IGNIS INVESTMENT SERVICES LIMITED

Company Registration Number: SC101825

DIRECTORS' REPORT AND FINANCIAL STATEMENTS
For the year ended 31 December 2013

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Directors' report

Company Registration No: SC101825

Country of incorporation: Scotland

Registered Office:

50 Bothwell Street
Glasgow
G2 6HR

The Directors present their Report and Financial Statements of Ignis Investment Services Limited ("the Company") for the year ended 31 December 2013.

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

Principal activities
The principal activity of the Company is the provision of investment management services and investment advice. The Company provides these services to The Phoenix Group companies and external clients. This will continue to be the principal activity for the foreseeable future.

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

Result and dividends
The result of the Company for the year is shown in the statement of comprehensive income on page 9. The profit before tax was £43,034,000 (2012: £36,493,000).

Dividends totalling £14,000,000 were paid during the year (2012: £17,000,000).

Subsequent events
On 25 March 2014, The Phoenix Group and Standard Life Investments signed a disposal agreement under which Standard Life Investments agreed to acquire the entire issued share capital of the Ignis Asset Management Group. The transaction is subject to, amongst other things, Financial Conduct Authority approval. This new transaction has no impact on the Company's financial results for the year ending 31 December 2013.

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 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 at least 12 months from the date of signing of the accounts. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Employees
During the year, the Company maintained a policy of informing and involving employees on matters which concern them and in the achievement of its business goals. The Company has a comprehensive system for consultation and communication involving regular meetings between management and employees, team briefings, opinion surveys and the issue of various bulletins.

Employee development within the Company is promoted by encouraging staff to gain appropriate professional qualifications and assisting with wider personal development.

The Company is committed to providing equal opportunities to all employees irrespective of their sex, age, sexual orientation, marital status, religion, race or disability. It is the Company's policy to give positive consideration to disabled persons with respect to applications for employment, training, career development and promotion, having regards to each individual's particular aptitudes and abilities.

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
E Stobart, Independent Non-Executive Director - appointed 31 October 2013
D Watts, Independent Non-Executive Director - appointed 31 October 2013
T Roberts – resigned 29 January 2013

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

25 March 2014

Strategic Report

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's vision is to become 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.

In line with this, the business strategy has four goals:

- Meeting or exceeding the investment performance expectations of Ignis' clients;
- Working with clients to provide creative solutions to changing product needs;
- Maintaining a well-controlled and efficient operating platform;
- As a result, developing further as a leading asset manager.

This strategy is underpinned by :

- Innovative people focused on Ignis' clients and provided with the freedom to perform;
- A partnership culture that ensures clear accountability and supports both the work within Ignis and with Ignis' clients and counterparties;
- Processes and technology to identify risks and opportunities;
- Stability that comes from a strong governance and control culture.

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

Corporate activity
On 28 May 2012, the Company 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 throughout the course of 2014. Details of the transaction are given in note 11.

Principal risks and uncertainties
The Ignis Risk Management framework provides a structured approach for identifying, assessing, controlling and monitoring risk within the Ignis Asset Management 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 29 to the financial statements.

Key Performance Indicators ("KPIs")
To understand the development, performance and position of the Ignis Asset Management Group we use the following KPIs:

- Ignis assets under management as at 31 December 2013 are £65.9bn (2012: £68.3bn) (this includes £6.8bn (2012: £9.3bn) of assets managed as collateral received for the Phoenix Life Companies stock lending programme). Ignis also provides advice and administration on assets totalling £6.8bn (2012: £7.0bn);
- Profit before tax for the Ignis Asset Management Group in 2013 is £49m (2012: £43m);
- Net sales for 2013 are £1.9bn (2012: £1.6bn); and
- As at 31 December 2013, total assets outperforming above benchmark or peer group are 85% (2012: 79%).

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.

On behalf of the Board

S GRIFFIN
Company Secretary

25 March 2014

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

The directors are responsible for preparing the Strategic Report, the Directors' 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 INVESTMENT SERVICES LIMITED

We have audited the financial statements of Ignis Investment Services Limited for the year ended 31 December 2013 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 34. 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 7, 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 and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2013 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 Strategic Report and 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
25 March 2014

Statement of comprehensive income
for the year ended 31 December 2013

	Notes	2013 £000	2012 £000
Continuing Operations			
Revenue			
Fees and other income	3	136,172	125,364
Net investment income	4	264	656
Total income		136,436	126,020
Administrative expenses	5	(93,396)	(89,519)
Profit before finance costs and tax		43,040	36,501
Finance costs	9	(6)	(8)
Profit for the year before tax		43,034	36,493
Tax charge	10	(9,464)	(9,509)
Profit for the year from continuing operations		33,570	26,984
Discontinued operations			
Loss for the year from discontinued operations	11	-	(435)
Total profit for the year attributable to owners		33,570	26,549
Other comprehensive income		-	-
Total comprehensive income for the year attributable to owners		33,570	26,549

Statement of financial position
as at 31 December 2013

	Notes	2013 £000	2012 £000
Equity attributable to owner			
Share capital	12	580	580
Share premium	13	870	870
Capital contribution reserve	14	50,800	50,800
Retained earnings		48,108	28,538
Total equity		100,358	80,788
Non-current liabilities			
Long-term provisions	16	16,823	18,608
Total non-current liabilities		16,823	18,608
Current liabilities			
Short-term provisions	16	8,446	4,199
Trade & other payables	17	46,014	47,626
Total current liabilities		54,460	51,825
Total liabilities		71,283	70,433
Total equity and liabilities		171,641	151,221
Non-current assets			
Investments in subsidiaries	20	3,104	3,104
Investments in associates	21	250	500
Financial assets	22	16,360	16,289
Intangible assets	23	12,198	12,615
Property, plant and equipment	24	7,611	7,839
Deferred tax	18	6,162	6,521
Total non-current assets		45,685	46,868
Current assets			
Trade & other receivables	25	54,830	52,866
Cash and cash equivalents	26	71,126	51,487
Total current assets		125,956	104,353
Total assets		171,641	151,221

