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Illustrative IFRS financial statements for Investment Funds 2012

Foreword

I am pleased to present the latest version of our illustrative IFRS financial statements for investment funds which include standards applicable as at 31 December 2012.

During the period since we issued our illustrative 2011 financial statements, there have been a number of developments with IFRS which are directly relevant to the investment management industry. In particular, amendments to IFRS 10 provide an exemption from consolidation of an ‘investment entity’, which is a welcome development.

We hope that you find these illustrative financial statements helpful. As with any draft or indicative set of accounts, I want to emphasize that accurate, compliant financial statements can be very different between issuers, and that specific facts and circumstances need to drive individual decisions on the appropriateness of presentation and footnote inclusion. We have found that engaging those charged with governance early in the process is important to compiling compliant accounts on a timely basis, without unnecessary delay or cost. In my opinion, financial statements should answer investors’ questions, not create them.

Regards,

Stuart Opp
Partner
Investment Management Sector Leader, DTTL

International GAAP Investment Fund
Financial statements for the year ended 31 December 2012

This publication of International GAAP Investment Fund (the "Fund") is intended to illustrate the presentation and disclosure requirements of International Financial Reporting Standards ("IFRS"). It also contains additional disclosures that are considered to be best industry practice, particularly where such disclosures are included in illustrative examples provided with a specific Standard.

The Fund is assumed to have presented financial statements in accordance with IFRS for a number of years. Therefore, it is not a first-time adopter of IFRS. Readers should refer to IFRS 1 *First-time Adoption of International Financial Reporting Standards* for specific requirements regarding an entity's first IFRS financial statements, and to the IFRS 1 section of Deloitte's Presentation and Disclosure Checklist on **www.iasplus.com** for details of the particular disclosure requirements applicable for first-time adopters.

These model financial statements have been presented without regard to local laws or regulations. Preparers of financial statements will need to ensure that the options selected under IFRS do not conflict with such sources of regulation. In addition, local laws or securities regulations may specify disclosures in addition to those required by IFRS (e.g., information required by the stock exchange on which the Fund's redeemable shares are listed).

Suggested disclosures are cross-referenced to the underlying requirements in the texts of the relevant Standards and Interpretations. References are generally to the most recent version of the relevant Standard or Interpretation (unless specified otherwise) where the Standard or Interpretation has been adopted by the Fund.

This publication illustrates the impact of the adoption of a number of new and revised Standards and Interpretations (See Note 2 to the financial statements for details).

For the purposes of presenting the statements of comprehensive income and cash flows, the alternatives allowed under IFRS for those statements have been illustrated. Preparers should select the alternative most appropriate to their circumstances.

The following additional assumptions have been applied in the preparation of this publication:

- The presentation currency of these model financial statements is expressed in currency units ("CU"). The functional currency of the Fund is also assumed to be CU. Under IAS 21 *Effects of Changes in Foreign Exchange Rates*, it may be the case that certain funds have functional currency different to its presentation currency. This determination will only be arrived at after consideration of the relevant facts and circumstances of these funds.

- For the purposes of this publication it has been assumed that the Fund classifies its investment portfolio, which comprises equity investments, fixed income securities, open-ended investment funds and derivatives, as financial assets or financial liabilities at fair value through profit or loss. These financial assets and financial liabilities are classified as held for trading or designated by the Board of Directors at fair value through profit or loss at inception. This publication does not include any investments classified as held-to-maturity or available-for-sale, even though these classifications as described in IAS 39 *Financial Instruments: Recognition and Measurement* are permissible. Further the Fund does not classify any derivatives as hedges in a hedging relationship and does not apply hedge accounting.

- On 12 November 2009, the International Accounting Standards Board ("IASB") issued IFRS 9 *Financial Instruments*. This Standard introduces new requirements for the classification and measurement of financial assets and is effective from 1 January 2015 with early adoption permitted. IFRS 9 introduces new requirements for classifying and measuring financial assets. All recognized financial assets that are currently in the scope of IAS 39 will be measured at either amortized cost or fair value. Under IFRS 9, most financial instruments are expected to be measured at fair value through profit or loss except for debt instruments that satisfy both a "business model test" and a "contractual cash flow characteristics test", as defined by the Standards and equity instruments which an entity irrevocably designates as at fair value through other comprehensive income. For the purposes of this publication, the Fund has not elected to early adopt IFRS 9.

- The net asset value of the Fund is calculated using last traded prices. IAS 39, however considers the bid price (or offer price for financial liabilities) to be the best measure of fair value of a financial asset. We have illustrated the adjustment to bid prices in this publication.

- On 11 May 2011, the IASB issued IFRS 13 *Fair Value Measurement* which is effective from 1 January 2013 with early adoption permitted. IFRS 13 defines fair value, provides guidance on fair value determination and provides updated requirements for fair value disclosures. IFRS 13 indicates that if an investment has a bid and ask price that the price within the bid-ask spread that is "most representative" of fair value should be used. IFRS 13 does not preclude mid-market (last traded prices) pricing or other pricing conventions used by market participants. The model financial statements have been presented based on the assumption that the Fund has not elected to early adopt IFRS 13, however, Appendix 2 illustrates the impact should this IFRS be early adopted.

- All shares issued by the Fund are redeemable shares with a par value of CU1 per share and have been admitted to the listing of an official stock exchange. The Fund has issued two classes of shares which we assume do not meet the criteria under IAS 32 *Financial Instruments: Presentation* to classify them as equity.

- Appendix I illustrates example disclosures for an open-ended fund that issues puttable instruments which are classified as equity under IAS 3.

- IAS 27 *Consolidated and Separate Financial Statements* paragraph 19 stipulates that a subsidiary is not excluded from consolidation simply because the investor is a venture capital organization, mutual fund, unit trust or similar entity. Should the Fund hold a subsidiary or an investment which meets the consolidation requirements of IAS 27 and SIC-12 *Consolidation—Special Purpose Entities*, the Fund would need to present consolidated financial statements. For the purposes of this publication it has been assumed that the Fund does not have any subsidiaries or investments which meet these requirements. It is also worthwhile noting that investment funds and similar entities are specifically excluded from the scope of IAS 28 *Investment in Associates* and IAS 31 *Interests in Joint Ventures* respectively (IAS 28.1(b) and IAS 31.1(b)) that are designated as at fair value through profit and loss or are classified as held for trading and accounted for in accordance with IAS 39. Further, the Fund did not elect to early adopt the new consolidation standards and IASB's pronouncement: Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27), which are discussed in detail in Note 2.2.

Contents

Index to the notes to the financial statements

Source	International GAAP Investment Fund			
IAS 1.10(b) IAS 1.51(b),(c)	**Statement of comprehensive income** **for the year ended 31 December 2012**			
IAS 1.113		Notes	Year ended 31/12/12	Year ended 31/12/11
IAS 1.51(d),(e)			CU'000	CU'000
IAS 1.82(a)	**Operating income**			
IAS 18.35(b)(iii)	Interest income	3.4, 10	3,327	909
IAS 18.35(b)(v)	Dividend income	3.4	909	1,631
	Net realized gains/(losses) on financial assets and liabilities at fair value through profit or loss	5(c)	(79,860)	(24,480)
IFRS 7.20(a)(i)	Net change in unrealized gains/(losses) on financial assets and liabilities at fair value through profit or loss	5(c)	155,741	(244,301)
IAS 21.52(a)	Net foreign currency gains	3.3	993	3,551
IAS 1.85	**Total operating income/(loss)**		81,110	(262,690)
IAS 1.85	**Operating expenses**			
IAS 1.99	Management fees	13	(1,998)	(2,851)
IAS 1.99	Performance fees	13	(88)	(174)
IAS 1.99	Custodian fees	13	(216)	(443)
IAS 1.99	Administration fees	13	(138)	(76)
IAS 1.99	Transaction costs	3.5	(107)	(321)
IAS 1.99	Professional fees		(7)	(10)
IAS 1.99	Directors' fees	13	(15)	(15)
IAS 1.99	Other expenses		(7)	(1)
IAS 1.85	**Total operating expenses**		(2,576)	(3,891)
IAS 1.82(f)	**Operating profit/(loss)**		78,534	(266,581)
IAS 1.82(b) IAS 1.85	**Finance costs**			
	Interest expense	11	(389)	(1,421)
	Distribution to holders of redeemable shares	11	(2,000)	–
	Profit/(loss) after distributions and before tax		76,145	(268,002)
IAS 1.82(d)	Withholding taxes	3.9	(87)	(60)
	Profit/(loss) after distributions and tax		76,058	(268,062)
IAS 32IE.32 IAS 1.82(i)	**Increase/(decrease) in net assets attributable to holders of redeemable shares**		76,058	(268,062)

The accompanying notes on pages 11 to 39 form an integral part of these financial statements.

Note: IAS 1.99 requires expenses to be analyzed by their nature or by their function within the entity, whichever provides information that is reliable and more relevant. The Fund has presented the analysis of expenses by nature.

IAS 1.81 allows a choice of presenting all items of income and expense recognized in a period either (a) in a single statement of comprehensive income, or (b) in two statements comprising (i) a separate income statement, which displays components of profit or loss, and (ii) a statement of comprehensive income, which begins with profit or loss and displays components of other comprehensive income. The Fund has elected to use the single statement approach. However, a statement of changes in net assets attributable to holders of redeemable shares is presented as, in our opinion, it provides the users of the financial statements with relevant and useful information as required by IAS 1 and is considered to be best industry practice in many jurisdictions.

IAS 1.82(g) requires the disclosure of each component of 'other comprehensive income'. Other comprehensive income comprises items of income and expenses (including reclassification adjustments) that are not recognized in profit or loss as required or permitted by other IFRS. The Fund has no other comprehensive income. All income and expenses had previously been reported in the income statement. Other comprehensive income for an investment entity can include amongst other things, available-for-sale valuation adjustments, currency translation differences on consolidation and valuation adjustments on cash flow hedges.

Changes in net assets attributable to holders of redeemable shares from operations in this instance represent the Fund's total comprehensive income (required under IAS1.82(i)).

The distributions to holders of redeemable shares are recognized in the statement of comprehensive income as finance costs because redeemable shares are classified as financial liabilities in the statement of financial position. See Note 3.11.

Note: The Fund presents the changes of its liability to its shareholders under the result line in accordance with the particular format illustrated by IAS 32.IE32. The Fund has no items of 'other comprehensive income' as defined in IAS 1. 'Profit or loss' and 'total comprehensive income' as defined in IAS 1 is nil, as any net income is entirely attributed to the net assets attributable to shareholders. The Fund may however choose a different format, for example, to present the changes of its liability to its shareholders above the result line, if they consider it to be the most relevant and understandable to the users of the financial statements. This format will result in the 'profit or loss' and 'total comprehensive income' as defined in IAS 1 being reflected as nil on the face of its statement of comprehensive income.

IAS 1.10(a)
IAS 1.51(b),(c)

Statement of financial position
at 31 December 2012

Source		Notes	As at 31/12/12	As at 31/12/11
IAS 1.113				
IAS 1.51(d),(e)			CU'000	CU'000
	Assets			
IAS 1.60				
IAS 1.54(i)	Cash and cash equivalents	7	270	139
IAS 1.54(h)	Dividends receivable		370	541
IAS 1.54(h)	Interest receivable		387	677
IAS 1.54(h)	Receivable from brokers	3.6	3	3
IAS 1.54(d)	Financial assets at fair value through profit or loss	5	198,245	127,448
IAS 1.54(d), IAS 39.37(a)	Financial assets at fair value through profit or loss pledged as collateral	5	36,579	15,957
IAS 1.55	**Total assets**		235,854	144,765
	Liabilities			
IAS 1.60				
IAS 1.55	Due to brokers	3.6	13	8
IAS 1.54(n)	Withholding tax payable		8	5
IAS 1.54(m)	Financial liabilities at fair value through profit or loss	5	1,411	2,064
IAS 1.54(k)	Accounts payable		659	416
IAS 1.55	Borrowings	8	25,227	10,005
IAS 1.55	**Total liabilities (excluding net assets attributable to holders of redeemable shares)**		27,318	12,498
IAS 32IE.32	**Net assets attributable to holders of redeemable shares**	12	208,536	132,267

The accompanying notes on pages 11 to 39 form an integral part of these financial statements.

Note: The illustrative financial statements are based on an open-ended fund that issues redeemable participating shares, which are classified as financial liabilities under IAS 32. In the format above, it is assumed that the Fund does not have equity shares in issue as defined in IAS 32. Consequently, it is not required to present basic and diluted earnings per share (IAS 33).

Appendix I includes example disclosures for an open-ended fund whose shares or units are equity under IAS 32 Financial instruments: Presentation.

According to IAS 39.37(a), if an entity provides non-cash collateral and if the transferee has the right by contract or custom to sell or repledge the collateral, the entity (transferor) shall reclassify that asset in its statement of financial position separately from other assets.

IAS 1.6
IAS 1.51(b),(c)
IAS 1.106

Statement of changes in net assets attributable to holders of redeemable shares
for the year ended 31 December 2012

IAS 1.113
IAS 1.51(d),(e)

	Notes	Year ended 31/12/12 CU'000	Year ended 31/12/11 CU'000
Net assets attributable to holders of redeemable shares at the beginning of the financial year		132,267	400,329
Issue of redeemable shares		2,814	–
Redemption of redeemable shares		(2,603)	–
Increase/(decrease) in net assets attributable to holders of redeemable shares		76,058	(268,062)
Net assets attributable to holders of redeemable shares at the end of the financial year	12	208,536	132,267

The accompanying notes on pages 11 to 39 form an integral part of these financial statements.

Note: IAS 1 requires that the financial statements should include a statement showing either all changes in equity, or changes in equity other than those arising from capital transactions with owners and distributions to owners. As the redeemable shares of the Fund are classified as financial liabilities and the Fund has no equity shares, no statement of changes in equity is presented. However, a statement of changes in net assets attributable to holders of redeemable shares is presented as, in our opinion, it provides the users of the financial statements with relevant and useful information corresponding to the requirements of IAS 1 and is considered to be best industry practice in many jurisdictions.

