



Protected
Asset TEP
Fund plc

The Protected Asset TEP Fund plc

Financial statements for the year ended 31 December 2014

THE PROTECTED ASSET TEP FUND PLC

Report and financial statements for the year ended 31 December 2014

Table of Contents	Page
Officers and professional advisers	1
Chairman's statement	2 - 5
Directors' report	6 - 7
Statement of Directors' responsibilities	8
Report of the Independent Auditors	9 - 10
Statement of comprehensive income	11 - 12
Statement of changes in net assets attributable to holders of participating redeemable preference shares	13 - 14
Statement of financial position	15 - 16
Statement of cash flows	17 - 18
Notes to the financial statements	19 - 53
Independent Auditor's report on the Statement of Net Asset Value	54
Statement of Net Asset Value	55 - 57

THE PROTECTED ASSET TEP FUND PLC

Officers and professional advisers

Directors	Rupert Cottrell Neil Duggan Katherine Spiteri
Secretary	Anthony Seeldrayers
Registered Office	1st Floor, Sixty Circular Road Douglas, Isle of Man IM1 1AE
Manager	Abacus Financial Services Limited 1st Floor, Sixty Circular Road Douglas, Isle of Man IM1 1AE Telephone: 44 (0) 1624 689750
Custodian	BNP Paribas Securities Services SCA Guernsey Branch PO Box 412, BNP Paribas House St Julian's Avenue, St Peter Port Guernsey, Channel Islands GY1 3WE
Bankers	The Royal Bank of Scotland International Limited PO Box 62, Royal Bank Place 1 Gategny Esplanade, St Peter Port Guernsey, Channel Islands GY1 4BQ
Legal Advisers	Appleby 33-37 Athol Street Douglas, Isle of Man IM1 1LB
Policy Provider	TIS Group Limited via Absolute Assigned Policies Limited ("AAP") Stanmore Business and Innovation Centre Stanmore Place, Honeypot Lane Stanmore, London HA7 1BT
Policy Administrator	TEP Management Services Limited Stanmore Business and Innovation Centre Stanmore Place, Honeypot Lane Stanmore, London HA7 1BT
Auditors	KPMG Audit LLC Heritage Court 41 Athol Street Douglas, Isle of Man IM99 1HN
Promoter	Absolute Assigned Policies Limited t/a PDL International Stanmore Business and Innovation Centre Stanmore Place, Honeypot Lane Stanmore, London HA7 1BT

THE PROTECTED ASSET TEP FUND PLC

Chairman's statement

Dear Shareholder

2014 was again the year of the risk asset, such as equities and bonds, with both doing well in the deep and increasingly murky sea of liquidity and cheap money created by central banks. Against this backdrop, commodities were unable to fare as favourably and in general had a torrid year, significantly underperforming the vast majority of equity and bond markets. However if there was a common theme that ran through world stock markets, it was the surge in volatility. Periods of uncompromising sell offs disrupted equity market activity during 2014 with the Vix, a measure of U.S. market volatility, spiking to its highest level since June 2012, when the sovereign debt crisis in Europe was at its height.

Geopolitics, too, were a major driver of volatility this year. Russia's intervention in the Ukraine crisis sparked another bout of market turmoil in March, while continued widespread unrest throughout the Middle East also set investors' nerves on edge during the summer. In October, it was unfounded fears of slowing U.S. economic growth that combined with political tensions in Greece and worries about the spread of Ebola which ignited yet another rout in global equities. Latterly, mounting concern about the currency crisis in Russia, the turmoil in oil markets and Greek elections conspired to send global markets lower.

But while stock markets around the world have all been caught in a broader sell-off at one time or another, as usual, there has been huge diversity in performance among the various Bourses over the course of the year. European share indices were mixed in a volatile and turbulent year aided by a late rebound as the promise of EU QE to tackle the threat of eurozone-wide deflation contributed to modest gains. Britain's FTSE 100 index, was the only major European index to witness a yearly loss, due to its high exposure to the energy and commodities sectors, finishing 2014 down 2.4 percent for the year – the first annual fall since 2011. The FTSEurofirst 300 index of pan-European shares, had a 3.9 percent gain for the year, with the German DAX eeking out a gain of 2.7 percent whilst the French CAC finished the year down 0.5 percent.

Across the Atlantic, both the Dow and S&P 500 were boosted by the strengthening US economy and the liquidity provided by the Federal Reserve's unprecedented quantitative easing programme, which drove demand for equities. The Dow rose 7.5 percent in 2014, its sixth-consecutive yearly gain with the S&P 500 adding 11.4 percent, its third-straight annual gain. Japan's Nikkei 225 gained 7.1 percent assisted by the Bank of Japan's stimulus measures.

Unsurprisingly, the accolade of the worst performing index in 2014 was earned by Russia's RTS index having plummeted 45 percent attributed in part to the index's dollar-denomination and so the rouble's steep plunge against the dollar. Also contributing, were wider concerns about the impact of weakening oil prices and worries about Western sanctions on Moscow.

Europe's government bond markets were buoyed as a global flood of cheap money helped take Italian and Spanish borrowing costs to record lows and gave safer German debt its strongest year in six. U.S. Treasuries had their best year since 2011, and returned 4.95 percent in 2014.

THE PROTECTED ASSET TEP FUND PLC

Chairman's statement (continued)

Market Review

Life Offices

2014 was generally muted when looking at the larger life offices retained by The Protected Asset TEP Fund plc ("the Fund"). The Aviva group of life offices overall exhibited admirable performance in its yearly declaration led notably by Norwich Union who continued where it left off the previous year. Also worth noting was General Accident's and Commercial Union's decision to increase reversionary rates, symbolic perhaps of the strength of its with-profits fund and the extra guarantees it would bring to policies in future years. A cluster of life offices declared bonus rates which saw a very marginal increase to policy values but similarly a further grouping of life offices took the decision to modestly correct their respective bonus rates meaning a slight decrease, including Standard Life. There were pockets of exceptional performance during the first half of the year from some of the typically smaller life offices, such as Sun Life of Canada, Refuge Assurance, Scottish Widows and Royal Life with the latter two companies also choosing to increase reversionary rates.

The second half of the year didn't produce as much activity as has usually been the case in previous years, and mostly involved a handful of typically smaller life offices offsetting each other's results. Royal Life notably increased terminal bonus rates compounding their increases seen earlier in the year, whilst Standard Life shrugged off their correction at the outset of the year declaring increased terminal bonus rates. However some of this positivity was offset by a slight decrease to terminal bonus rates by Norwich Union.

Performance Review

Although the performance in 2014 was unable to keep pace with that of 2013, PATF managed to shelter its investors from the significant volatility witnessed by global markets and across a number of asset classes, notably registering twelve straight monthly increases in share price. This is especially highlighted when contrasting the risk and volatility profiles of each asset versus that of traded endowment policies. Whilst there was some performance generated from life office bonus rates at times during the year, this was generally affected by the respective holdings at sub-fund level and at times offset by placid movements in the price of TEP's. Against a backdrop of prolonged historic low interest rates in the UK and Europe, the PATF Funds continue to provide a favourable home for your cash on a risk adjusted basis.

Having invested much time in recent years strategically aligning the Fund to remove the longer term reliance on leveraging by engaging in positive trading opportunities, the Fund was well positioned once again this year to take advantage of some institutional trading prospects. Further policy acquisitions were achieved direct from the market aimed at adding longer term value to shareholders and continuing to diversify the respective portfolios.

In line with its continued commitment to shareholders, the Board regularly reviewed the level at which the Discretionary Redemption Penalty sits. I am pleased to report that in April, the directors approved a reduction from 5% to 3%. The board feel passionately that whilst this will continue to be reviewed its rationale is to protect the long term investors in the Fund.

THE PROTECTED ASSET TEP FUND PLC

Chairman's statement (continued)

The table below shows the past performance of the PATF sub-funds in each of the last five years:

	2010	2011	2012	2013	2014
Original PATF GBP	7.37%	3.69%	3.24%	13.56%	3.65%
Original PATF EUR	9.45%	3.83%	2.29%	13.87%	4.82%
Original PATF USD	8.50%	3.01%	1.95%	9.50%	5.50%
PATF No.2 GBP	7.38%	3.22%	1.31%	6.36%	3.75%
PATF No.2 EUR	7.24%	3.51%	0.89%	6.81%	3.40%
PATF No.2 USD	6.52%	2.87%	2.50%	9.99%	3.60%

TEP Market

As a result of the Alternative Investment Fund Managers Directive ("AIFMD") being transposed into law in July 2013 together with the expiration in July 2014 of the transitional period in the UK for certain Alternative Investment Fund Managers to implement AIFMD, demand within the TEP market this year became slightly more muted but more opportunistic than in previous years. Some institutional investors presented signs of distress with the volumes and frequency of policies available in the market, which the Fund was able to take advantage of in pockets. Nevertheless, institutional investors, including PATF, generally continue to spearhead demand within the market for policy acquisition. However some remain restricted by cashflow becoming available from their maturity profile whereas PATF has been able to consistently seek out opportunities for the majority of the year.

The Fund retains excellent relationships with experts in the TEP market and as such is able to identify and take advantage of investment prospects that offer attractive returns for investors.

Outlook

Investors in the Fund will have noted the developments throughout the year with regards Promethean's offer to shareholders, which concluded the consultation exercise. Whilst there was support, the minimum required was not met and as such the offer lapsed. The Board once again wishes to extend its gratitude and thanks to all shareholders who contributed to this entire process. The subsequent months have involved and will continue to involve discussions with my fellow directors as to the most appropriate strategy for the Fund going forward and one which will maximise returns for investors.

2014 highlighted the dangers of forecasting. Despite the economic foundations pointing to positive signs at the beginning of the year, the market was influenced more significantly by wider global factors. 12 months ago, there was general positivity on the UK stock market, negativity on the US and also bonds. All 3 outlooks were wrong!

The main worry for 2015 remains the global economy. Given the cycle we find ourselves in, and continued uncertainty about the effectiveness of monetary policy particularly outside the US, the biggest risk for markets is that the economy doesn't respond to the huge amount of monetary stimulus that's been directed towards it.

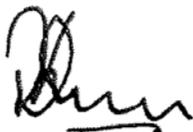
THE PROTECTED ASSET TEP FUND PLC

Chairman's statement (continued)

Outlook (continued)

The past 18 months has provided positive signs from life offices with regards bonus rates. Whilst life offices are not entirely immune themselves from the performance of equities and bonds, I believe 2015 may start to see some life offices increase their reversionary bonus rates which will signal stability and confidence for future performance. Along the way, we may also see some corrections to terminal bonus rates should wider financial markets decline steeply. I have no doubt however that life offices too will aim to deliver as expected by sheltering investors from the full effect of any market corrections whilst also looking ahead and performing positively. This together with the current investment policy should see the Fund stand in good stead and continue to perform admirably relative to the volatility and risk profiles of alternative asset classes.

Given the outlook for interest rates, expectations are that high yielding investments will be sought after by those able and willing to accept the associated risks, simply because there is little alternative. What is almost certain, is that the volatility seen in 2014 will at the very least replicate itself this year. It is our ambition to restore out-performance to investors and thus your Board is committed to ensuring that we continue to make decisions in the best interests of shareholders as a whole. I thank and look forward to your continued support.



Rupert Cottrell
Chairman

May 2015

THE PROTECTED ASSET TEP FUND PLC

Directors' report for the year ended 31 December 2014

The Directors present herewith their report and audited financial statements for the year ended 31 December 2014.

Principal activity

The principal activity of The Protected Asset TEP Fund plc (the "Fund") is that of an open ended investment company designed for experienced investors. The Fund is designed to provide investors with capital growth and relatively low risk through investment in a diversified portfolio of traded endowment policies ("TEPs").