On behalf of the Board

Chris Samuel
25 March 2014

Company Registration Number: SC101825

Statement of cash flows
for the year ended 31 December 2013

	Notes	2013 £000	2012 £000
Cash flows from operating activities			
Cash generated by operations	27	37,707	49,632
Net cash flows from operating activities		37,707	49,632
Cash flows from investing activities			
Purchase of property, plant and equipment		(2,270)	(2,192)
Purchase of intangibles		(2,228)	(902)
Disposal of investments in associates		250	250
Purchase of financial assets	22	(142)	(16,342)
Disposal of financial assets	22	108	16,342
Interest received		220	60
Discontinued Operations	11	-	12,091
Net cash flows used in investing activities		(4,062)	9,307
Cash flows from financing activities			
Ordinary share dividends paid		(14,000)	(17,000)
Interest paid		(6)	(8)
Net cash flows used in financing activities		(14,006)	(17,008)
Net increase in cash and cash equivalents		19,639	41,931
Cash and cash equivalents at the beginning of the year		51,487	9,556
Cash and cash equivalents at the end of the year	26	71,126	51,487

Statement of changes in equity
for the year ended 31 December 2013

	Share capital (note 12) £000	Share premium (note 13) £000	Capital contribution reserve (note 14) £000	Retained earnings £000	Total £000
At 1 January 2013	580	870	50,800	28,538	80,788
Profit for the year	-	-	-	33,570	33,570
Total comprehensive income for the year	-	-	-	33,570	33,570
Dividends paid on ordinary shares	-	-	-	(14,000)	(14,000)
At 31 December 2013	580	870	50,800	48,108	100,358

	Share capital (note 12) £000	Share premium (note 13) £000	Capital contribution reserve (note 14) £000	Retained earnings £000	Total £000
At 1 January 2012	580	870	50,800	18,989	71,239
Profit for the year	-	-	-	26,549	26,549
Total comprehensive income for the year	-	-	-	26,549	26,549
Dividends paid on ordinary shares	-	-	-	(17,000)	(17,000)
At 31 December 2012	580	870	50,800	28,538	80,788

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 investments in seed capital, which are valued at fair value at the period end.

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

The financial statements are separate financial statements and the exemption in paragraph 10 of IAS 27 *Consolidated and Separate Financial Statements* and section 401 of the Companies Act 2006 have been used not to present consolidated financial statements.

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 require such estimates are the determination of the fair value of financial assets, impairment of financial assets, impairment of investments in subsidiaries, impairment tests for intangible assets, amortisation period for intangibles, income taxes and performance fees.

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

Impairment of financial assets
The Company assesses at the end of each reporting period whether objective evidence of impairment exists for financial assets. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in the collective assessment of impairment.

Impairment of investments in subsidiaries and associates
The Company assesses at the end of each reporting period whether objective evidence of impairment exists for investments in subsidiaries and associates. Impairments are measured at the difference between the carrying value of the investment and its estimated recoverable amount. Impairments are recognised in the statement of comprehensive income in the period in which they occur. The Company's policies in relation to impairment testing of investments in subsidiaries and associates are detailed in accounting policy (h) and (i) respectively.

Impairment of intangible assets
The Company assesses at the end of each reporting period whether objective evidence of impairment exists for intangible assets. Impairments are measured at the difference between the carrying value of a particular asset and its recoverable amount. Impairments are recognised in the statement of comprehensive income in the period in which they occur. For further details please refer to accounting policy (f).

Amortisation period of intangible assets
All intangible assets have finite lives and are amortised on a straight line basis over their useful economic lives. Intangible assets are assessed for impairment whenever there is an indication that the recoverable amount of the intangible asset is less than its carrying value. For further details please refer to accounting policy (f).

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 18.

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

Performance fees
Performance fees are calculated by reference to appreciation in the net asset value of the relevant fund in comparison to benchmark during the performance period. Performance fees are recognised when they can be measured reliably and it is probable performance fees will crystallise and economic benefit will flow to the Company. To reflect the fact that performance data is not fully finalised at year end, the Company accounts for a reduction based on our historic performance fee experience, with the balance recognised when the performance fees are settled. For further details refer to accounting policy (o).

(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
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 19 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 19.

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) Intangible assets
Intangible assets held by the Company are split into three classes and accounted for as follows:

(i) ***Investment management contracts***
Investment management contracts were acquired as part of the purchase of the business and net assets of Ignis Investment Management Limited (formerly Axial Investment Management Limited). They are measured on initial recognition at cost. Following initial recognition, the investment management contracts are carried at cost less any accumulated amortisation and accumulated impairment loss. At the end of each reporting period management assess whether there are signs of impairment with any impairment loss being taken to the statement of comprehensive income. Amortisation is charged on a straight-line basis, to administrative expenses in the statement of comprehensive income, over the estimated useful life of the asset which is ten years. The majority of the value attributed to the investment management agreements relates to the first 10 years and as the majority of agreements are in run-off, an estimated useful life of 10 years seems reasonable.

(ii) ***Computer software***
Computer software licences acquired are capitalised on the basis of costs incurred to acquire and bring to use the specific software. Costs that are directly associated with the creation of identifiable and unique software products controlled by the Company, which are expected to generate future economic benefits, are recognised as intangible assets. Direct costs include software development and associated contractor costs. Computer software is carried at cost less any accumulated depreciation and accumulated impairment. Amortisation is charged on a straight-line basis, to administrative expenses in the statement of comprehensive income, over the estimated useful life of the asset which is either three or five years.

