3514660

PHOENIX ASSET MANAGEMENT PARTNERS LIMITED

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31st MARCH 2010

Phoenix Asset Management Partners Limited

Directors

G Channon
Sir Peter Thompson (Resigned 3rd July 2009)
S Tatters
Mrs C Maby
Mr R T Canham (Appointed 3rd July 2009)

Secretary and Registered Office

Mrs S Wooler
64-66 Glentham Road, Barnes, London SW13 9JJ

Auditors

Moore Stephens LLP
150 Aldersgate Street, London EC1A 4AB

Bankers

C Hoare & Co
37 Fleet Street, London EC4P 4DQ

Solicitors

Clifford Chance
200 Aldersgate Street, London EC1A 4JJ

Report of the Directors

The directors present their annual report and the audited financial statements for the year ended 31st March 2010

The principal activity of the Company is the provision of fund management services to the Phoenix UK Fund, an offshore Fund based in the Bahamas, and segregated accounts for a number of UK pension funds The investment philosophy is inspired by Warren Buffett and Benjamin Graham These funds are mainly invested in UK listed companies and cash deposits held in a concentrated portfolio of usually less than 20 companies

In addition to an annual management fee earned on the Net Assets under management, performance fees are earned only if the Net Asset Value for the Phoenix UK Fund has increased by the CPI UK inflation rate for the year, or in the case for the pension funds annual returns have outperformed the All Share Index

The principal risks and uncertainties of the company are dependent on the Investment Manager, Gary Channon, continuing to manage the Funds The price of the shares in the funds can go down as well as up, thereby reducing potential management fees or with persistent underperformance increased risk of losing a pension client or a Phoenix UK Fund investor The Directors are optimistic about the future

The company is authorised and regulated by the Financial Services Authority, and conducts its business in accordance with those regulations

Phoenix Asset Management Partners Limited

Report of the Directors (Continued)

Results and Dividends

The result for the period before dividends was a profit of £622,790 (2009 £432,526)

The dividends for the period were £650,012 (2009 £650,014)

Charitable Donations

During the year charitable donations of £11,188 (2009 £Nil) in respect of education were paid

Directors and Directors' Interests

The directors' interests in the share capital of the company are as follows

	At 31st March 2010 Ordinary Shares	At 31st March 2009 Ordinary Shares
G Channon *	90,002	90,002
Sir Peter Thompson	10,000	10,000
Mrs C Maby	-	-
S Tatters	-	-

* 90,001 shares are owed by Channon & Co Limited G Channon owns 63% of the share capital of Channon & Co Ltd, and virtually all the remainder is owned by Mrs Channon, G Channon's wife

Each of the persons who are directors at the time when this report is approved has confirmed that

(a) so far as each director is aware, there is no relevant audit information of which the company's auditors are unaware,

(b) each director has taken all the steps that ought to have been taken as a director, including making appropriate enquiries of fellow directors and the company's auditors for that purpose, in order to be aware of any information needed by the company's auditors in connection with preparing their report and to establish that the company's auditors are aware of that information

By Order of the Board on 27 July 2010

G CHANNON - Director

Phoenix Asset Management Partners Limited

Statement of Directors Responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Standards and applicable law) Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless its 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 for taking reasonable steps for the prevention and detection of fraud and other irregularities

Independent Auditors' Report to the Members of Phoenix Asset Management Partners Limited

We have audited the financial statements of Phoenix Asset Management Partners Limited for the year ended 31 March 2010 which are set out on pages 5 to 16 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

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 Directors' Responsibilities Statement set out on page 3 , 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 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 Boards (APB'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

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 March 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, 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

Lorraine Bay

Lorraine Bay, *Senior Statutory Auditor*
For and on behalf of Moore Stephens LLP, Statutory Auditor
150 Aldersgate Street
London
EC1A 4AB

27 July 2010

Phoenix Asset Management Partners Limited

Profit and Loss Account
For the year ended 31st March 2010

	Note	2010	2009
Turnover	2	1,918,930	1,545,871
Administration expenses		(1,066,223)	(936,022)
Operating Profit	3	852,707	609,849
Interest receivable	4	928	3,340
Profit on Ordinary Activities before Taxation		853,635	613,189
Tax on profit on ordinary activities	7	(230,845)	(180,663)
Profit for the Period	13	£ 622,790	£ 432,526

Statement of total recognised gains and losses

There are no recognised gains or losses other than those included in the profit and loss account

