Illustrative IFRS financial statements 2015

Investment funds

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This publication provides an illustrative set of financial statements, prepared in accordance with International Financial Reporting Standards (IFRS), for a fictional open-ended investment fund ('ABC Fund' or the 'Fund').

ABC Fund is an existing preparer of IFRS financial statements; IFRS 1, 'First-time adoption of IFRS', is not applicable. It does not have any subsidiaries, associates or joint ventures. ABC shares are not traded in a public market. Guidance on financial statements for first-time adopters of IFRS is available at www.pwc.com/ifrs.

This publication is based on the requirements of IFRS standards and interpretations for the financial year beginning on 1 January 2015.

The new standards and amendments effective for annual periods beginning on 1 January 2015 which may be relevant to investment funds comprise: '*Annual Improvements to IFRSs - 2010-2012 Cycle' and 'Annual Improvements to IFRSs - 2011 - 2013 Cycle*'. These amendments are effective for annual periods beginning on or after 1 July 2014, however they have had no impact on ABC Fund. As a result, our 2015 publication is largely consistent with our 2014 publication. Refer to Appendix XIV for further details on these annual improvement amendments.

The main update to the publication this year is the inclusion of a new appendix (Appendix XIII) which provides illustrative disclosure for circumstances where a fund's prospectus requires net asset value for share transaction purposes to be calculated in a manner that may be inconsistent with IFRS requirements. The example used in the appendix is one where the fund's prospectus requires formation costs to be amortised over 5 years rather than be expensed immediately.

Appendix XIV provides a list of all new financial reporting standards and amendments, including those that have a future effective date, which should be disclosed if the respective standard or amendment has, or is expected to have, a significant impact on the entity.

Commentary boxes are included throughout the publication to provide additional information where necessary.

We have attempted to create a realistic set of financial statements for an open-ended investment fund. However, by necessity we illustrate disclosures that for many entities may be immaterial. Determining the level of disclosure is a matter of judgment, and naturally, disclosure of immaterial items is not required. Certain types of transactions have been excluded as they are not relevant to the Fund's operations. Example disclosures for some of these additional items have been included in appendices.

The illustrative disclosures should not be considered the only acceptable form of presentation. The form and content of each reporting entity's financial statements are the responsibility of the entity's management. Alternative presentations to those proposed in this publication may be equally acceptable if they comply with the specific disclosure requirements prescribed in IFRS.

These illustrative financial statements are not a substitute for reading the standards and interpretations themselves or for professional judgement as to the fairness of presentation. They do not cover all possible disclosures that IFRS requires, nor do they take account of any specific legal framework. Further specific information may be required in order to ensure fair presentation under IFRS. We recommend that readers refer to our most recent *IFRS disclosure checklist publication*. Additional accounting disclosures may be required in order to comply with local laws and/or stock exchange regulations.

Format

The references in the left-hand margin of the financial statements represent the paragraph of the standard in which the disclosure appears – for example, '8p40' indicates IAS 8 paragraph 40. The reference to IFRS appears in full – for example, 'IFRS13p66' indicates IFRS 13 paragraph 66. The designation 'DV' (disclosure voluntary) indicates that IFRS does not require the disclosure. Additional notes and explanations are shown in footnotes and commentary boxes.

ABC Fund financial statements

31 December 2015

Contents

(All amounts in € thousands unless otherwise stated)

Statement of financial position

1p54, 60, 113		Note	As at 31 December 2015	2014
	Assets			
1p66	**Current assets**			
1p54(d), IFRS7p8(a)	Financial assets at fair value through profit or loss	6	106,460	93,242
39p37	Financial assets at fair value through profit or loss pledged as collateral	6	15,268	–
IFRS7p8	Due from brokers		2,356	984
1p54(h), IFRS7p8	Other receivables and prepayments		497	448
1p55	Margin accounts	10	1,026	223
1p54(i)	Cash and cash equivalents	11	1,620	325
	Total assets		**127,227**	**95,222**
	Liabilities			
1p69	**Current liabilities**			
1p54(m), IFRS7p8(e)	Financial liabilities at fair value through profit or loss	7, 9	(11,663)	(9,738)
IFRS7p8	Due to brokers		(893)	(665)
1p54(k)	Accrued expenses		(257)	(145)
1p55	**Liabilities (excluding net assets attributable to holders of redeemable shares)**		**(12,813)**	**(10,548)**
32IE32	**Net assets attributable to holders of redeemable shares**		**114,414**	**84,674**

The notes on pages 5 to 30 are an integral part of these financial statements.

(All amounts in € thousands unless otherwise stated)

Statement of comprehensive income[1] – by nature of expense

			Year ended 31 December	
1p82, 83, 85, 102, 113		Note	2015	2014
1p82(a)	**Income**			
1p85	Interest income	5	947	549
18p35(b)(v)	Dividend income		1,538	1,055
1p85	Net foreign currency gains or losses on cash and cash equivalents[2]		27	(7)
IFRS7p20(a)(i), 1p35	Other net changes in fair value on financial assets and financial liabilities at fair value through profit or loss	6, 7	13,455	(2,218)
1p85	**Total net income/(loss)**		**15,967**	**(621)**
1p85,99	**Expenses**			
	Management fee	14	(803)	(684)
	Custodian, secretarial and administration fees	14	(56)	(47)
	Transaction costs		(326)	(137)
	Directors' fees	14	(30)	(25)
	Other operating expenses		(151)	(123)
	Total operating expenses		**(1,366)**	**(1,016)**
1p85	**Operating profit/(loss)**		**14,601**	**(1,637)**
1p82(b)	**Finance costs (excluding increase/decrease in net assets attributable to holders of redeemable shares)**			
1p85, 32 p35, 40	Distributions to holders of redeemable shares	13	(2,000)	(1,000)
	Profit/(loss) after distributions and before tax		**12,601**	**(2,637)**
1p82(d)	Withholding taxes		(182)	(138)
32IE32, 1p85, 32p35	**Increase/(decrease) in net assets attributable to holders of redeemable shares from operations[3]**		**12,419**	**(2,775)**

The notes on pages 5 to 30 are an integral part of these financial statements.

[1] IAS 1 'Presentation of financial statements', allows a choice of presenting all items of income and expense recognised 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. ABC Fund has elected to use the single statement approach.

[2] Foreign currency gains and losses are only disclosed for cash and cash equivalents because there are no other financial assets and liabilities that are not accounted for at fair value through profit or loss, upon which foreign currency gains or losses have arisen during the period.

[3] 1p82(g) requires the disclosure of each component of 'other comprehensive income'. Other comprehensive income comprises items of income and expense (including reclassification adjustments) that are not recognised in profit or loss as required or permitted by other IFRS. ABC Fund has no other comprehensive income items. All income and expenses have 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.

(All amounts in € thousands unless otherwise stated)

Statement of changes in net assets attributable to holders of redeemable shares[1]

1p6, 106, 113

	Note	Year ended 31 December 2015	2014
Net assets attributable to holders of redeemable shares at 1 January		**84,674**	**76,713**
Proceeds from redeemable shares issued		26,991	12,901
Redemption of redeemable shares		(9,670)	(2,165)
Net increase from share transactions		17,321	10,736
Increase/(decrease) in net assets attributable to holders of redeemable shares from operations		12,419	(2,775)
Net assets attributable to holders of redeemable shares at 31 December	12	**114,414**	**84,674**

The notes on pages 5 to 30 are an integral part of these financial statements.

[1] This statement of changes in net assets attributable to holders of redeemable shares provides relevant and useful information to the reader corresponding to the requirements of IAS 1 and is therefore considered best practice. There are no equity balances or movements of equity in either period.

(All amounts in € thousands unless otherwise stated)

Statement of cash flows[1]

7p10, 18(b)		Note	Year ended 31 December 2015	2014
	Cash flows from operating activities			
	Increase/(decrease) in amount attributable to holders of redeemable shares		12,419	(2,775)
7p20	Adjustment for:			
	– Interest income		(947)	(549)
	– Distributions to holders of redeemable shares		2,000	1,000
	– Dividend income		(1,538)	(1,055)
7p35	– Withholding taxes		182	138
7p28	– Exchange (gains)/losses on cash and cash equivalents		(27)	7
			12,089	**(3,234)**
	Net (increase)/decrease in due from/to brokers		(1,144)	124
	Net increase in other receivables and accrued expenses		37	35
	Increase in margin accounts		(803)	(804)
	Increase in financial assets at fair value through profit or loss		(28,486)	(9,009)
	Increase in financial liabilities at fair value through profit or loss		1,925	2,156
	Cash used in operations		(16,382)	(10,732)
7p31	Interest received		917	482
7p31	Dividend received		1,412	664
	Net cash used in operating activities		**(14,053)**	**(9,586)**
7p21, 10	**Cash flows from financing activities**			
7p17	Distributions paid to holders of redeemable shares	13	(2,000)	(1,000)
7p17	Proceeds from redeemable shares issued		26,991	12,901
7p17	Redemption of redeemable shares		(9,670)	(2,165)
	Net cash from financing activities		**15,321**	**9,736**
	Net increase in cash and cash equivalents		1,268	150
	Cash and cash equivalents at beginning of the year	11	325	182
7p28	Exchange gains/(losses) on cash and cash equivalents		27	(7)
	Cash and cash equivalents at end of the year	11	**1,620**	**325**

The notes on pages 5 to 30 are an integral part of these financial statements.

[1] The cash flow statement above has been presented using the indirect method as this is more commonly seen in practice. An illustration of the cash flow statement using the direct method has been presented in appendix I.

(All amounts in € thousands unless otherwise stated)

Notes to the financial statements

1. General information

1p138(a) 1p51(a)(b) ABC Fund ('the Fund') is an open-ended investment fund domiciled and incorporated as a limited liability company under the laws of Lagartos. The address of its registered office is 3 Cypress Pointe, West Bay Road, Lagartos.