(iii) ***Product development expenditure***
Costs directly associated with external product development expenditure, relating to individual projects, are recognised as intangible assets if they are identifiable, unique and expected to generate future economic benefits. Product development expenditure is carried at cost less any accumulated depreciation and accumulated impairment. Amortisation is charged on a straight-line basis, to administrative expenses in the statement of comprehensive income, over the estimated useful life of the asset which is three years.

(g) Property, plant and equipment
Plant and equipment is stated at cost less accumulated depreciation. Depreciation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives. The useful lives of plant and equipment have been taken as follows: computer equipment three years, equipment and fittings ten years.

(h) Investment in subsidiaries
Investments in shares in subsidiaries held for strategic purposes are carried in the statement of financial position at cost less impairment.

At the end of each reporting period the Company assesses whether objective evidence of impairment exists. Evidence of impairment is obtained by comparing the carrying value of the investment in the subsidiary with the estimate of the recoverable amount of the subsidiary.

(i) Investments in associates
Investments in associates are accounted for under IAS 27 *Consolidated and Separate Financial Statements* at cost less impairment, rather than under IAS 28 *Interests in Associates* and the equity method, because separate financial statements are prepared for the entities.

At the end of each reporting period the Company assesses whether objective evidence of impairment exists. Evidence of impairment is obtained by comparing the carrying value of the investment in the subsidiary with the estimate of the recoverable amount of the subsidiary.

(j) Cash and cash equivalents
Cash and cash equivalents comprises cash balances held with at least BBB+ rated banks (Standard and Poor's rating) and a cash equivalent investment in the Sterling Ignis Liquidity Fund (AAA rated per Standard and Poor's rating) . This investment is readily converted into cash (same day settlement) and subject to insignificant risk of value changes in accordance with IAS 7 *Statement of Cash Flows.*

(k) Financial Assets
The company classified its investments as financial assets at fair value through profit and loss and all such assets were designated at fair value through profit and loss on the transition to IFRS. Financial assets held by the Company relate to seed capital for related funds managed by the Company (see note 22 for further details).

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.

Purchases and sales of financial assets are recognised on the trade date, which is the date that the Company commits to purchase or sell the asset.

Fair value
For holdings relating to seed capital, fair value is determined by reference to published bid-values.

(l) Operating lease payments
Operating lease payments are recognised in the statement of comprehensive income as an expense on a straight line basis over the lease term. Operating leases are discussed in more detail in note 31.

(m) Provisions and contingent liabilities
A provision is recognised when the Company has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where the Company has a present legal or constructive obligation, as a result of a past event, but it is not probable that there will be an outflow of resources to settle the obligation or the amount cannot be reliably estimated, this is disclosed as a contingent liability

(n) 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.

(o) Income recognition
Income is derived primarily from business transacted in the UK. Income is recognised as follows:

(i) **Management fees**
Fund management fees (non-performance related) are recognised as the services are provided. Income is measured at the fair value of the consideration received or receivable.

(ii) **Service fees**
Service fees (non-performance related) are recognised as the services are provided. Income is measured at the fair value of the consideration received or receivable.

(iii) **Performance fees**
Performance fees are calculated by reference to the appreciation in the net asset value of the relevant fund in comparison to benchmark during the performance period. Performance fees are only recognised once they can be measured reliably, at interim and the reporting period end, and it is probable that economic benefit will flow to the Company.

(iv) **Interest income**
Interest income is recognised in the statement of comprehensive income as it accrues using the effective interest method.

(v) **Other fee income**
All other fee income (including income from stock lending) is recognised as the services are provided based on the fair value of the consideration received or receivable.

(p) Share capital

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

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

(r) Capital contribution reserve

Capital contributions received by the Company and which contain no agreement for their repayment are recognised directly in the statement of changes in equity as a distributable reserve.

(s) 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 2013, set out on pages 9 to 36, were authorised by the Board of Directors for issue on 12 March 2014.

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.

- Presentation of Items of Other Comprehensive Income (Amendments to IAS 1 *Presentation of financial Statements*) (2013). The amendment requires companies to group together items within other comprehensive income that may be reclassified to the profit or loss section of the income statement and disclose them separately from those that will not be reclassified.
- IFRS 13 *Fair Value Measurement* (2013) defines fair value and sets out in a single IFRS a framework for measuring fair value.
- Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7 *Financial Instruments: Disclosures*) (2013). The amendment requires an entity to disclose information about rights to set-off financial instruments and related arrangements. The new disclosure requirements are intended to help users of financial statements better assess the effect or potential effect of offsetting arrangements on an entity's financial position.
- Annual Improvements to IFRS 2009-2011 cycle (2013). This makes a number of minor improvements to existing standards and interpretations.

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.* 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. The mandatory effective date of 2015 has been removed and will be revisited upon completion of all phases of IFRS 9.
- 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.
- 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 un-amended from IAS 27 *Consolidated and Separate Financial Statements.* Requirements for consolidated financial statements are now contained in IFRS 10 *Consolidated Financial Statements.*

- IAS 28 *Investments in Associates and Joint Ventures (*Revised) (2013). This standard supersedes IAS 28 *Investments in Associates* and prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.
- Transition Guidance (Amendments to IFRS 12) (2013).
- Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36 *Impairment of Assets*) (2014). Modifications to the disclosures required by IAS 36 have been made as a result of the requirement of IFRS 13.
- Annual Improvements to IFRS 2010-2012 cycle (2013). This makes a number of minor improvements to existing standards and interpretations.
- Annual Improvements to IFRS 2011-2013 cycle (2014).

When IFRS 10, IFRS 11, IFRS 12, IAS 28 (Revised) and the consequential amendments to these were issued by the IASB the effective date of these standards was 1 January 2013. However, the EU endorsed these standards to be effective from 1 January 2013, with early adoption permitted. The Company currently intends to adopt these standards effective for the period commencing on 1 January 2014.