All amounts are derived from continuing operations

Phoenix Asset Management Partners Limited

Company No: 3514660

Balance Sheet - 31st March 2010

	Note	2010	2009
Fixed Assets			
Tangible assets	9	108,370	26,887
		108,370	26,887
Current Assets			
Debtors	10	303,693	408,870
Cash at bank and in hand		173,206	86,240
		476,899	495,110
Creditors, amounts falling due within one year	11(a)	(207,346)	(153,680)
Net Current Assets		269,553	341,430
Creditors, amounts falling due after more than one year	11(b)	(50,113)	-
Total Assets Less Current Liabilities		327,810	368,317
Capital and Reserves			
Ordinary shares	12	100,002	100,002
Profit and loss account	13	227,808	201,242
Share reserve	13	-	67,073
Shareholders' Funds	13	£ 327,810	£ 368,317

The financial statements were approved by the Board on 27 July 2010
and signed on its behalf by

G CHANNON Director

Phoenix Asset Management Partners Limited

Cash Flow Statement
For the year ended 31st March 2010

	Note		2010		2009
Net Cash Inflow from Operating Activities	16a		934,958		752,924
Returns on Investment and Servicing of Finance	16b		928		3,340
Taxation			(154,500)		(298,898)
Capital Expenditure	16b		(44,408)		(8,273)
Equity Dividends Paid			(650,012)		(650,014)
Increase/(Decrease) in Cash	16c	£	86,966	£	(200,921)

Reconciliation of Net Cashflow to Movement in Net Funds

		£		£
Increase/(decrease) in cash in the period		86,966		(200,921)
Cash inflow from decrease in debt and lease financing		-		-
New finance lease		(67,226)		-
Change in net funds resulting from cashflows		19,740		(200,921)
Opening net funds		86,240		287,161
Closing net funds	£	105,980	£	86,240

Notes

1 Principal Accounting Policies

(a) Basis of accounting

The financial statements have been prepared in accordance with applicable accounting standards within the United Kingdom

(b) Tangible fixed assets and depreciation

Tangible fixed assets are depreciated on the straight line basis over the period of their estimated useful lives at the following annual rates

Furniture and equipment	- 33% per annum
Computer equipment	- 33% per annum
Leasehold improvements	- 33% per annum
Motor vehicles	- 25% per annum

(c) Operating leases

Rental payments made under operating leases are charged to the profit and loss account as incurred

(d) Deferred tax

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at rates that are expected to crystallise based on current tax rates and law

Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different to those in which they are included in the financial statements Deferred tax assets are recognised to the extent that they will be recovered Deferred tax assets and liabilities are not discounted

(e) Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated at the rate prevailing at the balance sheet date

Transactions in foreign currencies are recorded at the rate ruling on the date of the transaction Differences arising from rate movements between the due date and the actual payment date are taken to the profit and loss account

(f) Share based payments

The company has applied the requirements of FRS20 share based payments The company engages in equity settled share based payment transactions in respect of service received from certain members The fair value of the options granted is determined using option pricing models, which take into account the exercise price of the option, the current share price, the risk free interest rate, the expected volatility of the company's share price over the life of the option and other relevant factors

Phoenix Asset Management Partners Limited

Financial Statements for the year ended 31st March 2010

Notes (Continued)

1 **Principal Accounting Policies (Continued)**

(f) Share based payments (continued)

Where share options are cancelled during the vesting period this is treated as an acceleration of vesting and all amounts that would other wise have been recorded over the remainder of the vesting period are recognised immediately as an expense Payments made to employees on cancellation of share options are treated as a repurchase of an equity interest Any excess of this consideration over the fair value of the options cancelled, as measured at the date of repurchase, is recognised as an expense

(g) Pensions

Contributions to employees' personal pension plans are expensed as incurred

(h) Hire purchase contracts

The cost of assets held under hire purchase contracts is included under tangible fixed assets and depreciation is provided in accordance with the company's accounting policy for the class of asset concerned The interest is charged using the sum of digits method over the contract term and the capital element of future contract payments is included in creditors

2 **Turnover**

Turnover, which is stated net of value added tax, is attributable to one continuing activity, the supply of investment management services Fees are recognised once receivable

Turnover is split between that received from within the UK £1,004,302 (2009 £1,231,319) and that received from outside the UK, being Bahamas based funds £914,628 (2009 £314,552)

Performance fees in respect of institutional accounts are recognised at 50% of the total amount earned during the period The remaining 50% which is contingent on continued out performance is retained by the trustees until the earlier of the date of the termination of the account, or when the next performance fee becomes due, and is recognised accordingly All other performance fees are recognised when they crystallise