Source				
IAS 1.10(d) IAS 1.51(b),(c)	**Statement of cash flows—direct method** **for the year ended 31 December 2012**			**[Alt 1]**
IAS 1.113		Notes	Year ended 31/12/12	Year ended 31/12/11
IAS 1.51(d),(e)			CU'000	CU'000
IAS 7.10	**Cash flows from operating activities**			
IAS 7.15	Payments on purchases of investments		(554,271)	(446,687)
IAS 7.15	Proceeds from sale of investments		508,511	489,626
	Payments on purchase and settlement of derivatives		(24,610)	(36,654)
	Receipt from sale and settlement of derivatives		55,177	5,584
IAS 7.31	Interest received		3,617	868
IAS 7.31	Dividends received		1,080	1,090
IAS 7.35	Withholding taxes paid		(84)	(55)
	Operating expenses paid		(2,333)	(3,875)
	Net cash (used in)/provided by operating activities		(12,913)	9,897
IAS 7.10	**Cash flows from financing activities**			
IAS 7.17	Proceeds from borrowings (excluding bank overdrafts)		35,720	50
	Repayment of borrowings (excluding bank overdrafts)		(28,415)	–
	Proceeds from issue of redeemable shares		2,814	–
	Payment on redemption of redeemable shares		(2,603)	–
	Distributions to holders of redeemable shares	11	(2,000)	–
IAS 7.31	Interest paid on borrowings	11	(389)	(1,421)
	Net cash provided by/(used in) financing activities		5,127	(1,371)
	Net (decrease)/increase in cash and cash equivalents		(7,786)	8,526
	Cash and cash equivalents at the beginning of the financial year	7	(9,816)	(18,342)
	Cash and cash equivalents at the end of the financial year	7	(17,602)	(9,816)

The accompanying notes on pages 11 to 39 form an integral part of these financial statements.

Note: The above illustrates the direct method of reporting cash flows from operating activities. IAS 7 Cash Flow Statements *encourages entities to report cash flows from operating activities using the direct method as it provides information which might be useful in estimating future cash flows and which is not available under the indirect method (IAS 7.19).*

According to IAS 7.12, a single transaction may include cash flows that are classified differently. For borrowings including both interest and capital, the interest element may be classified as an operating activity whilst the capital element is classified as a financing activity.

Source		Notes	Year ended 31/12/12	Year ended 31/12/11
IAS 1.10(d) IAS 1.51(b),(c)	**Statement of cash flows—indirect method for the year ended 31 December 2012**			**[Alt 2]**
IAS 1.113		Notes	Year ended 31/12/12	Year ended 31/12/11
IAS 1.51(d),(e)			CU'000	CU'000
IAS 7.10	**Cash flows provided by/(used in) operating activities**			
	Increase/(decrease) in net assets attributable to holders of redeemable shares		76,058	(268,062)
	Adjustments for			
	Interest income		(3,327)	(909)
	Dividend income		(909)	(1,631)
	Finance costs recognized in profit or loss		2,389	1,421
	Withholding tax expense recognized in profit or loss		87	60
	Net increase/(decrease) in financial assets at fair value through profit or loss		(91,419)	275,835
	Net increase/(decrease) in financial liabilities at fair value through profit or loss		(653)	488
	Net increase/(decrease) in receivables/payables from/to brokers		5	(5)
	Net increase/(decrease) in accrued expenses		243	797
	Cash (used in)/provided by operations		(17,526)	7,994
IAS 7.31	Interest received		3,617	868
IAS 7.31	Dividends received		1,080	1,090
IAS 7.35	Withholding taxes paid		(84)	(55)
	Net cash (used in)/provided by operating activities		(12,913)	9,897
IAS 7.10	**Cash flows from financing activities**			
IAS 7.17	Proceeds from borrowings (excluding bank overdrafts)		35,720	50
	Repayment of borrowings (excluding bank overdrafts)		(28,415)	–
	Proceeds from issue of redeemable shares		2,814	–
	Payment on redemption of redeemable shares		(2,603)	–
	Distributions to holders of redeemable shares	11	(2,000)	–
IAS 7.31	Interest paid on borrowings	11	(389)	(1,421)
	Net cash provided by/(used in) financing activities		5,127	(1,371)
	Net (decrease)/increase in cash and cash equivalents		(7,786)	8,526
	Cash and cash equivalents at the beginning of the financial year	7	(9,816)	(18,342)
	Cash and cash equivalents at the end of the financial year	7	(17,602)	(9,816)

The accompanying notes on pages 11 to 39 form an integral part of these financial statements.

Note: IAS 7.18 allows entities to report cash flows from operating activities using either the direct method or the indirect method. The above illustrates the indirect method of reporting cash flows from operating activities.

IAS 7 does not specify which profit or loss figure should be used in the indirect method. The Fund has reconciled the increase/(decrease) in net assets attributable to holders of redeemable shares to net cash (used in)/provided by operating activities.

Dividends paid to shareholders may be classified as financing cash flows or alternatively, as a component of cash flows from operating activities (IAS 7.34).

If the fund strategy is using leverage, interest paid may be classified as a component of cash flows from operating activities.

Source	International GAAP Investment Fund
IAS 1.10(e) IAS 1.51(b),(c)	**Notes to the financial statements** **for the year ended 31 December 2012**

1. General information

IAS 1.138(a) International GAAP Investment Fund (the "Fund") is an open-ended investment fund incorporated as a *[insert legal form of entity]* under *[insert relevant legislation]*, with its registered office at *[insert address of registered office]*. The Fund's redeemable shares are listed on the *[insert stock exchange]*.

IAS 1.138(b) The objectives of the Fund are *[insert investment policies and objectives according to the Fund's offering memorandum]*.

2. Adoption of new and revised Standards

IAS 8.28 ***2.1 Standards, amendments and Interpretations effective for the current year but not affecting the reported results nor the financial position***

The following new and revised Standards and Interpretations have been adopted in these financial statements. Their adoption has not had any significant impact on the amounts reported in these financial statements but may impact the accounting for future transactions or arrangements.

IFRS 7 (amended) *Disclosures – Transfer of Financial Assets*	The amendment increases the disclosure requirements for transactions involving the transfer of financial assets in order to provide greater transparency around risk exposures when financial assets are transferred.
IAS 12 (amended) *Deferred Tax: Recovery of Underlying Assets*	This amends IAS 12 to provide a presumption that recovery of the carrying amount of an asset measured using the fair value model in IAS 40 will, normally, be through sale.

2.2 Standards, amendments and Interpretations that are issued but not yet effective for annual reporting periods ending 31 December 2012

IAS 8.30
IAS 8.31 The Fund has not applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 9	*Financial Instruments*[3]
IFRS 10	*Consolidated Financial Statements*[1]
IFRS 11	*Joint Arrangements*[1]
IFRS 12	*Disclosure of Interests in Other Entities*[1]
IFRS 13	*Fair Value Measurement*[1]
Amendments to IFRS 7	*Disclosures – Offsetting Financial Assets and Financial Liabilities*[1]
Amendments to IFRS 9 and IFRS 7	*Mandatory Effective Date of IFRS 9 and Transition Disclosures*[3]
Amendments to IFRS 10, IFRS 11 and IFRS 12	*Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance*[1]
Amendments to IFRS 10, IFRS 12 and IAS 27	*Investment Entities*[2]
IAS 19 (as revised in 2011)	*Employee Benefits*[1]
IAS 27 (as revised in 2011)	*Separate Financial Statements*[1]
IAS 28 (as revised in 2011)	*Investments in Associates and Joint Ventures*[1]
Amendments to IAS 32	*Offsetting Financial Assets and Financial Liabilities*[2]
Amendments to IFRSs	*Annual Improvements to IFRSs 2009-2011 Cycle* except for the amendment to IAS 1[1]
IFRIC 20	*Stripping Costs in the Production Phase of a Surface Mine*[1]

1 Effective for annual periods beginning on or after 1 January 2013.
2 Effective for annual periods beginning on or after 1 January 2014.
3 Effective for annual periods beginning on or after 1 January 2015.

Notes to the financial statements
for the year ended 31 December 2012—continued

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Fund in future periods, except as follows:

IAS 8.30(a)
IAS 8.30(b)

IFRS 9 issued in November 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 amended in October 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of IFRS 9 are described as follows:

- IFRS 9 requires all recognized financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

- The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

IFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

IAS 8.30(a)
IAS 8.30(b)

In May 2011, a package of five Standards on consolidation, joint arrangements, associates and disclosures was issued, including IFRS 10, IFRS 11, IFRS 12, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011).

Key requirements of these five Standards are described below.

IFRS 10 replaces the parts of IAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements. SIC-12 *Consolidation—Special Purpose Entities* has been withdrawn upon the issuance of IFRS 10. Under IFRS 10, there is only one basis for consolidation, that is control. In addition, IFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in IFRS 10 to deal with complex scenarios.

IFRS 11 replaces IAS 31 *Interests in Joint Ventures*. IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. SIC-13 *Jointly Controlled Entities–Non-monetary Contributions by Venturers* has been withdrawn upon the issuance of IFRS 11. Under IFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under IAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under IFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under IAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

IFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than those in the current Standards.

In June 2012, the amendments to IFRS 10, IFRS 11 and IFRS 12 were issued to clarify certain transitional guidance on the application of these IFRSs for the first time.

Source	International GAAP Investment Fund
	These five standards together with the amendments regarding the transition guidance are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.
	Note: IFRS 10 and IFRS 12 are likely to have the most significant effect on the investment management industry. Deloitte's Industry Insight publication highlights many of the issues investment managers are likely to encounter as they adopt these standards. IFRS 10 may affect not only the investment manager's accounting but also the fund accounting as the fund would be required to consolidate investments it controls. However, in October 2012, the IASB issued Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27) which introduces an exception to the principle that all subsidiaries shall be consolidated. The amendments define an investment entity and require a parent that is an investment entity to measure its investments in particular subsidiaries at fair value through profit or loss in accordance with IFRS 9 Financial Instruments instead of consolidating those subsidiaries in its consolidated and separate financial statements. In addition, the amendments introduce new disclosure requirements related to investment entities in IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements. An entity shall apply these amendments for annual periods beginning on or after 1 January 2014 however earlier application is permitted. If an entity applies these amendments earlier it shall also apply all amendments at the same time.
IAS 8.30(a) IAS 8.30(b)	IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under IFRS 7 *Financial Instruments: Disclosures* will be extended by IFRS 13 to cover all assets and liabilities within its scope. IFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed.
	Note: When valuing financial instruments, IFRS gives priority to observable quoted prices as they are considered to be the best indicator of the transfer (or "exit") value for an asset or a liability. When quoted prices are used to value an item directly, or as part of a valuation method, it is necessary to consider whether the bid, ask or mid price should be used. Under IAS 39, an entity is required to use the bid price for an asset and the ask price for a liability and can only use the mid price for offsetting positions in the same market risk. IFRS 13 requires the price in the bid-ask spread that is "most representative" of the fair value. Although, as an alternative, it appears to give more flexibility by allowing the use of mid-market price as a "practical expedient". As a result there could be a range of quoted prices within the bid-ask spread that could be permitted for use in the fair value calculation, hence this should be given some careful consideration. Appendix 2 illustrates the impact should IFRS 13 be early adopted by the Fund.
	Amendments to IFRS 7 and IAS 32 *Offsetting Financial Assets and Financial Liabilities and the related disclosures* The amendments to IAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realization and settlement'. The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement. The amendments to IFRS 7 are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should be provided retrospectively for all comparative periods. However, the amendments to IAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.
	Note: The disclosures set out above regarding adoption of standards and interpretations not yet effective reflected a cut-off date of 31 December 2012. The potential impact of any new or revised standards and interpretations issued by the IASB after that date, but before the issue of the financial statements, should also be considered and disclosed.

Notes to the financial statements
for the year ended 31 December 2012—continued

IAS 1.112(a),117
IAS 1.119

3. Summary of significant accounting policies

Note: *The following are examples of the types of accounting policies that might be disclosed in this entity's financial statements. Entities are required to disclose in the summary of significant accounting policies the measurement basis (or bases) used in preparing the financial statements and the other accounting policies used that are relevant to an understanding of the financial statements. An accounting policy may be significant because of the nature of the entity's operations even if amounts for the current and prior periods are not material.*

In deciding whether a particular accounting policy should be disclosed, management considers whether disclosure would assist users in understanding how transactions, other events and conditions are reflected in the reported financial performance and financial position. Disclosure of particular accounting policies is especially useful to users when those policies are selected from alternatives allowed in Standards and Interpretations.

Each entity considers the nature of its operations and the policies that the users of its financial statements would expect to be disclosed for that type of entity. It is also appropriate to disclose each significant accounting policy that is not specifically required by IFRS, but that is selected and applied in accordance with IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors*. For completeness purposes, in these model financial statements accounting policies have been provided for some immaterial items, although this is not required under IFRS.*

IAS 1.16

3.1 Statement of compliance

The financial statements have been prepared in accordance with IFRS.

IAS 1.117(a)

3.2 Basis of preparation

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Judgments made by management in the application of IFRS that have significant effects on the financial statements are disclosed, where applicable, in the relevant notes to the financial statements.

IAS 1.117(b)

The principal accounting policies are set out below.

3.3 Foreign currency

(a) Functional and presentation currency

IAS 21.9,17

Items included in the financial statements of the Fund are measured in the currency of the primary economic environment in which the Fund operates (the "functional currency"). The financial statements of the Fund are presented in currency units ("CU"), which is the Fund's functional and presentation currency.

IAS 21.21,28,
52(a)

(b) Foreign currency translation

Transactions in currencies other than CU are recorded at the rates of exchange prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary items and non-monetary assets and liabilities that are denominated in foreign currencies are recognized in profit or loss in the period in which they arise. Foreign exchange gains and losses on financial assets and financial liabilities at fair value through profit or loss are recognized together with other changes in the fair value. Net foreign exchange gains/(losses) on non-monetary and monetary financial assets and liabilities other than those classified as at fair value through profit or loss are included in the line item Net foreign currency gains in the statement of comprehensive income.

Note: *IFRS allows net foreign exchange gains/losses to be netted with realized gains/losses or shown separately.*

Notes to the financial statements
for the year ended 31 December 2012—continued

IAS 18.35(a)

3.4 Revenue recognition

IAS 18.30(c)
IFRS 7.21

Dividend income is recognized when the Fund's right to receive the payment has been established, normally being the ex-dividend date. Dividend income is recognized gross of withholding tax, if any.

IAS 18.30(a)

Interest on debt securities at fair value through profit or loss is accrued on a time-proportionate basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition. Interest income is recognized gross of withholding tax, if any.

Note: The accounting policy above assumes that interest income and interest expenses from debt securities at fair value through profit or loss are reported as part of interest income/expense ("clean pricing") and not included under net gains/(losses) from these categories of instruments ("dirty pricing").