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

- IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine* (2013).
- IFRIC 21 *Levies* (2014).
- Government Loans (Amendments to IFRS 1) (2013).
- IFRS 10 *Consolidated Financial Statements* (2013)
- Investment Entities (Amendments to IFRS 10) (2013).
- IFRS 11 *Joint Arrangements* (2013).
- Transition Guidance (Amendments to IFRS 10 and IFRS 11) (2013).
- IAS 19 *Employee Benefits* (Amendment) (2013).
- Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39 *Financial Instruments: Recognition and Measurement*) (2014).

3. Fees and other income

	2013	2012
	£000	£000
Fund management fees	89,777	79,765
Service fees	5,291	5,692
Performance fees	34,167	28,770
Portfolio fee	2,442	2,187
Other fees	336	593
Income from associates	931	345
Income from Castle Hill	709	742
Income from stock lending	2,519	7,270
	136,172	125,364

4. Net investment income

	2013	2012
	£000	£000
Fair value gain	107	594
Foreign exchange gain	1	2
Interest income	156	60
	264	656

The fair value and foreign exchange gains relate to the Company's seed capital investments held throughout the year; please refer to note 22 for further details.

5. Administrative expenses

	2013	2012
	£000	£000
Employee costs (see note 6)	62,963	55,498
Other administration expenses	25,291	28,338
Amortisation of intangible assets	2,644	2,467
Depreciation of property, plant and equipment	2,498	2,360
Non-recurring administrative expenses:		
Staff	-	856
	93,396	89,519

The Company incurred costs of £9,210,967 (2012: £10,772,000) for Ignis Fund Managers Limited, a fellow Group entity. These costs are recharged in full.

6. Staff costs

	2013 £000	2012 £000
Wages and salaries	34,307	33,499
Bonus and long term incentive plans	27,226	22,930
Social security contributions	3,310	3,567
Defined contribution pension	2,680	2,830
Other pension	486	523
	68,009	63,349
Staff costs recharged to Ignis Fund Managers Limited, a fellow Group entity	(5,046)	(5,294)
Staff costs attributable to discontinued operations	-	(2,557)
Net staff costs	62,963	55,498

	2013 Number	2012 Number
Average number of persons employed	393	456
Number of employees allocated to Ignis Fund Managers Limited, a fellow Group entity	79	86

The average number of employees was made up as follows:

	2013 Number	2012 Number
Executive and Governance	26	26
Investment Management	134	138
Sales and Marketing	55	66
Support Services	178	226
	393	456

7. Directors' remuneration

	2013	2012
	£000	£000
Salaries and other short term benefits	3,304	2,916
Termination benefits	60	949
Remuneration (excluding pension contributions and awards under share option schemes and other long-term incentive schemes)	3,364	3,865
Post-employment benefits	113	163
Amounts provided for Directors under phantom share-based payment schemes	2,855	2,887
Number of Directors who:		
- are members of a defined benefit pension scheme	-	-

	2013	2012
	£000	£000
Highest paid Director's remuneration:		
Remuneration (excluding pension contributions and awards under share option schemes and other long-term incentive schemes)	716	483
Termination benefits	-	-
Remuneration under long-term incentive scheme	1,964	1,473
Total pension contributions	-	-

8. Auditors' remuneration

The remuneration of the auditors of the Company in respect of services supplied to entities included in the financial statements was £353,000 (2012: £259,000).

	2013	2012
	£000	£000
Audit of the financial statements	72	71
Other services provided pursuant to legislation	281	188
	353	259

The remuneration receivable by the Company's auditors for auditing the 2013 accounts was paid by Phoenix Group Management Services Limited, a fellow Group entity and recharged to the Company.

9. Finance costs

	2013	2012
	£000	£000
Interest expense		
Bank charges	6	8
	6	8

10. Tax charge

	2013 £000	2012 £000
Current tax:		
UK Corporation tax	11,205	11,578
Adjustment in respect of prior years	(2,080)	(549)
Adjustment in respect of overseas tax	(20)	-
	9,105	11,029
Deferred tax:		
Restatement of opening at 20% (2012: 23%)	(827)	(389)
Provisions and other temporary differences	731	1,303
Accelerated capital allowances	(263)	747
	(359)	1,661
Total tax charge	9,464	9,368

Reconciliation of tax charge

	2013 £000	2012 £000
Profit / (loss) before tax from continuing operations	43,034	36,493
Profit / (loss) before tax from discontinued operations	-	(576)
Total profit before tax	43,034	35,917
Tax at standard UK rate of 23.25% (2012: 24.5%)	10,005	8,799
Income not taxable	(164)	-
Disallowable expenses	611	595
Adjustment to tax charge in respect of prior years	(2,080)	(549)
Overseas tax	(20)	-
Rate movement of deferred tax asset	1,112	523
Total tax charge for the year	9,464	9,368
Tax attributable to continuing operations	9,464	9,509
Tax attributable to discontinued operations	-	(141)
	9,464	9,368

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

11. Discontinued Operations

On 28 May 2012, Ignis sold part of its business to HSBC. The business comprised investment operations, fund accounting and related activities. This sale will provide many benefits for both Ignis and its clients. HSBC's platform will enhance Ignis' scalability, will improve client service, reduce operational risk and will allow greater flexibility for Ignis as it focuses solely on investment management and distribution.