3 **Operating Profit**

The operating profit is stated after charging

		2010	2009
		£	£
Depreciation of owned fixed assets		28,352	14,176
Depreciation of finance leased assets		1,392	-
Auditors' remuneration	- audit fee	14,000	13,500
	- taxation	2,817	2,350
	- other	5,094	4,750
Operating lease rentals		36,000	36,000

Phoenix Asset Management Partners Limited

Financial Statements for the year ended 31st March 2010

Notes (Continued)

4 Interest Receivable

		2010		2009
Bank interest receivable	£	928	£	3,340

5 Staff Costs

		2010	2009
		£	£
Wages and salaries		317,579	320,439
Social security costs		32,831	37,060
Pension costs		41,940	8,500
	£	392,350	365,999

	2010	2009
The average number of employees during the year was as follows		
Administrative/compliance	1	1
Fund management	5	4
	6	5

6 Directors' Emoluments

Emoluments of directors included within wages and salaries were as follows

	2010	2009
Remuneration	146,928	228,792
Pension contributions	41,100	5,100
	188,028	233,892

The amount in respect of the highest paid director is as follows

	2010	2009
Emoluments	108,584	146,424

Pension contributions were made on behalf of one director (2009 one) in the period

7 Tax on Profit on Ordinary Activities

		2010		2009
UK corporation tax				
UK corporation tax on profits for the period		230,845		179,894
Under/(over) provision in prior years		-		769
	£	230,845	£	180,663

Phoenix Asset Management Partners Limited

Financial Statements for the year ended 31st March 2010

Notes (Continued)

7 Tax on Profit on Ordinary Activities (Continued)

Factors affecting the tax charge for the period

The tax assessed for the year is higher than the standard rate of corporation tax in the UK
The differences are explained below

		2010		2009
Profit on ordinary activities before taxation		853,635		613,189
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2009 28%)		239,018		171,693
Effect of				
Charges on income		2,800		-
Disallowed expenses and non-taxable income		(3,406)		8,912
Depreciation in excess of capital allowances		(7,567)		(711)
	£	230,845	£	179,894

8 Dividends

		2010		2009
Equity dividend on ordinary shares				
1st interim paid		100,002		225,006
2nd interim paid		50,002		25,000
3rd interim paid		100,002		60,002
4th interim paid		50,002		60,002
5th interim paid		100,002		180,004
6th interim paid		100,002		-
7th interim paid		100,000		100,000
8th interim paid		50,000		-
	£	650,012	£	650,014

Phoenix Asset Management Partners Limited

Financial Statements for the year ended 31st March 2010

Notes (Continued)

9 Tangible Fixed Assets

	Leasehold Improvements	Computer Equipment and Software	Furniture and Fixtures	Motor Vehicles	Total
Cost					
At 1st April 2009	12,162	123,380	27,938	-	163,480
Additions	-	44,408	-	66,819	111,227
Disposals	-	(101,867)	(8,901)	-	(110,768)
At 31st March 2010	12,162	65,921	19,037	66,819	163,939
Depreciation					
At 1st April 2009	4,322	106,738	25,533	-	136,593
Provided during the period	4,054	22,745	1,553	1,392	29,744
Disposals	-	(101,867)	(8,901)	-	(110,768)
At 31st March 2010	8,376	27,616	18,185	1,392	55,569
Net book value					
At 31st March 2010	£ 3,786	£ 38,305	£ 852	£ 65,427	£ 108,370
At 31st March 2009	£ 7,840	£ 16,642	£ 2,405	£ -	£ 26,887

Included within fixed assets are assets held under a finance lease with a cost of £66,819 (2009 £Nil) and an accumulated depreciation charge of £1,392 (2009 £Nil)

10 Debtors

	2010	2009
Trade debtors	284,933	311,201
Prepayments	18,082	37,652
Other debtors	678	-
Amounts owed by parent company	-	60,017
	£ 303,693	£ 408,870

Phoenix Asset Management Partners Limited

Financial Statements for the year ended 31st March 2010

Notes (Continued)

11a Creditors amounts falling due within one year

		2010		2009
Trade creditors		22,684		16,902
Corporation tax		131,243		95,894
Accruals		36,305		15,000
Other taxes and social security		-		25,884
Finance lease		17,114		-
	£	207,346	£	153,680

11b Creditors: amounts falling due after more than one year

		2010		2009
Finance lease		50,113		-
	£	50,113	£	-

12 Share Capital

	2010	2009
Allotted called up (and fully paid)		
100,002 Ordinary shares of £1 each	100,002	100,002