IAS 1.119
IFRS 7.21

3.5 Financial assets and financial liabilities at fair value through profit or loss

Note: These financial statements do not include any investments classified as available-for-sale or held to maturity even though this classification is permissible as described in IAS 39 Financial Instruments: Recognition and Measurement*. For example, closed-ended investment funds are usually not exposed to redemption requirements by which the redeemable shares are redeemable at the holder's option, and as such the policy of these funds may be to classify certain financial assets as available-for-sale. This will result in different measurement requirements and disclosures, to those presented in these financial statements.*

(a) Classification

The Fund classifies its investments in debt and equity securities, open-ended investment funds and derivatives as financial assets or financial liabilities at fair value through profit or loss. These financial assets and financial liabilities are either held for trading or designated by the Board of Directors at fair value through profit or loss at inception.

IAS 39 IG B11

Financial assets or financial liabilities held for trading are those acquired or incurred principally for the purpose of selling or repurchasing in the near future or on initial recognition they are part of a portfolio of identified financial instruments that the Fund manages together and has a recent actual pattern of short-term profit-taking. All derivatives and short positions are also included in this category. The Fund does not classify any derivatives as hedges in a hedging relationship.

Financial assets and financial liabilities designated at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the Fund's investment strategy as documented in its offering memorandum, and information about these financial assets and liabilities are evaluated by the management of the Fund on a fair value basis together with other relevant financial information.

IAS 39.14

(b) Recognition

Financial assets and liabilities at fair value through profit or loss are recognized when the Fund becomes party to the contractual provisions of the instrument. Recognition takes place on the trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned.

Dividend and interest revenue relating to the Fund's investments in debt and equity securities is recognized according to Note 3.4 above. Dividend expense relating to equity securities sold short is recognized when the shareholders' right to receive the payment has been established.

IAS 39.43

(c) Measurement

At initial recognition financial assets and liabilities are measured at fair value. Transaction costs on financial assets and liabilities at fair value through profit or loss are expensed as incurred in the statement of comprehensive income.

IAS 39.46
IFRS 7.B5(e)

Subsequent to initial recognition, financial assets and liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in their fair value are included in the statement of comprehensive income for the period in which they arise. Dividend or interest earned on financial assets at fair value through profit or loss and dividend or interest expense on the financial liabilities at fair value through profit or loss are disclosed in a separate line item in the statement of comprehensive income. Fair value is determined in the manner described in Note 5.

Notes to the financial statements
for the year ended 31 December 2012—continued

IAS 39.17

(d) Derecognition

Financial assets are derecognized when the contractual rights to the cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.

IAS 39.39

Financial liabilities at fair value through profit or loss are derecognized when the obligation specified in the contract is discharged, cancelled or expired.

Realized gains and realized losses on derecognition are determined using the First-In, First-Out ("FIFO") method *[or other cost formula method applied*] and are included in profit or loss for the period in which they arise.

IAS 32.42

(e) Offsetting

The Fund only offsets financial assets and financial liabilities at fair value through profit or loss if the Fund has a legally enforceable right to offset recognized amounts and either intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

IAS 1.119
IFRS 7.21

3.6 Receivable from and due to brokers

Amounts due from brokers include margin accounts and receivables for securities sold (in a regular way transaction) that have been contracted for but not yet delivered on the reporting date. Margin accounts represent cash deposits held with brokers as collateral against open futures contracts.

IAS 39.38

Amounts due to brokers are payables for securities purchased (in a regular way transaction) that have been contracted for but not yet delivered on the reporting date.

Note: Many counterparties/clearing-houses require margin payments for derivative instruments. The margin payment is not part of the initial net investment in a derivative, but is a form of collateral for the counterparty or clearing-house and may take the form of cash, securities, or other specified assets, typically liquid assets. They are separate assets that are accounted for separately.

IAS 1.119
IFRS 7.21
IAS 7.45,46

3.7 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term investments in an active market with original maturities of three months or less, bank overdrafts and money market funds with daily liquidity and all highly liquid financial instruments that mature within three months of being purchased.

IAS 1.119
IFRS 7.21

3.8 Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

IAS 1.119
IFRS 7.21

3.9 Taxation

Under present law governing the Fund in *[insert name of the country of domicile]*, the Fund is not subject to tax on income, profits or capital gains or other taxes payable.

Income from investments held by the Fund may be subject to withholding taxes in jurisdictions other than that of the Fund's as imposed by the country of origin. Withholding taxes, if any, are shown in a separate item in the statement of comprehensive income.

IAS 1.88
IFRS 7.21

3.10 Expenses

All expenses are recognized in the statement of comprehensive income on the accrual basis.

Expenses related to the set-up of the Fund are expensed as incurred.

IAS 1.119
IFRS 7.21
IAS 32.18
IAS 39 AG32

3.11 Redeemable shares and net assets attributable to holders of redeemable shares

The Fund has two classes of redeemable shares in issue: Class A and Class B. Both are the most subordinate classes of financial instruments in the Fund and rank pari passu in all material respects and have the same terms and conditions other than *[list down the differences in terms between the Class A shares and Class B shares, e.g., management fee rate, distribution fees, etc]*.

Notes to the financial statements
for the year ended 31 December 2012—continued

Redeemable shares can be put back to the Fund at any time for cash equal to a proportionate share of the Fund's net asset value attributable to the share class. The redeemable shares are classified as financial liabilities and are measured at the redemption amounts.

Redeemable shares are issued and redeemed based on the Fund's net asset value per share, calculated by dividing the net assets of the Fund, calculated in accordance with the Fund's offering memorandum, by the number of redeemable shares in issue. The Fund's offering memorandum requires that investment positions are valued on the basis of the last traded market price for the purpose of determining the trading net asset value per share for subscriptions and redemptions.

The financial assets and liabilities at fair value through profit or loss in the statement of financial position have been adjusted to bid and ask prices respectively, in accordance with IFRS.

Dividends are distributed according to *[insert dividend policy]*. Distributions to holders of redeemable shares are recognized in the statement of comprehensive income as finance costs. Income not distributed is included in net assets attributable to holders of redeemable shares.

4. Critical accounting judgments and key sources of estimation uncertainty

Note: The following are examples of disclosures which will depend on the features of the individual fund and the significance of judgments and estimates made regarding the results and financial position of the entity.

In the application of the Fund's accounting policies, which are described in Note 3 to the financial statements, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily available 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 recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

IAS 1.122

4.1 Critical judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimations (see below), that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognized in the financial statements.

Functional currency

The Board of Directors considers the currency of the primary economic environment in which the Fund operates to be the CU as this is the currency which in their opinion most faithfully represents the economic effects of underlying transactions, events and conditions. Furthermore, the CU is the currency in which the Fund measures its performance and also issues and redeems its redeemable shares.

IAS 1.125,129

4.2 Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(a) Fair value of securities not quoted in an active market and over-the-counter derivative instruments.

As described in Note 5(e), management uses its judgment in selecting an appropriate valuation technique for financial instruments that are not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. For derivative financial instruments, assumptions are made based on quoted market rates adjusted for specific features of the instrument. Other financial instruments are valued using a discounted cash flow analysis based on assumptions supported, where possible, by observable market prices or rates. The estimation of fair value of unlisted shares includes some assumptions not supported by observable market prices or rates.

The carrying amount of these investments at 31 December 2012 is CU XXX (2011: CU XXX). Details of assumptions used and of the end results of sensitivity analysis regarding these assumptions is provided in Note 5.

Notes to the financial statements
for the year ended 31 December 2012—continued

IFRS 7.7

5. Financial assets and financial liabilities at fair value through profit or loss

Note: IAS 1 Presentation of Financial Statements does not require the presentation of a schedule of investments. Certain local laws or securities regulations, e.g., the stock exchange on which the Fund's redeemable shares are listed, may however require the presentation of a full or abridged schedule of investments. Such a schedule of investments may include for example the following captions: description of investment, nominal position, cost, fair value, percentage of portfolio/net assets, and may be analyzed in accordance with the criteria required by the applicable regulation which may include economic, geographical or currency criteria.

IAS 1.113

(a) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognized, in respect of its financial assets and financial liabilities are disclosed in Note 3.5(b) to the financial statements.

(b) Categories of financial assets and financial liabilities at fair value through profit or loss

Source		31/12/12 Fair value in CU'000	31/12/11 Fair value in CU'000
IFRS 7.8(a)	**Financial assets at fair value through profit or loss**		
	Held for trading		
	– Equity securities	46,657	86,183
	– Debt securities	25,511	15,640
	– Derivatives	63,227	28,221
	Designated as at fair value through profit or loss		
	– Equity securities	8,638	13,361
	– Debt securities	5,021	–
	– Open-ended investment funds	85,770	–
		234,824	143,405
IFRS 7.8(e)	**Financial liabilities at fair value through profit or loss**		
	Held for trading		
	– Equity securities sold short	(955)	(1,782)
	– Derivatives	(456)	(282)
		(1,411)	(2,064)

IFRS 7.12
IFRS 7.13

During the year, the Fund has not reclassified any financial assets or liabilities as one measured at cost or amortized cost rather than at fair value, or at fair value rather than at cost or amortized cost, and all transfers of financial assets fully qualified for derecognition.

Note: Refer to IFRS 7.12A for applicable disclosure where such reclassifications have been made.

Notes to the financial statements
for the year ended 31 December 2012—continued

IFRS 7.20 (a)(i)

(c) Net gains and losses on financial assets and liabilities at fair value through profit or loss

	Year ended 31/12/12	Year ended 31/12/11
	CU'000	CU'000
Net realized gains/(losses) on financial assets at fair value through profit or loss		
– Held for trading	(124,598)	(13,156)
– Designated as at fair value through profit or loss	44,079	(12,436)
	(80,519)	(25,592)
Net realized gains/(losses) on financial liabilities at fair value through profit or loss		
– Held for trading	659	1,112
– Designated as at fair value through profit or loss	–	–
	659	1,112
Net realized gains/(losses) on financial assets and liabilities at fair value through profit or loss	(79,860)	(24,480)
Net change in unrealized gains/(losses) on financial assets at fair value through profit or loss		
– Held for trading	133,525	(103,477)
– Designated as at fair value through profit or loss	22,595	(142,436)
	156,120	(245,913)
Net change in unrealized gains/(losses) on financial liabilities at fair value through profit or loss		
– Held for trading	(379)	1,612
– Designated as at fair value through profit or loss	–	–
	(379)	1,612
Net change in unrealized gains/(losses) on financial assets and liabilities at fair value through profit or loss	155,741	(244,301)

Note: IFRS 7.10 requires that if an entity has designated a financial liability at fair value through profit or loss it shall separately disclose (a) the amount of change, during the period and cumulatively, in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, and (b) the difference between the financial liability's carrying amount and the amount the entity would be contractually required to pay at maturity of the obligation. The Fund does not have any financial liabilities designated at fair value through profit or loss.

For illustration however see example disclosure below.

Source		Year ended 31/12/12	Year ended 31/12/11
		CU'000	CU'000
IFRS 7.10(a)	Changes in fair value attributable to changes in credit risk recognized during the period (i)	XX	XX
IFRS 7.10(a)	Cumulative changes in fair value attributable to changes in credit risk	XX	XX
IFRS 7.10(b)	Difference between carrying amount and contractual amount at maturity		
	– cumulative financial liabilities at fair value	XX	XX
	– amount payable at maturity	XX	XX
		XXX	XXX

(i) The change in fair value attributable to change in credit risk is calculated as the difference between total change in fair value of cumulative financial liabilities (CU XXX) and the change in fair value of financial liabilities due to change in market risk factors alone (CU XXX). The change in fair value due to market risk factors was calculated using benchmark interest yield curves as at the end of the reporting period holding credit risk margin constant. The fair value of cumulative financial liabilities was estimated by discounting future cash flows using quoted benchmark interest yield curves as at the end of the reporting period and by obtaining lender quotes for borrowings of similar maturity to estimate credit risk margin.

Notes to the financial statements
for the year ended 31 December 2012—continued

(d) Derivative financial instruments

The following tables detail the Fund's investments in derivative contracts outstanding as at the reporting date.

Options

As at 31 December 2012

Description	Maturity date	Notional amount in CU'000	Fair value in CU'000– financial assets	Fair value in CU'000– financial liabilities
ABC equity index options	31/03/2013	193,200	57,456	–
DEF bond index options	05/05/2013	128,800	5,183	–
GHI equity options	30/06/2013	520,000	–	(199)
			62,639	(199)

As at 31 December 2011

Description	Maturity date	Notional amount in CU'000	Fair value in CU'000– financial assets	Fair value in CU'000– financial liabilities
ABC equity index options	14/02/2012	247,000	17,411	–
DEF bond index options	31/03/2012	2,500	898	–
GHI equity options	30/06/2012	52,300	–	(123)
			18,309	(123)

An option is a derivative financial instrument which gives the right, but not the obligation to buy (for a call option) or to sell (for a put option) a specific amount of a given stock, currency, index or debt, at a specified price (the strike price) during a specified period (American option) or on a specified date (European option). The fair value of the listed options are included in derivatives held for trading classified as financial assets or liabilities at fair value through profit or loss disclosed in Note 5(b) to the financial statements.

Futures

As at 31 December 2012

Description	Maturity date	Notional amount in CU'000	Fair value in CU'000– financial assets	Fair value in CU'000– financial liabilities
XYZ equity index futures	15/03/2013	5,700	312	–

As at 31 December 2011

Description	Maturity date	Notional amount in CU'000	Fair value in CU'000– financial assets	Fair value in CU'000– financial liabilities
XYZ equity index futures	04/03/2012	13,200	9,115	–

Futures are exchange-traded derivatives which represent agreements to buy or sell a financial instrument in the future for a specified price. The futures contracts are collateralized by cash held by brokers in margin accounts and changes in the value of the contracts are settled net, on a daily basis. The fair value of the futures are included in derivatives held for trading classified as financial assets or liabilities at fair value through profit or loss disclosed in Note 5(b) to the financial statements.

Notes to the financial statements
for the year ended 31 December 2012—continued

Forward foreign exchange contracts

As at 31 December 2012

Outstanding contracts	Average exchange rate	Contract value in foreign currency '000	Contract value in CU'000	Fair value in CU'000– financial assets	Fair value in CU'000– financial liabilities
Buy Currency B					
Less than 3 months	0.69	17,000	24,638	–	(198)
Sell Currency B					
Less than 3 months	0.71	83,250	117,254	217	–
Buy Currency C					
Less than 3 months	89.55	1,150,000	12,842	59	–
Sell Currency C					
Less than 3 months	87.80	525,000	5,979	–	(59)
				276	(257)

As at 31 December 2011

Outstanding contracts	Average exchange rate	Contract value in foreign currency '000	Contract value in CU'000	Fair value in CU'000– financial assets	Fair value in CU'000– financial liabilities
Buy Currency B					
Less than 3 months	0.77	3,500	4,545	131	–
Sell Currency B					
Less than 3 months	0.78	72,125	97,466	–	(143)
Buy Currency C					
Less than 3 months	86.29	737,800	8,550	–	(16)
Sell Currency C					
Less than 3 months	84.45	1,181,500	13,991	666	–
				797	(159)

In accordance with the Fund's investment objectives and policies the Fund may enter into forward foreign exchange contracts traded over-the-counter to hedge specific foreign currency payments.