Reporting currency

The Board of Directors have decided that the reporting currency of the financial statements is Sterling, which is the Company's functional currency as this most faithfully represents the economic effects of the underlying transactions, events and conditions of the individual sub funds.

Results for the year

The results for the year and their appropriation are set out in the statement of comprehensive income on page 11. The financial position of the Fund, its cash flows, liquidity position and borrowing facilities are described on pages 13 to 53. In addition, note 14 to the financial statements includes the details of its financial instruments and hedging activities and its exposure to foreign exchange risk, interest rate risk, market risk, credit risk and liquidity risk.

The Directors are satisfied that the current Net Asset Value ("NAV") methodology continues to fairly reflect the fair value of the Fund's assets in the current market environment.

Based on conservatively projected levels of subscriptions and redemptions and the impact of hedging and fees, combined with the Fund's contractual right to surrender policies to the issuing life offices if required to meet redemptions or operating expenses, the Directors have a reasonable expectation that the Fund has adequate resources to continue in operational existence for the foreseeable future despite the current uncertain economic outlook and that the adoption of a going concern basis for preparing the annual report and financial statements is warranted (note 2).

Dividend

The Directors do not recommend the payment of a dividend for the year (2013: £nil).

THE PROTECTED ASSET TEP FUND PLC

Directors' report for the year ended 31 December 2014 (continued)

Directors and Secretaries

The Directors that are currently holding office and the Secretary currently serving are shown on page 1.

There have been no appointments or resignations during the year

Ultimate parent company

The Directors consider there to be no ultimate controlling party.

Auditors

Our Auditors, KPMG Audit LLC, being eligible, have expressed their willingness to continue as Auditors and will continue in office in accordance with section 12(2) of the Isle of Man Companies Act 1982.

For and on behalf of the Board



Rupert Cottrell
Director

7 May 2015

THE PROTECTED ASSET TEP FUND PLC

Statement of Directors' responsibilities in respect of the Directors' report and the financial statements for the year ended 31 December 2014

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

The Company is domiciled in the Isle of Man.

Company law requires the Directors to prepare financial statements for each financial year, which meet the requirements of Isle of Man company law. In addition, the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards.

The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit 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 estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with International Financial Reporting Standards; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper 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 to enable them to ensure that the financial statements comply with the Companies Acts 1931 to 2004. 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.

KPMG Audit LLC

Report of the Independent Auditors, KPMG Audit LLC, to the members of The Protected Asset TEP Fund plc

We have audited the financial statements of The Protected Asset TEP Fund plc for the year ended 31 December 2014 which comprise the statement of comprehensive income, statement of changes in net assets attributable to holders of participating redeemable preference shares, statement of financial position and the statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs).

This report is made solely to the Company's members, as a body, in accordance with Section 15 of the Companies Act 1982. 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 8, the Directors are responsible for the preparation of financial statements that 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 (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 statements. In addition, we read all the financial and non-financial information in the Chairman's statement and Directors' report 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 became aware of any apparent material misstatement or inconsistencies we consider the implications for our report.

Opinion on the 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 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs; and
- have been properly prepared in accordance with the provisions of Companies Acts 1931 to 2004.

KPMG Audit LLC

Report of the Independent Auditors, KPMG Audit LLC, to the members of The Protected Asset TEP Fund plc (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Acts 1931 to 2004 require us to report to you if, in our opinion:

- proper books of account have not been kept and proper returns adequate for our audit have not been received from branches not visited by us; or
- the Company's statement of financial position and statement of comprehensive income are not in agreement with the books of account 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.

Emphasis of Matter – Valuation of investments in Traded Endowment Policies

In forming our opinion on the financial statements, which is not qualified, we have considered the disclosure within Notes 2, 4 and 14(d) to the financial statements, which detail the valuation methodology and maturity profile of the traded endowment policies ("TEPs") as at 31 December 2014.



KPMG Audit LLC
Chartered Accountants
Heritage Court
41 Athol Street
Douglas
Isle of Man
IM99 1HN

7 May 2015

THE PROTECTED ASSET TEP FUND PLC

Statement of comprehensive income for the year ended 31 December 2014

All amounts stated in Sterling

	Note	Original PATF 2014	PATF No.2 2014	Total 2014
Income				
Gain on realisation of financial assets	6	4,588,434	5,060,988	9,649,422
Bank interest		107,725	52,659	160,384
Unrealised gain on forward contracts	14b)	276,777	107,289	384,066
Unrealised gain on foreign exchange		3,123,707	4,525,591	7,649,298
Redemption penalties and DRP's	10	617,255	767,889	1,385,144
Total income		<u>8,713,898</u>	<u>10,514,416</u>	<u>19,228,314</u>
Expenses				
Manager fees	8	121,988	152,952	274,940
Policy administration fees	7	363,740	473,892	837,632
Promoter fees	10	-	607,554	607,554
Directors' fees		26,879	35,523	62,402
Bank charges		33,361	55,348	88,709
Audit fees		14,500	14,500	29,000
General expenses		45,127	66,737	111,864
Custodian fees	7	38,073	46,424	84,497
Sales and marketing expenses	10	-	7,532	7,532
Realised loss on forward contracts		1,767,949	3,084,579	4,852,528
Unrealised decrease in fair value of financial assets	4	2,690,724	1,950,083	4,640,807
Total operating expenses before finance costs		<u>5,102,341</u>	<u>6,495,124</u>	<u>11,597,465</u>
Finance costs				
Bank interest		2,602	654	3,256
Profit before and after taxation	3	<u>3,608,955</u>	<u>4,018,638</u>	<u>7,627,593</u>
Other comprehensive income		<u>-</u>	<u>-</u>	<u>-</u>
Net increase in net assets attributable to holders of participating redeemable preference shares from operations	13(ii)	<u>3,608,955</u>	<u>4,018,638</u>	<u>7,627,593</u>

The notes on pages 19 to 53 form part of these financial statements.

THE PROTECTED ASSET TEP FUND PLC

Statement of comprehensive income for the year ended 31 December 2013

All amounts stated in Sterling

	Note	Original PATF 2013	PATF No.2 2013	Total 2013
Income				
Unrealised increase in fair value of financial assets	4	1,578,388	1,778,578	3,356,966
Gain on realisation of financial assets	6	6,212,054	5,336,236	11,548,290
Bank interest		27,932	9,599	37,531
Realised gain on forward contracts		573,801	1,674,280	2,248,081
Unrealised gain on forward contracts	14b)	-	191,791	191,791
Redemption penalties and DRP's	10	1,263,749	1,661,208	2,924,957
Total income		<u>9,655,924</u>	<u>10,651,692</u>	<u>20,307,616</u>
Expenses				
Manager fees	8	143,679	187,809	331,488
Policy administration fees	7	451,158	637,178	1,088,336
Promoter fees	10	-	816,894	816,894
Directors' fees		23,980	31,031	55,011
Bank charges		311,789	403,395	715,184
Audit fees		22,500	22,500	45,000
General expenses		160,491	260,023	420,514
Custodian fees	7	45,842	59,798	105,640
Sales and marketing expenses	10	-	7,878	7,878
Unrealised loss on forward contracts	14b)	123,917	-	123,917
Unrealised loss on foreign exchange		284,543	877,601	1,162,144
Total operating expenses before finance costs		<u>1,567,899</u>	<u>3,304,107</u>	<u>4,872,006</u>
Finance costs				
Bank interest		75,965	406,664	482,629
Profit before and after taxation	3	<u>8,012,060</u>	<u>6,940,921</u>	<u>14,952,981</u>
Other comprehensive income		<u>-</u>	<u>-</u>	<u>-</u>
Net increase in net assets attributable to holders of participating redeemable preference shares from operations	13(ii)	<u><u>8,012,060</u></u>	<u><u>6,940,921</u></u>	<u><u>14,952,981</u></u>

The notes on pages 19 to 53 form part of these financial statements.

THE PROTECTED ASSET TEP FUND PLC

Statement of changes in net assets attributable to holders of participating redeemable preference shares for the year ended 31 December 2014

All amounts stated in Sterling

	Original PATF 2014	PATF No.2 2014	Total 2014
Note			
Net assets attributable to holders of participating redeemable preference shares at 1 January	57,297,541	70,172,561	127,470,102
Proceeds from participating redeemable preference shares issued	59,265	-	59,265
Redemption of participating redeemable preference shares	<u>(19,189,086)</u>	<u>(24,542,063)</u>	<u>(43,731,149)</u>
Net decrease from share transactions	(19,129,821)	(24,542,063)	(43,671,884)
Increase in net assets attributable to holders of participating redeemable preference shares from operations	<u>3,608,955</u>	<u>4,018,638</u>	<u>7,627,593</u>
Net assets attributable to holders of participating redeemable preference shares at 31 December	13 <u>41,776,675</u>	<u>49,649,136</u>	<u>91,425,811</u>

The notes on pages 19 to 53 form part of the financial statements.

THE PROTECTED ASSET TEP FUND PLC

Statement of changes in net assets attributable to holders of participating redeemable preference shares for the year ended 31 December 2013

All amounts stated in Sterling

	Original PATF 2013	PATF No.2 2013	Total 2013
Net assets attributable to holders of participating redeemable preference shares at 1 January	74,532,845	94,032,541	168,565,386
Proceeds from participating redeemable preference shares issued	6,410	-	6,410
Redemption of participating redeemable preference shares	<u>(25,253,774)</u>	<u>(30,800,901)</u>	<u>(56,054,675)</u>
Net decrease from share transactions	(25,247,364)	(30,800,901)	(56,048,265)
Increase in net assets attributable to holders of participating redeemable preference shares from operations	<u>8,012,060</u>	<u>6,940,921</u>	<u>14,952,981</u>
Net assets attributable to holders of participating redeemable preference shares at 31 December	13 <u><u>57,297,541</u></u>	<u><u>70,172,561</u></u>	<u><u>127,470,102</u></u>

The notes on pages 19 to 53 form part of the financial statements.

THE PROTECTED ASSET TEP FUND PLC

Statement of financial position as at 31 December 2014

All amounts stated in Sterling

	Note	Original PATF 2014	PATF No.2 2014	Total 2014
Assets				
Non-current assets				
Financial assets at fair value through profit or loss	4	16,500,338	29,066,106	45,566,444
Current assets				
Cash and cash equivalents		24,268,155	20,763,469	45,031,624
Receivable from PCGF	9	1,195,750	-	1,195,750
Trade and other receivables		326,196	258,680	584,876
Unpaid management shares issued	11	100	-	100
		<u>25,790,201</u>	<u>21,022,149</u>	<u>46,812,350</u>
Total assets		<u>42,290,539</u>	<u>50,088,255</u>	<u>92,378,794</u>
Liabilities				
Current liabilities				
Trade and other payables		254,404	197,697	452,101
Nominal shares	11	259,360	241,422	500,782
Non-current liabilities attributable to holders of management shares	11	100	-	100
Liabilities (excluding net assets attributable to holders of participating redeemable preference shares)		<u>513,864</u>	<u>439,119</u>	<u>952,983</u>
Net assets attributable to holders of participating redeemable preference shares	13	<u>41,776,675</u>	<u>49,649,136</u>	<u>91,425,811</u>
Total liabilities		<u>42,290,539</u>	<u>50,088,255</u>	<u>92,378,794</u>

The notes on pages 19 to 53 form part of these financial statements.