13 Reconciliation of Movements in Shareholders' Funds

	Option Reserve	Share Capital	Profit and Loss Account	Total Shareholders' Funds
Balance at 1st April 2009	67,073	100,002	201,242	368,317
Accumulated profit for period	-	-	622,790	622,790
Dividends	-	-	(650,012)	(650,012)
Option costs	3,771	-	-	3,771
Modification of options	(17,056)	-	-	(17,056)
Cancellation of share options	(53,788)	-	53,788	-
As at 31st March 2010	£ -	£ 100,002	£ 227,808	£ 327,810

Phoenix Asset Management Partners Limited

Financial Statements for the year ended 31st March 2010

Notes (Continued)

14 Related Party Transactions

90,001 £1 shares are owned by Channon & Co Limited of which G Channon is a director During the period Channon & Co Limited recharged office administration expenses to the company amounting to £273,333 (2009 - £172,641) As at 31st March 2010 £Nil (2009 - £60,017) was owed by Channon & Co Limited and G Channon

Mrs C Maby is the sole owner of Phoenix Asset Management (Bahamas) G Channon and C Maby are directors of Phoenix Asset Management (Bahamas), which acts as the investment manager of Phoenix UK Fund During the period management fees of £470,553 (2009 - £314,552) and performance fees of £444,075 (2009 £Nil) were receivable by the company from Phoenix Asset Management (Bahamas) £44,616 (2009 - £24,502) of fees were outstanding at the year end

Mrs C Maby, a director had 3402 share options in the company These were cancelled at the year end

15a Other Financial Commitments

At the period end the company had annual commitments under non-cancellable operating leases for land and buildings as set out below

	2010	2009
	Land and Buildings	Land and Buildings
Operating leases which expire		
Over 5 years	£ 36,000	£ 36,000

15b Finance Lease Liabilities

At the period end the company had annual commitments under a finance lease for motor vehicles as set out below

	2010	2009
Finance lease payable		
Due within one year	17,114	-
Due within two to five years	50,113	-
	£ 67,227	£ -

Phoenix Asset Management Partners Limited

Financial Statements for the year ended 31st March 2010

Notes (Continued)

16 **Notes to the Statement of Cash Flows**

(a) Reconciliation of operating profit to net cash inflow from operating activities

	2010	2009
Operating profit	852,707	609,849
Depreciation charges	29,744	14,176
Decrease/(increase) in debtors	105,177	230,501
(Decrease)/increase in creditors	(39,385)	(123,083)
Option cost	(13,285)	21,481
	£ 934,958	£ 752,924

(b) Analysis of cash flows for headings netted in the statement of cash flows

	2010	2009
Returns on Investments and Servicing of Finance		
Interest received	£ 928	£ 3,340
Capital Expenditure		
Payments to acquire tangible fixed assets	£ (44,408)	£ (8,273)

(c) Analysis of changes in net debt

	31st March 2009	Cash Flows	Other non Cash Changes	31st March 2010
Cash at bank	86,240	86,966	-	173,206
Finance leases	-	-	(67,226)	(67,226)
	£ 86,240	£ 86,966	£ (67,226)	£ 105,980

17 **Controlling Party**

In the directors' opinion the parent company at the period end is Channon & Co Ltd a company incorporated in the UK The ultimate holding party of Channon & Co Ltd is Gary Channon

18 **Share Option Scheme**

The estimated fair values of options which fall under FRS20 and the inputs used in the Black-Scholes pricing model to calculate those fair values are as follows

Date of grant	Expiry date	Expected Life (yrs)	Risk-free rate	Share price at grant (£)	Exercise price (£)	Volatility	Dividend yield	Estimated fair value (£)	Number cancelled
30/03/2007	31/03/2010	3 00	5 3715	80 40	65 72	34 4632%	10 00%	15 4328	3,254
30/03/2008	31/03/2011	3 00	3 8742	90 06	80 40	30 9474%	10 00%	12 3023	1,370
30/03/2009	31/03/2012	3 00	2 0716	45 02	90 06	55 5592%	14 40%	3 0158	1,254

Phoenix Asset Management Partners Limited

Financial Statements for the year ended 31st March 2010

Notes (Continued)

18 **Share Option Scheme (Continued)**

At cancellation, the inputs used for calculating the fair value of the options are as follows