The Fund holds investments denominated in the currency of B Land (Currency B) and the currency of C Land (Currency C) at reporting date, and has entered into forward foreign exchange contracts for terms not exceeding 3 months to hedge the exchange rate risk arising from future cash flows on these investments. The fair value of the forward foreign exchange contracts are included in derivatives held for trading classified as financial assets or liabilities at fair value through profit or loss disclosed in Note 5(b) to the financial statements.

There is no requirement to disclose each contract separately but it is a best practice to include individual contracts for the understanding of the users of the financial statements.

Notes to the financial statements
for the year ended 31 December 2012—continued

IFRS 7.27

(e) Fair value of financial instruments

The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and securities) are based on quoted market prices at the close of trading on the year-end date. The quoted market price used for financial assets held by the Fund is the current bid price; the appropriate quoted market price for financial liabilities is the current asking price. When the Fund holds derivatives with offsetting market risks, it uses mid-market prices as a basis for establishing fair values for the offsetting risk positions and applies this bid or asking price to the net open position, as appropriate.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The fair value of financial assets and liabilities that are not traded in an active market is determined by using valuation techniques. The Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each year-end date. Valuation techniques used for non-standardized financial instruments such as options, currency swaps and other over-the-counter derivatives, include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity-specific inputs.

For instruments for which there is no active market, the Fund may use internally developed models, which are usually based on valuation methods and techniques generally recognized as standard within the industry. Valuation models are used primarily to value unlisted equity, debt securities and other debt instruments for which markets were or have been inactive during the financial year. Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions.

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Fund holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors including model risk, liquidity risk and counterparty risk.

IFRS 7.29(a)

The carrying value less impairment provision of other receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Fund for similar financial instruments.

Notes to the financial statements
for the year ended 31 December 2012—continued

IFRS 7.27B(a)

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the inputs to estimate the fair value are observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The inputs are considered as observable if they are developed using market data, such as publicly available information about actual events or transactions, and that reflect the assumption that market participants would use when pricing the assets or liability.

				31/12/12
	Level 1	Level 2	Level 3	Total
	CU'000	CU'000	CU'000	CU'000
Financial assets held for trading				
Equity securities	46,657	–	–	46,657
Derivatives	62,951	276	–	63,227
Debt securities	4,232	21,279	–	25,511
Financial assets designated at fair value through profit or loss at inception				
Equity securities	8,569	–	69	8,638
Open-ended investment funds	–	85,770	–	85,770
Debt securities	732	4,273	16	5,021
Total	123,141	111,598	85	234,824
Financial liabilities held for trading				
Equity securities sold short	877	78	–	955
Derivatives	456	–	–	456
Total	1,333	78	–	1,411

				31/12/11
	Level 1	Level 2	Level 3	Total
	CU'000	CU'000	CU'000	CU'000
Financial assets held for trading				
Equity securities	86,183	–	–	86,183
Derivatives	11,654	3,986	–	15,640
Debt securities	12,380	15,841	–	28,221
Financial assets designated at fair value through profit or loss at inception				
Equity securities	11,280	1,980	101	13,361
Open-ended investment funds	–	–	–	–
Debt securities	–	–	–	–
Total	121,497	21,807	101	143,405
Financial liabilities held for trading				
Equity securities sold short	1,782	–	–	1,782
Derivatives	–	282	–	282
Total	1,782	282	–	2,064

IFRS 7.27B(b)

There were no transfers between Levels 1 and 2 in the period.

Note: IFRS 7 requires disclosure of transfers between levels. Any 'significant' transfer between Levels 1 and 2 should be disclosed. Transfers into each level should be discussed and disclosed separately from transfers out of each level. 'Significant' for the purpose of this disclosure is defined in terms of profit and loss as well as total assets and liabilities.

Notes to the financial statements
for the year ended 31 December 2012—continued

IFRS 7.27B(e)

IFRS 7 states that for fair value measurements in Level 3, if changing one or more of the inputs to reasonably possible alternative assumptions would change the fair value significantly, the entity should state that fact and disclose the effect of those changes. The entity should disclose how the effect of a change to a reasonably possible alternative assumption was calculated.

Below is an example of the sensitivity analysis disclosure:

The consolidated financial statements include holdings in unlisted shares which are measured at fair value. Fair value is estimated using a XXX model, which includes some assumptions that are not supportable by observable market prices or rates.

In determining the fair value, an earnings growth factor of XX% (31 December 2011: XX%) and a risk adjusted discount factor of XX% (31 December 2011: XX%) are used.

If these inputs to the valuation model were XX% higher/lower while all the other variables were held constant, the carrying amount of the shares would decrease/increase by CUXXX (31 December 2011: decrease/increase by CUXXX).

IFRS 7.27B(c)

Reconciliation of Level 3 fair value measurements of financial assets

				31/12/12
	Equity securities	Debt securities	Derivative financial assets	Total
	CU'000	CU'000	CU'000	CU'000
Opening balance	81	20	–	101
Purchases	–	–	–	–
Sales	(17)	–	–	(17)
Transfers in/out of Level 3	–	–	–	–
Gains and losses recognized in profit or loss	5	(4)	–	1
Closing balance	69	16	–	85
Unrealized gains/(losses) for the year on Level 3 investments held at 31 December 2012	12	(4)	–	8

				31/12/11
	Equity securities	Debt securities	Derivative financial assets	Total
	CU'000	CU'000	CU'000	CU'000
Opening balance	20	–	–	20
Purchases	184	20	–	204
Sales	(159)	–	–	(159)
Transfers in/out of Level 3	–	–	–	–
Gains and losses recognized in profit or loss	36	–	–	36
Closing balance	81	20	–	101
Unrealized gains/(losses) for the year on Level 3 investments held at 31 December 2011	(7)	20	–	13

Realized and unrealized gains and losses recognized for Level 3 investments are reported as net realized gain/(loss) on financial assets and liabilities held at fair value through profit or loss, and net change in unrealized gains/(losses) on financial assets and liabilities held at fair value through profit or loss.

Notes to the financial statements
for the year ended 31 December 2012—continued

IFRS 7.14

(f) Financial assets at fair value through profit or loss pledged as security

Financial assets at fair value through profit or loss, including investments in listed equity securities, listed debt securities and open-ended investment funds, with a carrying amount of CU 58,204,460 (2011: CU 28,655,239) have been pledged to secure borrowings of the Fund (see Note 8).

The Fund is not allowed to further pledge these investments as security for other borrowings and the fair value of the pledged investments should at all times exceed the carrying amount of the secured borrowings.

IFRS 7.31

6. Financial risk management

Note: The following are examples of the types of disclosures that might be required in this area. The matters disclosed will be dictated by the investment policy of the individual fund and the risk assumed by its activities as set out in its offering memorandum. The financial risk management system should be designed to respond to the risks to which the individual fund is exposed.

The Fund is exposed to a number of risks due to the nature of its activities and as further set out in its offering memorandum. These risks include market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Fund's objective in managing these risks is the protection and enhancement of shareholder value.

The Fund is also exposed to operational risks such as custody risk. Custody risk is the risk of a loss being incurred on securities in custody as a result of a custodian's or sub-custodian's insolvency, negligence, misuse of assets, fraud, poor administration or inadequate record-keeping. Although an appropriate legal framework is in place that reduces the risk of loss of value of the securities held by the custodian or sub-custodian, in the event of its failure, the ability of the Fund to transfer the securities might be temporarily impaired.

The Fund's risk management policies are approved by the Board of Directors and seek to minimize the potential adverse effects of these risks on the Fund's financial performance. The risk management system is an ongoing process of identification, measurement, monitoring and controlling risk.

IFRS 7 IG15(b)(i)

Risk management structure

The Board of Directors is ultimately responsible for the overall risk management within the Fund but has delegated the responsibility for identifying and controlling risks to the Fund's Investment Manager.

IFRS 7 IG15(b)(ii)

Risk measurement and reporting system

The Fund uses different methods to measure and manage the various types of risk to which it is exposed; these methods are explained below.

IFRS 7 IG15(b)(iii)

Risk mitigation

The Fund's offering memorandum details its investment policy and guidelines that encompasses its overall investment strategy, its tolerance for risk and its general risk management philosophy.

The Fund uses derivatives and other instruments for trading purposes and for risk management.

IFRS 7.34(c)
IFRS 7 IG18

Excessive risk concentration

A concentration of risk exists where: (i) positions in financial instruments are affected by changes in the same risk factor or group of correlated factors; and (ii) the exposure could, in the event of large but plausible adverse developments, result in significant losses.

Concentrations of liquidity risk may arise from the repayment terms of financial liabilities, sources of borrowing facilities or reliance on a particular market in which to realize liquid assets. Concentrations of foreign exchange risk may arise if the Fund has a significant net open position in a single foreign currency, or aggregate net open positions in several currencies that tend to move together. Concentrations of counterparty risk may arise when a number of financial instruments or contracts are contracted with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

IFRS 7 IG15(c)

In order to avoid excessive concentration of risk, the Fund's investment policies and risk management procedures include specific guidelines to ensure the maintenance of a diversified portfolio. The Investment Manager is mandated within prescribed limits to reduce exposure or to use derivative instruments to manage excessive risk concentrations when they arise.

Notes to the financial statements
for the year ended 31 December 2012—continued

IFRS 7.33

(a) Credit risk

IFRS 7.34
IFRS 7.36

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Fund.

At reporting date, financial assets exposed to credit risk include debt instruments and derivatives disclosed in Note 5(b) to the financial statements. It is the opinion of the Board of Directors that the carrying amounts of these financial assets represent the maximum credit risk exposure at the reporting date.

Note: In the case where the Fund has contingent liabilities the maximum credit exposure at the balance sheet date will differ from the carrying amounts of the financial assets.

The Board of Directors has a documented policy in place of spreading the aggregate value of transactions concluded amongst approved counterparties with an appropriate credit quality. The Fund's exposure and the credit ratings of its counterparties are continuously monitored by management. The following table summarizes the credit quality of the debt instruments in the portfolio, as rated by well known rating agencies (name of the rating agencies) approved by the Board of Directors, or in the case of an unrated debt instrument, the rating as assigned by the Board of Directors using an approach consistent with that of the respective rating agencies:

IFRS 7.36(c)

Rating	31/12/12	31/12/11
Aaa/AAA	57%	60%
Aa/AA	26%	13%
A/A	12%	24%
Baa/BBB	5%	3%
Total	100%	100%

All purchases and sales of listed securities are settled/paid for upon delivery using approved brokers. The delivery of securities sold is only made once payment has been received by the broker and payment is made on a purchase only after the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

The credit risk on cash transactions and transactions involving derivative financial instruments is mitigated by transacting with counterparties that are regulated entities subject to prudential supervision, or with high credit-ratings assigned by international credit-rating agencies. The Fund reduces the settlement risk on gross settled foreign exchange derivatives by using a foreign exchange clearing house which allows transactions to be settled on a delivery versus payment basis.

Credit risk exposure on derivative financial instruments is further mitigated by entering into master netting agreements with brokers, approved by management, with whom the Fund undertakes large number of derivative transactions. Such agreements provide for a single net settlement of all financial instruments covered by the agreement in the event of default on, or termination of, any one contract. These master netting agreements reduce the Fund's exposure to credit risk as it provides protection against loss in the event of bankruptcy or other circumstances that result in a counterparty being unable to meet its obligations.

The Fund is exposed to credit risk with the custodian. Should the custodian become insolvent, it could cause a delay for the Fund in obtaining access to its assets.

In accordance with the investment restrictions as described in its offering memorandum, the Fund may not invest more than 10% of its net assets in a single issuer.

Notes to the financial statements
for the year ended 31 December 2012—continued

IFRS 7.36(d)

As at 31 December 2012 and 2011, none of these financial assets were neither impaired nor past due but not impaired. The Fund does not hold any collateral as security.

IFRS 7.36(b)

Note: For annual reporting periods beginning on or after 1 January 2011, a description of collateral held as security and of other credit enhancements, and their financial effect (e.g., a quantification of the extent to which collateral and other credit enhancements mitigate credit risk) in respect of the amount that best represents the maximum exposure to credit risk is required to be disclosed in the financial statements.

Note: IFRS 7.37 has additional disclosure requirements relating to financial assets that are past due or impaired. These disclosures include by class of asset (a) an analysis of the age of financial assets that are past due as at the reporting date but not impaired; (b) an analysis of financial assets that are individually determined to be impaired as at the reporting date, including the factors the Fund considered in determining that they are impaired.

For illustration however see example of disclosures below.

IFRS 7.37(a)

Ageing of past due but not impaired

	31/12/12	31/12/11
	CU'000	CU'000
60-90 days	XX	XX
90-120 days	XX	XX
Total	**XX**	**XX**
Average age (days)	XX	XX

IFRS 7.37(b)

Ageing of impaired financial assets

	31/12/12	31/12/11
	CU'000	CU'000
60-90 days	XX	XX
90-120 days	XX	XX
120+ days	XX	XX
Total	**XX**	**XX**

Notes to the financial statements
for the year ended 31 December 2012—continued

IFRS 7.33

(b) Liquidity risk

IFRS 7.34

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 or can only do so on terms that are materially disadvantageous.

IFRS 7.39(b)

As described in Note 3.11 to the financial statements, the Fund's redeemable shares are redeemable at the shareholders' option at any time for cash equal to a proportionate share of the Fund's net asset value. The Fund is therefore potentially exposed to daily redemptions by its shareholders.

The Fund invests primarily in marketable securities and other financial instruments, which under normal market conditions are readily convertible to cash. In addition, the Fund's policy is to maintain sufficient cash and cash equivalents to meet normal operating requirements and expected redemption requests.

The Fund's financial assets may however include investments listed below which may limit the ability of the Fund to liquidate some of its investments at an amount close to its fair value in order to meet its liquidity requirements:

- Investments in open-ended investment funds which may not be readily realizable due to lock-up periods; extended withdrawal, notice or settlement periods; or in extraordinary cases periods in which redemptions are suspended due to adverse market conditions.
- Investments in debt securities that are traded over-the-counter and unlisted equities that are not traded in an active market.
- Investments in derivative contracts traded over-the-counter, which are not quoted in an active market and which generally may be illiquid.