1p138(b) The Fund's objective is to generate significant medium to long-term capital growth. It aims to achieve this objective by trading a highly diversified portfolio of listed equity and debt securities of predominantly US and other global companies included in the S&P 500 index as well as eurozone sovereign and corporate debt. The Fund will also invest in related derivatives within a defined strategy and may invest a limited portion of its portfolio in unlisted securities. Unlisted holdings will at no time exceed 10% of the Fund's total net asset value attributable to holders of redeemable shares.

1p138(b) The Fund's investment activities are managed by XYZ Capital Limited (the 'Investment Manager'), with the administration delegated to ABC Fund Services Limited.

The Fund offers its shares to a broad group of investors mainly from the eurozone.[1]

10p17 These financial statements were authorised for issue by the Board of Directors on 15 February 2016.

2. Summary of significant accounting policies

1p119 1p117(b) The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

1p112(a)

2.1 Basis of preparation

1p16 1p117(a) The financial statements of ABC Fund have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the Board of Directors to exercise its judgement in the process of applying the Fund's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

8p28 *(a) Standards and amendments to existing standards effective 1 January 2015*

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 January 2015 that have had a material impact on the Fund.[2]

8p30 *(b) New standards, amendments and interpretations effective after 1 January 2015 and have not been early adopted*

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015, and have not been applied in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Fund.

1p119 IFRS7p21

2.2 Foreign currency translation

(a) Functional and presentation currency

21p17 21p9 1p51(d) The Fund's investors are mainly from the eurozone, with the subscriptions and redemptions of the redeemable shares denominated in euro. The primary activity of the Fund is to invest in US securities and derivatives and to offer eurozone investors a higher return compared to other products available in the eurozone. The performance of the Fund is measured and reported to the investors in euro. The Board of Directors considers the euro as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The financial statements are presented in euro, which is the Fund's functional and presentation currency.

[1] If instruments are traded in a public market or when the financial statements are filed with a securities commission or other regulatory organisation for the purpose of issuing any class of instrument in a public market, IFRS 8, 'Operating segments', would be applicable. Appendix VII and VIII includes segment reporting for a fund that is within the scope of IFRS 8.

[2] Per PwC Manual of Accounting (MoA) 3.118: Disclosure under IAS 8 is not necessary of standards and interpretations that are not applicable to the entity (for example, industry-specific standards) or that are not expected to have a material effect on the entity. Instead, disclosure should be given of the developments that are, or could be, significant to the entity. These financial statements present a Fund that has not been impacted by any of the new standards and amendments effective for periods beginning 1 January 2015. As mentioned in the introductory page, the impact of new standards and amendments has been addressed in the attached appendices. A detailed list of IFRSs, amendments and IFRIC interpretations effective on or after 1 January 2015 is included as Appendix XIV.

21p21, 28, 52(a) *(b) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency assets and liabilities are translated into the functional currency using the exchange rate prevailing at the statement of financial position date.

Foreign exchange gains and losses arising from translation are included in the statement of comprehensive income.

21p28 Foreign exchange gains and losses relating to cash and cash equivalents are presented in the statement of comprehensive income within 'net foreign currency gains or losses on cash and cash equivalents'.

21p30 Foreign exchange gains and losses relating to the financial assets and liabilities carried at fair value through profit or loss are presented in the statement of comprehensive income within 'other net changes in fair value on financial assets and financial liabilities at fair value through profit or loss'.

1p119 IFRS7p21

2.3 Financial assets and financial liabilities at fair value through profit or loss[1]

39p9 *(a) Classification*

The Fund classifies its investments in debt and equity securities, and derivatives, as financial assets or financial liabilities at fair value through profit or loss.

This category has two sub-categories: financial assets or financial liabilities held for trading; and those designated at fair value through profit or loss at inception.

(i) Financial assets and liabilities held for trading
A financial asset or financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term or if on initial recognition is part of a portfolio of identifiable financial investments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking. Derivatives are also categorised as held for trading. The Fund does not classify any derivatives as hedges in a hedging relationship.

39p9 IFRS7B5(a) *(ii) Financial assets and liabilities designated at fair value through profit or loss at inception*
Financial assets and financial liabilities designated at fair value through profit or loss at inception are financial instruments that are not classified as held for trading but are managed, and their performance is evaluated on a fair value basis in accordance with the Fund's documented investment strategy.

The Fund's policy requires the Investment Manager and the Board of Directors to evaluate the information about these financial assets and liabilities on a fair value basis together with other related financial information.

The Fund makes short sales in which a borrowed security is sold in anticipation of a decline in the market value of that security, or it may use short sales for various arbitrage transactions. Short sales are classified as financial liabilities at fair value through profit or loss.

IFRS7B5(c) *(b) Recognition, derecognition and measurement*

IFRS7p21, 39p16, 38 39p43 Regular purchases and sales of investments are recognised on the trade date – the date on which the Fund commits to purchase or sell the investment. Financial assets and financial liabilities at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed as incurred in the statement of comprehensive income.

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

When the Fund purchases an option, an amount equal to fair value which is based on the premium paid is recorded as an asset. When the Fund writes an option, an amount equal to fair value which is based on the premium received by the Fund is recorded as a liability. When options are closed, the difference between the premium and the amount paid or received, net of brokerage commissions, or the full amount of the premium if the option expires worthless, is recognized as a gain or loss and is presented in the statement of comprehensive income within other net changes in fair value of financial assets and liabilities at fair value through profit or loss.

39p46 39p55 Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial assets or financial liabilities at fair value through profit or loss' category are presented in the statement of comprehensive income within other net changes in fair value of financial assets and liabilities at fair value through profit or loss in the period in which they arise.

[1] The Fund is unlikely to classify any financial asset as held to maturity, as calls for redemption of shares could frustrate the Fund's intention to hold the securities to maturity (39p9, 39p45).

(All amounts in € thousands unless otherwise stated)

IFRS7 AppxB5(e) Dividend income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income within dividend income when the Fund's right to receive payments is established. Interest on debt securities at fair value through profit or loss is recognised in the statement of comprehensive income within interest income based on the effective interest rate. Dividend expense on short sales of equity securities is included within other net changes in fair value on financial assets and financial liabilities at fair value through profit or loss.

(c) Fair value estimation

IFRS13p91 IFRS13p70 Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial assets and liabilities traded in active markets[1] (such as publicly traded derivatives and trading securities) are based on quoted market prices at the close of trading on the reporting date[2]. The Fund utilises the last traded market price for both financial assets and financial liabilities where the last traded price falls within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, management will determine the point within the bid-ask spread that is most representative of fair value.

If a significant movement in fair value occurs subsequent to the close of trading up to midnight in Lagartos on the year end date, valuation techniques will be applied to determine the fair value. A significant event is any event that occurs after the last market price for a security, close of market or close of the foreign exchange, but before the Fund's valuation time that materially affects the integrity of the closing prices for any security, instrument, currency or securities affected by that event so that they cannot be considered 'readily available' market quotations.[3]

IFRS13p62 The fair value of financial assets and liabilities that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting 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 market inputs and relying as little as possible on entity-specific inputs.

(d) Transfers between levels of the fair value hierarchy

IFRS13p95 Transfers between levels of the fair value hierarchy are deemed to have occurred at the beginning of the reporting period.

Commentary – IFRS 13 and fair value estimation

IFRS 13 explains how to measure fair value for financial reporting. It does not require fair value measurements in addition to those already required or permitted by other IFRSs and is not intended to establish valuation standards or affect valuation practices outside financial reporting.

IFRS 13 is the result of the work by the IASB and the FASB to develop common requirements for measuring fair value and for disclosing information about fair value measurements in accordance with IFRSs and US generally accepted accounting principles (US GAAP). IFRS 13 has therefore achieved a great level of consistency with US GAAP. IFRS 13 also aims to create a single location that contains the requirements for measuring fair value and for disclosing information about fair value measurements. These requirements were previously dispersed among several individual IFRSs, and in many cases did not articulate a clear measurement or disclosure objective.

According to IFRS13p70-71, if an asset or a liability measured at fair value has a bid price and an ask price (for example an input from a dealer market), the price within the bid-ask spread that is most representative of fair value in the circumstances should be used to measure fair value regardless of where the input is categorised within the fair value. The use of bid prices for asset positions and ask prices for liability positions is permitted, but is not required. This IFRS does not preclude the use of mid-market pricing or other pricing conventions that are used by market participants as a practical expedient for fair value measurements within a bid-ask spread.

In cases where an entity manages the group of financial assets and financial liabilities on the basis of the entity's net exposure to a particular market risk (or risks), or to the credit risk of a particular counterparty in accordance with the entity's documented risk management or investment strategy, IFRS 13 allows an exception that permits an entity to measure the fair value of a group of financial assets and financial liabilities based on the price that would be received to sell a net long position (that is, an asset) for a particular risk exposure or to transfer a net short position (that is, a

[1] The existence of published price quotations in an active market is the best evidence of fair value and, when they are available, they are used to measure fair value. The phrase 'quoted in an active market' means that quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency. Those prices represent actual and regularly occurring market transactions on an arm's length basis that are not distressed sales. The price can be taken from the principal market or, in the absence of a principal market, the most advantageous market [IFRS13p16]. The quoted market price cannot be adjusted for transaction costs [IFRS13p25]. The quoted market price cannot be adjusted for 'blockage' factors [IFRS13p69].
[2] If investments are restricted – that is, they are a particular class of instrument, with a restriction in the terms of that class or issued with the restriction – that is relevant in determining the fair value of investments. However, if the restriction is part of a separate agreement between the buyer and seller and the shares are identical to other shares with no such restriction, that is not relevant to the valuation of the securities.
[3] If a 'significant event' (for example, corporate action, corporate or regulatory news, suspension of trading, natural disaster, market fluctuations) occurs, the Fund should consider whether the valuation model would reflect a more current value of the securities held by the Fund.

liability) for a particular risk exposure in an orderly transaction between market participants at the measurement date under current market conditions. An entity should therefore measure the fair value of the group of financial assets and financial liabilities consistently with how market participants would value the net risk exposure at the measurement date [IFRS13p48-49]. IFRS 13 allows use of this exception only in cases where the entity provides information on that basis about the group of financial assets and financial liabilities to the entity's key management personnel. These illustrative financial statements do not include any such assets or liabilities with offsetting risk positions.