The financial statements on pages 11 to 53 were approved by the Board of Directors and authorised for issue on 7 May 2015 and signed on its behalf by:



Neil Duggan
Director



Rupert Cottrell
Director

THE PROTECTED ASSET TEP FUND PLC

Statement of financial position as at 31 December 2013

All amounts stated in Sterling

	Note	Original PATF 2013	PATF No.2 2013	Total 2013
Assets				
Non-current assets				
Financial assets at fair value through profit or loss	4	34,246,467	60,177,440	94,423,907
Current assets				
Cash and cash equivalents		23,547,509	10,331,741	33,879,250
Trade and other receivables		250,012	225,859	475,871
Unpaid management shares issued	11	100	-	100
		<u>23,797,621</u>	<u>10,557,600</u>	<u>34,355,221</u>
Total assets		<u><u>58,044,088</u></u>	<u><u>70,735,040</u></u>	<u><u>128,779,128</u></u>
Liabilities				
Current liabilities				
Trade and other payables		500,029	344,403	844,432
Nominal shares	11	246,418	218,076	464,494
Non-current liabilities attributable to holders of management shares	11	100	-	100
Liabilities (excluding net assets attributable to holders of participating redeemable preference shares)		<u>746,547</u>	<u>562,479</u>	<u>1,309,026</u>
Net assets attributable to holders of participating redeemable preference shares	13	<u>57,297,541</u>	<u>70,172,561</u>	<u>127,470,102</u>
Total liabilities		<u><u>58,044,088</u></u>	<u><u>70,735,040</u></u>	<u><u>128,779,128</u></u>

The notes on pages 19 to 53 form part of these financial statements.

THE PROTECTED ASSET TEP FUND PLC

Statement of cash flows for the year ended 31 December 2014

All amounts stated in Sterling

	Note	Original PATF 2014	PATF No.2 2014	Total 2014
Net cash from operating activities		4,795,062	5,812,540	10,607,602
Investing activities				
Purchase of TEP investments	4	(4,505,252)	(1,821,569)	(6,326,821)
Servicing costs paid	4	(468,232)	(1,044,198)	(1,512,430)
Servicing costs removed on realisation of investment	4	3,785,623	4,782,094	8,567,717
Sale of TEP investments	4	-	-	-
PCGF investments matured	4	1,599,650	-	1,599,650
TEP investments matured	4	14,643,616	27,244,924	41,888,540
Net proceeds from investing activities		15,055,405	29,161,251	44,216,656
Financing activities				
Proceeds from issue of participating redeemable preference shares		59,265	-	59,265
Payment on redemptions of participating redeemable preference shares		(19,189,086)	(24,542,063)	(43,731,149)
		(19,129,821)	(24,542,063)	(43,671,884)
Net increase in cash and cash equivalents		720,646	10,431,728	11,152,374
Cash and cash equivalents at beginning of year		23,547,509	10,331,741	33,879,250
Cash and cash equivalents at end of year		24,268,155	20,763,469	45,031,624
Comprising:				
Cash		24,268,155	20,763,469	45,031,624
Cash and cash equivalents at end of year		24,268,155	20,763,469	45,031,624
Reconciliation of profit before taxation to net cash used in operating activities				
Profit before taxation		3,608,955	4,018,638	7,627,593
Unrealised loss on investments		2,690,724	1,950,083	4,640,807
Increase in receivables		(1,258,992)	(9,475)	(1,268,467)
Decrease in payables		(245,625)	(146,706)	(392,331)
Net cash from operations		4,795,062	5,812,540	10,607,602

The notes on pages 19 to 53 form part of these financial statements.

THE PROTECTED ASSET TEP FUND PLC

Statement of cash flows for the year ended 31 December 2013

All amounts stated in Sterling

	Note	Original PATF 2013	PATF No.2 2013	Total 2013
Net cash from operating activities		6,544,257	4,860,750	11,405,007
Investing activities				
Purchase of TEP investments	4	(5,921,416)	(2,254,557)	(8,175,973)
Servicing costs paid	4	(1,236,756)	(2,138,014)	(3,374,770)
Servicing costs removed on realisation of investment	4	7,694,721	7,407,664	15,102,385
Sale of TEP investments	4	9,232,380	4,627,216	13,859,596
PCGF investments matured	4	1,904,600	-	1,904,600
TEP investments matured	4	33,272,434	51,717,223	84,989,657
Net proceeds from investing activities		44,945,963	59,359,532	104,305,495
Financing activities				
Proceeds from issue of participating redeemable preference shares		6,410	-	6,410
Payment on redemptions of participating redeemable preference shares		(25,253,774)	(30,800,901)	(56,054,675)
		(25,247,364)	(30,800,901)	(56,048,265)
Net increase in cash and cash equivalents		26,242,856	33,419,381	59,662,237
Cash and cash equivalents at beginning of year		(2,695,347)	(23,087,640)	(25,782,987)
Cash and cash equivalents at end of year		23,547,509	10,331,741	33,879,250
Comprising:				
Cash		23,547,509	10,331,741	33,879,250
Cash and cash equivalents at end of year		23,547,509	10,331,741	33,879,250
Reconciliation of profit before taxation to net cash used in operating activities				
Profit before taxation		8,012,060	6,940,921	14,952,981
Unrealised gain on investments		(1,578,388)	(1,778,578)	(3,356,966)
Increase in receivables		(676)	(4,025)	(4,701)
Increase/(decrease) in payables		111,261	(297,568)	(186,307)
Net cash from operations		6,544,257	4,860,750	11,405,007

The notes on pages 19 to 53 form part of these financial statements.

THE PROTECTED ASSET TEP FUND PLC

Notes to the financial statements for the year ended 31 December 2014

1 General information

The Protected Asset TEP Fund plc (the "Fund") is an open-ended investment company and was incorporated in the Isle of Man on 12 December 2000, with unlimited duration under the Companies Acts 1931 to 2004 of the Isle of Man. The address of its registered office is 1st Floor, Sixty Circular Road, Douglas, Isle of Man, IM1 1AE.

The Fund is designed to provide investors with capital growth and relatively low risk through investment in a diversified portfolio of traded endowment policies ("TEPs").

Abacus Financial Services Limited ("AFSL") manages the Fund, with the custodian services being provided by BNP Paribas Securities Services SCA Guernsey Branch. The Fund purchases TEPs through TIS Group Limited ("TIS") and its agent Absolute Assigned Policies Limited ("AAP") (note 15), who are among the oldest and largest market makers in TEPs.

These financial statements were authorised for issue by the Board of Directors on 7 May 2015.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied.

Statement of compliance

The financial statements of the Fund have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

Basis of preparation

The financial statements have been prepared under the historical cost convention modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss. The financial statements are expressed in Sterling. The financial statements have been prepared on a going concern basis (as discussed in the Director's report on page 6) assuming that, should it be necessary, redemption requests will be restricted (note 11) to ensure that premium commitments (note 5) and operating expenses can be met from policy maturity cash receipts (note 4).

THE PROTECTED ASSET TEP FUND PLC

Notes to the financial statements for the year ended 31 December 2014 (continued)

2 Summary of significant accounting policies (continued)

New Standards and Interpretations

These standards are effective for financial reporting periods commencing on or after 1 January 2014:

New/Revised International Financial Reporting Standards (IAS/IFRS)
Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)
Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32
Recoverable amount disclosures for non-financial assets – Amendments to IAS 36
IFRIC 21 Levies
Continuing hedge accounting after derivative novations – Amendments to IAS 39
Defined Benefit Plans: Employee Contributions – Amendments to IAS 19
Annual Improvements to IFRSs – 2010-2012 Cycle
Annual Improvements to IFRSs – 2011-2013 Cycle

Below is a summary of amendments/improvements to standards and interpretations that are not yet effective.

New/Revised International Financial Reporting Standards (IAS/IFRS)	Effective date
IFRS 9 Financial Instruments	1 January 2015
IFRS 14 Regulatory Deferral Accounts	1 January 2016

The Directors anticipate that the adoption of these Standards and Interpretations in future years will not have a significant impact on the financial statements.

Accounting periods of sub-funds

The results and position of PATF No.2 disclosed in the financial statements are those for the year ended 15 December 2014 (the sub-fund's valuation date), subject to adjustments for subscriptions and redemptions of shares in the period from 16 December 2014 to 31 December 2014. The Directors are of the opinion that the result and financial position for the year ended and as at 31 December 2014 is not materially different to those as at 15 December 2014.

The financial statements combine the results and financial position of Original PATF and PATF No.2, and disclose the combined financial information as "Total".

THE PROTECTED ASSET TEP FUND PLC

Notes to the financial statements for the year ended 31 December 2014 (continued)

2 Summary of significant accounting policies (continued)

Critical accounting judgements

The Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision, and future years if the revision affects both current and future years.

Where such judgements are made, they are indicated within the accounting policies below:

Valuation of financial assets

Investments in funds

Investments in other funds are classified as financial assets at fair value through profit or loss. These are recognised on a trade-date basis, are initially measured at fair value and are measured at subsequent reporting dates at their fair value. Unrealised gains and losses are recognised in the profit and loss.

The investment in a fund is valued by the fund administrator. The value of each share in the investment is determined by dividing the number of shares in issue by the net assets attributable to holders of participating redeemable preference shares in the fund at the valuation point.

Enhancements to invest in the Fund are not recognised in full in the year in which they arise. Instead the enhancement is recognised as an unrealised gain through the profit and loss over a period of 5 years (see note 4), this was fully recognised in the year ended 31 December 2011.

Traded Endowment Policies ("TEPs")

TEPs are recognised on a trade-date basis, are initially measured at fair value and are measured at subsequent reporting dates at their fair value. Gains and losses are recognised in the profit or loss.

The Directors approved a change in the basis of estimation of the fair value of the TEPs to a surrender value basis in November 2008, reflective of its forced seller status. The re-valuation methodology was a temporary measure and in August 2009 the Board announced the Fund was no longer a forced seller of policies and that it intended to return to a Net Asset Value (NAV) valuation methodology on a transitional basis taking into account the developing economic conditions. However during the transition the prospect of the NAV per share returning to pre November 2008 levels was impacted by the fall in bonus rates. The Directors believe that the NAV continues to reflect the best estimation of the fair value.

THE PROTECTED ASSET TEP FUND PLC

Notes to the financial statements for the year ended 31 December 2014 (continued)

2 Summary of significant accounting policies (continued)

Valuation of financial assets (continued)

Traded Endowment Policies ("TEPs") (continued)

The fair value of TEPs is estimated by the Actuary, using an industry standard methodology (the actuarial basis). The value determined by the methodology approximates the value which might be achieved for the relevant policy in a liquid secondary market. The methodology requires the computation of the estimated maturity values by reference to appropriate bonus rates for each life assurance company or where applicable maturity values provided by the life assurance companies. Such estimated values are then discounted back to the valuation date, together with the costs of future premiums, using appropriate discount rates. These discount rates were modelled so as to replicate the observed market prices of policies of similar duration and issuing life office. Once the present value has been calculated, at the Directors' discretion, a further discount was applied to provide a smoothing of the gross asset value to reflect expected short term movements in interest and bonus rates. The Directors' applied a discretionary discount factor to the NAV for the year ended 31 December 2014 in accordance with the Scheme Particulars. A surrender value floor on price is implemented should the discounts used to gross asset value decrease the value of the TEPs below surrender value. The discount factor is discretionary and subject to change.

The Directors of the Fund review the basis of estimation of fair value to be applied at future valuations in light of conditions in the secondary market and the liquidity requirements of the Fund.

Fund set-up expenses

Expenses incurred in the preparation and publication of the original and subsequent offering memorandums and all legal and printing costs have been paid by TIS Group Limited. The Fund has reimbursed TIS Group Limited for these fees.

For the purposes of preparing these financial statements set-up costs are expensed when incurred.