Note: A fund with material illiquid investments should disclose that fact, the risk associated with the lack of active market for those investments and how it manages that risk. For example, a fund of funds may be subject to 'exit penalties' and 'redemption gates' which prohibit or significantly limit redemptions of units in underlying investment funds during certain periods. As a result, the fund may not be able to meet short-term liquidity needs or promptly respond to adverse changes (either in the market or in the investee). In order to manage its liquidity, the fund may employ restrictions on redemption and sale, transfer, or encumbrance of its own units. A fund's investor agreement may provide the investment manager with the ability to halt redemptions in the fund (for example, until they can be honoured in an orderly fashion). Such suspensions may be imposed to help avoid the fund from having to be liquidated. Alternatively, suspensions may be imposed if the fund's investments become so difficult to value that there would be serious concern that redeeming members would be advantaged to the disadvantage of remaining investors. Restrictions on redemptions through the use of pro-rata reductions to investors' redemption amounts due to a high level of overall investor redemption requests are commonly referred to as gates.

The Fund also has committed lines of credit of CU 10,000,000 that may be available for future operating activities and to meet short-term liquidity needs. There are no significant restrictions on the use of those facilities.

Trading limits and collateral arrangements limit the extent to which liabilities may be extended to the Fund. Such trading limits will be based upon the size and marketability of the assets held by the Fund. The average holding period of a short investment is less than six months.

It is the Fund's policy that the Investment Manager monitors the Fund's liquidity position on a daily basis and that the Board of Directors reviews it on a quarterly basis.

Notes to the financial statements
for the year ended 31 December 2012—continued

IFRS 7.39(a)

The following tables detail the Fund's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Fund can be required to pay.

	Less than 1 month	1-3 months	3 months to 1 year	Total
	CU'000	CU'000	CU'000	CU'000
2012				
Accounts payable	613	14	32	659
Due to brokers	12	1	–	13
Borrowings	17,872	6,209	1,146	25,227
Financial liabilities at fair value through profit or loss	869	86	–	955
Net assets attributable to redeemable shares	208,536	–	–	208,536
	227,902	6,310	1,178	235,390
2011				
Accounts payable	367	23	26	416
Due to brokers	7	1	–	8
Borrowings	9,955	50	–	10,005
Financial liabilities at fair value through profit or loss	1,194	588	–	1,782
Net assets attributable to redeemable shares	132,267	–	–	132,267
	143,790	662	26	144,478

The Fund manages its liquidity risk by investing predominantly in securities that it expects to be able to liquidate within 30 days or less. The following table illustrates the expected liquidity of assets held:

	Less than 1 month	1-3 months	3 months to 1 year	Total Total
	CU'000	CU'000	CU'000	CU'000
2012				
Total assets	192,044	38,631	5,179	235,854
	192,044	38,631	5,179	235,584
2011				
Total assets	117,875	23,711	3,179	144,765
	117,875	23,711	3,179	144,765

Notes to the financial statements
for the year ended 31 December 2012—continued

IFRS 7.39(b)

The following table details the Fund's liquidity analysis for its derivative financial instruments in a loss position. The table has been drawn up based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis and the undiscounted gross inflows and outflows on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves at the end of the reporting period.

	Less than 1 month	1-3 months	3 months to 1 year	Total
	CU'000	CU'000	CU'000	CU'000
2012				
Net settled:				
Listed equity options	–	–	199	199
Gross settled:				
Forward foreign exchange contracts	190	67	–	257
	190	67	199	456
2011				
Net settled:				
Listed equity options	–	–	123	123
Gross settled:				
Forward foreign exchange contracts	137	22	–	159
	137	22	123	282

IFRS 7.33

(c) Market risk

IFRS 7.34

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and market prices. The maximum risk resulting from financial instruments, except for written options and securities sold short, equals their fair value.

Note: Within the main text of Note 6(c) we illustrate the requirements of IFRS 7.40 whereby a sensitivity analysis for each type of market risk to which the Fund is exposed is disclosed and showing how profit or loss would have been affected by changes in the relevant risk variable.

If however the Fund prepares a sensitivity analysis, such as value-at-risk ("VaR"), that reflects interdependencies between risk variables (e.g., interest rates and exchange rates) and uses it to manage financial risks, it may use that sensitivity analysis in place of an individual sensitivity analysis for each type of market risk to which the Fund is exposed at reporting date. In this case, the Fund shall also disclose an explanation of the method used in preparing such a sensitivity analysis, and of the main parameters and assumptions underlying the data provided; and an explanation of the objective of the method used and of limitations that may result in the information not fully reflecting the fair value of assets and liabilities involved (IFRS 7.41). On page 31 we have demonstrated the disclosure of such a VaR analysis as an alternative for those Funds that use a VaR analysis to manage financial risks. Note however that this alternative is only applicable to the sensitivity disclosures contained below and all other qualitative and quantitative disclosures not related to sensitivity included in this note should still be presented.

Notes to the financial statements
for the year ended 31 December 2012—continued

IFRS 7.41

Market risk *[IFRS 7.41 Alternative disclosure]*

The Fund's activities expose it primarily to the market risks of changes in foreign currency exchange rates, interest rates and market prices. These market risk exposures are measured using VaR and are supplemented by sensitivity analysis.

VaR analysis

The VaR measure estimates the potential loss in net assets attributable to holders of redeemable shares over a given holding period for a specified confidence level. The VaR methodology is a statistically defined, probability-based approach that takes into account market volatilities as well as risk diversification by recognizing offsetting positions and correlations between products and markets. Risks can be measured consistently across all markets and products, and risk measures can be aggregated to arrive at a single risk number. The one-day 99 percent VaR number used by the Fund reflects the 99 percent probability that the daily loss will not exceed the reported VaR.

VaR methodologies employed to calculate daily risk numbers include the historical and variance-covariance approaches. In addition to these two methodologies, Monte Carlo simulations are applied to the Fund's investment portfolio on a monthly basis to determine potential future exposure.

Historical VaR	Average		Minimum		Maximum		Year end	
(99 percent, one-day)	2012	2011	2012	2011	2012	2011	2012	2011
by risk type	CU'000	CU'000	CU'000	CU'000	CU'000	CU'000	CU'000	CU'000
Price	XX	XX	XX	XX	XX	XX	XX	XX
Foreign exchange	XX	XX	XX	XX	XX	XX	XX	XX
Interest rate	XX	XX	XX	XX	XX	XX	XX	XX
Diversification	(XX)	(XX)	(XX)	(XX)	(XX)	(XX)	(XX)	(XX)
Total VaR exposure	**XX**	**XX**	**XX**	**XX**	**XX**	**XX**	**XX**	**XX**

While VaR captures the Fund's daily exposure to price, currency and interest rate risk, sensitivity analysis evaluates the impact of a reasonably possible change in interest or foreign currency rates over a year. The longer time frame of sensitivity analysis complements VaR and helps the Fund to assess its market risk exposures.

Note that IFRS 7.41 only requires VaR to be presented at the year end. The detailed note as disclosed above has been voluntarily adopted by the Fund.

IFRS 7.33

Price risk

IFRS 7.34

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting similar financial instruments traded in the market.

The Fund is exposed to equity price risk which arises from its investments in equity securities and related derivatives and investments in open-ended investment funds (see Note 5 for the fair value of these investments).

The Investment Manager manages the Fund's equity price risk on a daily basis in accordance with the Fund's investment objectives and policies [*insert Fund's investment objectives and policies*]. The Fund's overall market positions are monitored on a monthly basis by the Board of Directors.

Price sensitivity

IFRS 7.40(b)

The following details the Fund's sensitivity to a five percent increase and decrease in equity prices, with five percent being the sensitivity rate used when reporting price risk internally to key management personnel and representing management's assessment of a reasonably possible change in prices.

Notes to the financial statements for the year ended 31 December 2012—continued

IFRS 7.40(a)

At 31 December 2012, if equity prices had been five percent higher with all other variables held constant, the increase in net assets attributable to holders of redeemable shares for the year would have been CU 11,670 (2011: CU 7,067) higher, arising due to the increase in the fair value of financial assets at fair value through profit or loss by CU 11,741 (2011: CU 7,170) offset by the increase in the fair value of the financial liabilities at fair value through profit or loss by CU 71 (2011: CU 103).

If equity prices had been five percent lower with all other variables held constant the decrease in net assets attributable to holders of redeemable shares for the year would have been CU 11,670 (2011: CU 7,067) lower, arising mainly due to the decrease in the fair value of financial assets at fair value through profit or loss by CU 11,741 (2011: CU 7,170) set off by the decrease in the fair value of the financial liabilities at fair value through profit or loss CU 71 (2011: CU 103).

IFRS 7.40(c)

The sensitivity is higher in 2012 than in 2011 because of an increase in the net financial assets and liabilities at fair value through profit or loss at the statement of financial position date.

IFRS 7.33

Interest rate risk

IFRS 7.34

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

IFRS 7.B22

The Fund is exposed to interest rate risk as it invests in listed debt securities bearing interest at both fixed and floating interest rates and related derivative instruments. Other financial assets and liabilities exposed to interest rate risk include borrowings which are invested at long term interest rates and cash and bank balances which are invested at short term interest rates. The Investment Manager manages the Fund's exposure to interest rate risk on a daily basis in accordance with the Fund's investment objectives and policies. The Fund's overall exposure to interest rate risk is monitored on a monthly basis by the Board of Directors.

The following table details the Fund's exposure to interest rate risk as at 31 December 2012 by the earlier of contractual maturities or re-pricing:

	Less than 1 month	1-3 months	3 months to 1 year	+1 year	Total
	CU'000	CU'000	CU'000	CU'000	CU'000
Assets					
Non-interest bearing	22,230	20,059	43,911	113,669	199,869
Floating interest rate listed debt securities	2,882	1,873	3,843	10,615	19,213
Fixed interest rate listed debt securities	1,698	1,104	2,263	6,254	11,319
Listed bond index options	5,183	–	–	–	5,183
Cash and bank balances	270	–	–	–	270
Total assets	32,263	23,036	50,017	130,538	235,854
Liabilities (excluding net assets attributable to holders of redeemable shares)					
Non-interest bearing	1,297	481	310	3	2,091
Bank overdraft	17,872	–	–	–	17,872
Bank loans	613	1,839	4,903	–	7,355
	19,782	2,320	5,213	3	27,318
Net assets attributable to holders of redeemable shares	208,536	–	–	–	208,536
Total liabilities	**228,318**	**2,320**	**5,213**	**3**	**235,854**

Notes to the financial statements
for the year ended 31 December 2012—continued

The following table details the Fund's exposure to interest rate risk as at 31 December 2011 by the earlier of contractual maturities or re-pricing:

	Less than 1 month	1-3 months	3 months to 1 year	+1 year	Total
	CU'000	CU'000	CU'000	CU'000	CU'000
Assets					
Non-interest bearing	12,873	14,090	28,179	72,946	128,088
Floating interest rate listed debt securities	953	1,466	1,955	5,401	9,775
Fixed interest rate listed debt securities	572	880	1,173	3,240	5,865
Listed bond index options	898	–	–	–	898
Cash and bank balances	139	–	–	–	139
Total assets	15,435	16,436	31,307	81,587	144,765
Liabilities (excluding net assets attributable to holders of redeemable shares)					
Non-interest bearing	1,545	673	274	1	2,493
Bank overdraft	9,955	–	–	–	9,955
Bank loans	4	13	33	–	50
	11,504	686	307	1	12,498
Net assets attributable to holders of redeemable shares	132,267	–	–	–	132,267
Total liabilities	**143,771**	**686**	**307**	**1**	**144,765**

Interest rate sensitivity

IFRS 7.40(b) The sensitivity analyses below have been determined based on the Fund's exposure to interest rates for interest bearing assets and liabilities (included in the interest rate exposure tables above) at the statement of financial position date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of instruments that have floating rates.

IFRS 7.34(a) A 25 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of a reasonably possible change in interest rates.

IFRS 7.40(a) If interest rates had been 25 basis points higher and all other variables were held constant, the Fund's net assets attributable to holders of redeemable shares for the year ended 31 December 2012 would have decreased by CU 11 (2011: CU 9) mainly due to the decrease in the market value of fixed interest rate listed debt securities and a lesser amount due to an increase in interest payable on the bank overdraft.

If interest rates had been 25 basis points lower and all other variables were held constant, the Fund's net assets attributable to holders of redeemable shares for the year ended 31 December 2012 would have increased by CU 11 (2011: CU 9) mainly due to the increase in the market value of fixed interest rate listed debt securities.

IFRS 7.33(c) The Fund's sensitivity to interest rates has increased during the current period mainly due to the increase in the concentration of the Fund's net asset value invested in fixed and floating rate debt instruments in accordance with the Fund's investment objectives and policies.

IFRS 7.33(b) In accordance with the Fund's policy, the Investment Manager monitors the Fund's overall interest sensitivity on a daily basis; the Board of Directors reviews it on a quarterly basis.

IFRS 7.33 **Currency risk**

IFRS 7.34(a) Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Fund invests in securities and other investments that are denominated in currencies other than the CU. Accordingly, the value of the Fund's assets may be affected favourably or unfavourably by fluctuations in currency rates and therefore the Fund will necessarily be subject to foreign exchange risks. The Fund undertakes certain transactions denominated in foreign currencies and hence is exposed to the effects of exchange rate fluctuations. Exchange rate exposures are managed within approved policy parameters utilizing forward foreign exchange contracts as detailed in Note 5(d) to the financial statements.

Notes to the financial statements
for the year ended 31 December 2012—continued

The carrying amount of the Fund's foreign currency denominated financial assets and financial liabilities at the reporting date is as follows:

	Assets		Liabilities	
	2012	2011	2012	2011
	CU'000	CU'000	CU'000	CU'000
Currency of B Land ("B")	32,575	4,575	12,753	6,538
Currency of C Land ("C")	2,326	1,550	2,768	3,990
Other	75	323	89	950

Foreign currency sensitivity

The Fund is mainly exposed to the currency of B Land (currency B) and the currency of C Land (currency C).

The following table details the Fund's sensitivity to a 10 percent increase and decrease in the CU against the relevant foreign currencies, translated at the statement of financial position date. 10 percent is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of a reasonably possible change in foreign exchange rates. A negative number indicates a decrease in net assets attributable to holders of redeemable shares where the CU strengthens 10 percent against the relevant currency. For a 10 percent weakening of the CU against the relevant currency, there would be an equal and opposite impact on the net assets attributable to holders of redeemable shares, and the balances below would be positive.