IFRS7p21
1p119

2.4 Offsetting financial instruments

32p42,
AG38B

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

IFRS7p21
1p119

2.5 Due from and due to brokers

Amounts due from and to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet settled or delivered on the statement of financial position date respectively.

39p43, 46
39p63
IFRS7B5(f)
39AG93

These amounts are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment for amounts due from brokers. A provision for impairment of amounts due from brokers is established when there is objective evidence that the Fund will not be able to collect all amounts due from the relevant broker. Significant financial difficulties of the broker, probability that the broker will enter bankruptcy or financial reorganisation, and default in payments are considered indicators that the amount due from brokers is impaired. Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

39p9

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Fund estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

IFRS7p21
1p119

2.6 Cash and cash equivalents

7p45, 7p46

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term investments in an active market with original maturities of three months or less[1] and bank overdrafts. Bank overdrafts are shown in current liabilities in the statement of financial position.

IFRS7p21
1p119

2.7 Accrued expenses

Accrued expenses are recognised initially at fair value and subsequently stated at amortised cost using the effective interest method.

IFRS7p21
1p119

2.8 Redeemable shares

32p18
39AG32

The Fund issues two classes of redeemable shares, which are redeemable at the holder's option and do not have identical rights. Such shares are classified as financial liabilities. Redeemable shares can be put back to the Fund at any dealing date for cash equal to a proportionate share of the Fund's net asset value attributable to the share class. Shares are redeemable weekly.

The redeemable shares are carried at the redemption amount that is payable at the statement of financial position date if the holder exercises the right to put the share back to the Fund.

Redeemable shares are issued and redeemed at the holder's option at prices based on the Fund's net asset value per share at the time of issue or redemption. The Fund's net asset value per share is calculated by dividing the net assets attributable to the holders of each class of redeemable shares with the total number of outstanding redeemable shares for each respective class. In accordance with the provisions of the Fund's regulations, investment positions are valued based on the last traded market price for the purpose of determining the net asset value per share for subscriptions and redemptions.

[1] Only non-restricted margin accounts should be included as part of cash and cash equivalents.

(All amounts in € thousands unless otherwise stated)

IFRS7p21
1p119

2.9 Interest income and dividend income

18p30(a) Interest income is recognised on a time-proportionate basis using the effective interest method. It includes interest income from cash and cash equivalents and on debt securities at fair value though profit or loss.

18p30(c) Dividend income is recognised when the right to receive payment is established.

IFRS7p21
1p119

2.10 Transaction costs

Transaction costs are costs incurred to acquire financial assets or liabilities at fair value through profit or loss. They include fees and commissions paid to agents, advisers, brokers and dealers. Transaction costs, when incurred, are immediately recognised in profit or loss as an expense.

IFRS7p21
1p119
32IE32
32p35, 40

2.11 Distributions payable to holders of redeemable shares

Proposed distributions to holders of redeemable shares are recognised in the statement of comprehensive income when they are appropriately authorised and no longer at the discretion of the Fund. This typically occurs when proposed distribution is ratified at the Annual General Meeting. The distribution on the redeemable shares is recognised as a finance cost in the statement of comprehensive income.

IFRS7p21
1p119

2.12 Increase/decrease in net assets attributable to holders of redeemable shares from operations

Income not distributed is included in net assets attributable to holders of redeemable shares. Movements in net assets attributable to holders of redeemable shares are recognised in the statement of comprehensive income as finance costs.

IFRS7p21
1p119

2.13 Taxation[1,2]

The Fund is domiciled in Lagartos. Under the current laws of Lagartos, there is no income, estate, corporation, capital gains or other taxes payable by the Fund.

The Fund currently incurs withholding taxes imposed by certain countries on investment income and capital gains. Such income or gains are recorded gross of withholding taxes in the statement of comprehensive income. Withholding taxes are shown as a separate item in the statement of comprehensive income.

2.14 Collateral

39IGD1
39p37

Cash collateral provided by the Fund is identified in the statement of financial position as margin cash and is not included as a component of cash and cash equivalents. For collateral other than cash, if the party to whom the collateral is provided has the right by contract or custom to sell or re-pledge the collateral, the Fund classifies that asset in its statement of financial position separately from other assets and identifies the asset as pledged collateral. Where the party to whom the collateral is provided does not have the right to sell or re-pledge, a disclosure of the collateral provided is made in the notes to the financial statements.

3. Financial risks

IFRS7p33

3.1 Financial risk factors

IFRS7p31 The Fund's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

DV The Fund is also exposed to operational risks such as custody risk. Custody risk is the risk of loss of securities held in custody occasioned by the insolvency or negligence of the custodian. Although an appropriate legal framework is in place that eliminates the risk of loss of value of the securities held by the custodian, in the event of its failure, the ability of the Fund to transfer securities might be temporarily impaired.

The Fund's overall risk management programme seeks to maximise the returns derived for the level of risk to which the Fund is exposed and seeks to minimise potential adverse effects on the Fund's financial performance. The Fund's policy allows it to use derivative financial instruments to both moderate and create certain risk exposures.

All securities investments present a risk of loss of capital. The maximum loss of capital on purchased options, long equity and debt securities is limited to the fair value of those positions. On written call options, short future positions and on equity and debt sold short, the maximum loss of capital can be unlimited. The maximum loss of capital on written put options, long futures and forward currency contracts is limited to the notional contract values of those positions.

The management of these risks is carried out by the investment manager under policies approved by the Board of Directors. The Board provides written principles for overall risk management, as well as written policies covering

[1] Refer to Appendix IX for investment funds with tax uncertainty.
[2] If the entity is subject to government levies the policy note should be expanded to address the accounting treatment of these cost in accordance with IFRIC 21.

(All amounts in € thousands unless otherwise stated)

specific areas, such as foreign exchange risk, interest rate risk, credit risk, the use of derivative financial instruments and non-derivative financial instruments and the investment of excess liquidity.

The Fund's use of leverage and borrowings can increase the Fund's exposure to these risks, which in turn can also increase the potential returns the Fund can achieve. The Investment Manager manages these exposures on an individual securities level. The Fund has specific limits on these instruments to manage the overall potential exposure. These limits include the ability to borrow against the assets of the Fund up to a maximum €50 million or 50% of gross assets, whichever is lower, and a limit on derivative contracts such that the net notional contract values should not exceed 30% of net assets attributable to holders of redeemable shares.

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

IFRS7p33

3.1.1 Market risk

(a) Price risk

IFRS7p33(a), 33(b) The Fund is exposed to equity securities price risk and derivative price risk. This arises from investments held by the Fund for which prices in the future are uncertain. Where non-monetary financial instruments – for example, equity securities – are denominated in currencies other than the euro, the price initially expressed in foreign currency and then converted into euros will also fluctuate because of changes in foreign exchange rates. Paragraph (b) 'Foreign exchange risk' below sets out how this component of price risk is managed and measured.

The Fund's policy is to manage price risk through diversification and selection of securities and other financial instruments within specified limits set by the Board of Directors. Between 70% and 120% of the net assets attributable to holders of redeemable shares is expected to be invested in equity securities and related derivatives. Between 60% and 80% of this amount is expected to be in individual equities and the balance is in traded options and futures. A summary analysis of investments by nature and geography is presented in Note 6.

The Fund's policy also limits individual equity securities to no more than 5% of net assets attributable to holders of redeemable shares.

The majority of the Fund's equity investments are publicly traded and are included in the S&P 500 Index. The Fund's policy requires that the overall market position is monitored on a daily basis by the Fund's Investment Manager and is reviewed on a quarterly basis by the Board of Directors. Compliance with the Fund's investment policies are reported to the Board on a monthly basis.

At 31 December, the fair value of equities and related derivatives exposed to price risk were as follows:

IFRS7p34

	Fair value	
	2015	**2014**
Equity securities held for trading	52,894	35,515
Equity related derivative assets held for trading	1,545	1,300
Equity related derivative liabilities held for trading	(1,115)	(538)
Equity securities designated at fair value through profit or loss	46,852	41,141
Equity securities sold short	(10,548)	(9,200)
Total	**89,628**	**68,218**

At 31 December, the Fund's overall exposure to price risk including the notional exposure on derivative contracts were as follows:

	2015	**2014**
Net equity securities	89,198	67,456
Net notional exposure from futures contracts	22,000	16,250
Net notional exposure from options	28,000	17,000
Total exposure to price risk from equities and equity related derivatives	**139,198**	**100,706**

The Fund also manages its exposure to price risk by analysing the investment portfolio by industrial sector and benchmarking the sector weighting to that of the S&P 500 Index. The Fund's policy is to concentrate the investment portfolio in sectors where management believe the Fund can maximise the returns derived for the level of risk to which the Fund is exposed. The table below is a summary of the significant sector concentrations within the equity portfolio (including Level 1, 2 and 3 equity securities), net of securities sold short.

(All amounts in € thousands unless otherwise stated)

IFRS7B8

	At 31 December			
	2015		2014	
Sector	**Fund's equity portfolio (%)**	**S&P 500 benchmark allocation (%)**	**Fund's equity portfolio (%)**	**S&P 500 benchmark allocation (%)**
Information technology	15.1	17.1	17.2	16.8
Financials	18.2	14.4	18.1	17.6
Energy	14.1	13.8	14.2	12.9
Health care	12.8	12.9	11.2	12.0
Consumer staples	9.8	11.6	11.5	10.2
Industrials	13.2	11.4	10.5	11.5
Consumer discretionary	9.9	8.4	10.2	8.5
Utilities	2.1	3.7	3.1	3.6
Materials	1.9	3.6	2.1	3.3
Telecommunications services	2.9	3.1	1.9	3.6
Total	**100.0**	**100.0**	**100.0**	**100.0**

The below table is a summary of derivatives held which gives rise to price risk.