Foreign currency translation

Functional and presentation currency

The Fund's investors can subscribe and redeem shares from sub-funds with currencies denominated in either, Sterling, Euro or US Dollar. The primary activity of the individual sub-funds is to invest in with profits endowment policies and other similar assets which are denominated in Sterling. In addition all expenses are settled in Sterling. The Board of Directors considers that each sub-fund has a functional currency of Sterling as this most faithfully represents the economic effects of the underlying transactions, events and conditions of the individual sub-funds, even though the investors redeem to the Fund in the currency of the sub-fund and with performance of the individual sub-fund reported in the sub-fund currency.

THE PROTECTED ASSET TEP FUND PLC

Notes to the financial statements for the year ended 31 December 2014 (continued)

2 Summary of significant accounting policies (continued)

Foreign currency translation (continued)

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. For the individual sub funds foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss. Translation differences on non-monetary financial assets and liabilities are recognised in the profit or loss within the fair value net gain or loss.

Derivative financial instruments

The Fund uses derivative financial instruments (foreign currency forward contracts) to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecast transactions. Such derivatives are initially recorded at fair value, and are re-measured to fair value at subsequent reporting dates. Changes in fair value of derivative financial instruments are recognised through the profit and loss.

Bank borrowing

Interest bearing overdrafts and loans are initially recorded at cost, being the proceeds received and subsequently at amortised cost. Finance charges are accounted for on an effective interest rate basis.

Trade receivables

Trade receivables do not carry any interest and are stated at their nominal value as reduced by their appropriate allowances for estimated irrecoverable amounts. The carrying value of trade receivables in the statement of financial position equates to their amortised cost.

Trade payables

Trade payables are not interest bearing and are stated at their nominal value. The carrying value of trade payables in the statement of financial position equates to their amortised cost.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits. The carrying value of cash and cash equivalents in the statement of financial position equates to their amortised cost.

Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Fund has a legal right to offset the amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

THE PROTECTED ASSET TEP FUND PLC

Notes to the financial statements for the year ended 31 December 2014 (continued)

3 Taxation

The Fund is subject to tax in the Isle of Man at the standard rate of tax of 0% (2013: 0%).

4 Financial assets at fair value through profit or loss

The financial assets at fair value through profit or loss comprise an investment in a related fund (note 15), The Protected Capital Growth Fund plc ("PCGF") and investments in traded endowment policies ("TEPs") as follows:

	Original			
	PATF	PATF No.2	Total	Total
	2014	2014	2014	2013
	£	£	£	£
PCGF				
Fair value at 1 January	4,788,246	-	4,788,246	6,667,551
Investments matured	(1,599,650)	-	(1,599,650)	(1,904,600)
(Decrease)/increase in fair value	(25,762)	-	(25,762)	25,295
Fair value at 31 December	<u>3,162,834</u>	<u>-</u>	<u>3,162,834</u>	<u>4,788,246</u>

	Original			
	PATF	PATF No.2	Total	Total
	2014	2014	2014	2013
	£	£	£	£
TEPs				
Fair value at 1 January	29,458,221	60,177,440	89,635,661	188,704,885
Purchase of investments	4,505,252	1,821,569	6,326,821	8,175,973
Servicing costs paid	468,232	1,044,198	1,512,430	3,374,770
Servicing costs removed on realisation of investment	(3,785,623)	(4,782,094)	(8,567,717)	(15,102,385)
Sale of investments	-	-	-	(13,859,596)
Investments matured	(14,643,616)	(27,244,924)	(41,888,540)	(84,989,657)
(Decrease)/increase in fair value	(2,664,962)	(1,950,083)	(4,615,045)	3,331,671
Fair value at 31 December	<u>13,337,504</u>	<u>29,066,106</u>	<u>42,403,610</u>	<u>89,635,661</u>

	Original			
	PATF	PATF No.2	Total	Total
	2014	2014	2014	2013
	£	£	£	£
Total				
Fair value of PCGF	3,162,834	-	3,162,834	4,788,246
Fair value of TEPs	13,337,504	29,066,106	42,403,610	89,635,661
Fair value at 31 December	<u>16,500,338</u>	<u>29,066,106</u>	<u>45,566,444</u>	<u>94,423,907</u>

THE PROTECTED ASSET TEP FUND PLC

Notes to the financial statements for the year ended 31 December 2014 (continued)

4 Financial assets at fair value through profit or loss (continued)

As more fully discussed in note 15, PCGF is a related party company.

The book cost of the investment in PCGF is as follows:	Original PATF 2014 £	Original PATF 2013 £
Book cost	9,630,000	9,630,000
Enhancement (see below)	674,100	674,100
Collapse of sub-funds (see below)	55,735	55,735
Sterling 2010 Standard sub-fund matured	(1,883,200)	(1,883,200)
Sterling 2011 Standard sub-fund matured	(2,332,600)	(2,332,600)
Sterling 2012 Standard sub-fund matured	(1,904,600)	(1,904,600)
Sterling 2013 Standard sub-fund matured	(1,599,650)	-
	<u>2,639,785</u>	<u>4,239,435</u>

The market value of the investment in PCGF is as follows:	Original PATF 2014 £	Original PATF 2013 £
Market value (pre-enhancement adjustment)	<u>3,162,834</u>	<u>4,788,246</u>
Carrying value	<u>3,162,834</u>	<u>4,788,246</u>

The investment cost in PCGF was £9,630,000. As an incentive to invest into PCGF, the Fund received a 7% enhancement fee in the form of extra units in PCGF. The total value of the enhancement was £674,100. This enhancement was not recognised in full, as the Fund would have incurred redemption penalties of a similar level if it was to withdraw from the investment. Instead the enhancement was recognised through the profit or loss over a period of 5 years, which is the period over which redemption penalties would be payable. The enhancement was fully amortised during the year ended 31 December 2011.

The PCGF Sterling 2016, 2017, 2018, 2019 and 2020 Standard sub-funds had the same shareholder, the Fund, and in February 2010, the Sterling 2016, 2017, 2018 and 2019 Standard sub-funds were collapsed and the Fund's holdings and the sub-assets were transferred into the Sterling 2020 Standard sub-fund by way of an in-specie redemption and subscription of assets. The collapse and transfer were carried out to reduce the overall ongoing administration of PCGF and had no adverse impact on the Fund or the other PCGF sub-funds.

The PCGF Sterling 2010 Standard sub-fund matured during the year ended 31 December 2011 and all shares held in the sub-fund were compulsorily redeemed at net asset value.

THE PROTECTED ASSET TEP FUND PLC

Notes to the financial statements for the year ended 31 December 2014 (continued)

4 Financial assets at fair value through profit or loss (continued)

The PCGF Sterling 2011 Standard sub-fund matured during the year ended 31 December 2012 and all shares held in the sub-fund were compulsorily redeemed at net asset value.

The PCGF Sterling 2012 Standard sub-fund matured during the year ended 31 December 2013 and all shares held in the sub-fund were compulsorily redeemed at net asset value.

The PCGF Sterling 2013 Standard sub-fund matured during the year ended 31 December 2014 and all shares held in the sub-fund were compulsorily redeemed at net asset value.

The total book cost of the TEPs is shown below:

	Original PATF 2014 £	PATF No.2 2014 £	Total 2014 £	Total 2013 £
Book cost on acquisition	11,204,286	21,433,741	32,638,027	68,199,744
Servicing costs since acquisition	1,803,764	4,930,966	6,734,730	13,790,016
Total book cost at 31 December	<u>13,008,050</u>	<u>26,364,707</u>	<u>39,372,757</u>	<u>81,989,760</u>

The total book cost includes purchase cost and servicing costs since acquisition. Servicing costs since acquisition comprise TEP premiums paid since acquisition and incidental costs relating to policy custody transaction charges to BNP Paribas Securities Services SCA Guernsey Branch of £25 per transaction.

THE PROTECTED ASSET TEP FUND PLC

Notes to the financial statements for the year ended 31 December 2014 (continued)

4 Financial assets at fair value through profit or loss (continued)

The Original PATF sub-fund:

	2014	2014	2014	2014
	Number of	Book cost on	Fair	Fair
Life office	policies held	acquisition	market value	market value
		£	£	%
Norwich Union	130	3,890,389	4,914,498	36.85
Standard Life	96	1,628,801	2,536,262	19.02
Prudential	47	1,225,434	1,317,723	9.88
Co-operative	51	757,610	920,866	6.90
Royal Life	16	439,722	414,314	3.11
Sun Life of Canada	20	377,106	392,605	2.94
Legal & General	13	387,267	385,961	2.89
Phoenix Assurance	1	328,236	315,609	2.37
Commercial Union	8	282,192	276,468	2.07
Scottish Widows	12	243,035	229,962	1.72
Scottish Amicable	9	219,349	216,932	1.63
General Accident	7	200,236	195,931	1.47
Equity & Law	2	149,234	147,802	1.11
Royal London	7	143,450	146,287	1.10
Clerical Medical	5	139,076	137,143	1.03
Other	35	793,149	789,141	5.91
	<u>459</u>	<u>11,204,286</u>	<u>13,337,504</u>	<u>100.00</u>

The investments have fixed maturities as shown below.

Maturity Profile

	2014	2014
	Number of	Fair
	policies held	value
		£
Less than one year	227	6,626,508
Greater than one year but less than five years	130	4,587,707
Greater than five years	<u>102</u>	<u>2,123,289</u>
	<u>459</u>	<u>13,337,504</u>

THE PROTECTED ASSET TEP FUND PLC

Notes to the financial statements for the year ended 31 December 2014 (continued)

4 Financial assets at fair value through profit or loss (continued)

The Original PATF sub-fund:

	2013	2013	2013	2013
	Number of	Book cost on	Fair	Fair
	policies held	acquisition	market value	market value
		£	£	%
Life office				
Norwich Union	291	6,555,734	8,622,795	29.27
Standard Life	299	5,863,288	8,605,977	29.21
Prudential	166	3,937,402	5,105,088	17.33
Co-operative	103	1,348,345	1,947,264	6.61
Clerical Medical	42	853,039	1,378,348	4.68
General Accident	41	534,073	779,509	2.65
Guardian Financial	6	300,966	453,423	1.54
Sun Life of Canada	13	311,158	418,741	1.42
Scottish Amicable	9	278,039	339,370	1.15
Britannic Assurance	14	194,931	331,410	1.13
Royal London	13	211,409	312,860	1.06
Other	55	954,264	1,163,436	3.95
	<u>1,052</u>	<u>21,342,648</u>	<u>29,458,221</u>	<u>100.00</u>

The investments have fixed maturities as shown below.

Maturity Profile

	2013	2013
	Number of	Fair
	policies held	value
		£
Less than one year	764	20,981,122
Greater than one year but less than five years	238	6,365,394
Greater than five years	50	2,111,705
	<u>1,052</u>	<u>29,458,221</u>

THE PROTECTED ASSET TEP FUND PLC

Notes to the financial statements for the year ended 31 December 2014 (continued)

4 Financial assets at fair value through profit or loss (continued)

The PATF No.2 sub-fund:

	2014	2014	2014	2014
	Number of	Book cost on	Fair	Fair
	policies held	acquisition	market value	market value
Life office		£	£	%
Norwich Union	332	7,616,499	9,943,603	34.21
Standard Life	231	4,195,256	5,986,958	20.60
Prudential	169	3,256,105	4,620,918	15.90
Clerical Medical	65	1,355,823	2,001,576	6.89
Scottish Amicable	47	1,022,514	1,301,946	4.48
Co-operative	75	903,417	1,281,262	4.41
Scottish Widows	17	454,799	610,147	2.10
General Accident	24	420,486	472,358	1.63
Friends Provident	16	299,026	469,404	1.61
Sun Alliance	17	475,572	450,824	1.55
Sun Life of Canada	18	270,845	406,667	1.40
Royal London	14	264,571	342,676	1.18
Other	40	898,828	1,177,767	4.04
	<u>1,065</u>	<u>21,433,741</u>	<u>29,066,106</u>	<u>100.00</u>

The investments have fixed maturities as shown below.