IFRS 7.40(a)

	Currency B Impact		Currency C Impact	
	2012	2011	2012	2011
	CU'000	CU'000	CU'000	CU'000
Increase in net assets attributable to holders of redeemable shares	(8,918)	(9,196)	(5,044)	(544)

The currency B impact is mainly as a result of an increase in the fair value of currency B denominated financial liabilities set off by the increase in the fair value of currency B forward exchange contracts, and the currency C impact mainly as a result of an increase in the fair value of currency C denominated financial liabilities combined with the decrease in the fair value of currency C forward exchange contracts.

IFRS 7.40(c) The higher foreign currency exchange rate sensitivity in net assets attributable to holders of redeemable shares in 2012 compared with 2011 is attributable to an increase in foreign currency denominated financial liabilities.

IAS1.134,135 *(d) Capital risk management*

The capital structure of the Fund consists of borrowings disclosed in Note 8, cash and bank balances and proceeds from the issue of redeemable shares.

The Fund has no restrictions or specific capital requirements on the subscriptions and redemptions of shares. The Fund's overall strategy remains unchanged from the previous fiscal period.

The Investment Manager reviews the capital structure on a monthly basis. As part of this review, the Investment Manager considers the cost of capital and the risks associated with each class of capital. It is the Fund's policy to maintain the ratio of borrowings net of cash and bank balances to net assets attributable to holders of redeemable shares below 50 percent.

The ratio at the year end was as follows:

	Year ended 31/12/12	Year ended 31/12/11
	CU'000	CU'000
Borrowings (see Note 8)	25,227	10,005
Cash and bank balances	(270)	(139)
Borrowings net of cash and bank balances	24,957	9,866
Net assets attributable to holders of redeemable shares	208,536	132,267
Ratio	12%	7%

Notes to the financial statements
for the year ended 31 December 2012—continued

IAS 7.45

7. Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise the following balances with original maturity of less than 90 days:

	31/12/12	31/12/11
	CU'000	CU'000
Cash and demand balances at banks	229	139
Short term deposit	41	–
Bank overdrafts	(17,872)	(9,955)
Total	(17,602)	(9,816)

Note: Under IAS 7 Cash Flow Statements bank overdrafts which are repayable on demand and form an integral part of an entity's cash management are included as a component of cash and cash equivalents. It is deemed for the purposes of these financial statements that bank overdrafts meets this criteria as the bank balance of the Fund often fluctuates from being positive to overdrawn.

IFRS 7.8(f)

8. Borrowings

Borrowings are recognized at fair value net of transaction costs incurred. They are subsequently valued at amortized cost; any difference is recognized in the statement of comprehensive income over the period of the borrowing using the effective interest method.

	Year ended 31/12/12	Year ended 31/12/11
	CU'000	CU'000
Unsecured—at amortized cost		
Bank overdrafts	25	16
Other *[describe]*	–	–
	25	16
Secured—at amortized cost		
Bank overdrafts (i)	17,847	9,939
Bank loans (ii)	7,355	50
Other *[describe]*	–	–
	25,202	9,989
	25,227	10,005

IFRS 7.7,14

(i) Payable within 12 months as at the reporting date and secured by a pledge over the Fund's investments in listed equity securities, listed debt securities and open-ended investment funds (see Note 5). The current weighted average effective interest rate on the bank overdraft is 4.72 percent per annum (2011: 6.1 percent per annum).

(ii) Payable within 12 months as at the reporting date and secured by a pledge over the Fund's investments in listed equity securities, listed debt securities and open-ended investment funds (see Note 5). The current weighted average effective interest rate on the bank loans is 4.12 percent per annum (2011: 5.22 percent per annum).

The carrying amounts of the Fund's borrowings at the statement of financial position date approximate fair value.

Notes to the financial statements
for the year ended 31 December 2012—continued

IFRS 8.20

9. Segment information

IFRS 8.23

(a) Segment results and net assets

The Fund is organized in one main operating segment, namely the management of the Fund's investments in order to achieve the Fund's investment objectives. All operating segment information is already included in other parts of the financial statements.

The Fund's sole income-generating activity is the management of the Fund's investments which are diversified as disclosed in Notes 5 and 6.

(b) Other information

IFRS 8.33

The Fund's investments are managed solely from [*insert country where the asset management function is performed*]. Whilst the Fund has only one operating segment, it does have exposure to different geographical markets through the investments it holds and the Fund operating income per geographical location is analyzed below:

	Operating income	
	31/12/12	31/12/11
	CU'000	CU'000
A Land	64,888	(223,286)
B Land	10,544	(31,523)
C Land	1,622	525
Other	4,056	(8,406)
	81,110	(262,690)

Geographical information is based on the location of the Fund's investments. Geographical locations are determined by the Fund based on the country of primary listing for listed instruments and the country of incorporation for unlisted instruments, excluding derivatives. For derivatives the geographical location is determined by *[insert Fund's policy e.g., the geographical location is determined based on the location of the stock exchange if traded on an active market and the place of registration of the counterparty if traded over-the-counter]*.

IFRS 8.34

The Fund's shares are widely held and no individual shareholder owns more than 1 percent of the share capital of the Fund.

IFRS 7.20(b)

10. Interest income

	Year ended 31/12/12	Year ended 31/12/11
	CU'000	CU'000
Interest income on cash and bank balances	166	64
Interest income on financial assets at fair value through profit or loss:		
– Listed debt securities held for trading	2,894	745
– Listed debt securities designated as at fair value through profit or loss	267	100
	3,327	909

IFRS 7.20(b)

11. Finance costs

	Year ended 31/12/12	Year ended 31/12/11
	CU'000	CU'000
Distributions to holders of redeemable shares	2,000	–
Interest paid on bank overdrafts and bank loans	389	1,421
	2,389	1,421

Distributions to holders of redeemable shares comprise dividends declared and paid by the Fund to the holders of redeemable shares during the year. The distributions are presented as finance costs due to the redeemable shares being classified as financial liabilities in the statement of financial position as described in Note 3.11 to the financial statements.

An additional dividend of CU 500,000 has been proposed by the Board of Directors on *[insert date]* for the year ended 31 December 2012 which is not reflected in these financial statements.

Notes to the financial statements
for the year ended 31 December 2012—continued

IAS 1.79(a)

12. Redeemable shares and net assets attributable to holders of redeemable shares

(a) Authorized and issued capital

The authorized share capital of the Fund is 50,000,000 redeemable participating shares with a par value of CU 0.01 per share. These are issued as Class A or Class B shares, both of which carry equal voting rights. They are entitled to dividends and to a proportionate share of the Fund's net assets attributable to holders of redeemable shares.

All issued redeemable shares are fully paid and are listed and traded on the *[insert stock exchange]*. The Fund's capital is represented by these redeemable participating shares. Quantitative information about the Fund's capital is provided in the statement of changes in net assets attributable to holders of redeemable shares.

Each share issued confers upon the shareholder an equal interest in the Fund, and is of equal value. A share does not confer any interest in any particular asset or investment of the Fund.

Shareholders have various rights under the Fund's constitution, including the right to:

- have their shares redeemed at a proportionate share based on the Fund's net asset value per share on the redemption date;
- receive income distributions;
- attend and vote at meetings of shareholders; and
- participate in the termination and winding up of the Fund.

The Investment Manager manages the capital of the Fund in accordance with the Fund's investment objectives; policies and restrictions, as outlined in the Fund's offering memorandum while maintaining sufficient liquidity to meet participating shareholders redemptions. The Fund's overall strategy from managing capital remains unchanged from 2011. The Fund does not have any externally imposed capital requirements.

Changes in the number of redeemable shares outstanding can be reconciled as follows:

	Year ended 31/12/12			Year ended 31/12/11		
	Class A shares	Class B shares	Total number of shares	Class A shares	Class B shares	Total number of shares
Number of redeemable shares outstanding at 1 January	2,244,028	322,258	2,566,286	2,244,028	322,258	2,566,286
Issue of redeemable shares	26,000	10,350	36,350	–	–	–
Redemption of redeemable shares	(32,816)	–	(32,816)	–	–	–
Number of redeemable shares outstanding at 31 December	2,237,212	332,608	2,569,820	2,244,028	322,258	2,566,286

(b) Net asset value per share

Note: The net asset value (NAV) as per the offering memorandum issued by an investment fund often differs from the NAV of the fund measured in accordance with the requirements of IFRS. Common differences are measurement of NAV on the basis of mid-market prices as opposed to IFRS measurement basis (i.e., long assets measured at 'bid' and short positions measured at 'offer') and capitalization and amortization of start-up costs (whereas for IFRS purposes they are expensed as incurred). Our view is that the liability of an investment fund to its shareholders should be measured as equivalent to the NAV of the fund (i.e., the value of the fund's assets less the value of its liabilities) measured in accordance with the requirements of IFRS. For disclosure purposes, the statement of financial position should disclose the NAV as per "IFRS" and reconcile this figure to the NAV with additional disclosures in the notes to the financial statements to assist in understanding the differences between the two amounts. Some funds may have a nominal amount of founder shares classified as equity. These should be disclosed separately.

For the purpose of calculating the net assets attributable to shareholders in accordance with the Fund's offering memorandum, the Fund's assets and liabilities are valued on the basis of last traded prices. This valuation of net asset value is different from the IFRS valuation requirements (see Note 3.11).

Notes to the financial statements
for the year ended 31 December 2012—continued

The Fund's net asset value per share used for the issuance and redemptions of shares can be reconciled to the net asset value per share, as calculated in accordance with IFRS, as follows:

	31/12/12		31/12/11	
	Class A shares	Class B shares	Class A shares	Class B shares
Net asset value per share used for the issuance and redemptions of shares	81.71	82.08	51.92	52.10
– Adjustment for bid-ask market prices	(0.51)	(0.52)	(0.25)	(0.26)
– Adjustment for start-up costs	(0.10)	(0.10)	(0.15)	(0.15)
Net asset value per share (in accordance with IFRS)	81.10	81.46	51.52	51.69

IAS 24.17

13. Related party transactions

[*Name of entity*] (the "Investment Manager"), [*Name of entity*] (the "Administrative Agent"), *[Name of entity]* (the "Custodian") and the Directors are considered related parties of the Fund due to direct or indirect common control.

All transactions between the related parties are conducted at arm's length and can be summarized as follows:

IAS 24.23

Note: Disclosures that related party transactions were made on terms equivalent to those that prevail in arm's length transactions are made only if such terms can be substantiated.

Investment Manager

The Fund has appointed [*name entity, a subsidiary of the Investment Manager*] to provide management services pursuant to a management agreement dated [*insert date*]. Under the terms of the agreement the Fund pays the Investment Manager [*insert terms of the agreement*]. In addition the Fund pays a performance fee calculated [*insert terms as per the agreement*]. Management and performance fees for the year ended 31 December 2012 totalled CU 2,085,682 (2011: CU 3,025,071) and are presented in the statement of comprehensive income. The amount outstanding at the year end is CU 173,820 (2011: CU 252,090) and it is included in accounts payable.

Custodian

The Fund has appointed [*Name of entity, a subsidiary of the Investment Manager*] to provide custodian services pursuant to a custodian agreement dated [*insert date*]. Under the terms of the agreement the Fund pays the Custodian [*insert terms of the agreement*]. Custodian fees for the year ended 31 December 2012 totalled CU 216,486 (2011: CU 443,250) and are presented in the statement of comprehensive income. The amount outstanding at the year end is CU 18,040 (2011: CU 36,937) and it is included in accounts payable.

Administrator

The Fund has appointed [*Name of entity*] to provide administrative services pursuant to an administration agreement dated [*insert date*]. Under the terms of the agreement the Fund pays the Administrative Agent [*insert terms of the agreement*]. Administrative fees for the year ended 31 December 2012 totalled CU 137,846 (2011: CU 75,700) and are presented in the statement of comprehensive income. The amount outstanding at the year end is CU 11,487 (2011: CU 6,308) and it is included in accounts payable.

Board of Directors

The members of the Board of Directors are listed on page [*insert page number where directors are listed*] of the annual report. Directors' fees paid during the year ended 31 December 2012 totalled CU 15,000 (2011: CU 15,000) and are presented in the statement of comprehensive income. The amount outstanding at the year end is CU 3,750 (2011: CU 3,750) and it is included in accounts payable.

For the year ended 31 December 2012 members of the Board of Directors held shares in the Fund as detailed below:

	Number of shares at the beginning of the year	Number of shares acquired during the year	Number of shares disposed of during the year	Number of shares at year end	Distribution received CU'000
2012	12,000	1,350	–	13,350	10,400
2011	12,000	–	–	12,000	–

Notes to the financial statements
for the year ended 31 December 2012—continued

IAS 10.21

14. Events after statement of financial position date

There has been no significant event after the statement of financial position date which in the opinion of the Board of Directors requires disclosure in the financial statements.

15. Approval of financial statements

The financial statements were approved by the Board of Directors and authorized for issue on [*insert date*].

ISA 700 (revised—Global version)
Independent auditors' report

Board of Directors
[APPROPRIATE ADDRESS]

To the shareholders of International GAAP Investment Fund

Report on the financial statements

We have audited the accompanying financial statements of International GAAP Investment Fund (the "Fund"), which comprise the statement of financial position as at 31 December 2012, the statement of comprehensive income, the statement of changes in net assets attributable to holders of redeemable shares and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

The management of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal controls as management determines, necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of International GAAP Investment Fund as of 31 December 2012, and its financial performance, changes in its net assets attributable to holders of redeemable shares and its cash flows for the year then ended in accordance with the International Financial Reporting Standards.

[Signature]

[Date]

[Address}

Note: The audit of the financial statements may be conducted in accordance with International Standards on Auditing (ISA) and/or applicable local auditing standards, making reference to local laws, auditing standards or regulations. The format of the report above is as specified by ISA 700 (Revised), The Independent Auditors' Report on a Complete Set of General Purpose Financial Statements.

When local auditing standards or regulations apply, the report format will be impacted by those local rules.

Appendix 1—Open-ended fund with puttable instruments classified as equity

These model financial statements have been presented assuming all shares issued by the Fund are reedemable shares which do not meet the criteria under IAS 32 *Financial Instruments: Presentation* to classify it as equity.

The purpose of this Appendix is to highlight some differences between the financial statements of a fund:

- whose redeemable shares are classified as liabilities; and
- whose puttable shares are classified as equity.