	At 31 December			
	2015		2014	
Derivative type	**Contract Value**	**Fair Value**	**Contract Value**	**Fair Value**
Futures				
S&P 500	22,000	290	16,250	380
Total	**22,000**	**290**	**16,250**	**380**
Options				
Purchased call options: S&P 500	30,000	400	19,125	300
Purchased put options: S&P 500	(12,000)	445	(9,625)	400
Written call options: S&P 500	(17,800)	(300)	(10,500)	(115)
Written put options: S&P 500	27,800	(405)	18,000	(203)
Total	**28,000**	**140**	**17,000**	**382**

IFRS7p35 During the year ended 31 December 2015, the Fund's exposure to various industry sectors was significantly different from the exposure as at 31 December 2015. Specifically, the Fund's exposure to the financial service sector during the year averaged 7.5% (versus the S&P average of 17.9%) of the Fund's equity portfolio. The Fund's movement to the overweight position in the financial services sector at 31 December 2015 was at the expense primarily of the 'consumer staples' and 'utilities' sectors which, while being in an overweight position during most of the period, moved to an underweight position at 31 December 2015. Exposure as at 31 December 2014 is representative of the exposures held throughout the year ending 31 December 2014.

The Fund had no concentrations in individual equity positions exceeding 3% (2014: 4%) of the net assets attributable to holders of redeemable shares.

IFRS7p40 The table below summarises the sensitivity of the Fund's net assets attributable to holders of redeemable shares to equity price movements as at 31 December. The analysis is based on the assumptions that the S&P 500 Index increased by 6% (2014: 7%) and decreased by 3% (2014: 3%), with all other variables held constant, and that the fair value of the Fund's portfolio of equity securities and equity-based derivatives moved according to their historical correlation with the index. This represents management's best estimate of a reasonable possible shift in the S&P 500 Index, having regard to the historical volatility of the index. The historical beta of the Fund's equity portfolio with upward movements in the index is 0.95 (2014: 0.90) of the index gain and 0.75 (2014: 0.80) of downward movements in the index. The impact below arises from the reasonable possible change in the fair value of equities and equity derivatives.[1]

	2015	**2014**
Effect on net assets attributable to redeemable shares of an increase in the index	7,959	6,344
Effect on net assets attributable to redeemable shares of a decrease in the index	(3,142)	(2,416)

The Investment Manager uses the S&P 500 Index as a reference point in making investment decisions. However, the investment manager does not manage the Fund's investment strategy to track the S&P 500 Index or any other index or external benchmark. The sensitivity analysis presented is based upon the portfolio composition as at 31 December and the historical correlation of the securities comprising the portfolio to the respective indices. The composition of the Fund's investment portfolio, including the use of leverage, and the correlation thereof to the S&P 500 Index, is

[1] This includes the Level 3 equity positions. Note that the separate level 3 sensitivity analysis, which is based on valuation inputs, does not meet the requirement to present a market sensitivity analysis.

expected to change over time. The sensitivity analysis prepared as of 31 December is not necessarily indicative of the effect on the Fund's net assets attributed to redeemable shares of future movements in the level of the S&P 500 Index.

Commentary – Risk exposure and consideration of derivative contract values

Although there is no specific requirement to disclose the contract/notional value of derivatives under IFRS, management should disclose information that enables users of its financial statements to evaluate the nature and extent of risks arising from financial instruments to which the entity is exposed at the end of the reporting period [IFRS7p31]. The disclosures require focus on the risks that arise from financial instruments and how they have been managed [IFRS7p31/32].

For each type of risk arising from financial instruments an entity is required to disclose concentrations of that risk [IFRS7p34].

A derivative instrument typically provides leveraged exposure to a particular risk, the measure of which is not reflected in the fair value of the instrument. In the case of ABC Fund, which holds futures and options linked to the S&P 500 index, the net total exposure is €50,000, however the net fair value of these instruments is only €430. For the purpose of addressing the IFRS7 risk disclosure requirements, ABC Fund must therefore disclose the total risk of €50,000 as well as any concentrations within that risk. In this instance, the only concentration is to the S&P 500 index, therefore this is disclosed.

Careful consideration must be given to the type of derivatives held when determining the nature of the exposures they create. For instance, a fund that holds Contracts For Differences ('CFDs') in various equity positions should consider the contract values when analysing exposure to particular geographic locations, industries and individual equities. Similarly, when disclosing a concentration of risk, contract values should be considered. Derivatives which expose the entity to foreign exchange risk or interest rate risk (for example, foreign exchange forward contracts and interest rate swaps) will need to be considered and disclosed in a similar manner.

Additionally, when preparing a sensitivity analysis the effect of a reasonable possible movement in the risk variable should be determined considering the effect of derivatives where relevant.

(b) Foreign exchange risk

IFRS7 p33(a),(b) The Fund operates internationally and holds both monetary and non-monetary assets denominated in currencies other than the euro, the functional currency. Foreign currency risk, as defined in IFRS 7, arises as the value of future transactions, recognised monetary assets and monetary liabilities denominated in other currencies fluctuate due to changes in foreign exchange rates. IFRS 7 considers the foreign exchange exposure relating to non-monetary assets and liabilities to be a component of market price risk not foreign currency risk. However, management monitors the exposure on all foreign currency denominated assets and liabilities. The table below provides analysis between monetary and non-monetary items to meet the requirements of IFRS 7.

The Fund does not enter into any foreign exchange hedging transactions for the purpose of managing its exposure to foreign exchange movements (both monetary and non-monetary) .

When the Investment Manager formulates a view on the future direction of foreign exchange rates and the potential impact on the Fund, the Investment Manager factors that into its portfolio allocation decisions. While the Fund has direct exposure to foreign exchange rate changes on the price of non-euro-denominated securities, it may also be indirectly affected by the impact of foreign exchange rate changes on the earnings of certain companies in which the Fund invests, even if those companies' securities are denominated in euro. For that reason, the below sensitivity analysis may not necessarily indicate the total effect on the Fund's net assets attributable to holders of redeemable shares of future movements in foreign exchange rates.

The table below summarises the Fund's assets and liabilities, monetary and non-monetary, which are denominated in a currency other than the euro.

IFRS7p34(a) **Concentration of foreign currency exposure**

(Amounts in euro thousands)

	At 31 December			
	2015		2014	
	USD	GBP	USD	GBP
Assets				
Monetary assets	4,024	10	1,894	–
Non-monetary assets	88,990	1,100	69,730	584
Liabilities				
Monetary liabilities	605	–	398	–
Non-monetary liabilities	10,715	–	2,018	–

(All amounts in € thousands unless otherwise stated)

IFRS7p33(b) In accordance with the Fund's policy, the Investment Manager monitors the Fund's monetary and non-monetary foreign exchange exposure on a daily basis, and the Board of Directors review it on a quarterly basis.

IFRS7p40 IFRS7IG36 The table below summarises the sensitivity of the Fund's monetary and non-monetary assets and liabilities to changes in foreign exchange movements at 31 December. The analysis is based on the assumptions that the relevant foreign exchange rate increased/decreased by the percentage disclosed in the table below, with all other variables held constant. This represents management's best estimate of a reasonable possible shift in the foreign exchange rates, having regard to historical volatility of those rates. This increase or decrease in the net assets attributable to holders of redeemable shares arises mainly from a change in the fair value of US dollar equity and fixed interest securities and UK equities that are classified as financial assets and liabilities at fair value through profit or loss.

		Reasonable possible shift in rate 2015	Movement in value 2015	Reasonable possible shift in rate 2014	Movement in value 2014
	Currency				
	US dollars				
IFRS7p40(a) DV[1]	– Monetary	+/- 3%	+/- 103	+/- 6%	+/- 90
	– Non-monetary	+/- 3%	+/- 2,348	+/- 6%	+/- 4,063
	Pounds sterling				
IFRS7p40(a) DV[1]	– Monetary	+/- 6%	+/- 1	+/- 8%	–
	– Non-monetary	+/- 6%	+/- 66	+/- 8%	+/- 47

(d) Cash flow and fair value interest rate risk

IFRS7p33(a), (b) Interest rate risk arises from the effects of fluctuations in the prevailing levels of markets interest rates on the fair value of financial assets and liabilities and future cash flow. The Fund holds fixed interest securities that expose the Fund to fair value interest rate risk. The Fund also holds a limited amount of euro-denominated floating rate debt, cash and cash equivalents that expose the Fund to cash flow interest rate risk. The Fund's policy requires the Investment Manager to manage this risk by measuring the mismatch of the interest rate sensitivity gap of financial assets and liabilities and calculating the average duration of the portfolio of fixed interest securities. The average effective duration of the Fund's portfolio is a measure of the sensitivity of the fair value of the Fund's fixed interest securities to changes in market interest rates.

The Fund's policy is to hold no more than 20% of the Fund's net assets attributed to holders of redeemable shares in interest bearing assets and liabilities and that the average effective duration of the fixed interest portfolio must remain within 30% of the average duration of the ABC Bank US short-duration bond index. The table below summarises the Fund's relative sensitivity to interest rate changes versus its reference benchmark of the ABC Bank US short-duration bond index. This measure of duration for the portfolio indicates the approximate percentage change in the value of the portfolio if interest rates change by 100 basis points.

	31 December			
	2015		2014	
	Fund	Benchmark	Fund	Benchmark
Effective duration	2.01	2.75	1.86	2.25

IFRS7p40 IFRS7IG36 At 31 December 2015, if interest rates on euro-denominated assets and liabilities had been lower by 75 basis points with all other variables held constant, the increase in net assets attributable to redeemable shareholders would have been €286 (2014: €127). This arises substantially from the increase in the fair value of fixed interest securities, with a small portion affecting interest rate futures[2] €5 (2014: € nil). If interest rates on euro-denominated assets and liabilities had been higher by 50 basis points, the decrease in net assets attributable to redeemable shareholders would amount to €190 (2014: €85).