Maturity Profile

	2014	2014
	Number of	Fair
	policies held	value
		£
Less than one year	679	19,623,605
Greater than one year but less than five years	307	7,818,909
Greater than five years	79	1,623,592
	<u>1,065</u>	<u>29,066,106</u>

THE PROTECTED ASSET TEP FUND PLC

Notes to the financial statements for the year ended 31 December 2014 (continued)

4 Financial assets at fair value through profit or loss (continued)

The PATF No.2 sub-fund:

	2013	2013	2013	2013
	Number of	Book cost on	Fair	Fair
	policies held	acquisition	market value	market value
Life office		£	£	%
Norwich Union	507	10,725,840	13,122,373	21.81
Prudential	473	9,212,460	11,900,714	19.78
Standard Life	478	8,934,854	11,633,835	19.33
Clerical Medical	166	2,694,843	3,936,228	6.54
General Accident	161	2,973,864	3,844,114	6.39
Scottish Amicable	120	2,944,135	3,532,325	5.87
Co-operative	151	1,782,066	2,445,064	4.06
Scottish Widows	93	1,892,532	2,326,290	3.87
Sun Life of Canada	80	1,439,455	2,003,003	3.33
Sun Alliance	48	1,106,878	1,167,953	1.94
Royal London	29	596,384	774,225	1.29
Friends Provident	28	509,349	739,438	1.23
Legal & General	30	538,529	669,200	1.11
Other	90	1,505,907	2,082,678	3.45
	<u>2,454</u>	<u>46,857,096</u>	<u>60,177,440</u>	<u>100.00</u>

The investments have fixed maturities as shown below.

Maturity Profile

	2013	2013
	Number of	Fair value
	policies held	£
Less than one year	1,487	35,371,680
Greater than one year but less than five years	859	21,714,386
Greater than five years	108	3,091,374
	<u>2,454</u>	<u>60,177,440</u>

5 Premium commitments

Total premiums due on policies held by the Fund at 31 December 2014, falling due within 12 months were £646,869 (2013: £1,490,516). Should it be necessary redemption requests will be restricted (note 11) to ensure that the premium commitments can be met from policy maturity cash receipts (note 4).

THE PROTECTED ASSET TEP FUND PLC

Notes to the financial statements for the year ended 31 December 2014 (continued)

6 Gains on realisation of financial assets

	Original PATF 2014 £	PATF No.2 2014 £	Total 2014 £	Total 2013 £
On sale/maturity of policies	4,320,316	5,060,988	9,381,304	11,345,990
On maturity of PCGF shares (note 4)	268,118	-	268,118	202,300
	<u>4,588,434</u>	<u>5,060,988</u>	<u>9,649,422</u>	<u>11,548,290</u>

During the year TIS was entitled to receive surrender fees amounting to 3% of the value of the policies surrendered under an agreement which was formally signed on 11 March 2009. No policies were surrendered during the year ended 31 December 2014 (2013: no policies were surrendered) and no surrender fees were paid (2013: no surrender fees paid).

During the year the Fund sold policies totalling £nil (2013: £13,859,596) (note 4).

7 Policy administration and custodian fees

	2014 £	2013 £
Policy administration fees	837,632	1,088,336
Custodian fees	<u>84,497</u>	<u>105,640</u>

The Fund's Policy Administrator is TEP Management Services Limited ("TMS") (note 15). The Policy Administrator is paid a periodic fee equal to 0.65% plus VAT per annum of the net asset value of the Fund in respect of Original PATF and PATF No.2.

The Fund's Custodian is BNP Paribas Securities Services SCA Guernsey Branch. The Custodian's remuneration is 0.125% per annum of the aggregate value of the property of the sub-funds up to £25 million and 0.0625% per annum in respect of such amounts which exceed £25 million.

THE PROTECTED ASSET TEP FUND PLC

Notes to the financial statements for the year ended 31 December 2014 (continued)

8 Manager fees

	2014	2013
	£	£
Manager fees	<u>274,940</u>	<u>331,488</u>

The Fund's Manager, Abacus Financial Services Limited ("AFSL") (note 15) is paid a periodic fee equal to 0.175% plus VAT per annum of the aggregate net asset value of the sub-funds, subject to a minimum fee of £25,000 per quarter.

In addition, for as long as the Fund does not have a Regulated Promoter, the Manager will also receive an additional fee equal to 0.05% per annum of the aggregate net asset value of the sub-funds, subject to minimum fee of £80,000 per annum.

9 Receivable from The Protected Capital Growth Fund plc ("PCGF")

On 30 April 2014 the Fund agreed to provide PCGF with an unsecured term loan facility of £1,500,000 for the period to 31 December 2014, with interest being applied at a rate of 2% per annum above the base rate of the Bank of England.

Under the terms of the agreement repayments of £305,000 were received by the Fund on 29 August 2014.

On 28 November 2014 the Fund extended its lending to PCGF by a further £750 with regard to the PCGF 2015 Dollar Enhanced Fund.

On 31 December 2014 the Fund renewed the unsecured term loan facility for the amount of £1,216,250 for the period to 31 December 2015, with interest being applied at a rate of 2% per annum above the base rate of the Bank of England.

Under the terms of the agreement repayments of £550,000 and £66,250 are due to the Fund on 29 May 2015 and 30 June 2015 respectively.

THE PROTECTED ASSET TEP FUND PLC

Notes to the financial statements for the year ended 31 December 2014 (continued)

10 Promoter fees, sales, marketing expenses and redemption penalties

	2014	2013
	£	£
Promoter fees	607,554	816,894
Sales and marketing expenses	<u>7,532</u>	<u>7,878</u>

The Fund pays to the Promoter (note 15) a periodic fee equal to 1% per annum of the net asset value of PATF No.2 (and not Original PATF).

Sales and marketing expenses are paid on PATF No.2 and have been paid to introducers via the Promoter.

Redemptions of shares in PATF No.2 (but not redemptions of shares in the Original PATF) are subject to a redemption penalty calculated as a percentage of the aggregate subscription price at which the shares were acquired as follows:

Time participating shares held	Redemption penalty (reducing by 0.4% per quarter)
Up to 1 year	8.0% to 6.4%
From 1 year to 2 years	6.4% to 4.8%
From 2 years to 3 years	4.8% to 3.2%
From 3 years to 4 years	3.2% to 1.6%
From 4 years to 5 years	1.6% to 0%
From 6 years onwards	0%

The Directors, at their discretion, have availed of a discretionary redemption penalty ("DRP") on redemptions of shares in Original PATF and PATF No.2, as defined in the Scheme Particulars. The Directors continue to review regularly the level at which the DRP sits. During the year to 15 May 2014 the DRP was applied at 5%. On 16 May 2014 the DRP was reduced from 5% to 3% and at 31 December 2014, the DRP had continued to be applied at 3%.

Redemption penalties paid by the investors during the year amounted to £22,886 (2013: £117,625) and DRP's paid by the investors during the year amounted to £1,362,258 (2013: £2,807,332).

THE PROTECTED ASSET TEP FUND PLC

Notes to the financial statements for the year ended 31 December 2014 (continued)

11 Share capital

The authorised share capital of the Fund comprises 1,000,000,000 (2013: 1,000,000,000) unclassified shares at a par value of £0.001 per share and 100 (2013: 100) management shares of £1.00 each, giving a total authorised share capital of £1,000,100 (2013: £1,000,100).

Transactions in the share capital of the Fund in the year were as follows:

	2014	2014	2013	2013
	Number	£	Number	£
Management shares of £1.00 each in issue	100	100	100	100

Participating redeemable preference shares of £0.001 in the Original PATF sub-fund:

	2014	2014	2013	2013
	Number	£	Number	£
In issue at beginning of year	45,476,652	45,477	66,925,986	66,926
Issued during the year	38,427	38	7,001	7
Redeemed during the year	(12,979,925)	(12,980)	(21,456,335)	(21,456)
In issue at end of year	32,535,154	32,535	45,476,652	45,477

Participating redeemable preference shares of £0.001 in the PATF No.2 sub-fund:

	2014	2014	2013	2013
	Number	£	Number	£
In issue at beginning of year	77,793,504	77,794	112,262,763	112,263
Issued during the year	-	-	-	-
Redeemed during the year	(23,345,224)	(23,346)	(34,469,259)	(34,469)
In issue at end of year	54,448,280	54,448	77,793,504	77,794

THE PROTECTED ASSET TEP FUND PLC

Notes to the financial statements for the year ended 31 December 2014 (continued)

11 Share capital (continued)

Nominal shares in the Original PATF sub-fund:

	2014	2014	2013	2013
	Number	£	Number	£
In issue at beginning of year	246,418,482	246,418	224,969,148	224,969
Issued during the year	12,941,498	12,942	21,449,334	21,449
In issue at end of year	<u>259,359,980</u>	<u>259,360</u>	<u>246,418,482</u>	<u>246,418</u>

Nominal shares in the PATF No.2 sub-fund:

	2014	2014	2013	2013
	Number	£	Number	£
In issue at beginning of year	218,076,128	218,076	183,606,869	183,607
Issued during the year	23,345,224	23,346	34,469,259	34,469
In issue at end of year	<u>241,421,352</u>	<u>241,422</u>	<u>218,076,128</u>	<u>218,076</u>

Management shares

The management shares hold all voting rights and are not entitled to participate in the assets of the Fund.

Unclassified shares

Unclassified shares may be issued either as nominal shares or participating redeemable preference shares.

Participating redeemable preference shares

Participating redeemable preference shares are issued and redeemed at the dealing price which is calculated in accordance with the Articles of Association and based on the value of the underlying net assets of the Fund at the time of issue or redemption. Upon the issue of participating redeemable preference shares the difference between the dealing price and the nominal value is credited to the share premium account. Upon the redemption of participating redeemable preference shares, the Manager is obliged to subscribe for nominal shares for cash at par. The premium payment is debited to the share premium account or, where this is exhausted, to realised capital reserves.

The participating redeemable preference shares confer the right to a proportionate share in the property of the Fund and to its dividend income, if any.

THE PROTECTED ASSET TEP FUND PLC

Notes to the financial statements for the year ended 31 December 2014 (continued)

11 Share capital (continued)

Participating redeemable preference shares (continued)

The Company may, but is not bound to, redeem on any dealing day no more than 5% of the shares in any sub-fund in issue. If the number of redemption requests exceeds this limit, the requests may be reduced proportionately. Any requests not redeemed in full on the first dealing day will be carried forward to each succeeding dealing day until complied with in full. Requests carried forward from an earlier dealing day will be given priority over later redemption requests.

At the year ended 31 December 2014, a 5% redemption gate (note 14f) was in place on the Original PATF Sterling Fund (2013: no 5% redemption gates (note 14f) were in place).

Nominal shares

Nominal shares may only be issued at par and only for the purpose of providing funds for the redemption of participating redeemable preference shares. They may only be issued to the Manager. The nominal shares may subsequently be converted and re issued as participating redeemable preference shares upon payment of the appropriate subscription proceeds of the relevant sub-fund.

Winding up

The Protected Asset TEP Fund plc may be wound up if a special resolution of the Shareholders so determines.

On a winding up, the assets available for distribution amongst the Shareholders shall be applied by the liquidator in the following priority:

- (a) firstly, in the repayment *pari passu* to the holders of participating redeemable preference shares of sums up to the nominal amount paid up thereon;
- (b) secondly, in the repayment *pari passu* to the holders of the nominal shares of sums up to the nominal amount paid thereon;
- (c) thirdly, in the repayment *pari passu* to the holders of the management shares of sums up to the nominal amount paid up thereon;
- (d) fourthly, in the payment of holders of participating redeemable preference shares of any surplus of assets then remaining attributable to the participating redeemable preference shares, such payment being made in proportion to the nominal amounts paid up on such participating redeemable preference shares;
- (e) fifthly, in the payment to the holders of the nominal shares of any balance then remaining and not attributable to the participating redeemable preference shares, in proportion to the nominal amounts paid up on such nominal shares.