The proceeds from the sale were fully absorbed by the costs incurred in selling the business and no gain or loss is recorded in the Statement of Comprehensive Income. The revenue, expenses and cash flows relating to this discontinued operation and its disposal are shown below.

a) analysis of the result of the discontinued operations and the result recognised on disposal of the operations

	2013 £000	2012 £000
Revenue	-	2,173
Costs	-	(2,749)
Loss before tax from discontinued operations	-	(576)
Tax	-	141
Loss after tax of discontinued operations	-	(435)
Gain / loss before tax on disposal of discontinued operation	-	-
Tax	-	-
Gain / Loss after tax on disposal of discontinued operation	-	-
Loss for the year from a discontinued operation	-	(435)

b) analysis of the cash flows related to the discontinued operations

	2013 £000	2012 £000
Operating cash flows	-	4,272
Investing cash flows	-	12,091
Financing cash flows	-	-
Net Cash Flows	-	16,363

12. Share capital

	2013 £000	2012 £000
Authorised: 10,000,000 (2012: 10,000,000) ordinary shares of £0.1 each	1,000	1,000
Issued and fully paid: 5,801,000 (2012: 5,801,000) ordinary shares of £0.1 each	580	580

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.

13. Share premium

	2013 £000	2012 £000
At 1 January	870	870
At 31 December	870	870

14. Capital contribution reserve

	2013 £000	2012 £000
Brought forward as at 1 January	50,800	50,800
At 31 December	50,800	50,800

On 1 January 2010 the Company received a capital contribution of £50,800,000 from Ignis Asset Management Limited, the immediate parent entity, in the form of £25,400,000 in cash and £25,400,000 in shares of Ignis Investment Management Limited. The capital contribution of shares is not distributable by the Company as qualifying consideration was not received. However, the capital contribution of cash is distributable as qualifying consideration was received. The ultimate source of the capital contribution was Impala Holdings Limited who transferred the balance, via Ignis Asset Management Limited.

15. Dividends on ordinary shares

	2013 £000	2012 £000
Final dividend for prior year at £nil per share (2012: £2.93 per share)	-	17,000
First interim dividend in current year at £2.41 per share (2012: £nil per share)	14,000	-
	14,000	17,000

16. Provisions

	Long Term Incentive Plans £000	Onerous Lease £000	Total £000
At 1 January 2013	13,407	9,400	22,807
Additions in the year	7,526	-	7,526
Utilised during the year	(2,991)	-	(2,991)
Released during the year	-	(2,073)	(2,073)
At 31 December 2013	17,942	7,327	25,269

Analysis of Provisions as at 31 December 2013	Long Term Incentive Plans £000	Onerous Lease £000	Total £000
Current	7,146	1,300	8,446
Non current	10,796	6,027	16,823
At 31 December 2013	17,942	7,327	25,269

Analysis of Provisions as at 31 December 2012	Long Term Incentive Plans £000	Onerous Lease £000	Total £000
Current	3,078	1,121	4,199
Non current	10,329	8,279	18,608
At 31 December 2012	13,407	9,400	22,807

Long Term Incentive Plan Provision

Two Long Term Incentive Plans were in operation as at 31 December 2013. The details of these plans are as follows:

(a) Long Term Equity Plan 2010 (LTEP)

This Ignis Long Term Phantom Equity Plan was approved by the Remuneration Committee of Phoenix Group Holdings on 28 May 2010, amended on both 27 March 2011 and 10 August 2011. Initial awards were granted over a three year period, however following the amendment on 10 August 2011 awards may be granted over different time periods in particular where awards are granted to new hires in substitution of forfeit deferred compensation (in line with the FCA Code on Remuneration). Awards under the plan may be made to any employee of Ignis Investment Services Limited. Participants were granted awards totalling £7,100,000 (2012: £5,093,152) based on a Company valuation of £459,606,183 (2012: £448,511,688). The Company valuation is calculated as ten times the pre tax profit of the Company less adjustments as specified in the plan rules. At the end of the vesting period a cash award dependent on the growth in the value of the Company will be paid to participants reflecting any growth or decline in the notional value of the Company.

(b) Long Term Option Plan 2010 (LTOP)

The Ignis Long Term Phantom Option Plan was approved by the Remuneration Committee of Phoenix Group Holdings on 28 May 2010 and amended on 27 May 2011. Awards under the plan may be made to any employee of Ignis Investment Services Ltd. Phantom options may be granted over 11% of Ignis's 375,000,000 notional shares. Awards are cash settled with one third of the initial award vesting (and subject to automatic exercise) on the fourth, fifth and sixth anniversaries of the date on which the award was granted. Details of notional shares during the year are summarised below:

	2013	2012
Total number of notional shares	375,000,000	375,000,000
Exercise price per notional share	£1.16	£1.00/£1.16
% notional shares granted	0.5%	1.25%
% notional shares lapsed	0	(1.75%)
% notional shares exercised	0	0
Number of notional shares granted	1,875,000	4,687,500
Number of notional shares exercised	0	0
Number of notional shares lapsed	0	(6,562,500)

The provision in respect of each award is calculated by aggregating in each case in respect of one third of the award, 25% per annum in respect of each calendar year from the date of grant for four years, 20% per annum in respect of each calendar year from the date of grant for five years and 16.7% per annum in respect of each calendar year from the date of grant for six years, together multiplied by the increase in the notional value of a share above the exercise price less any accrual in respect of those same awards in any prior year.

Onerous Lease Provision

The sale of investment operations to HSBC results in a proportion of the space leased in Bothwell Street, Glasgow becoming vacant.

Accordingly, a provision was made for an onerous lease during 2012, reflecting the rent and occupancy costs expected to be incurred from the date the space becomes vacant to the next lease break point (December 2017). The onerous lease provision was subsequently reviewed as at 31 December 2013 and a portion released in line with the revised occupancy pattern.

The provision will be utilised on a straight line basis over the period from 2014 to 2017.