At 31 December 2015, if interest rates on USD-denominated assets had been 25 basis points lower/higher with all other variables held constant, the change in net asset attributable to redeemable shareholders would have been €11 (2014: €9) higher/lower. This primarily arises from the increase/decrease in the fair value of fixed interest securities, with a small proportion arising from the decrease/increase in interest income on cash and cash equivalents of €1 (2014: €1).

The Fund has direct exposure to interest rate changes on the valuation and cash flows of its interest bearing assets and liabilities. However, it may also be indirectly affected by the impact of interest rate changes on the earnings of certain companies in which the Fund invests. Therefore, the above sensitivity analysis may not fully indicate the total effect on the Fund's net assets attributable to holders of redeemable shares of future movements in interest rates.

IFRS7p33 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.

[1] Non-monetary sensitivity analysis is voluntary. In accordance with IFRS 7B23, currency risk does not arise from financial instruments that are non-monetary.
[2] Note that interest rate risk sensitivity from interest linked derivatives should be based on notional values as this represents the actual exposure.

(All amounts in € thousands unless otherwise stated)

3.1.2 Liquidity risk

IFRS7p39(c), IFRS7p33(a), (b)

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.

The Fund is exposed to the daily settlement of margin calls on derivatives and to weekly cash redemptions of redeemable shares. Its policy is therefore to invest the majority of its assets in investments that are traded in an active market and can be readily disposed. Only a limited proportion of its assets in investments are not actively traded on a stock exchange.

The Fund's listed securities are considered readily realisable, as the majority are listed on the New York stock exchange.

The Fund may periodically invest in derivative contracts and debt securities that are traded over the counter and unlisted equity investments that are not traded in an active market. As a result, the Fund may not be able to liquidate quickly its investments in these instruments at an amount close to their fair value to meet its liquidity requirements, or be able to respond to specific events such as deterioration in the creditworthiness of any particular issuer.

7p50(a)

The Fund has the ability to borrow in the short term to ensure settlement. No such borrowings have arisen during the year. The maximum amount available to the Fund from this borrowing facility is limited to the lower of €50 million or to 50% of the gross assets and would be secured by the assets of the Fund. This facility bears interest at 1 week USD LIBOR plus 25 basis points.

In order to manage the Fund's overall liquidity, the Fund also has the ability to withhold 25% of weekly redemption requests for a period of no more than one month. Under extraordinary circumstances the Fund also has the ability to suspend redemptions if this is deemed to be in the best interest of all shareholders. The Fund did not withhold any redemptions or implement any suspension during 2015 and 2014.

In accordance with the Fund's policy, the Investment Manager monitors the Fund's liquidity position on a daily basis; the Board of Directors reviews it on a quarterly basis.

IFRS7p39(a)

The table below analyses the Fund's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows and are based on the assumption that the Fund exercises its ability to withhold 25% of weekly redemptions.

At 31 December 2015	**Less than 7 days**	**7 days to 1 month**
Financial liabilities at fair value through profit or loss	10,548	–
Due to brokers	893	–
Accrued expenses	158	99
Net asset attributable to holders of redeemable shares	85,814	28,600
Contractual cash out flows (excluding derivatives)	**97,413**	**28,699**
At 31 December 2014		
Financial liabilities at fair value through profit or loss	9,200	–
Due to brokers	665	–
Accrued expenses	95	50
Net asset attributable to holders of redeemable shares	63,504	21,170
Contractual cash out flows (excluding derivatives)	**73,464**	**21,220**

Redeemable shares are redeemed on demand at the holder's option (Note 2.8). However, the Board of Directors does not envisage that the contractual maturity disclosed in the table above will be representative of the actual cash outflows, as holders of these instruments typically retain them for the medium to long term. At 31 December 2015 and 2014, no individual investor held more than 10% of the Fund's redeemable shares.

IFRS7B11E

The Fund manages its liquidity risk by investing predominantly in securities that it expects to be able to liquidate within 7 days or less. The following table illustrates the expected liquidity of assets held:*

At 31 December 2015	**Less than 7 days**	**7 days to 1 month**	**1–12 months**	**More than 12 months**
Total assets	111,479	7,850	7,298	600

At 31 December 2014	**Less than 7 days**	**7 days to 1 month**	**1–12 months**	**More than 12 months**
Total assets	91,053	3,778	306	85

(All amounts in € thousands unless otherwise stated)

Commentary – Asset liquidity

* IFRS 7B11E states that an entity shall disclose a maturity analysis of financial assets it holds for managing liquidity risk if that information is necessary to enable users of its financial statements to evaluate the nature and extent of liquidity risk. It is acceptable to present this analysis in narrative format or tabular format.

Careful consideration must be given to the nature of assets held when categorizing within liquidity buckets. For instance, emerging market debt instruments may have a different liquidity profile from developed market debt instruments.

IFRS7p39(b) The table below analyses the Fund's derivative financial instruments in a loss position for which the contractual maturities are considered to be essential to an understanding of the timing of cash flows based on the Fund's investment strategy.

	Less than 7 days	7 days to 1 month	1–12 months	More than 12 months
At 31 December 2015				
Net settled derivatives				
– S&P Futures[1]	310	45	40	15
– S&P Options	355	350	–	
At 31 December 2014				
Net settled derivatives				
– S&P Futures	–	110	100	10
– S&P Options	318	–	–	–

Commentary – Liquidity risk disclosures and derivatives

Gross settled derivatives
An entity is required to disclose its gross cash outflows on gross settled derivatives (IFRS7B11D(d)). A foreign exchange forward contract is an example of a derivative instrument which is commonly settled on a gross basis rather than at net. There is no explicit requirement to disclose the corresponding inflow. However, IFRS7B11E requires an entity to disclose a maturity analysis of financial assets it holds for managing liquidity risk if that information is necessary to enable users of its financial statements to evaluate the nature and extent of liquidity risk.

Expected maturity vs contractual maturity
Amended IFRS 7p39(b) states: 'the maturity analysis shall include the remaining contractual maturities for those derivative financial liabilities for which contractual maturities are essential for an understanding of the timing of the cash flows'. When more relevant, the information will be presented based on expected maturities rather than contractual maturities.

IFRS7p33

3.1.3 Credit risk

IFRS7p33(a), (b) The Fund is exposed to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The main concentration to which the Fund is exposed arises from the Fund's investments in debt securities. The Fund is also exposed to counterparty credit risk on trading derivative products, cash and cash equivalents, amounts due from brokers and other receivable balances.

The Fund's policy to manage this risk is to invest in debt securities that have a minimum credit rating of BBB/Baa as designated by a well-known rating agency, Ratings plc, with no more than 50% of the debt portfolio rated less than AA/Aa. Within the above limits, the Fund may also invest in unrated assets where a rating is assigned by the investment manager using an approach that is consistent with the approach used by that rating agency. The analysis below summarises the credit quality of the Fund's debt portfolio at 31 December.

[1] The net settled derivatives that have a negative fair value at the reporting date (that is, those that are liabilities) are included in the above liquidity analysis at contractual undiscounted amounts. Net settled derivatives that have a positive fair value (that is, those that are assets) may also be included; however, this is not a requirement of IFRS 7. IFRS 7B10A requires that if the cash outflows can be significantly different from the amounts indicated in the liquidity analysis (for example, in the case of a net settled derivative for which the counterparty has the option to require gross settlement), the entity states that fact and provides quantitative information that enables users of the financial statements to evaluate the extent of that risk.

(All amounts in € thousands unless otherwise stated)

IFRS7p36(c)

Debt securities by rating category	2015	2014
AAA/Aaa	40%	45%
AA/Aa	20%	23%
A/A	15%	13%
BBB/Baa	13%	10%
Unrated*	12%	9%
Total	**100%**	**100%**

*In order to monitor the credit quality of the ''Unrated'' underlying debt securities, the investment manager, on the basis of internal research, prepares its own shadow ratings for the various instruments for which publically available credit ratings are not available. The investment manager reviews the key financial metrics of the issue and structural features of the instruments in order to calculate the implied ratings for each of these investments. The majority of unrated securities have been assessed by the investment manager to have credit quality consistent with BBB/Baa rated securities. A BBB/Baa rating is the lowest rating a bond can have and still be considered investment-grade. An investment grade bond is a bond considered to have a relatively low risk of default.

All amounts due from brokers, cash and short-term deposits are held by parties with a credit rating of AA/Aa or higher.

The Fund also restricts its exposure to credit losses on the trading derivative instruments it holds by entering into master netting arrangements with counterparties (approved brokers) with whom it undertakes a significant volume of transactions. Master netting arrangements do not result in an offset of statement of financial position assets and liabilities, as transactions are usually settled on a gross basis. However, the credit risk associated with favourable contracts is reduced by a master netting arrangement to the extent that if an event of default occurs, all amounts with the counterparty are terminated and settled on a net basis. The Fund's overall exposure to credit risk on derivative instruments subject to a master netting arrangement can change substantially within a short period, as it is affected by each transaction subject to the arrangement. Refer to note 3.1.4 for further analysis of the Funds master netting arrangements.

All transactions in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

In accordance with the Fund's policy, the Investment Manager monitors the Fund's credit position on a daily basis; the Board of Directors reviews it on a quarterly basis.

IFRS7p36(a)
IFRS7p34

The maximum exposure to credit risk before any credit enhancements at 31 December is the carrying amount of the financial assets as set out below.[1]

	2015	2014
Debt securities	20,382	15,286
Derivative assets	1,600	1,300
Cash and cash equivalents	1,620	325
Other assets	3,879	1,655
Total	**27,481**	**18,566**

IFRS7p36(d)

None of these assets are impaired nor past due but not impaired.

The clearing and depository operations for the Fund's security transactions are mainly concentrated with one prime broker, namely Custodian plc. Custodian plc is a member of a major securities exchange, and at 31 December 2015 had a credit rating of Aa (2014: Aa). At 31 December 2015, substantially all cash and cash equivalents, balances due from broker and investments are placed in custody with Custodian plc.