This Appendix illustrates:

- the statement of financial position;
- the statement of comprehensive income;
- the statement of changes in equity; and
- the example disclosures,

for an open-ended fund that issues puttable instruments which are classified as equity under IAS 32 *Financial Instruments: Presentation*.

Source	International GAAP Investment Fund			
IAS 1.10(b) IAS 1.51(b),(c)	**Statement of comprehensive income for the year ended 31 December 2012**			
IAS 1.113		Notes	Year ended 31/12/12	Year ended 31/12/11
IAS 1.51(d),(e)			CU'000	CU'000
IAS 1.82(a)	**Revenue**			
IAS 18.35(b)(iii)	Interest income	3.4, 10	3,327	909
IAS 18.35(b)(v)	Dividend income		909	1,631
	Net realized gains/(losses) on financial assets and liabilities held at fair value through profit or loss	5(c)	(79,860)	(24,480)
IFRS 7.20(a)(i)	Net change in unrealized gains/(losses) on financial assets and liabilities held at fair value through profit or loss	5(c)	155,741	(244,301)
IAS 21.52(a)	Net foreign currency gains/(losses)	3.3	993	3,551
IAS 1.85	**Total operating income/(loss)**		81,110	(262,690)
IAS 1.85	**Expenses**			
IAS 1.99	Management fees	13	(1,998)	(2,851)
IAS 1.99	Performance fees	13	(88)	(174)
IAS 1.99	Custodian fees	13	(216)	(443)
IAS 1.99	Administration fees	13	(138)	(76)
IAS 1.99	Transaction costs		(107)	(321)
IAS 1.99	Professional fees		(7)	(10)
IAS 1.99	Directors' fees	13	(15)	(15)
IAS 1.99	Other expenses		(7)	(1)
IAS 1.85	**Total operating expenses**		(2,576)	(3,891)
IAS 1.82(f)	**Operating profit/(loss)**		78,534	(266,581)
IAS 1.82(b) IAS 1.85	**Finance costs**			
	Interest expense	11	(389)	(1,421)
	Profit/(loss) before tax		78,145	(268,002)
IAS 1.82(d)	Withholding taxes	3.9	(87)	(60)
	Profit/(loss) after tax		78,058	(268,062)
IAS 1.82 (i)	**Profit/(loss) for the year**		78,058	(268,062)

Source		Notes	Year ended 31/12/12	Year ended 31/12/11
IAS 1.10(a) IAS 1.51(b),(c)	**Statement of financial position at 31 December 2012**			
IAS 1.113		Notes	Year ended 31/12/12	Year ended 31/12/11
IAS 1.51(d),(e)			CU'000	CU'000
	Assets			
IAS 1.60	**Current assets**			
IAS 1.54(i)	Cash and cash equivalents	7	270	139
IAS 1.54(h)	Dividends receivable		370	541
IAS 1.54(h)	Interest receivable		387	677
IAS 1.54(h)	Receivable from brokers	3.6	3	3
IAS 1.54(d)	Financial assets at fair value through profit or loss	5	198,245	127,448
IAS 1.54(d) IAS 39.37(a)	Financial assets at fair value through profit or loss pledged as collateral	5	36,579	15,957
IAS 1.55	**Total assets**		235,854	144,765
	Equity and liabilities			
IAS 1.136A(a)				
IAS 1.78(e)	Share capital	12	26	26
IAS 7.78(e)	Share premium	12	303,998	303,787
IAS 1.78(e)	Retained earnings	12	(95,488)	(171,546)
	Total equity		208,536	132,267
IAS 1.60	**Current liabilities**			
IAS 1.55	Due to brokers	3.6	13	8
IAS 1.54(n)	Withholding tax payable		8	5
IAS 1.54(m)	Financial liabilities at fair value through profit or loss	5	1,411	2,064
IAS 1.54(k)	Accrued expenses		659	416
IAS 1.55	Borrowings	8	25,227	10,005
IAS 1.54(r)	**Total liabilities**		27,318	12,498
	Total equity and liabilities		235,854	144,765

IAS 1.10(c)
IAS 1.51(b),(c)

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

IAS 1.51(d),(e)

	Share capital	Share premium	Retained earnings	Total
	CU'000	CU'000	CU'000	CU'000
Balance at 1 January 2011	26	303,787	96,516	400,329
Profit/(loss) for the year	–	–	(268,062)	(268,062)
Payment of dividends	–	–	–	–
Issue of ordinary shares	–	–	–	–
Redemption of ordinary shares	–	–	–	–
Balance at 31 December 2011	26	303,787	(171,546)	132,267
Profit/(loss) for the year	–	–	78,058	78,058
Payment of dividends	–	–	(2,000)	(2,000)
Issue of ordinary shares	–	2,814	–	2,814
Redemption of ordinary shares	–	(2,603)	–	(2,603)
Balance at 31 December 2012	26	303,998	(95,488)	208,536

Notes to the financial statements
for the year ended 31 December 2012—extract

IAS 1.119

3.11 Share capital

IFRS 7.21

The Fund has two classes of ordinary shares in issue. The Fund's ordinary shares are classified as equity as the Fund has full discretion on repurchasing the shares and on dividend distributions. The Fund's redeemable shares, are redeemable at the holder's option and are classified as equity in accordance with IAS 32 (amendment) *Financial instruments: Presentation* and IAS 1 (amendment) *Presentation of financial statements*.

IAS 32.33

Incremental costs directly attributable to the issue or redemption of ordinary shares are recognized directly in equity as a deduction from the proceeds or part of the acquisition cost.

Where the Fund re-purchases its own ordinary shares (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Fund's equity holders until the ordinary shares are cancelled, re-issued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, is included in equity attributable to the Fund's equity holders.

Should the redeemable shares' terms or conditions change such that they do not comply with the strict criteria contained in the amendment, the redeemable shares would be reclassified to a financial liability from the date the instrument ceases to meet the criteria. The financial liability would be measured at the instrument's fair value at the date of reclassification. Any difference between the carrying value of the equity instrument and fair value of the liability on the date of reclassification would be recognized in equity.

IFRS 7.31

6. Financial risk management

IFRS 7.33

(b) Liquidity risk

IFRS 7.39(a)

The following tables detail the Fund's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Fund can be required to pay.

	Less than 1 month	1-3 months	3 months to 1 year	Total
	CU'000	CU'000	CU'000	CU'000
2012				
Accrued expenses	613	14	32	659
Due to brokers	12	1	–	13
Borrowings	17,872	6,209	1,146	25,227
Financial liabilities at fair value through profit or loss	869	86	–	955
	19,366	6,310	1,178	26,854
2011				
Accrued expenses	367	23	26	416
Due to brokers	7	1	–	8
Borrowings	9,955	50	–	10,005
Financial liabilities at fair value through profit or loss	1,194	588	–	1,782
	11,523	662	26	12,211

Notes to the financial statements
for the year ended 31 December 2012—extract

IAS 1.79(a)

12. Ordinary redeemable shares

(a) Authorized and issued capital

The authorized share capital of the Fund is 50,000,000 ordinary shares with a par value of CU 0.01 per share. These are issued as Class A or Class B shares which are entitled to dividends.

All issued ordinary shares are fully paid and are listed and traded on the [insert stock exchange]. The Fund's capital is represented by these ordinary shares. Quantitative information about the Fund's capital is provided in the statement of changes in equity.

Each share issued confers upon the shareholder an equal interest in the Fund, and is of equal value. A share does not confer any interest in any particular asset or investment of the Fund.

Shareholders have various rights under the Fund's constitution, including the right to:

- have their shares redeemed at a proportionate share based on the Fund's net asset value per share on the redemption date;
- receive income distributions;
- attend and vote at meetings of shareholders; and
- participate in the termination and winding up of the Fund.

Changes in the number of ordinary shares outstanding can be reconciled as follows:

The Investment Manager manages the capital of the Fund in accordance with the Fund's investment objectives, policies and restrictions, as outlined in the Fund's offering memorandum, while maintaining sufficient liquidity to meet participating shareholder redemptions. The Fund's overall strategy for managing capital remains unchanged from 2011. The Fund does not have any externally imposed capital requirements.

	Year ended 31/12/12			Year ended 31/12/11		
	Class A shares	Class B shares	Total number of shares	Class A shares	Class B shares	Total number of shares
Number of ordinary shares outstanding at 1 January	2,244,028	322,258	2,566,286	2,244,028	322,258	2,566,286
Issue of ordinary shares	26,000	10,350	36,350	–	–	–
Redemption of ordinary shares	(32,816)	–	(32,816)	–	–	–
Number of ordinary shares outstanding at 31 December	2,237,212	332,608	2,569,820	2,244,028	322,258	2,566,286

Notes to the financial statements
for the year ended 31 December 2012—extract

(b) Net asset value per share

Note: The NAV as per the offering memorandum issued by an investment fund often differs from the NAV of the fund measured in accordance with the requirements of IFRS. Common differences are measurement of NAV on the basis of mid-market prices as opposed to IFRS measurement basis (i.e., long assets measured at 'bid' and short positions measured at 'offer') and capitalization and amortization of start-up costs (whereas for IFRS purposes they are expensed as incurred).

The equity of an investment fund should be measured as equivalent to the NAV of the fund (i.e., the value of the fund's assets less the value of its liabilities) measured in accordance with the requirements of IFRS. For disclosure purposes, the statement of financial position should disclose the NAV as per the offer document issued by the investment fund and reconcile this figure to the NAV as per IFRS with additional disclosures in the notes to the financial statements to assist in understanding the differences between the two amounts.

For the purpose of calculating the net assets attributable to shareholders in accordance with the Fund's offering memorandum, the Fund's assets and liabilities are valued on the basis of last traded prices. This valuation of NAV is different from the IFRS valuation requirements (see Note 3.11).

The Fund's NAV per share used for the issuance and redemptions of shares can be reconciled to the NAV per share, as calculated in accordance with IFRS, as follows:

	Year ended 31/12/12		Year ended 31/12/11	
	Class A shares	Class B shares	Class A shares	Class B shares
NAV per share used for the issuance and redemptions of shares	81.71	82.08	51.92	52.10
– Adjustment for bid prices	(0.51)	(0.52)	(0.25)	(0.26)
– Adjustment for start-up costs	(0.10)	(0.10)	(0.15)	(0.15)
NAV per share (in accordance with IFRS)	81.10	81.46	51.52	51.69

Appendix 2—IFRS 13: Impact of early adoption

These model financial statements have been presented assuming no early adoption of IFRS 13 *Fair Value Measurement*. The purpose of this Appendix is to highlight the additional disclosures required if the Standard is early adopted.

This Appendix illustrates:

- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in net assets attributable to holders of redeemable shares; and
- the example disclosures,

for an open-ended fund that early adopts IFRS 13 *Fair Value Measurement*.

IFRS 13 introduces a single framework for measuring fair value and requires disclosures about fair value measurement. The Standard defines fair value on the basis of an 'exit price' notion and emphasizes that fair value is a market-based rather than entity-specific measurement.

IFRS 13 applies when another IFRS requires or permits fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except for:

- Share-based payment transactions (IFRS 2 *Share-based Payment*)
- Leasing transactions (IAS 17 *Leases*)
- Measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

The disclosure requirements under IFRS 13 are not required for:

- Plan assets measured at fair value in accordance with IAS 19 *Employee Benefits*
- Retirement benefit plan investments measured at fair value in accordance with IAS 26 *Accounting and Reporting by Retirement Benefit Plans*
- Assets for which recoverable amount is fair value less costs of disposal in accordance with IAS 36.

This Standard shall be applied for annual periods beginning on or after 1 January 2013, with early adoption permitted.

Source	International GAAP Investment Fund			
IAS 1.10(b) IAS 1.51(b),(c)	**Statement of comprehensive income** **for the year ended 31 December 2012**			
IAS 1.113		Notes	Year ended 31/12/12	Year ended 31/12/11
IAS 1.51(d),(e)			CU'000	CU'000
IAS 1.82(a)	Revenue			
IAS 18.35(b)(iii)	Interest income	3.4, 10	3,327	909
IAS 18.35(b)(v)	Dividend income		909	1,631
	Net realized gains/(losses) on financial assets and liabilities held at fair value through profit or loss	5(c)	(79,860)	(24,480)
IFRS 7.20(a)(i)	Net change in unrealized gains/(losses) on financial assets and liabilities held at fair value through profit or loss	5(c)	157,055	(244,301)
IAS 21.52(a)	Net foreign currency gains/(losses)	3.3	993	3,551
IAS 1.85	**Total operating income/(loss)**		82,424	(262,690)
IAS 1.85	Operating expenses			
IAS 1.99	Management fees	13	(1,998)	(2,851)
IAS 1.99	Performance fees	13	(88)	
	(174)			
IAS 1.99	Custodian fees	13	(216)	(443)
IAS 1.99	Administration fees	13	(138)	(76)
IAS 1.99	Transaction costs		(107)	(321)
IAS 1.99	Professional fees		(7)	(10)
IAS 182(b)	Directors' fees	13	(15)	(15)
	Other expenses		(7)	(1)
IAS 1.82(f)	**Total operating expenses**		(2,576)	(3,891)
IAS 1.82(b)	**Operating profit/(loss)**		79,848	(266,581)
IAS 1.85	**Finance costs**			
	Interest expense	11	(389)	(1,421)
	Distribution to holders of redeemable shares	11	(2,000)	–
	Profit/(loss) after distributions and before tax		77,459	(268,002)
IAS 1.82(d)	Withholding taxes	13	(87)	(60)
	Profit/(loss) after distributions and tax		77,372	(268,062)
IIAS 32IE.32 IAS 1.82 (i)	**Increase/(decrease) in net assets attributable to holders of redeemable shares**	11	77,372	(268,062)

Source	International GAAP Investment Fund			
IAS 1.10(a) IAS1.51(b),(c)	**Statement of financial position** **at 31 December 2012**			
IAS 1.113		Notes	As at 31/12/12	As at 31/12/11
IAS 1.51(d),(e)			CU'000	CU'000
IAS 1.60	Assets			
IAS 1.54(i)	Cash and cash equivalents	7	270	139
IAS 1.54(h)	Dividends receivable		370	541
IAS 1.54(h)	Interest receivable		387	677
IAS 1.54(h)	Receivable from brokers	3.6	3	3
IAS 1.54(d)	Financial assets at fair value through profit and loss	5	199,559	127,448
IAS 1.54(d) IAS 39.37(a)	Financial assets at fair value through profit and loss pledged as collateral	5	36,579	15,957
IAS 1.55	**Total assets**		**237,168**	**144,765**
IAS 1.60	Liabilities			
IAS 1.55	Due to brokers	3.6	13	8
IAS 1.54(n)	Withholding tax payable		8	5
IAS 1.54(m)	Financial liabilities at fair value through profit and loss	5	1,411	2,064
IAS 1.54(k)	Accounts payable		659	416
IAS 1.55	Borrowings	8	25,227	10,005
IAS 1.55	**Total liabilities (excluding net assets attributable to holders of redeemable shares)**		**27,318**	**12,498**
IAS 32IE.32	**Net assets attributable to holders of redeemable shares**		**209,850**	**132,267**

Source	International GAAP Investment Fund

Source			
IAS 1.6	**Statement of changes in net assets attributable to holders of redeemable shares for the year ended 31 December 2012**		
IAS 1.51(b),(c) IAS 1.106			
IAS 1.113 IAS 1.51(d),(e)		Year end 31/12/12	Year end 31/12/11
		CU'000	CU'000
	Net assets attributable to holders of redeemable shares at the beginning of the financial year	132,267	400,329
	Issue of redeemable shares	2,814	–
	Redemption of redeemable shares	(2,603)	–
	Increase/(decrease) in net assets attributable to holders of redeemable shares (268,062)	77,372	
	Net assets attributable to holders of redeemable shares at the end of the financial year	**209,850**	**132,267**

Notes to the financial statements
for the year ended 31 December 2012—extract

2. Adoption of new and revised Standards

IAS 8.28

2.1 Adoption of new IFRS affecting the amounts reported in the financial statements

The Fund early adopted IFRS 13 *Fair value measurement* starting 1 January 2012. IFRS 13 introduces a single framework for measuring fair value. The Standard defines fair value on the basis of an 'exit price' notion which results in a market-based, rather than entity-specific, measurement. As per the Standard if an asset or a liability measured at fair value has a bid price and an ask price (e.g. an input from a dealer market), the price within the bid-ask spread that is most representative of fair value in the circumstances shall be used to measure fair value.