THE PROTECTED ASSET TEP FUND PLC

Notes to the financial statements for the year ended 31 December 2014 (continued)

12 Bank overdraft and loan

The Fund had two facilities of £1,000,000 and £3,000,000 (2013: £1,000,000 and £3,000,000) which were renewable on 30 September 2014.

The advances carried a variable rate of interest of 2.65% (2013: 2.65%) above The Royal Bank of Scotland International Limited base rate for the £1,000,000 facility (2013: for the £1,000,000 facility) and 2.75% (2013: 2.75%) above LIBOR for the £3,000,000 facility (2013: for the £3,000,000 facility).

The facilities had not been drawn down at 31 December 2013 and the facilities were not renewed after 30 September 2014.

Bank loans and overdrafts were secured by assignments over the policies held by the respective sub-funds together with all money that may become payable under the policies and all premiums.

THE PROTECTED ASSET TEP FUND PLC

Notes to the financial statements for the year ended 31 December 2014 (continued)

13 Net assets attributable to holders of participating redeemable preference shares

	Original PATF 2014 £	PATF No.2 2014 £	Total 2014 £	Total 2013 £
Share capital (note 11)	32,535	54,448	86,983	123,270
Share premium account (note 13(i))	13,474,720	77,280,644	90,755,364	134,390,961
Accumulated gains/ (losses) (note 13(ii))	(3,813,465)	(32,831,777)	(36,645,242)	(39,264,220)
Capital reserve (note 13(iii))	<u>32,082,885</u>	<u>5,145,821</u>	<u>37,228,706</u>	<u>32,220,091</u>
Net assets attributable to holders of participating redeemable preference shares	<u><u>41,776,675</u></u>	<u><u>49,649,136</u></u>	<u><u>91,425,811</u></u>	<u><u>127,470,102</u></u>

(i) Share premium account

	Original PATF 2014 £	PATF No.2 2014 £	Total 2014 £	Total 2013 £
Balance at 1 January	32,591,599	101,799,362	134,390,961	190,383,308
Arising on issue of participating redeemable preference shares	59,227	-	59,227	6,403
Used in redemption of participating redeemable preference shares	<u>(19,176,106)</u>	<u>(24,518,718)</u>	<u>(43,694,824)</u>	<u>(55,998,750)</u>
Balance at 31 December	<u><u>13,474,720</u></u>	<u><u>77,280,644</u></u>	<u><u>90,755,364</u></u>	<u><u>134,390,961</u></u>

THE PROTECTED ASSET TEP FUND PLC

Notes to the financial statements for the year ended 31 December 2014 (continued)

13 Net assets attributable to holders of participating redeemable preference shares (continued)

(ii) Accumulated gains/(losses)

	Original			
	PATF	PATF No.2	Total	Total
	2014	2014	2014	2013
	£	£	£	£
Balance at 1 January	(5,524,710)	(33,739,510)	(39,264,220)	(39,311,945)
Net increase in net assets attributable to holders of participating redeemable preference shares	3,608,955	4,018,638	7,627,593	14,952,981
Realised and unrealised gains on investments transferred to capital reserve	(1,897,710)	(3,110,905)	(5,008,615)	(14,905,256)
Balance at 31 December	<u>(3,813,465)</u>	<u>(32,831,777)</u>	<u>(36,645,242)</u>	<u>(39,264,220)</u>

(iii) Capital reserve

	Original			
	PATF	PATF No.2	Total	Total
	2014	2014	2014	2013
	£	£	£	£
Balance at 1 January	30,185,175	2,034,916	32,220,091	17,314,835
Realised and unrealised gains on investments transferred from accumulated gains/losses	1,897,710	3,110,905	5,008,615	14,905,256
Balance at 31 December	<u>32,082,885</u>	<u>5,145,821</u>	<u>37,228,706</u>	<u>32,220,091</u>

THE PROTECTED ASSET TEP FUND PLC

Notes to the financial statements for the year ended 31 December 2014 (continued)

14 Financial risks

a) Foreign currency risk

The Fund is exposed to foreign currency risk which arises from the Fund holding assets denominated in currencies other than Sterling, the functional currency. Foreign currency risk arises as the value of future transactions, recognised monetary assets and liabilities in other currencies fluctuate due to changes in exchange rates.

The Fund issues currency participating redeemable preference shares for the Euro and US Dollar sub-funds each of which hold Sterling assets and liabilities, hence exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

The carrying amount of the Fund's foreign currency denominated net monetary assets at 31 December 2014 and 31 December 2013 is as follows:

	2014	% of net	2013	% of net
	£	assets	£	assets
Euro	32,315,780	35.35	43,788,121	34.35
US Dollar	10,725,360	11.73	13,928,113	10.93

At the balance sheet date, the Euro exchange rate was 1.2877 (2013: 1.2014) and the US Dollar exchange rate was 1.5581 (2013: 1.6566). If the exchange rates had been 10% lower or 10% higher, there would have been an increase of £3,590,642 (2013: £4,865,346) or a decrease of £2,937,798 (2013: £3,980,738) in the Sterling value of the Euro net assets and an increase of £1,191,707 (2013: £1,547,568) or a decrease of £975,033 (2013: £1,266,192) in the Sterling value of the US Dollar net assets.

At 31 December 2014 and 31 December 2013, forward currency contracts were in place for each non-Sterling sub-fund of Fund.

THE PROTECTED ASSET TEP FUND PLC

Notes to the financial statements for the year ended 31 December 2014 (continued)

14 Financial risks (continued)

b) Forward contracts

The Fund enters into forward Euro and US Dollar currency contracts to protect the Euro and Dollar interests in the Fund.

At 31 December 2014 (15 December 2014 for PATF No.2) the Fund held outstanding forward contracts with The Royal Bank of Scotland International ("RBSI") as set out below:

Purchase currency	Contractual amount	Sale Currency	Contractual amount	Maturity date	Unrealised gain/(loss)
EUR	4,946,903	£	3,877,187	30/01/2015	(35,529)
EUR	4,929,248	£	3,928,001	27/02/2015	(100,053)
EUR	3,676,567	£	2,870,524	31/03/2015	(15,381)
EUR	9,385,353	£	7,491,501	15/01/2015	(29,187)
EUR	9,281,230	£	7,425,578	18/02/2015	(46,052)
EUR	8,493,790	£	6,771,738	18/03/2015	(18,306)
US\$	3,224,812	£	2,018,662	30/01/2015	51,046
US\$	3,366,335	£	2,147,445	27/02/2015	13,093
US\$	3,108,833	£	2,016,889	31/03/2015	(21,617)
US\$	2,781,553	£	1,740,755	15/01/2015	37,504
US\$	2,469,207	£	1,579,787	18/02/2015	(1,212)
US\$	2,181,088	£	1,386,050	18/03/2015	8,329
					<u>(157,365)</u>

At 31 December 2013 (16 December 2013 for PATF No.2) the Fund held outstanding forward contracts with The Royal Bank of Scotland International ("RBSI") as set out below:

Purchase currency	Contractual amount	Sale Currency	Contractual amount	Maturity date	Unrealised gain/(loss)
EUR	12,110,602	£	10,276,285	31/01/2014	(195,877)
EUR	1,320,298	£	1,092,691	28/02/2014	6,276
EUR	4,919,221	£	4,086,410	31/03/2014	8,163
EUR	15,586,825	£	13,254,103	15/01/2014	(111,755)
EUR	17,167,822	£	14,409,789	17/02/2014	65,609
EUR	1,783,760	£	1,507,573	17/03/2014	(3,559)
US\$	7,172,231	£	4,502,399	31/01/2014	(172,856)
US\$	2,865,937	£	1,751,153	28/02/2014	(21,142)
US\$	1,848,147	£	1,125,409	31/03/2014	(9,782)
US\$	3,041,633	£	1,914,421	15/01/2014	(48,732)
US\$	7,283,467	£	4,524,455	17/02/2014	(56,892)
US\$	532,205	£	327,330	17/03/2014	(884)
					<u>(541,431)</u>

THE PROTECTED ASSET TEP FUND PLC

Notes to the financial statements for the year ended 31 December 2014 (continued)

14 Financial risks (continued)

c) Interest rate risk

Interest rate risk arises from the effects of fluctuations in the prevailing levels of market interest rates on the fair value of financial assets and liabilities and future cash flow.

The majority of the Fund's financial assets and liabilities are non-interest bearing. As a result, the Fund is not subject to significant amount of risk due to fluctuations in the prevailing levels of market interest rates. Any excess cash is invested at short term market interest rates.

The table below summarises the Fund's exposure to interest rate risk on a bid market price basis:

	Less than one month £	Less than one year £	Non- interest bearing £	Total £
At 31 December 2014				
Assets				
Financial assets at fair value through profit or loss	-	-	45,566,444	45,566,444
Cash and cash equivalents	45,031,624	-	-	45,031,624
Receivable from PCGF	-	1,195,750	-	1,195,750
Trade and other receivables	-	-	584,876	584,876
Unpaid management shares issued	-	-	100	100
Total assets	<u>45,031,624</u>	<u>1,195,750</u>	<u>46,151,420</u>	<u>92,378,794</u>
Liabilities				
Trade and other payables	-	-	452,101	452,101
Management shares	-	-	100	100
Nominal shares	-	-	500,782	500,782
Participating redeemable preference shares	-	-	91,425,811	91,425,811
Total liabilities	<u>-</u>	<u>-</u>	<u>92,378,794</u>	<u>92,378,794</u>
Total interest sensitivity gap	<u>45,031,624</u>	<u>1,195,750</u>	<u>(46,227,374)</u>	<u>-</u>

THE PROTECTED ASSET TEP FUND PLC

Notes to the financial statements for the year ended 31 December 2014 (continued)

14 Financial risks (continued)

c) Interest rate risk (continued)

	Less than one month £	Less than one year £	Non- interest bearing £	Total £
At 31 December 2013				
Assets				
Financial assets at fair value through profit or loss	-	-	94,423,907	94,423,907
Cash and cash equivalents	33,879,250	-	-	33,879,250
Trade and other receivables	-	-	475,871	475,871
Unpaid management shares issued	-	-	100	100
Total assets	33,879,250	-	94,899,878	128,779,128
Liabilities				
Trade and other payables	-	-	844,432	844,432
Management shares	-	-	100	100
Nominal shares	-	-	464,494	464,494
Participating redeemable preference shares	-	-	127,470,102	127,470,102
Total liabilities	-	-	128,779,128	128,779,128
Total interest sensitivity gap	33,879,250	-	(33,879,250)	-

THE PROTECTED ASSET TEP FUND PLC

Notes to the financial statements for the year ended 31 December 2014 (continued)

14 Financial risks (continued)

d) Price risk

The valuation basis for the Fund was amended in November 2008 to a Net Realisable Value ("NRV") basis, an approach which is underpinned by surrender values rather than market driven pricing rates. In August 2009, the Fund began a managed transition back to 'Net Asset Value' (NAV) and the Directors continued to consider this to be a fair basis of valuation. A discount is applied to the NAV at the Directors' discretion (see note 2 TEPs).

The Fund is exposed to price risk. This arises from investments held by the Fund for which prices in the future are uncertain.

The Fund will invest in policies whose in-built guarantees, consisting of the sum assured and attaching bonuses, will typically be greater than the prices paid. The Fund will also aim to invest in policies maturing in the near future, which can represent better investment value.