IFRS7p14
IFRS7p36

The Fund has provided Custodian plc with a general lien over all assets (excluding cash[2]) held in custody in return for services including borrowed securities and derivatives trading. Custodian plc has the right to sell or re-pledge up to 125% (2014: nil) of the collateral received to the extent of equity securities sold short and the fair value of derivatives in a loss position. The Fund is therefore also exposed to credit risk to Custodian plc to the extent that collateral provided has been sold or re-pledged. There are also risks involved in dealing with custodians or brokers who settle trades with regard to the segregation of assets. It is expected that all securities and other assets deposited with custodians or brokers will be clearly identified as being assets of the Fund; the Fund should not therefore be exposed to a credit risk with respect to such parties. However, it may not always be possible to achieve this segregation, so the portfolio of the Fund may experience increased exposure to credit risk associated with the applicable custodians or brokers.

[1] IFRS7p36(a); Disclosure of the amount that best represents the maximum exposure to credit risk is not required for financial instruments whose carrying amount best represents the maximum exposure to credit risk.
[2] If cash collateral was provided for a specific transaction, the Fund would separately identify the collateral as 'margin cash' or a 'receivable' and not include the amount as part of 'cash and cash equivalents' [IAS 39IGD1].

(All amounts in € thousands unless otherwise stated)

Commentary – Derivatives and risk disclosures

When making the required IFRS 7 risk disclosures illustrated above, careful thought must be given to the risk exposures created by the various derivative instruments that the fund may hold. For most derivatives, the notional or contract value of the instrument would determine the total risk exposure. These exposures need to be incorporated into the respective quantitative disclosures and sensitivity analysis where applicable.

1p134, 1p135

3.1.4 Offsetting and amounts subject to master netting arrangements and similar agreements

As at 31 December 2015 and 2014 the Fund was subject to one master netting arrangement with its sole derivative counterparty. All of the derivative assets and liabilities of the Fund are held with this counterparty and the margin balance maintained by the Fund is for the purpose of providing collateral on derivative positions.

IFRS7p13C The following tables present the Fund's financial assets and liabilities subject to offsetting, enforceable master netting arrangements and similar agreements. The tables are presented by type of financial instrument.

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements:

	A	B	C = A-B	D		E = C-D
	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set-off in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	Related amounts not set-off in the statement of financial position		
				D(i) and D(ii) Financial Instruments	D(ii) Cash collateral	Net amount
Description						
2015: Derivative assets	1,600	–	1,600	1,115	–	485
2014: Derivative assets	1,300	–	1,300	538	–	762

Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements

	A	B	C = A-B	D		E = C-D
	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set-off in the statement of financial position	Net amounts of financial liabilities presented in the statement of financial position	Related amounts not set-off in the statement of financial position		
				D(i) and D(ii) Financial Instruments	D(ii) Cash collateral	Net amount
Description						
2015: Derivative liabilities	1,115	–	1,115	(1,115)	–	–
2014: Derivative liabilities	538	–	538	(538)	–	–

Amounts in D(i) and D(ii) above relate to amounts subject to set-off that do not qualify for offsetting under (B) above. This includes (i) amounts which are subject to set-off against the asset (or liability) disclosed in 'A' which have not been offset in the statement of financial position, and (ii) any financial collateral (including cash collateral), both received and pledged.

IFRS7p13E, B50 The Fund and its counterparty have elected to settle all transactions on a gross basis however, each party has the option to settle all open contracts on a net basis in the event of default of the other party. Per the terms of the master netting agreement, an event of default includes the following:

- failure by a party to make payment when due;
- failure by a party to perform any obligation required by the agreement (other than payment) if such failure is not remidied within 30 days after notice of such failure is given to the party;
- bankruptcy.

Commentary – Offsetting and amounts subject to master netting arrangements and similar agreements

The illustrative disclosure provided above is minimal and deals with a non-complex arrangement. For further detailed guidance and illustrative disclosure on the Amendments to IFRS 7, 'Disclosures – Offsetting financial assets and financial liabilities', refer to Appendix XII.

1p134, 1p135 **3.2 Capital risk management**

The capital of the Fund is represented by the net assets attributable to holders of redeemable shares. The amount of net asset attributable to holders of redeemable shares can change significantly on a weekly basis, as the Fund is subject to weekly subscriptions and redemptions at the discretion of shareholders, as well as changes resulting from the Fund's performance. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns for shareholders, provide benefits for other stakeholders and maintain a strong capital base to support the development of the investment activities of the Fund.

In order to maintain the capital structure, the Fund's policy is to perform the following:

- Monitor the level of weekly subscriptions and redemptions relative to the assets it expects to be able to liquidate within 7 days and adjust the amount of distributions the Fund pays to redeemable shareholders.
- Redeem and issue new shares in accordance with the constitutional documents of the Fund, which include the ability to restrict redemptions and require certain minimum holdings and subscriptions.

The Board of Directors and Investment Manager monitor capital on the basis of the value of net assets attributable to redeemable shareholders.

3.3 Fair value estimation

IFRS13p70 The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and trading securities) are based on quoted market prices at the close of trading on the year end date. The Fund utilises the last traded market price for both financial assets and financial liabilities. If a significant movement in fair value occurs subsequent to the close of trading up to midnight in Largatos on the year end date, valuation techniques will be applied to determine the fair value.

An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing 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-standardised 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 recognised 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.

IFRS7p29(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.

IFRS13p93(b) 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.

(All amounts in € thousands unless otherwise stated)

Commentary – IFRS 13

The overall disclosure objective of IFRS 13 is for an entity to disclose information that helps users of its financial statements assess both of the following:

- For assets and liabilities that are measured at fair value on a recurring or non-recurring basis in the statement of financial position after initial recognition, the valuation techniques and inputs used to develop those measurements; and
- For recurring fair value measurements using significant unobservable inputs (Level 3), the effect of the measurements on profit or loss or other comprehensive income for the period.

Recurring fair value measurements of assets or liabilities are those that other IFRSs require or permit in the statement of financial position at the end of each reporting period. Non-recurring fair value measurements of assets or liabilities are those that other IFRSs require or permit in the statement of financial position in particular circumstances.

In the vast majority of cases, it can be expected that a fund would only have recurring fair value measurements on its statement of financial position.

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgement 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.

(All amounts in € thousands unless otherwise stated)

The following table analyses within the fair value hierarchy the Fund's assets and liabilities (by class) measured at fair value at 31 December 2015[1].

All fair value measurements disclosed are recurring fair value measurements[2].

IFRS13p93(a), (b)

	Level 1	Level 2	Level 3	Total balance
Assets				
Financial assets held for trading:				
Equity securities				
Eurozone				
Industrial	11,774	–	–	11,774
United States				
Information technology	13,469	–	–	13,469
Financials	13,540	2,694	–	16,234
Health care	11,417	–	–	11,417
Derivatives				
Listed options	845	–	–	845
Listed futures	755	–	–	755
Debt securities				
US Treasury bills	2,000	–	–	2,000
Eurozone sovereign	8,000	4,501	–	12,501
Sub total	**61,800**	**7,195**	–	**68,995**
Financial assets designated at fair value through profit or loss at inception:				
Equity securities				
United States				
Consumer staples	8,741	3,250	7,298	19,289
Energy	8,500	4,077	–	12,577
Consumer discretionary	4,650	4,181	–	8,831
Other sectors	4,800	1,355		6,155
Debt securities				
Eurozone sovereign	3,499	–	–	3,499
Eurozone corporate	–	1,600	–	1,600
United States corporate	–	182	600	782
Sub total	**30,190**	**14,645**	**7,898**	**52,733**
Total assets at fair value through profit or loss	**91,990**	**21,840**	**7,898**	**121,728**
Liabilities				
Financial liabilities held for trading:				
Equity securities sold short				
United States				
Consumer staples	6,198	4,350	-	10,548
Derivatives				
Listed options	410	–	–	410
Listed futures	705	–	–	705
Total liabilities at fair value through profit or loss	**7,313**	**4,350**	–	**11,663**

[1] Valuation hierarchy disclosures should be given by class of asset and liability measured at fair value [IFR13p93(b)]. The concept of disclosure by 'class' existed prior to IFRS13; however, the standard provides further clarification on what should be considered in determining appropriate classes of assets and liabilities. Factors to consider would be the nature, characteristics and risks of the asset of liability as well as the level of the fair value hierarchy in which the measurement is categorised. Greater disaggregation of classes may be needed for Level 3 due to the degree of uncertainty and subjectivity [IFRS13p94].
[2] This table follows the illustrative guidance in IFRS13pIE60.

(All amounts in € thousands unless otherwise stated)

The following table analyses within the fair value hierarchy the Fund's assets and liabilities measured at fair value at 31 December 2014.

	Level 1	Level 2	Level 3	Total balance
Assets				
Financial assets held for trading:				
Equity securities:				
Eurozone				
Industrial	6,523	–	–	6,523
Other	491	–	–	491
United States				
Information technology	10,685	–	–	10,685
Financials	11,244	–	–	11,244
Health care	6,572	–	–	6,572
Derivatives:				
Listed options	700	–	–	700
Listed futures	600	–	–	600
Debt securities:				
US Treasury bills	1,000	–	–	1,000
Eurozone sovereign	1,401	4,000	–	5,401
Sub total	**39,216**	**4,000**	–	**43,216**
Financial assets designated at fair value through profit or loss at inception:				
Equity securities:				
United States				
Consumer staples	13,964	3,600	306	17,870
Energy	3,745	5,077	–	8,822
Consumer discretionary	6,337	–	–	6,337
Other sectors	8,112	–	–	8,112
Debt securities:				
Eurozone Sovereign	8,299	–	–	8,299
United States corporate	–	501	85	586
Sub total	**40,457**	**9,178**	**391**	**50,026**
Total assets	**79,673**	**13,178**	**391**	**93,242**
Liabilities				
Financial liabilities held for trading:				
Equity securities sold short				
United States				
Consumer staples	4,850	4,350	-	9,200
Derivatives				
Listed options	318	–	–	318
Listed futures	220	–	–	220
Total liabilities	**5,388**	**4,350**	–	**9,738**

Commentary – classes of assets and liabilities

IFRS13p94 states that an entity should determine appropriate classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability; and the level of the fair value hierarchy within which the fair value measurement is categorised. The number of classes may need to be greater for fair value measurements categorised within Level 3 of the fair value hierarchy because those measurements have a greater degree of uncertainty and subjectivity. An entity should provide information sufficient to permit reconciliation to the line items presented in the statement of financial position.