As a result of the adoption of IFRS 13 the 'Financial assets and liabilities at fair value through profit or loss' were revalued from bid-ask (as required by IAS 39) to last traded prices to be consistent with the inputs prescribed in the Fund's offering memorandum for the calculation of its per share trading value for subscriptions and redemptions. Last traded prices on all the securities owned by the Fund fall within the bid-ask spreads for each respective security. The revaluation on 1 January 2012 resulted in a net increase in financial assets and liabilities of CU 645,000 which is equivalent to the adjustment for valuation inputs as at 31 December 2011 (being the bid-ask versus last trade spread).

IFRS 13.66

The change in valuation inputs is considered to be a change in estimate in accordance with IAS 8 and is applied prospectively. Accordingly the net increase in the financial assets and liabilities as a result of the change is recognized in the statement of comprehensive income in the current period.

If a fund adopts IFRS 13 and this adoption results in a change in a valuation technique or its application, the change should be applied prospectively. In addition, the fund needs to disclose the date at which the Standard was applied and to describe the valuation techniques and inputs used before and after the Standard's application.

If the last traded price is not included in the bid-ask spread, management needs to use the point within the bid-ask spread that is "most representative" of fair value. However, IFRS 13 seems to give more flexibility by allowing the use of mid-market price as a practical expedient.

Notes to the financial statements for the year ended 31 December 2012—extract

5. Financial assets and financial liabilities at fair value through profit or loss

IFRS 7.27

(e) Fair value of financial instruments

IFRS 13.24

The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and securities) are based on quoted market prices at the close of trading on the year-end date. The quoted market price used for financial assets and financial liabilities of the Fund is the last traded price provided such price is within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, management will determine the points within the bid-ask spread that are most representative of the fair value. When the Fund holds derivatives with offsetting market risks, it uses mid-market prices as a basis for establishing fair values for the offsetting risk positions and applies this bid or asking price to the net open position, as appropriate. The price used is not adjusted for the transaction costs as they do not reflect the characteristic of the asset or liability. Transaction costs are accounted for in accordance with other IFRSs.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm’s length basis.

IFRS 13.70

The fair value of financial assets and liabilities that are not traded in an active market is determined by using valuation techniques. The Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each year-end date. Valuation techniques used, include the use of comparable recent arm’s length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants making the maximum use of observable inputs and relying as little as possible on unobservable inputs.

For instruments for which there is no active market, the Fund may also use internally developed models, which are usually based on valuation methods and techniques generally recognized as standard within the industry. Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions.

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Fund holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors including model risk, liquidity risk and counterparty risk.

IFRS13.93(b)

Fair value hierarchy of an instrument is determined considering the inputs that are significant to the entire measurement of such instrument and the level of the fair value hierarchy within which those inputs are categorized.

The fair value hierarchy has the following levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

IFRS 13 defines observed inputs as the inputs that are developed using market data, such as publicly available information about actual events or transactions, and that reflect the assumptions that market participants would use when pricing the asset or liability.

The determination of what constitutes ‘observable’ requires significant judgment by the Fund. The Fund considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

Unobservable inputs are used to measure fair value to the extent that relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. However, the fair value measurement objective remains the same, i.e., an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability. Therefore, unobservable inputs reflect the assumptions that market participants would use when pricing the asset or liability, including assumptions about risk.

Notes to the financial statements
for the year ended 31 December 2012—extract

IFRS 13.93(a),(b)

The following table provides an analysis of the Fund's assets and liabilities (by class) measured at fair value at 31 December 2012 and is grouped in accordance with the fair value hierarchy.

All fair value measurements disclosed are recurring fair value measurements.

	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	CU'000	CU'000	CU'000	CU'000
Assets				
Financial assets held for trading:				
Equity securities				
Industrial	26,124	–	–	26,124
Financials	7,155	–	–	7,155
Health industry	13,378	–	–	13,378
	46,657	–	–	46,657
Debt securities				
Corporate bonds	389	21,279	–	21,668
Risk-free government securities	3,843	–	–	3,843
	4,232	21,279	–	25,511
Derivatives				
Listed options	34,292	276	–	34,568
Listed futures	28,659	–	–	28,659
	62,951	276	–	63,227
Financial assets designated at fair value through profit or loss:				
Equity securities				
Information technology	3,984	–	–	4,053
Manufacturing	4,585	–	69	4,585
Open-ended investment funds	–	85,770	–	85,770
	8,569	85,770	69	94,408
Debt securities				
Corporate bonds	453	552	–	1,005
Risk-free government securities	279	3,721	16	4,016
	732	4,273	16	5,021
Total recurring fair value measurements of assets	**123,141**	**111,598**	**85**	**234,824**
Liabilities				
Financial liabilities held for trading:				
Equity securities sold short				
Information technology	877	78	–	955
Derivatives				
– Listed options	456	–	–	456
Total recurring fair value measurements of liabilities	**1,411**	**78**	**–**	**1,333**

Notes to the financial statements
for the year ended 31 December 2012—extract

IFRS 13.93(d)

The following table provides an analysis of the Fund's assets and liabilities (by class) measured at fair value at 31 December 2011 and is grouped in accordance with the fair value hierarchy.

	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	CU'000	CU'000	CU'000	CU'000
Assets				
Financial assets held for trading:				
Equity securities				
Industrial	46,124	–	–	46,124
Financials	17,065	–	–	17,065
Health industry	22,994	–	–	22,994
	86,183	–	–	86,183
Debt securities				
Corporate bonds	4,389	15,841	–	20,230
Risk-free government securities	7,991	–	–	7,991
	12,380	15,841	–	28,221
Derivatives				
– Listed options	8,652	3,986	–	12,638
– Listed futures	3,002	–	–	3,002
	11,654	3,986	–	15,640
Financial assets designated at fair value through profit or loss:				
Equity securities				
Information technology	5,964	1,980	–	7,944
Manufacturing	5,316	–	101	5,417
	11,280	1,980	101	13,361
Total recurring fair value measurements of assets	**121,497**	**21,807**	**101**	**143,405**
Liabilities				
Financial liabilities held for trading:				
Equity securities sold short				
Information technology	1,782	–	–	1,782
Derivatives				
– Listed options	–	282	–	282
Total recurring fair value measurements of liabilities	**1,782**	**282**	**–**	**2,064**

Notes to the financial statements
for the year ended 31 December 2012—extract

IFRS 13.93(d)

Valuation techniques and the inputs used for the fair value measurements categorized within Level 2 of the fair value hierarchy is given below:

Description	Fair value at 31 Dec 2012 CU'000	Valuation technique and inputs used
Financial assets held for trading:		
Debt securities – Corporate bondss	21,279	Priced at binding brokers' quotes
Derivatives – Listed options	276	Priced at brokers' quotes available on public domain
Financial assets designated at fair value through profit or loss:		
Debt securities – Corporate bonds	552	Priced at binding brokers' quotes
Debt securities – Risk free government securities	3,721	Priced at value released by the Government
Open-ended investment funds	85,770	Priced at monthly net assets value published by the Fund
Financial liabilities held for trading:		
Equity security sold short	78	Priced at value available on public domain
Total	**111,676**	

Valuation techniques, inputs used and related quantitative information in respect of the fair value measurements categorized within Level 3 of fair value hierarchy is given below:

IFRS13.93(h)(i)(ii)

IFRS13.93(h)(i)

Description	Fair value at 31 Dec 2012 CU'000	Valuation technique	Unobservable inputs	Weighted average input	Sensitivity analysis
Equity securities – Manufacturing	69	Comparable trading multiples	EBITDA multiple	9.5	An increase of 1 would lead to an increase in estimated value CU 125,000 and vice versa.
			Discount for lack of marketability	10%	An increase of 5% would lead to an increase in estimated value CU 84,000 and vice versa.
			Control premium	12%	An increase of 6% would lead to a decrease in estimated value CU 77,000 and vice versa.
Debt securities – Corporate bonds	16	Discounted cash flows	Cost of capital	10%	An increase of 2% would lead to a decrease in estimated value CU 24,000 and vice versa.
			Probability of default	15%	An increase of 10% would lead to a decrease in estimated value CU 5,000 and vice versa.
Total	**85**				

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Concerning unobservable inputs used in the Fund’s valuation of its Level 3 equity, no interrelationships have been identified. On the other hand, for Level 3 debt securities, the inputs are interrelated in a way that a variation in the assumption used for the determination of the probability of default is expected to impact the cost of capital respectively.

A sensitivity analysis for Level 3 positions was not presented in the prior year, as it was deemed that the impact of reasonable changes in inputs would not be significant.

Level 3 valuations are reviewed on a monthly basis by the Fund’s pricing and valuation committee who report to the Board of Directors on the same frequency basis. The committee assess whether the valuation model inputs are appropriate, as well as whether the valuation result derives from valuation methods and techniques which are generally admitted within the industry. The committee assess whether the selected valuation methods permit to arrive to results which reflect actual economic conditions by performance of backtesting procedures.

Note: If changing one or more of the unobservable inputs to reflect reasonably possible alternative assumptions would change fair value significantly, an entity shall state that fact and disclose the effect of those changes. The entity shall disclose how the effect of a change to reflect a reasonably possible alternative assumption was calculated. For that purpose, significance shall be judged with respect to profit or loss, and total assets or total liabilities, or, when changes in fair value are recognized in other comprehensive income, total equity (IFRS 13.93(h)(ii)).

IFRS 13.93(e)

Reconciliation of Level 3 fair value measurements of financial assets

Fair Value measurements using significant unobservable inputs (Level 3)

Source		Equity securities manufacturing	Risk free government securities	Total
	Opening balance	81	20	101
	Total gains or losses for the period			
IFRS 13.93(e)(i)	– Included in profit or loss	5	(4)	1
IFRS 13.93(e)(iii)	***Purchases, issues, sales and settlements***			
	– Purchases			(17)
	– Sales			
	– Settlements	(17)		
	Closing balance	**69**	**16**	**85**
	Change in unrealized gains or losses for the period included in profit or loss for assets held at the end of the reporting period	**12**	**(4)**	**8**

Realized and unrealized gains and losses recognized for Level 3 investments are reported as net realized gains/(losses) on financial assets and liabilities held at fair value through profit and loss, and net change in unrealized gains/(losses) on financial assets and liabilities held at fair value through profit or loss.

Note: IFRS 13.93(e)(iv) requires the presentation of the reasons for transfers into or out of Level 3 and the entity’s policy for determining when transfers between levels are deemed to have occurred. Transfers into Level 3 shall be disclosed and discussed separately from transfers out of Level 3.

Notes to the financial statements
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IFRS 13.93(c) There were no transfers between Level 1 and Level 2 in the period.

12. Ordinary redeemable shares

(b) Net asset value per share

The Fund's net asset value per share used for the issuance and redemptions of shares can be reconciled to the net asset value per share, as calculated in accordance with IFRS, as follows:

	Year ended 31/12/12		Year ended 31/12/11	
	Class A shares	Class B shares	Class A shares	Class B shares
Net asset value per share used for the issuance and redemptions of shares	81.71	82.08	51.92	52.10
– Adjustment for bid-ask market prices	–	–	(0.25)	(0.26)
– Adjustment for start-up costs	(0.10)	(0.10)	(0.15)	(0.15)
Net asset value per share (in accordance with IFRS)	81.61	81.98	51.52	51.69

Due to the adoption of IFRS 13, there is no valuation input related difference in the current year between the net asset value per share used for the issuance and redemption of shares and net asset value per share in accordance with IFRS.

13. Assets and liabilities not carried at fair value but for which fair value is disclosed

The following table provides an analysis of the Fund's assets and liabilities not measured at fair value at 31 December 2012 but for which fair value is disclosed.

IFRS 13.97

Assets	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	270	–	–	270
Dividends receivable	370	–	–	370
Interest receivable	–	387	–	387
Receivable from brokers	–	3	–	3
Total	**640**	**390**		**1,030**
Liabilities				
Due to brokers	–	13		13
Accounts payable	–	659		659
Borrowings	–	25,227		25,227
Total	**–**	**25,899**		**25,899**

The assets and liabilities included in the above table are carried at amortized cost; their carrying values are a reasonable approximation of fair value.

Cash and cash equivalents include cash in hand, deposits held with banks and other short-term investments in an active market.

Amounts due from brokers and other receivables include the contractual amounts for settlement of trades and other obligations due to the Fund. Amounts due to brokers, accounts payable and borrowings represent the contractual amounts and obligations due by the Fund for settlement of trades and expenses.

Note: For recurring and non-recurring fair value measurements, if the highest and best use of a non-financial asset differs from its current use, an entity shall disclose that fact and why the non-financial asset is being used in a manner that differs from its highest and best use (IFRS 13.93(i)).

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