17. Trade and other payables

	2013	2012
	£000	£000
Accruals	31,216	30,588
Other taxes and social security costs	1,813	1,373
Other payables	195	490
Amounts due to fellow Group entities	12,790	15,175
	46,014	47,626

18. Tax assets and liabilities

	2013	2012
	£000	£000
Deferred tax assets	6,162	6,521
Total tax assets	6,162	6,521

Deferred tax assets comprise:

	2013	2012
	£000	£000
Provisions and other temporary differences	3,748	3,442
Accelerated capital allowances	2,414	3,079
Deferred tax assets	6,162	6,521

Movements in deferred tax assets comprise:

	2013	2012
	£000	£000
Brought forward as at 1 January	6,521	4,860
Acquired as at 1 January	-	-
Amounts credited to the statement of comprehensive income	(359)	1,661
At 31 December	6,162	6,521

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.

19. 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.

20. Investment in subsidiaries

	2013	2012
	£000	£000
Cost		
At 1 January	25,488	25,488
Additions	-	-
Disposals	-	-
At 31 December	25,488	25,488
Impairment		
At 1 January	22,384	22,384
Impairment charge	-	-
On disposals	-	-
At 31 December	22,384	22,384
Carrying amount		
At 31 December	3,104	3,104

The principal subsidiaries of the Company are as follows:

	Country of incorporation and principal place of operation	Class of shares held	Percentage Ownership
Ignis Investment Management Limited	UK	Ordinary shares of £1	100%
Ignis Agency Management Limited	Republic of Ireland	Ordinary shares of €1	100%
IIML Management Limited	USA	Common stock, no par value	100%
Ignis Select General Partner Inc	USA	Common stock of $0.01	100%
{Castle Hill Asset Management LLC – subsidiary of IIML Management Limited}	*USA*	-	*{40%}*

During 2009 Axial Investment Management Limited was purchased by Impala Holdings Limited. The newly purchased company was subsequently renamed Ignis Investment Management Limited. On 1 January 2010 the shares in Ignis Investment Management Limited were transferred to the Company, via Ignis Asset Management Limited, who then purchased the business and net assets of Ignis Investment Management Limited for the fair value of £25,400,000. The value of Ignis Investment Management Limited was subsequently written down to £3,016,000 as a result of dividends paid to the parent company.

As part of the purchase of the business and net assets of Ignis Investment Management Limited, in 2010 the full share holding of IIML Management Limited was assigned to the Company. This subsidiary holds a 40% interest in the strategic partnership with Castle Hill Asset Management LLC. Castle Hill Asset Management LLC is a specialist credit investment manager operating in both the US and UK.

During 2011 the Company subscribed for 100 shares in Ignis Select General Partner Inc; this subsidiary acts as the General Partner of the Ignis Select International Value Fund L.P. and Manager to the Ignis Select Master Group Trust that is used to accept Employee Retirement Income Security Act 1974 (ERISA) compliant investments in North America.

21. Investment in associates

	2013	2012
	£000	£000
Cost		
At 1 January	500	750
Additions	-	-
Disposals	(250)	(250)
At 31 December	250	500
Impairment		
At 1 January	-	-
Impairment charge	-	-
On disposals	-	-
At 31 December	-	-
Carrying amount		
At 31 December	250	500

The principal associates of the Company are as follows:

	Country of incorporation and principal place of operation	Percentage Ownership
Argonaut Capital Partners LLP	UK	40%
Cartesian Capital Partners LLP	UK	0.01%
Hexam Capital Partners LLP	UK	35%

The members' agreement for Argonaut Capital Partners LLP was amended and restated effective from 1 September 2011, with implementation in three phases throughout 2012. The Company's equity stake reduced from 50% to 40% with effect from 14 July 2012. The new arrangement transferred the majority of the risks and rewards of the partnership to the individual members, with the Company receiving a reduction in profit share.

The members' agreement for Cartesian Capital Partners LLP was amended and restated effective from 5 October 2012, with implementation in three phases throughout 2012 and 2013. During 2013 the Company's percentage ownership reduced to 0.01% and will remain there until 2016. As a result the Company received repayment of capital of £250,000 in June 2013. The Company's revenue share reduced to 40% on signing of the new members' agreement and declined to 0% in 2013. The new arrangement will transfer the risks and rewards of the partnership to the individual members.

The members' agreement for Hexam Capital Partners LLP was renegotiated with effect from 1 July 2010. As a result the Company received repayment of capital of £250,000 in September 2012. The Company's percentage ownership remains at 35% (2012: 35%). The new arrangement transfers the majority of the risks and rewards of the partnership to the individual members, with the Company receiving a reduction in profit share.

As two of the associate's year ends are non-contemporaneous, financial information summarised below is based on the most recent audited and signed financial statements.

	Year End Date	Assets*	Liabilities*	Revenue	Profit**
		£000	£000	£000	£000
Argonaut Capital Partners LLP	30 June 2013	2,047	(521)	4,762	2,893
Cartesian Capital Partners LLP	31 December 2012	367	(117)	1,952	1,919
Hexam Capital Partners LLP	30 September 2013	1,751	(1,296)	3,525	1,678

* Assets and Liabilities are all current, except Hexam Capital Partners LLP £764,000 which relates to non-current liabilities
**Profit before members' distributions

22. Financial Assets

	2013	2012
	£000	£000
Seed capital investments at fair value		
At 1 January	16,289	15,695
Additions	142	16,342
Fair value gain	29	672
Foreign exchange gain / (loss)	7	(78)
Disposals	(108)	(16,342)
At 31 December	16,360	16,289

Financial asset additions during the year related to seed money for the Absolute Return Credit Fund and the Absolute Return Emerging Market Debt Fund. Disposals during 2012 related to disposal of seed capital investment in Absolute Return Government Bond Fund. All financial assets are classified as level 1, in accordance with the IFRS 13 definitions (see note 1). The fair value of the financial assets is not materially different to that of their carrying amount. The seed capital investment in the Absolute Return Credit Fund amounts to 23% (2012: 33%) of the total capital of the fund.