Date of grant	Expiry date	Expected Life (yrs)	Risk-free rate	Share price at grant (£)	Exercise price (£)	Volatility	Dividend yield	Estimated fair value (£)	Number cancelled
30/03/2007	31/03/2010	-	-	-	-	-	-	-	-*
30/03/2008	31/03/2011	1	0 65%	54 51	80 40	45 60%	11 92%	1 85	1,370
30/03/2009	31/03/2012	2	1 17%	54 51	38 93	45 60%	11 92%	11 58	1,254

* These shares had lapsed at the date of cancellation and therefore no fair value price was calculated

The expected life of the options has been assumed to be three years based upon the evidence available The risk-free rate has been represented by the yield to maturity at the date of grant of a UK gilt strip with term to maturity equal to the expected life of the option The volatility of the Company's share price at each date of grant has been calculated at the average of the standard deviations of continuously compounded returns on the stock of a group of comparable companies

The number and weighted average exercise price of the share options in respect of the prior year is as follows

	2010 Number	2010 Weighted average exercise price (£)	2009 Number	2009 Weighted average exercise price (£)
Outstanding at the beginning of the year	5,878	74 44	6,266	70 28
Granted during the year	-	-	1,784	90 56
Forfeited during the year	-	-	2,172	75 57
Cancelled in the year	5,878	74 44	-	-
Outstanding at the end of the year	-	-	5,878	44 00
Exercisable at the end of the year	-	-	3,254	65 72
The weighted average remaining contractual life of outstanding options	-	0 yrs	5,878	1 66 yrs

On 31st March 2010 the share option scheme was cancelled This resulted in an accelerated share option charge of £3,771 In respect of the options cancelled, cash consideration of £95,000 was paid to the option holders The fair value of the options at the date of cancellation was £17,056, leading to an additional expense of £77,944

BIPRU 11 Pillar 3 Disclosure

Introduction

Phoenix Asset Management Partners Limited ('PAMP') is authorised to conduct investment business under the Financial Services and Markets Act 2000 through membership of the Financial Services Authority ('FSA') Chapter 11 of the FSA's Prudential Sourcebook for Banks, Building Societies and Investment Firms ('BIPRU') requires BIPRU firms to make certain disclosures to market participants These are known as Pillar 3 disclosures PAMP is a BIPRU firm as defined in the FSA's rulebook and this document is designed to meet our Pillar 3 disclosure requirements

Disclosure Policy

The PAMP directors' policy is to review and approve the issue of the Company's Pillar 3 disclosures on an annual basis, unless circumstances necessitate additional disclosures Disclosures are prepared by the PAMP Finance Officer in conjunction with the preparation of the annual statutory accounts The current chosen location for disclosure is the Company's annual accounts

The BIPRU 11 requirements allow firms to omit one or more of the disclosures listed under BIPRU 11 5 if the information provided by such disclosures is not regarded as material The requirements similarly allow firms to omit items of information from the BIPRU 11 5 disclosures if the information is regarded as proprietary or confidential The PAMP members review any such omissions as part of the overall approval process

Disclosure Basis

PAMP is a standalone Limited company, consequently this disclosure is made on an individual basis under BIPRU 11 2 1

Disclosure Data

This disclosure is prepared in conjunction with the annual statutory accounts and FSA report covering the financial year ending 31st March 2010

Regulatory & Business Profile

Phoenix Asset Management Partners Ltd (PAMP) is a UK-established BIPRU limited licence firm PAMP is an FSA authorised and regulated firm providing discretionary investment management services in the UK As such it is operating in a developed economy with a sophisticated legal, accounting, regulatory and financial services infrastructure

PAMP provides discretionary investment management and advisory services to three clients As such, the firm operates in the financial service sector, building concentrated portfolios in developed markets, which are generally deep and liquid

Identification of PAMP's Key Internal Controls

- PAMP has a single clearly defined product (the Phoenix UK Fund) known to management Daily fund information concerning the product performance and investment weights by client is produced at the close of business each day and reviewed

- The Winterbotham Trust Company Limited (a licensed independent Bahamian regulated financial services group) act as the Fund administrators and custodians responsible for accounting and fund valuations for the Phoenix UK Fund The fund board holds quarterly meetings, which are minuted PAMP ensures segregation between the manager, administrator, custodians and bankers responsible for trading, pricing, accounting, settlement and reporting of the Phoenix UK Fund and other clients Monthly third party reconciliation of securities and cash positions of the other clients are carried out with the relevant custodians, Northern Trust and State Street