The Fund is exposed to the prices of the assets falling. The below stress test looks at +/- 15% movements to the TEPs and the corresponding effect on the share prices of the respective sub-funds:

The Protected Asset TEP Fund plc at 31 December 2014:

Sub-fund	Movement in Share Price	
	TEP values raised by 15%	TEP values lowered by 15%
Original PATF Sterling	3.30%	-3.30%
Original PATF Euro	6.95%	-6.96%
Original PATF US Dollar	6.99%	-6.99%
PATF No.2 Sterling	10.51%	-10.50%
PATF No.2 Euro	6.81%	-6.82%
PATF No.2 US Dollar	7.33%	-7.33%

The Protected Asset TEP Fund plc 31 December 2013:

Sub-fund	Movement in Share Price	
	TEP values raised by 15%	TEP values lowered by 15%
Original PATF Sterling	5.72%	-5.72%
Original PATF Euro	10.60%	-10.61%
Original PATF US Dollar	11.08%	-11.08%
PATF No.2 Sterling	13.38%	-13.38%
PATF No.2 Euro	11.64%	-11.65%
PATF No.2 US Dollar	12.29%	-12.30%

THE PROTECTED ASSET TEP FUND PLC

Notes to the financial statements for the year ended 31 December 2014 (continued)

14 Financial risks (continued)

d) Price risk (continued)

Life Office concentration risk

The Fund is exposed to counterparty risk with respect to life offices failing to meet their obligation on the policies it holds. The tables below list the top five holdings for the PATF funds:

At 31 December 2014

Original PATF	Weighting	PATF No.2	Weighting
Norwich Union	36.85%	Norwich Union	34.21%
Standard Life	19.02%	Standard Life	20.60%
Prudential	9.88%	Prudential	15.90%
Co-operative	6.90%	Clerical Medical	6.89%
Royal Life	3.11%	Scottish Amicable	4.48%

At 31 December 2013

Original PATF	Weighting	PATF No.2	Weighting
Norwich Union	29.27%	Norwich Union	21.81%
Standard Life	29.21%	Prudential	19.78%
Prudential	17.33%	Standard Life	19.33%
Co-operative	6.61%	Clerical Medical	6.54%
Clerical Medical	4.68%	General Accident	6.39%

Fair value hierarchy

The Fund has adopted the amendment to IFRS 7. This requires the Fund to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either currency (that is, as prices) or indirectly (that is, derived prices) (level 2)
- Inputs for the asset or liability that are not based on observable market assets (that is, unobservable inputs) (level 3)

The Fund recognises transfers between levels of the fair value hierarchy as at the end of the reporting period.

THE PROTECTED ASSET TEP FUND PLC

Notes to the financial statements for the year ended 31 December 2014 (continued)

14 Financial risks (continued)

d) Price risk (continued)

The following tables analyse within the fair value hierarchy the Funds financial assets measured at fair value:

At 31 December 2014

Financial assets at fair value through profit or loss

	Level 1	Level 2	Level 3	Total
	£	£	£	£
PCGF	-	-	3,162,834	3,162,834
Original PATF - TEPs	-	-	13,337,504	13,337,504
PATF No.2 - TEPs	-	-	29,066,106	29,066,106
	<u>-</u>	<u>-</u>	<u>45,566,444</u>	<u>45,566,444</u>

At 31 December 2013

Financial assets at fair value through profit or loss

	Level 1	Level 2	Level 3	Total
	£	£	£	£
PCGF	-	-	4,788,246	4,788,246
Original PATF - TEPs	-	-	29,458,221	29,458,221
PATF No.2 - TEPs	-	-	60,177,440	60,177,440
	<u>-</u>	<u>-</u>	<u>94,423,907</u>	<u>94,423,907</u>

There were no transfers between levels in the year.

THE PROTECTED ASSET TEP FUND PLC

Notes to the financial statements for the year ended 31 December 2014 (continued)

14 Financial risks (continued)

d) Price risk (continued)

Significant unobservable inputs used in measuring fair value

The table below sets out information about significant unobservable inputs used at 31 December 2014 and 31 December 2013 in measuring financial instruments categorised as Level 3 in the fair value hierarchy:

Description	Fair value at 31 December 2014	Valuation technique	Unobservable input	Sensitivity to changes in significant unobservable inputs
Original PATF - TEPs	£13,337,504	Estimated by the Actuary using an industry standard methodology	Discretionary discount factor, applied in accordance with the Scheme Particulars	The estimated fair value would increase/decrease if: The discount factor used was increased/decreased
PATF No.2 - TEPs	£29,066,106	Estimated by the Actuary using an industry standard methodology	Discretionary discount factor, applied in accordance with the Scheme Particulars	The estimated fair value would increase/decrease if: The discount factor used was increased/decreased

Description	Fair value at 31 December 2013	Valuation technique	Unobservable input	Sensitivity to changes in significant unobservable inputs
Original PATF - TEPs	£29,458,221	Estimated by the Actuary using an industry standard methodology	Discretionary discount factor, applied in accordance with the Scheme Particulars	The estimated fair value would increase/decrease if: The discount factor used was increased/decreased
PATF No.2 - TEPs	£60,177,440	Estimated by the Actuary using an industry standard methodology	Discretionary discount factor, applied in accordance with the Scheme Particulars	The estimated fair value would increase/decrease if: The discount factor used was increased/decreased

THE PROTECTED ASSET TEP FUND PLC

Notes to the financial statements for the year ended 31 December 2014 (continued)

14 Financial risks (continued)

d) Price risk (continued)

Financial instruments not measured at fair value

The financial instruments not measured at fair value through profit or loss are short-term financial assets and financial liabilities whose carrying value amounts approximate fair value.

The following table sets out the fair values of financial instruments not measured at fair value and analyses it by the level in the fair value hierarchy into which each fair value measurement is categorised:

At 31 December 2014

	Level 1 £	Level 2 £	Level 3 £	Total £
Financial assets				
Cash and cash equivalents	45,031,624	-	-	45,031,624
Receivable from PCGF	-	1,195,750	-	1,195,750
Trade and other receivables	-	584,876	-	584,876
Unpaid management shares	-	100	-	100
	<u>45,031,624</u>	<u>1,780,726</u>	<u>-</u>	<u>46,812,350</u>
Financial liabilities				
Trade and other payables	-	452,101	-	452,101
Management shares	-	100	-	100
Nominal shares	-	500,782	-	500,782
Participating redeemable preference shares	-	91,425,811	-	91,425,811
	<u>-</u>	<u>92,378,794</u>	<u>-</u>	<u>92,378,794</u>

THE PROTECTED ASSET TEP FUND PLC

Notes to the financial statements for the year ended 31 December 2014 (continued)

14 Financial risks (continued)

d) Price risk (continued)

At 31 December 2013

Financial assets	Level 1 £	Level 2 £	Level 3 £	Total £
Cash and cash equivalents	33,879,250	-	-	33,879,250
Trade and other receivables	-	475,871	-	475,871
Unpaid management shares	-	100	-	100
	<u>33,879,250</u>	<u>475,971</u>	<u>-</u>	<u>34,355,221</u>
Financial liabilities				
Trade and other payables	-	844,432	-	844,432
Management shares	-	100	-	100
Nominal shares	-	464,494	-	464,494
Participating redeemable preference shares	-	127,470,102	-	127,470,102
	<u>-</u>	<u>128,779,128</u>	<u>-</u>	<u>128,779,128</u>

THE PROTECTED ASSET TEP FUND PLC

Notes to the financial statements for the year ended 31 December 2014 (continued)

14 Financial risks (continued)

e) Credit risk

The Fund is exposed to credit risk, which is the risk that one party will cause a financial loss for the other party by failing to discharge an obligation.

The Fund takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due (see note 4 and 14d).

It is the Fund's policy to enter into financial investments which are operated in territories with a regulatory environment which is considered by the Directors to be a sufficient standard to provide reasonable investor protection. Therefore, the Fund does not expect to incur material credit losses on its financial investments.

The Fund will only invest in policies issued by well established companies. The bank deposits are all held with The Royal Bank of Scotland International Limited. In addition the Fund may from time to time lend surplus moneys to The Protected Capital Growth Fund plc, at the Directors discretion.

f) Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due.

The Fund will attempt to sell, should a secondary market exist, or surrender policies in order to fund liquidity requirements of the Fund.

Any borrowing attributable to the Fund will be limited to an amount equal to 50% of the value of the policies acquired by the relevant sub-fund at the time of borrowing.

The Fund may, but is not bound to, redeem on any dealing day more than 5% of the shares in any sub-fund issue. If the number of redemption requests exceeds this limit, the requests may be reduced proportionately. Any requests not redeemed in full on the first dealing day will be carried forward to each succeeding dealing day until complied in full. Requests carried forward from an earlier dealing day will be given priority over later redemption requests.

THE PROTECTED ASSET TEP FUND PLC

Notes to the financial statements for the year ended 31 December 2014 (continued)

14 Financial risks (continued)

g) Capital risk management

The capital of the Fund is represented by the net assets attributable to holders of participating redeemable preference shares. The amount of the net assets attributable to holders of participating redeemable preference shares can significantly change on a daily basis as the Fund is subject to daily subscriptions and redemptions at the discretion of the shareholders. The Funds objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns for shareholders.

The Fund manages cash and cash equivalents, which comprise cash on hand and demand deposits, bank loans and bank overdraft facilities.

The Royal Bank of Scotland International Limited holds a second charge over the policies held by the Fund as security in respect of interest rate hedging.

The overdraft facility could have been used to increase by 25% the value of policies acquired, in addition to paying premiums which, on average, are estimated to be equal to 5% per annum of the cost of policies acquired. The Board of Directors ensure that at no time will the level of borrowings attributable to the Fund exceed 50% of the Fund's net asset value. The Board of Directors monitored this on a quarterly basis.

The Fund is exposed to foreign currency risk as not all of the assets of the Fund are held in Sterling. The Fund enters into forward Euro and US Dollar currency contracts to protect the Euro and US Dollar interests in the Fund (see note 14a and 14b).

15 Controlling party and related party transactions

TIS Group Limited ("TIS") owns 99 of the management shares which have no interest in the assets of the Fund but the Directors do not consider TIS as a controlling party. Only holders of management shares are entitled to vote at general meetings, save where a special resolution is passed to wind up the Fund or to alter the rights attaching to shares. At 31 December 2014, TIS owned no participating redeemable preference shares (2013: owned no participating redeemable preference shares). The participating redeemable preference shares were acquired during the initial offer period and were subscribed for at the offer price.

TIS have been appointed as the Policy Provider to the Fund under the terms of an agreement dated 14 December 2000. During the year TIS supplied policies to the Fund to a value of £6,326,821 (2013: £8,175,973). TIS does not charge the Fund a fee for supplying TEPs. The agreement may be terminated by the Fund by giving 12 months notice or by TIS giving not less than 6 months notice.

During the year TIS was entitled to receive surrender fees amounting to 3% of the value of the policies surrendered under an agreement which was formally signed on 11 March 2009. No policies were surrendered during the year ended 31 December 2014 (2013: nil) and no surrender fees were paid (2013: no surrender fees paid).

THE PROTECTED ASSET TEP FUND PLC

Notes to the financial statements for the year ended 31 December 2014 (continued)

15 Controlling party and related party transactions (continued)

The Fund has also entered into a policy administration agreement with TEP Management Services Limited ("TMS") dated 3 November 2003. TMS is a wholly owned subsidiary of TIS. During the year TMS has received fees totalling £837,632 (2013: £1,088,336) in respect of administrative services and an amount of £57,217 was outstanding at the year end (2013: £83,194). The agreement may be terminated by the Fund giving 12 months notice or by TMS giving not less than 6 months notice.