23. Intangible assets

	Investment Management Contracts	Computer Software	Total
	£000	£000	£000
Cost			
At 1 January 2013	15,798	3,003	18,801
Additions	-	2,228	2,228
Disposals	-	(1,054)	(1,054)
At 31 December 2013	15,798	4,177	19,975
Amortisation			
At 1 January 2013	4,740	1,446	6,186
Amortisation charge for the year	1,580	1,064	2,644
On disposals	-	(1,054)	(1,054)
At 31 December 2013	6,320	1,457	7,777
Carrying amount			
At 31 December 2013	9,478	2,720	12,198

	Investment Management Contracts £000	Computer Software £000	Total £000
Cost			
At 1 January 2012	15,798	2,321	18,119
Additions	-	931	931
Disposals	-	(249)	(249)
At 31 December 2012	15,798	3,003	18,801
Amortisation			
At 1 January 2012	3,160	808	3,968
Amortisation charge for the year	1,580	887	2,467
On disposals	-	(249)	(249)
At 31 December 2012	4,740	1,446	6,186
Carrying amount			
At 31 December 2012	11,058	1,557	12,615

The intangible asset purchased on 1 January 2010 of £15,798,000 relates to the investment management contracts purchased from Ignis Investment Management Limited.

24. Property, plant and equipment

	Computer equipment £000	Equipment and fittings £000	Total £000
Cost or valuation			
At 1 January 2013	6,072	6,430	12,502
Additions	928	1,342	2,270
Disposals	(2,192)	(429)	(2,621)
At 31 December 2013	4,808	7,343	12,151
Depreciation			
At 1 January 2013	2,963	1,700	4,663
Charge for the year	1,856	642	2,498
On disposals	(2,192)	(429)	(2,621)
At 31 December 2013	2,627	1,913	4,540
Carrying amount			
At 31 December 2013	2,181	5,430	7,611

	Computer equipment £000	Equipment and fittings £000	Total £000
Cost or valuation			
At 1 January 2012	4,332	6,377	10,709
Additions	2,098	65	2,163
Disposals	(358)	(12)	(370)
At 31 December 2012	6,072	6,430	12,502
Depreciation			
At 1 January 2012	1,598	1,075	2,673
Charge for the year	1,723	637	2,360
On disposals	(358)	(12)	(370)
At 31 December 2012	2,963	1,700	4,663
Carrying amount			
At 31 December 2012	3,109	4,730	7,839

As at 31 December 2013 the Company has capital commitments of £2,407,000 (2012: nil). The fair value of the property, plant and equipment is not materially different to that of its carrying amount

25. Trade and other receivables

	2013 £000	2012 £000
Trade receivables	1,642	283
Accrued income and prepayments	13,726	6,279
Amount due from fellow Group entities	37,945	44,910
Amount due from associates	1,517	1,394
	54,830	52,866

26. Cash and cash equivalents

	2013 £000	2012 £000
Bank and cash balances	51,052	51,487
Cash equivalents	20,074	-
	71,126	51,487

Cash equivalents of £20,074,000 relate to the Company's investment in the Sterling Ignis Liquidity Fund (AAA rated by Standard and Poors with same day settlement terms), classified as a cash equivalent in accordance with IAS 7 (see note 1).

27. Cash flows

	2013 £000	2012 £000
Profit for the year before tax from continuing operations	43,034	36,493
Loss for the year before tax from discontinued operations	-	(576)
Total Profit for the year before tax	43,034	35,917
Non operating cash movements in profit for the year before tax		
Depreciation of property, plant and equipment	2,498	2,594
Amortisation of intangible assets	2,644	2,233
Movement in provisions	2,462	5,372
Finance cost	6	8
Finance income	(226)	(60)
Fair value gain	(29)	(594)
Foreign exchange (gain) / loss	(1)	(2)
Changes in operating assets and liabilities		
(Increase)/decrease in trade and other receivables	(1,605)	6,461
Increase/(decrease) in trade and other payables	(1,612)	7,071
Current tax treated as group relief	(9,464)	(9,368)
Cash generated by operations	37,707	49,632

28. Capital management

The Ignis Capital Management Policy involves the close monitoring of capital. 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 £580,000, share premium reserve of £870,000, capital contribution reserve of £50,800,000 and 2013 retained earnings of £48,108,000. For details of movements in capital please refer to the statement of changes in equity.

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

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

Refer to note 29 for details of regulatory capital risks.

29. 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 a Board Audit and Risk Committee which meets at least on a quarterly basis and is now chaired by an Independent Non-Executive Director (since 6 November 2013). Key responsibilities for this committee include reviewing: the integrity of financial statements; internal financial controls; and internal control and risk management systems. It also considers: the scope of internal and external audits; risk and capital management policies; and the Ignis Risk Framework as well as receiving updates on regulatory risk requirements.

To support the Board Audit and Risk Committee activities Ignis 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.

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 has a modest appetite for business risk based on managing profitability within acceptable parameters while pursuing our profitable growth strategy.

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 at least BBB+ rated banks (Standard and Poor's rating). The Company has an investment in the AAA rated Sterling Liquidity Fund. As at 31 December 2013 no financial assets were past due or impaired (2012: £nil). The amount disclosed in the statement of financial position in respect of current assets of £125,956,000 (2012: £104,353,000) represents the Company's maximum exposure to credit risk.

Market risk

Market risk 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 performs stress testing as part of both the Annual Operating Plan process and our regulatory FCA requirements in relation to the ICAAP. The objective of the stress testing is to consider various scenarios and risk factors which affect the business, such as falls in market levels, decreases in third party sales, and loss of associates. Whilst it is difficult to reduce costs to protect margins, there are some variable costs which could be reduced in the short term and other non-critical support costs which could be reduced over a period of continued lower markets. If we applied 10% increase/decrease in AUM proportionately across our different channels of business then the impact on revenues would be £8,977,700.

