	41	24
Number of Directors who:		
- are members of a defined benefit pension scheme	-	-
Highest paid Director's remuneration	77	55
Termination benefits	-	-
	77	55
Total pension contributions	11	10

8. Auditors' remuneration

The remuneration of the auditors of the Company in respect of services supplied to entities included in the financial statements was £62,000 (2011: £57,000).

	2012 £000	2011 £000
Audit of the financial statements	54	50
Other services provided pursuant to legislation	8	7
	62	57

The remuneration receivable by the Company's auditors for auditing the 2012 accounts was paid by Phoenix Group Management Services Limited, a fellow Group entity and recharged to the Company.

9. Tax charge

	2012 £000	2011 £000
Current tax:		
UK Corporation tax	741	336
Adjustment in respect of prior years	(61)	(25)
	680	311
Deferred tax:		
Reversal of temporary differences	4	4
Total tax charge	684	315

Reconciliation of tax charge

	2012 £000	2011 £000
Profit before tax	2,932	777
Tax at standard UK rate of 24.5% (2011: 26.5%)	718	206
Income not taxable	(2)	-
Disallowable expenses	25	130
Adjustment to tax charge in respect of prior years	(61)	(25)
Other	4	4
Total tax charge for the year	684	315

The tax is paid to the fellow Group entity, Impala Holdings Limited, for group relief.

10. Share capital

The Company's Articles of Association contain a restriction for five years from December 2008 on the number of shares that may be allotted up to the level of the authorised share capital.

	2012 £000	2011 £000
Authorised: 5,000,000 (2011: 5,000,000) ordinary shares of £1 each	5,000	5,000
Issued and fully paid: 1,307,600 (2011: 1,307,600) ordinary shares of £1 each	1,308	1,308

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.

11. Share premium

	2012 £'000	2011 £'000
Balance as at 31 December	520	520

12. Trade & other payables

	2012	2011
	£000	£000
Trade payables	4,353	9,989
Amount due to fellow group entities	704	2,339
Other payables	1,099	1,876
	6,156	14,204

13. Tax assets and liabilities

	2012	2011
	£000	£000
Deferred tax assets	42	46
Total tax assets	42	46

Deferred tax assets comprise:

	2012	2011
	£000	£000
Accelerated capital allowances	42	46
Deferred tax assets	42	46

Movements in deferred tax assets comprise:

	2012	2011
	£000	£000
At 1 January	46	50
Amounts credited to the statement of comprehensive income	(4)	(4)
At 31 December	42	46

Deferred income tax assets are recognised because the current profitability of the Company indicates that it is probable that future taxable profits will be available against which the deferred tax asset can be utilised.

14. Pension scheme

The majority of the employees of Ignis Investment Services Limited are members of the Phoenix Group Life Pension Scheme.

Ignis Investment Services Limited is a participating employer in the Phoenix Group Life Pension Scheme. The scheme comprises both a defined benefit and a defined contribution section. The defined benefit section was closed to future accrual by active members with effect from 1 July 2011. The Company introduced an enhanced contribution rate with effect from 1 July 2011 for former members of the defined benefit section.

The assets of the defined benefit section are held in a trustee administered fund. An independent actuary carries out a valuation of the defined benefit scheme every three years and contributions to the defined benefit scheme are paid in accordance with the funding agreement agreed between the trustee and the sponsoring employer.

Until 30 June 2011, in accordance with the requirements of IAS 19 Employee Benefits the net defined benefit cost was borne by the sponsoring employer, Pearl Group Holdings (No.1) Limited, a fellow subsidiary company and no charge was made to Ignis Investment Services Limited. Ignis Investment Services Limited did not make any contributions to the defined benefit scheme.

15. Financial Assets

	2012	2011
	£000	£000
Stock of units/shares	733	546

Units in Unit Trusts and shares in Open-Ended Investment Companies managed by the Company for subsequent sale are treated as financial assets held at fair value through profit or loss and are stated at the cancellation price.

The change in fair value of these assets has been fully reflected within the revenue section of the statement of comprehensive income.

16. Trade and other receivables

	2012	2011
	£000	£000
Trade receivables	2,444	5,432
Cancellation receivables	1,303	4,260
Amount due from fellow group entities	1,610	-
Other receivables	2,138	965
	7,495	10,657

17. Cash and cash equivalents

	2012	2011
	£000	£000
Bank and cash balances	6,356	9,177
	6,356	9,177

18. Cash flows

	2012	2011
	£000	£000
Profit for the year before tax	2,932	777
Changes in operating assets and liabilities		
(Increase)/decrease in units acquired for subsequent sale	(187)	399
(Increase)/decrease in trade and other receivables	3,166	(333)
Increase/(decrease) in trade and other payables	(8,048)	(3,922)
Current tax treated as group relief	(684)	(315)
Cash generated/(absorbed) by operations	(2,821)	(3,394)

19. Capital management

The Ignis Capital Management Policy involves the close monitoring of capital, and maintenance of capital resources in excess of regulatory requirements. No dividend payments have been made or would be made that would result in a breach of regulatory requirements. Any decisions on dividends are taken with reference to the Capital Management Policy. The capital held by the Company relates to share capital of £1,308,000, share premium of £520,000 and 2012 audited earnings of £6,642,000. For details of movements in capital refer to the statement of changes in equity.

During the year the Company complied with all external capital regulatory requirements.

There were no changes to the Group's approach to capital management during the year.

Refer to Note 20 for details of regulatory capital risks.

20. Risk management

The Ignis Risk Management Framework sets out the high level arrangements for risk management, control and assurance within Ignis Asset Management Limited, the immediate parent, and its subsidiaries. It is designed to provide a structured approach for identifying, assessing, controlling and monitoring financial and non-financial risk within Ignis Asset Management Group.