In addition to being a Director of the Fund, Katherine Spiteri is also a Director of TIS Holdings Limited, TIS and TMS.

The Fund entered into a promoter agreement with Protected Distribution Limited on 20 January 2004, the agreement ceased on 30 November 2010 and the Fund entered into a new promoter agreement with Absolute Assigned Policies Limited ("AAP") t/a PDL International ("PDL") on the same date. AAP owns one of the management shares. In addition to being a Director of the Fund Katherine Spiteri is also a Director of Absolute Assigned Policies Limited. The fees payable to the Promoter for the current and prior year are set out in note 10. An amount of £38,409 (2013: £60,571) was outstanding at the year end.

The Original PATF Sterling sub-fund invests in The Protected Capital Growth Fund plc ("PCGF"). The total investment cost at the year end was £2,639,785 (2013: £4,239,435) and the market value (post-enhancement adjustment) was £3,162,834 (2013: £4,788,246) (note 4).

The Manager of the Fund, AFSL, also acts as Manager for PCGF. A fee is paid from PCGF and from Original PATF to meet the cost of management in each fund. TIS Group Limited, TEP Management Services Limited and PDL International act as Policy Provider, Policy Administrator and Promoter respectively for the Fund and for PCGF. Fees are not paid to the Policy Provider for the provision of policies. The fee to the Policy Administrator is adjusted so that fees are not paid twice with regard to the same investment. Fees are not paid to the Promoter for Original PATF.

The Fund has also entered into an unsecured term loan facility with PCGF. An amount of £1,195,750 was due from PCGF to the Fund at the year end (note 9).

THE PROTECTED ASSET TEP FUND PLC

Notes to the financial statements for the year ended 31 December 2014 (continued)

16 Events after the reporting date

The latest available unaudited, net asset values per share of each sub-fund are:

Original PATF Sterling	31 March 2015	£1.7363
Original PATF Euro	31 March 2015	€1.2265
Original PATF US Dollar	31 March 2015	\$1.4288
PATF No.2 Sterling	15 April 2015	£1.0568
PATF No.2 Euro	15 April 2015	€1.0520
PATF No.2 US Dollar	15 April 2015	\$1.1662

Following the year ended 31 December 2014 there have been net redemptions of:

Original PATF Sterling	£3,554,190
Original PATF Euro	€1,603,701
Original PATF US Dollar	\$175,884
PATF No.2 Sterling	£1,230,053
PATF No.2 Euro	€1,531,244
PATF No.2 US Dollar	\$274,452

A 5% redemption gate was applied to the 2 February 2015 dealing on the Original PATF Euro sub-fund.

At the Board meeting held on 29 January 2015, the directors also resolved that the DRP be reduced from 3% to 2% with effect from 16 February 2015, this being the next dealing point, for all shareholders redeeming from that point forward.

THE PROTECTED ASSET TEP FUND PLC

Independent Auditor's report on the Statement of Net Asset Value, calculated in accordance with the Scheme Particulars dated 28 July 2011, to the Directors of The Protected Asset TEP Fund plc (the "Statement of Net Asset Value")

We have examined the Statement of Net Asset Value, set out on pages 55 to 57 in accordance with our engagement letter dated 9 April 2013.

Respective responsibilities of Directors and Auditors

As described on page 8 the Directors are responsible for the preparation of the financial statements. The Directors are also responsible for the preparation of the Statement of Net Asset Value in accordance with the Scheme Particulars dated 28 July 2011. Our responsibility is to examine the Statement of Net Asset Value and to report our opinion in accordance with our letter of engagement dated 9 April 2013.

Basis of opinion

Our opinion is based solely on our examination of the Statement of Net Asset Value, in accordance with our engagement letter dated 9 April 2013, set out on pages 55 to 57 and of the adjustments required to calculate the respective net asset values of Original PATF and PATF No.2 as set out in the Scheme Particulars dated 28 July 2011.

Opinion

In our opinion the figures given in the Statement of Net Asset Value have been correctly extracted, where appropriate, from the Fund's accounting records or financial statements on which our opinion is included on page 9 and 10 of the financial statements. The adjustments have been made in accordance with the Scheme Particulars and the calculations shown on the Statement of Net Asset Value have been correctly performed.



KPMG Audit LLC
Chartered Accountants
Heritage Court
41 Athol Street
Douglas
Isle of Man
IM99 1HN

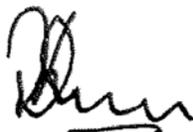
7 May 2015

THE PROTECTED ASSET TEP FUND PLC

Statement of Net Asset Value (NAV) as at 31 December 2014

	Original PATF 2014 £	PATF No.2 2014 £
Net assets attributable to holders of participating redeemable preference shares		
– Audited statement of financial position (page 15)	41,776,675	49,649,136
Management shares unpaid at the year end	100	-
Adjustments in accordance with the Scheme Particulars (see notes):		
Unamortised sales and marketing expenses	-	48,986
Share dealing 16 December 2014	-	776,910
Statement of financial position revaluation at year end	-	(3,575)
	<u>41,776,775</u>	<u>50,471,457</u>
Number of shares in issue at 15 December 2014	32,535,154	55,322,241
Number of shares redeemed on 16 December 2014	-	(873,961)
	<u>32,535,154</u>	<u>54,448,280</u>
Number of shares in issue at 31 December 2014 (note 11)	32,535,154	54,448,280
Net asset value per share	<u>1.2841</u>	<u>0.9270</u>

For and on behalf of the Board



Rupert Cottrell
Director

7 May 2015

THE PROTECTED ASSET TEP FUND PLC

Statement of Net Asset Value (NAV) as at 31 December 2014 (continued)

Net asset value attributable to the Original PATF sub-fund:

Sub-fund	Total net asset value £	Total net assets in designated currency	Number of shares in issue	NAV per share
Original PATF Sterling	24,840,060	24,840,060	14,460,923	£1.7177
Original PATF Euro	10,789,982	13,894,260	11,364,474	€1.2226
Original PATF US Dollar	6,146,733	9,577,224	6,709,757	\$1.4273
	<u>41,776,775</u>		<u>32,535,154</u>	

Net asset value attributable to the PATF No.2 sub-fund:

Sub-fund	Total net asset value £	Total net assets in designated currency	Number of shares in issue	NAV per share
PATF No.2 Sterling	24,028,120	24,028,120	22,882,160	£1.0500
PATF No.2 Euro	21,654,154	27,234,430	25,991,452	€1.0478
PATF No.2 US Dollar	4,789,183	7,491,241	6,448,629	\$1.1616
	<u>50,471,457</u>		<u>55,322,241</u>	

The total net asset values, number of shares in issue and net asset value per share for PATF No.2 are those as at 15 December 2014, as disclosed in the relevant sub-fund's Statement of Net Asset Value. The financial statements were adjusted for share capital transactions (as disclosed in note 2).

THE PROTECTED ASSET TEP FUND PLC

Statement of Net Asset Value (NAV) as at 31 December 2014 (continued)

Notes

In accordance with the provisions of the Scheme Particulars:

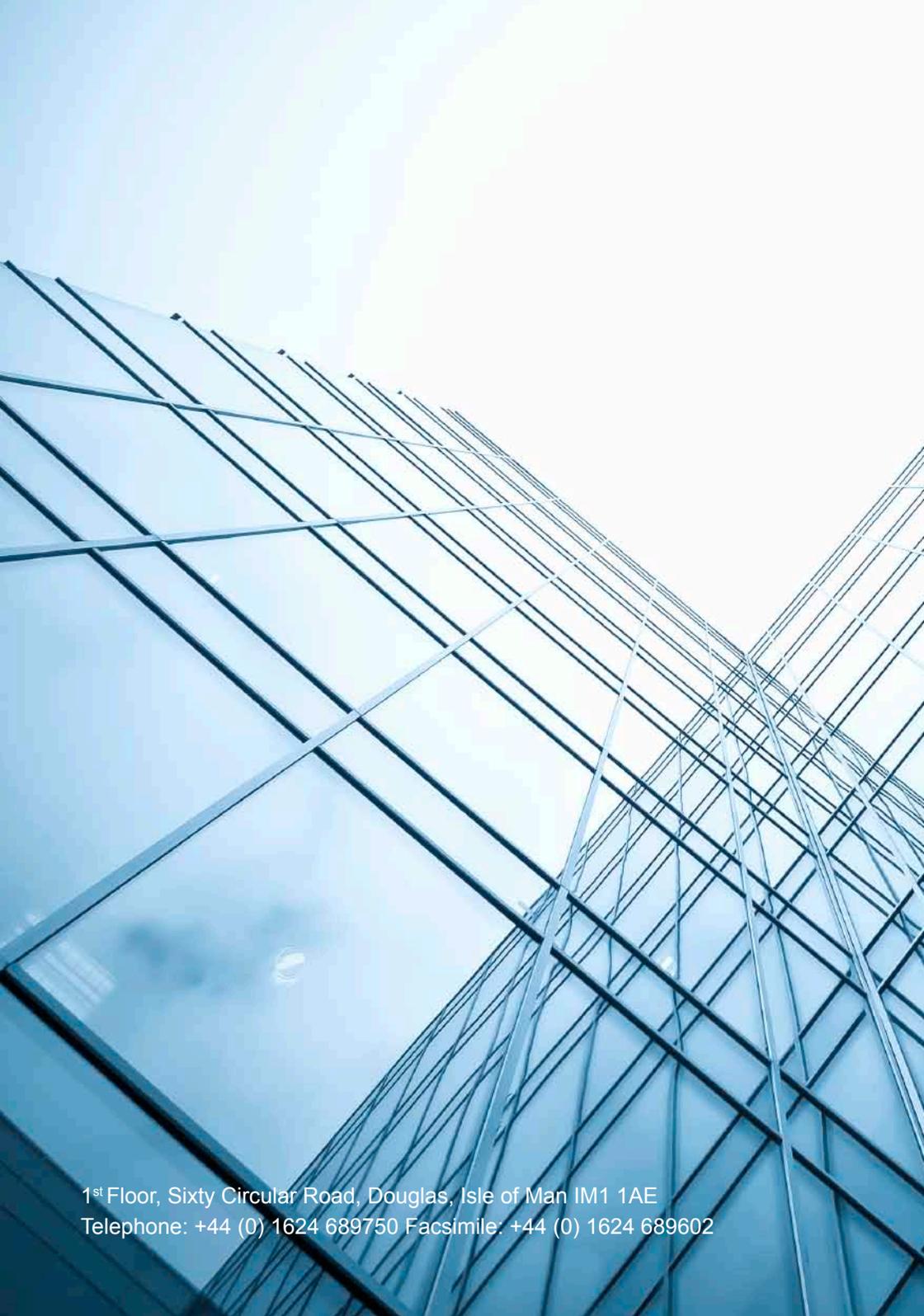
Set-up expenses

Fund set-up expenses of the Fund on incorporation, which amounted to £59,822 for Original PATF and £19,000 for PATF No.2, were being amortised over the first five years on a straight line basis. The set-up expenses were fully amortised in the year ended 31 December 2008.

Sales and marketing expenses

Sales and marketing expenses paid are being amortised over five years on a straight line basis.

	PATF No.2	PATF No.2
	2014	2013
	£	£
Brought forward	203,323	614,475
Additions	7,532	7,878
Redemption penalties (note 10)	(22,886)	(117,625)
Amortisation for the year	(138,983)	(301,405)
Unamortised net book value at 31 December	<u>48,986</u>	<u>203,323</u>



1st Floor, Sixty Circular Road, Douglas, Isle of Man IM1 1AE
Telephone: +44 (0) 1624 689750 Facsimile: +44 (0) 1624 689602