The Company holds seed capital investments in financial assets of £16,360,000 (2012: £16,289,000) and accordingly is exposed to fluctuations in the market value of these investments. The Company monitors the levels of these investments and ensures that they are kept within agreed limits. At year end the carrying value represented 10% 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 risk.

A material proportion of the Company's income is now derived from performance fees. However, management fee income has remained consistent; it is sufficient to cover ongoing costs and ensure an effective operating business, should Life Company fund performance fall.

The Company's principal transactions are carried out in pounds sterling and therefore its exposure to foreign exchange risk is limited. At 31 December 2013, balances in US Dollars amounted to £392,000 sterling equivalent (2012: £1,825,000), cash held in Swiss Francs amounted to £64,000 sterling equivalent (2012: £38,000) and cash held in Euros amounted to £57,000 sterling equivalent (2012: £131,000).

The Company also receives management fees denominated in Euros (sterling equivalent £4,627,000) from funds domiciled in Ireland and Luxembourg. These fees are received on a monthly basis and converted on receipt. The seed capital investment in the Absolute Return Credit Fund is partially denominated in Euros; sterling equivalent £907,000.

In order to mitigate foreign exchange risk the foreign currency bank accounts are monitored on a daily or weekly 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.

The table below summaries the maturity profile of the Company's undiscounted financial liabilities and provisions:

2013	1 year or less or on demand £'000	1-5 years £'000	Greater than 5 years £'000	Total £000
Financial liabilities and provisions				
Non-current provisions	-	16,823	-	16,823
Current provisions	8,446	-	-	8,446
Trade and other payables	46,014	-	-	46,014
Total financial liabilities and provisions	54,460	16,823	-	71,283

2012	1 year or less or on demand £'000	1-5 years £'000	Greater than 5 years £'000	Total £000
Financial liabilities and provisions				
Non-current provisions	-	18,608	-	18,608
Current provisions	4,199	-	-	4,199
Trade and other payables	47,626	-	-	47,626
Total financial liabilities and provisions	51,825	18,608	-	70,433

Regulatory Capital

The Company is a BIPRU €125k 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 Tier 1 capital resources held during the year consisted of share capital of £580,000, share premium of £870,000 and 2013 audited earnings of £48,108,000.

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 in the form of a capital planning buffer. 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 at any time there is always sufficient capital in place.

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 FCA Handbook for Insurers.

As of 1 January 2014 the Company will be subject to the new regulatory regime implemented by the Capital Requirements Directive IV.

30. 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.

31. Operating lease payments

Operating lease rentals charged within administrative expenses amounted to £2,873,000 (2012: £2,797,000).

The Company has commitments under non-cancellable operating leases as set out below:

	2013 £'000	2012 £'000
Not later than one year	3,305	3,306
Later than one year and no later than five years	11,440	13,149
Later than five years	2,613	4,197
	17,358	20,652

The principal operating lease commitments include:

A lease relating to 50 Bothwell Street, Glasgow which is currently occupied by the Company. The lease expires on 6 December 2022, but is subject to a tenant break option in December 2017. The current rental figure was set in December 2007 and it is based on current market value.

A lease relating to 150 Cheapside, London which is currently occupied by the London staff of the Company. The lease expires in August 2025 and has a break option in August 2020. The rent is based on current market values.

A lease relating to 10 Via Mazzini, Milan which is currently occupied by the Italian branch of the Company. The lease expires on 14 September 2017 and is subject to six months notice for termination by the tenant. The rent is based on current market values and is subject to annual rent reviews, linked to the Italian consumer price index.

32. 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 subsidiaries (see note 20), its associates (see note 21), its parent entities (see note 34), key management personnel (see note 7) and the life funds managed by the Company.

The Company holds investments in financial assets of £16,360,000 (2012:16,289,000) in funds managed by the Ignis Asset Management Group (see note 22).

The Company pays management expenses on behalf of its fellow Group entity Ignis Fund Managers Limited who is then recharged the balance in full. This amounted to £9,210,967 in 2013 (2012: £10,772,000).

In the year ended 31 December 2013 the Company received no dividends from its subsidiaries (2012: £nil) and paid dividends to its parent company of £14,000.000 (2012: £17,000,000).

Amounts paid to related parties

	2013	2012
	£000	£000
Dividend paid to parent company	14,000	17,000
	14,000	17,000

Amounts received from related parties

	2013	2012
	£000	£000
Income from associates	931	1,169
Income from Castle Hill	709	444
Management, performance and service fees from related funds	114,549	114,778
Portfolio fee from Ignis Fund Managers Limited, fellow Group entity	2,442	2,187
	118,631	118,578

Amounts due to related parties

	2013	2012
	£000	£000
Amounts due to fellow Group entities	12,790	15,175
	12,790	15,175

Amounts due from related parties

	2013	2012
	£000	£000
Amounts due from associates	1,517	1,394
Amounts due from fellow Group entities	37,945	44,910
	39,462	46,304

Transactions with related pension schemes

Management fee received from related pension schemes	2013	2012
	£000	£000
PGL Scheme	2,770	2,439
Pearl Group Staff Pension Scheme	214	818
	2,984	3,257

Amounts due from related pension schemes	2013	2012
	£000	£000
PGL Scheme	568	398
Pearl Group Staff Pension Scheme	82	147
	650	545

Key management compensation
During the year to 31 December 2013, key management and other family members made no contribution to products sold by the Company (2012 nil). For details of amounts paid to key management personnel, please refer to note 7.

33. 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.

34. 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.