All disclosure requirements of IFRS13p93, which are dealt with in the remainder of this note, are required to be made by class of assets and liabilities.

Investments whose values are based on quoted market prices in active markets, and are therefore classified within Level 1, include active listed equities, exchange traded derivatives, US government treasury bills and certain non-US sovereign obligations. The Fund does not adjust the quoted price for these instruments.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources[1] supported by observable inputs are classified within Level 2. These include investment-grade corporate bonds and certain non-US sovereign obligations, listed equities and over-the-counter derivatives. As Level 2 investments include positions that are not traded in active markets and/or are

[1] In cases where funds utilise broker quotes to assess valuation, it is important to identify whether the quotes are binding and executable or indicative and not executable. Binding quotes would support a level 2 classification; however, if a quote is just indicative, this may result in level 3.

(All amounts in € thousands unless otherwise stated)

subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

Investments classified within Level 3 have significant unobservable inputs, as they trade infrequently. Level 3 instruments include private equity and corporate debt securities. As observable prices are not available for these securities, the Fund has used valuation techniques to derive the fair value.

IFRS13p93(g) Level 3 valuations are reviewed on a weekly basis by the Fund's valuation committee who report to the Board of Directors on a monthly basis. The committee considers the appropriateness of the valuation model inputs, as well as the valuation result using various valuation methods and techniques generally recognised as standard within the industry. In selecting the most appropriate valuation model the committee performs back testing and considers which model's results have historically aligned most closely to actual market transactions.*

Commentary – Level 3 valuation process

* For fair value measurements categorised within Level 3 of the fair value hierarchy, an entity is required to disclose a description of the valuation processes used by the entity (including, for example, how an entity decides its valuation policies and procedures and analyses changes in fair value measurements from period to period) [IFRS13p93(g)]. To satisfy this requirement, the illustrative example provided in IFRS 13 states that an entity might disclose information, such as the group within the entity that decides the entity's valuation policies and procedures, to whom that group reports, the frequency and methods for calibration, back testing and other testing procedures of pricing models, etc [IFRS13pIE65].

The Level 3 equity that amounts to €7,298 consists of private equity positions. The Fund utilises comparable trading multiples in arriving at the valuation for these positions. Management determines comparable public companies (peers) based on industry, size, developmental stage and strategy. Management then calculates a trading multiple for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by its earnings before interest, taxes, depreciation and amortisation (EBITDA). The trading multiple is then discounted for considerations such as illiquidity and differences between the comparable companies based on company-specific facts and circumstances.

The Level 3 debt that amounts to €600 consists of US corporate debt positions. The Fund values these instruments using the net present value of estimated future cash flows. The Fund also considers other liquidity, credit and market risk factors, and adjusts the valuation model as deemed necessary.

IFRS13p93(d), (h)

Description	Fair value at 31 Dec 2015	Valuation Technique	Unobservable Inputs	Weighted average input **	Reasonable possible shift +/- (absolute value)	Change in Valuation +/-
US equity securities: – Consumer staples	7,298	Comparable trading multiples	EBITDA multiple	9.5	1	605/(605)
			Discount for lack of marketability	10%	5%	(405)/405
			Control premium	12%	6%	487/(487)
Debt securities: – US corporate	600	Discounted cash flows	Cost of capital	10%	2%	(24)/24
			Probability of default	15%	10%	(75)/75

IFRS13p93(h), (i) The change in valuation disclosed in the above table shows the direction an increase or decrease in the respective input variables would have on the valuation result. For equity securities, increases in the EBITDA multiple and control premium inputs would each lead to an increase in estimated value. However, an increase in the discount for lack of marketability would lead to a decrease in value. For debt securities, increases in cost of capital and probability of default would both lead to a decrease in estimated value[1].

No interrelationships between unobservable inputs used in the Fund's valuation of its Level 3 equity investments have been identified. However, for Level 3 debt securities, a change in the assumption used for the probability of default is expected to be accompanied by a directionally similar change in the cost of capital[2].

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.

[1] A narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs is required if a change in those inputs might result in a significantly higher or lower fair value measurement. [IFRS13p93(h)(i)].
[2] If there are interrelationships between those inputs and other unobservable inputs used in the fair value measurement, a description of those interrelationships and of how they might magnify or mitigate the effect of changes in the unobservable inputs on the fair value measurement is required to be disclosed [IFRS13p93(h)(i)].

(All amounts in € thousands unless otherwise stated)

Commentary – Level 3 disclosure

**** For fair value measurements categorised within Level 3 of the fair value hierarchy, quantitative information about the significant unobservable inputs used in the fair value measurement should be provided.**

An entity is not required to create quantitative information to comply with this disclosure requirement if quantitative unobservable inputs are not developed by the entity when measuring fair value (for example, when an entity uses prices from prior transactions or third-party pricing information without adjustment). However, when providing this disclosure, an entity cannot ignore quantitative unobservable inputs that are significant to the fair value measurement and are reasonably available to the entity [IFRS13p93(d)].

This needs to be presented in addition to the sensitivity analysis.

IFRS13p93(c), (e) The following table presents the transfers between levels for the year ended 31 December 2015.

	Level 1	Level 2	Level 3
Transfers between Levels 1 and 2:			
US equities securities			
Financial sector	(2,200)	2,200	–
Consumer discretionary	(3,520)	3,520	–
Transfers between Levels 2 and 3:			
United States corporate	–	(450)	450

The equity securities transferred out of Level 1 relate to positions whose trading was inactive as at 31 December 2015 but was actively traded on 31 December 2014. The debt transferred from Level 2 to Level 3 relates to a single corporate debt security whose issuer experienced financial difficulty during the year. This ultimately resulted in a halt in trading activity on all of its issued debt instruments. The valuation inputs for this security were not therefore based on market observable inputs and resulted in the reclassification to Level 3.

The following table presents the transfers between levels for the year ended 31 December 2014.

	Level 1	Level 2	Level 3
Transfers between Levels 1 and 2:			
US equities securities			
Consumer staples	(525)	525	–
Consumer discretionary	1,012	(1,012)	–
Transfers between levels 2 and 3:			
United States corporate	–	(600)	600

The equity securities transferred out of level 1 relate to positions whose trading was inactive as at 31 December 2014 but was actively traded on 31 December 2013. The equity securities transferred into Level 1 relate to positions for which significant trading activity existed on 31 December 2014 but which were only thinly traded on and around 31 December 2013. The transfer from Level 2 to Level 3 relates to corporate debt securities whose issuers experienced significant reductions in trading activity during the year as well as significant credit rating downgrades. The valuation inputs for these securities were not therefore based on market observable inputs and resulted in the reclassification to Level 3.

IFRS13p95 Transfers between levels of the fair value hierarchy, for the purpose of preparing the above table, are deemed to have occurred at the beginning of the reporting period.***

Commentary – transfers

An entity should disclose the amounts of any transfers between levels of the fair value hierarchy, the reasons for those transfers and the entity's policy for determining when transfers between levels are deemed to have occurred. Transfers into each level should be disclosed and discussed separately from transfers out of each level [IFRS13p93(c),(e)(iv), p95].

*** The policy with regard to the timing of the recognition of transfers should be the same for transfers into the levels as for transfers out of the levels. Examples of policies for determining the timing of transfers include the following [IFRS13p95]:

- The date of the event or change in circumstances that caused the transfer.
- The beginning of the reporting period.
- The end of the reporting period.

(All amounts in € thousands unless otherwise stated)

IFRS13p93(e) The following table presents the movement in level 3 instruments for the year ended 31 December 2015 by class of financial instrument.

	US equity securities – consumer staples	US corporate debt	Total
Opening balance	**306**	**85**	**391**
Purchases	6,500	–	6,500
Sales	(850)	(20)	(870)
Transfers into Level 3	–	450	450
Net gains/(losses) recognised in other net changes in fair value on financial assets and financial liabilities at fair value through profit or loss	1,342	85	1,427
Closing balance	**7,298**	**600**	**7,898**
Change in unrealised gains or losses for Level 3 assets held at year end and included in other net changes in fair value on financial assets and financial liabilities at fair value through profit or loss****	1,292	80	1,372

The following table presents the movement in Level 3 instruments for the year ended 31 December 2014 by class of financial instrument.

	US equity securities – consumer staples	US corporate debt	Total
Opening balance	–	–	–
Purchases	450	–	450
Sales	(150)	(400)	(550)
Transfers into level 3	–	600	600
Net gains/(losses) recognised in other net changes in fair value on financial assets and financial liabilities at fair value through profit or loss	6	(115)	(109)
Closing balance	**306**	**85**	**391**
Change in unrealised gains or losses for Level 3 assets held at year end and included in other net changes in fair value on financial assets and financial liabilities at fair value through profit or loss ****	4	(25)	(109)

Commentary – Level 3 assets and liabilities held at year end

**** IFRS 13 clarifies that for Level 3 positions, the amount of the total gains or losses for the period included in profit or loss that is attributable to the change in unrealised gains or losses relating to those assets and liabilities held at the end of the reporting period, and the line item(s) in profit or loss in which those unrealised gains or losses are recognised, should be disclosed [IFRS13p93(f)].

IFRS13p97 For assets and liabilities carried at amortised cost, their carrying values are a reasonable approximation of fair value.

Commentary – assets and liabilities not carried at fair value but for which fair value is disclosed

For each class of assets and liabilities not measured at fair value in the statement of financial position but for which the fair value is disclosed, an entity should disclose the level within the fair value hierarchy within which the fair value measurement would be categorised, and a description of the valuation technique and the inputs used in the technique [IFRS13p97].