The Company has an Audit, Risk and Compliance Committee comprising the Executive Directors, the Chief Risk Officer, the Chief Finance Officer and senior managers from Risk, Compliance and Internal Audit which meets monthly with the Chief Risk Officer as Chairman of the Committee. The Committee's remit covers operational and strategic risk. In addition it has taken responsibility for review of business continuity, data security, insurance and counterparty risk reporting. The Committee has discussed and analysed throughout 2012 the risks facing the business, based on the potential impact and the perceived likelihood of occurrence.

The Company will strive to manage and mitigate the principal risks facing the organisation and is committed to maintaining a strong compliant culture. The Company also believes it is critical to its success to accept a degree of business risk in a conscious and managed manner that does not threaten its compliant culture.

The Company's activities expose it to a variety of financial risks including certain aspects of credit risk, market risk and liquidity risk.

Credit risk
Credit risk is the risk of loss resulting from the failure of a counterparty to perform its financial obligations or to perform them in a timely fashion. The Company holds no significant concentrations of credit risk, and cash is held with BBB+ rated banks. A high proportion of the debtors are in relation to unit sales. The amount disclosed in the statement of financial position in respect of current assets of £14,584,000 (2011: £20,380,000) represents the Company's maximum exposure to credit risk.

Market risk
The Company holds units/shares in Unit Trusts for subsequent sale and accordingly is exposed to fluctuations in the market value of these units. The company monitors the levels of these investments and ensures they are kept within agreed limits. The value of units/shares held is such that it is not significant to the overall financial position of the Company. At year end the carrying value of £733,000 represented 5% of the value of total assets. The amount disclosed on the statement of financial position in respect of financial assets represents the Company's maximum exposure to market risk.

Market risk also represents the potential loss in value of portfolios and financial instruments of funds managed by the Company, caused by adverse movements in market variables which would impact on the level of revenue and profitability of the Company.

The Company's principal transactions are carried out in pounds sterling and therefore its exposure to foreign exchange risk is limited. At 31 December 2012, cash held in Euros amounted to £38,000 sterling equivalent (2011: £57,000), and financial assets held in Euros amounted to £0 sterling equivalent (2011: £5,000).

As a result of the previous economic turmoil in the Euro zone, the Euro bank account is monitored on a daily basis and funds are maintained at a minimum level, sufficient to meet our obligations.

Liquidity risk
Liquidity risk is defined as failure of the Company to maintain adequate levels of financial resources to enable it to meet its obligations as they fall due. The Company has an exposure to liquidity risk as a result of normal business activities, specifically the risk arising from an inability to meet short term cash flow requirements. The Company's policy is to maintain sufficient cash deposits to meet obligations at all times. All financial liabilities are due in one year or less.

Regulatory Capital
The Company is a UCITS investment firm and as such its capital requirements are the greater of: the 'base capital' resource requirement; or the sum of its market and credit risk requirements; or its Fixed Overhead Requirement. The capital resources held during the year were all Tier 1 and consisted of share capital of £1,308,000, share premium of *£520,000 and 2012 audited earnings of £6,642,000.*

The Company is a 100% owned subsidiary of Ignis Asset Management Limited which has a group policy of maintaining capital in excess of its consolidated regulatory requirement. During the year capital was maintained in excess of the consolidated regulatory requirement. The capital requirements of the Group are monitored on an ongoing basis to ensure that sufficient capital is maintained at all times.

The Company is also a member of an insurance group, the ultimate parent of which, Phoenix Group Holdings, is required to maintain group capital resources in excess of its group capital resources requirement (Group Capital Adequacy (GCA)) in accordance with the FSA Handbook for Insurers.

21. Pillar 3 disclosure

Under Pillar 3 of the Capital Requirements Directive (CRD), a firm is required to disclose information relating to a firm's capital, risk exposures and management practices. The relevant disclosures are made on the Ignis Corporate website.

22. 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.

The Company's main related parties are its parent entity (see note 24), its key management personnel (see note 7) and the trustees of the Unit Trusts managed by the Company (see below).

The Company holds units in related Unit Trusts at the value of £733,000 (2011: £546,000).

No dividends were paid to the parent entity during the year (2011:£nil).

Amounts paid to related parties

	2012	2011
	£000	£000
Portfolio fee paid to Ignis Investment Services Limited, fellow Group entity	2,187	2,166
Rebates to fellow subsidiaries	18,924	21,881
Amounts paid to Trustees in relation to creations	1,542,276	2,784,965
	1,563,387	2,809,012

Amounts received from related parties

	2012	2011
	£000	£000
Income received from related Unit Trusts	44,301	49,937
Amounts received from Trustees in relation to liquidations	3,398,541	2,922,388
	3,442,842	2,972,325

Amounts due to related parties

	2012	2011
	£000	£000
Repurchase creditors	144	1,481
Creation creditors due to Trustees	638	3,520
Amounts due to fellow group entities	704	2,339
	1,486	7,340

Amounts due from related parties

	2012	2011
	£000	£000
Cancellation receivables due from Trustees	1,303	4,260
Unit sales receivables	20	-
Amounts due from fellow group entities	1,610	-
	2,933	4,260

Key management compensation

During the year to 31 December 2012, key management and other family members contributed £nil (2011 nil) to products sold by the Company. These relate primarily to investment, life and pension products.

23. Events after the reporting period

There have been no significant events that have occurred between the period end and the date when the financial statements are authorised for issue that would have a material effect on the financial results.

24. Other information

The Company's principal place of business is the United Kingdom. The Company's immediate parent is Ignis Asset Management Limited, registered in Scotland 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.