BIPRU 11 Pillar 3 Disclosure

Identification of PAMP's Key Internal Controls (Continued)

- Gary Channon, the investment manager has extensive financial services and investment experience in senior executive positions at leading Banks He is involved in the day to day management of the business and his personal wealth and reputation is at risk in the PUKF therefore aligning him with the success of PAMP PAMP uses a number of brokers thereby diversifying exposures

- Monthly management accounts and reporting packs are produced and reviewed at the monthly board meetings, which are chaired by the non-executive Chairman Roger Canham

- PAMP has implemented a MiFID compliant conflict policy and has policies in place to identify and assess potential clients in line with FSA regulations

- PAMP uses Clifford Chance in the UK and local legal counsel to mitigate its legal risks in both the UK and the Bahamas PAMP also has Directors and Officers Liability insurance in place

- PAMP's IT risks are mitigated by its servers being backed up off site and an alternative location should they need to move

Identification of PAMPL's Key Business Risks

The firm manages over £140m in assets and is fundamentally profitable at a management fee level without taking into account performance fees Whilst a drop in assets of 15% would have a significant impact on revenues, PAMP would remain profitable Staffing represents the significant majority of costs and, given the fact they include discretionary bonuses, could be reduced significantly if required PAMP derives a high proportion of its management fees from a relatively small number of large clients PAMP is open to competitive pressures and poor performance relative to peers may impact AUM directly Liquidity with the funds managed by PAMP may be impacted by poor performance leading to redemptions

PAMP faces routine legal risks associated with investment management in the UK and Bahamas, where the firm and PUK fund are domiciled

PAMP employs 6 FTEs plus a non-executive compliance director under a contract for services and 5 perform FSA approved functions Given the small staging levels the firm is vulnerable to staff loss but, like many similar smaller asset managers, it runs a significant key man risk because is places significant reliance on the fund manager's expertise

Phoenix increases its regulatory risks if it fails to deal with its regulator in an open and co-operative manner and fails to report relevant information to its regulator (the FSA) Regulatory sanctions can lead to increased compliance costs and reputational damage

PAMP relies on basic software packages such as Sage accounting and Microsoft Office IT servers are backed up off site and can be accessed externally to the office It is managed by an external service provider

PAMP is 90% owned by Channon & Co,

Counterparty Risk

PAMP's direct credit exposures will be limited to its main suppliers together with the Fund's management and performance fee receivables PAMP is indirectly exposed to PUKF and other segregated accounts, which is exposed to companies it invests in, its custodians, bankers and brokers

BIPRU 11: Pillar 3 Disclosure

Market Risk

PAMP does not take market positions onto its balance sheet, but the PUKF invests in UK liquid stocks and has the ability to invest in a wide range of assets

PAMP has low direct liquidity risks given its known income and expense base It faces higher indirect risks through its investment advice and decisions in relation to its clients, the majority of which are currently in liquid stocks However, as noted above, the wide scope of the PUKF's investment objectives potentially could increase a liquidity mismatch between Fund assets and liabilities

Capital Resources

PAMP's capital resources comprise core Tier 1 capital only and therefore there are no other items or deductions The Tier 1 Capital resources as at 31 March 2010 are £328,000

In accordance with GENPRU 2 1 45R (calculation of variable capital requirement for a BIPRU firm), our capital requirement has been determined as being our fixed overhead requirement and not the sum of our credit risk capital requirement and our market risk capital requirement

Compliance with the rules in BIPRU and Pillar 2 rule requirements

Our overall approach to assessing the adequacy of our internal capital is set out in our Internal Capital Adequacy Assessment Process (ICAAP)

The ICAAP involves separate consideration of risks to our capital combined with stress testing using scenario analysis The level of capital required to cover risks is a function of impact and probability We assess impact by modelling the changes in our income and expenses caused by various potential risks over a 1-3 year time horizon Probability is assessed subjectively

Our Pillar 2 requirement, which is our own assessment of the minimum amount of capital that we believe is adequate against the risks identified, has been assessed as being less than our Pillar 1 capital requirement Therefore, our Pillar 1 requirement is the minimum regulatory capital requirement that we will hold

Credit and Market Risks

Disclosure in relation to these have been considered immaterial under BIPRU 11 35R (Exemption from disclosure Materiality), as our capital requirement under GENPRU 2 1 45R (calculation of the variable capital requirement for a BIPRU firm), is our Fixed Overhead requirement rather than the sum of our credit risk capital and our market risk capital requirement At 31 March 2010, our Fixed Overhead requirement is deemed to be £234,000k