The example the IASB used for this requirement is the case in which a financial instrument that is measured at amortised cost in the statement of financial position is required to disclose its fair value per IFRS 7. However IFRS 7p29(a) states that disclosures of fair value are not required when the carrying amount is a reasonable approximation of fair value, for example, for financial instruments such as short-term trade receivables and payables. As such, the disclosure requirements of IFRS13p97 are not mandatory when the assets and liabilities are exempt from fair value disclosure per IFRS 7p29(a). The entity should disclose the fact that these current receivables and payables are carried at values that reflect a reasonable approximation of their fair value.

(All amounts in € thousands unless otherwise stated)

4. Critical accounting estimates and judgements

1p122, 125 **4.1 Critical accounting estimates and assumptions**

Management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are outlined below.

(a) Fair value of derivative financial instruments

The Fund may, from time to time, hold financial instruments that are not quoted in active markets, such as over-the-counter derivatives. Fair values of such instruments are determined by using valuation techniques. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by experienced personnel at ABC Fund Services Limited, independent of the party that created them. Models are calibrated by back-testing to actual transactions to ensure that outputs are reliable.

(b) Fair value of securities not quoted in an active market

The fair value of such securities not quoted in an active market may be determined by the Fund using reputable pricing sources (such as pricing agencies) or indicative prices from bond/debt market makers. Broker quotes as obtained from the pricing sources may be indicative and not executable or binding. The Fund would exercise judgement and estimates on the quantity and quality of pricing sources used. Where no market data is available, the Fund may value positions using its own models, which are usually based on valuation methods and techniques generally recognised as standard within the industry. The inputs into these models are primarily earning multiples and discounted cash flows. The models used to determine fair values are validated and periodically reviewed by experienced personnel at ABC Fund Services Limited, independent of the party that created them. The models used for private equity securities are based mainly on earnings multiples (based on the historical earnings of the issuer over the past decade), adjusted for lack of marketability and control premiums. The models used for debt securities are based on net present value of estimated future cash flows, adjusted as appropriate for liquidity, and credit and market risk factors.

Models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

The determination of what constitutes ‘observable’ requires significant judgement by the Fund. The Fund considers observable data to be 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.

4.2 Critical judgements

Functional currency

The Board of Directors considers the euro the currency that most faithfully represents the economic effect of the underlying transactions, events and conditions. The euro is the currency in which the Fund measures its performance and reports its results, as well as the currency in which it receives subscriptions from its investors. This determination also considers the competitive environment in which the Fund is compared to other European investment products.

5. Interest income

		2015	2014
IFRS7p20(b)	Cash and cash equivalents	167	74
DV	Debt securities at fair value through profit or loss:		
	– Held for trading	496	161
	– Designated at fair value through profit or loss	284	314
	Total	**947**	**549**

(All amounts in € thousands unless otherwise stated)

6. Financial assets at fair value through profit or loss

		2015	2014
IFRS7p8(a)	Financial assets held for trading:		
	– Equity securities	52,894	35,515
	– Derivatives	1,600	1,300
	– Treasury bills	2,000	1,000
	– Debt securities	12,501	5,401
	Total financial assets held for trading	**68,995**	**43,216**
IFRS7p6, 8(a)	Designated at fair value through profit or loss at inception:		
	– Equity securities	46,852	41,141
	– Debt securities	5,881	8,885
	Total designated at fair value through profit or loss at inception	**52,733**	**50,026**
	Total financial assets at fair value through profit or loss	**121,728**	**93,242**
	Other net changes in fair value on financial assets at fair value through profit or loss:		
DV	– Realised	3,834	(689)
	– Change in unrealised	8,884	(878)
	Total gains/(losses)	**12,718**	**(1,567)**
IFRS7p20(a)(i)	Other net changes in fair value on assets held for trading	5,204	200
	Other net changes in fair value on assets designated at fair value through profit or loss	7,514	(1,767)
	Total net gains/(losses)	**12,718**	**(1,567)**

IFRS7p7, 34, 1p77, 112(c)

	2015		2014	
	Fair value	**% of net assets**	**Fair value**	**% of net assets**
Debt securities				
Eurozone sovereign	16,000	14.0%	13,700	16.2%
Eurozone corporate	1,600	1.4%	–	–
United States corporate	782	0.7%	586	0.7%
US treasury bills	2,000	1.7%	1,000	1.2%
Total debt securities	20,382	17.8%	15,286	18.1%
Equity securities				
Eurozone	11,774	10.3%	7,014	8.3%
United States	87,972	76.9%	69,642	82.2%
Total equity securities	99,746	87.2%	76,656	90.5%
Derivatives				
S&P futures[1]	700	0.6%	600	0.7%
S&P options	845	0.7%	700	0.8%
Interest rate futures	55	0.0%	–	–
Total derivatives	1,600	1.4%	1,300	1.5%
Total financial assets at fair value through profit or loss	**121,728**	**106.4%**	**93,242**	**110.1%**

Debt and equity securities are grouped based on their primary market in which the issuer operates.

IFRS7p14 The Fund has provided Custodian plc with a general lien over all assets (excluding cash[2]) held in custody. Custodian plc has the right to sell or re-pledge up to 125% (2014: nil) of the collateral received to the extent of listed equity securities sold short and the fair value of derivatives in a loss position. At 31 December 2015, this amounted to €15,268 (2014: nil). This amount has been presented separately from the remaining financial assets at fair value through profit and loss in the statement of financial position.

IFRS7p15 The Fund has not sold or re-pledged any collateral during the period.

The terms and conditions associated with collateral have no significant unusual requirements from the usual practice of recourse when a default occurs.

[1] In certain markets futures trading may be structured in a way that requires daily settlement and thus may result in a nil fair value at the end of each day. ABC Fund does not have such an arrangement, Instead, the daily margin movements are considered to be collateral rather than settlement transactions.
[2] If cash collateral was provided on specific transactions, the Fund would be required to separately identify the collateral as 'margin cash' or a 'receivable' and not include the amount as part of 'cash and cash equivalents' [IAS 39IGD1].

(All amounts in € thousands unless otherwise stated)

7. Financial liabilities at fair value through profit or loss

		2015	2014
	Financial liabilities held for trading:		
IFRS7p6, 8(e)	– Listed equity securities sold short	10,548	9,200
39AG15	– Derivatives	1,115	538
	Total financial liabilities at fair value through profit or loss	**11,663**	**9,738**

IFRS7p20(a)(i)	Other net changes in fair value on financial liabilities at fair value through profit or loss – held for trading:		
	– Realised	(500)	(622)
	– Change in unrealised	1,237	(29)
	Total net gains/(losses)	**737**	**(651)**

IFRS7p7, 34, 1p77, 112(c)

	2015		2014	
	Fair value	% of net assets	Fair value	% of net assets
Short sales of equity securities				
United States	10,548	9.2%	9,200	10.9%
Total short sales of equity securities	**10,548**	**9.2%**	**9,200**	**10.9%**
Derivatives				
S&P futures	410	0.4%	220	0.3%
S&P options	705	0.6%	318	0.4%
Total derivatives	**1,115**	1.0%	**538**	0.6%
Total financial liabilities at fair value through profit or loss	**11,663**	**10.2%**	**9,738**	**11.5%**

8. Financial instruments by category

IFRS7p6,8

31 December 2015	Loans and receivables	Assets at fair value through profit or loss	Total
Assets as per statement of financial position			
Financial assets at fair value through profit or loss	–	106,460	106,460
Financial assets at fair value through profit or loss pledged as collateral	–	15,268	15,268
Due from brokers	2,356	–	2,356
Other receivables and prepayments	497	–	497
Margin accounts	1,026	–	1,026
Cash and cash equivalents	1,620	–	1,620
Total	**5,499**	**121,728**	**127,227**

31 December 2014	Loans and receivables	Assets at fair value through profit or loss	Total
Assets as per statement of financial position			
Financial assets at fair value through profit or loss	–	93,242	93,242
Due from brokers	984	–	984
Other receivables and prepayments	448	–	448
Margin accounts	223	–	223
Cash and cash equivalents	325	–	325
Total	**1,980**	**93,242**	**95,222**

(All amounts in € thousands unless otherwise stated)

	Liabilities at fair value through profit or loss	Other financial liabilities	Total
31 December 2015			
Liabilities as per statement of financial position			
Financial liabilities at fair value through profit or loss	11,663	–	11,663
Due from broker	–	893	893
Accrued expenses	–	257	257
Net assets attributable to holders of redeemable shares[1]	–	114,414	114,414
Total	**11,663**	**115,564**	**127,227**

	Liabilities at fair value through profit or loss	Other financial liabilities	Total
31 December 2014			
Liabilities as per statement of financial position			
Financial liabilities at fair value through profit or loss	9,738	–	9,738
Due from broker	–	665	665
Accrued expenses	–	145	145
Net assets attributable to holders of redeemable shares	–	84,674	84,674
Total	**9,738**	**85,484**	**95,222**

9. Derivative financial instruments

The Fund holds the following derivative instruments:

(a) Futures

IFRS7p31 Futures are contractual obligations to buy or sell financial instruments on a future date at a specified price established in an organised market. The futures contracts are collateralised by cash or marketable securities. Interest rate futures are contractual obligations to receive or pay a net amount based on changes in interest rates at a future date at a specified price, established in an organised financial market.

(b) Options

IFRS7p31 An option is a contractual arrangement under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date or during a set period, a specific amount of securities or a financial instrument at a predetermined price. The seller receives a premium from the purchaser in consideration for the assumption of future securities price. Options held by the Fund are exchange-traded. The Fund is exposed to credit risk on purchased options only to the extent of their carrying amount, which is their fair value.

The contract amounts of certain types of financial instrument, as disclosed in note 3.1.1, provide a basis for comparison with instruments recognised on the statement of financial position, but they do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favourable or unfavourable, and thus the aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

10. Margin accounts

1p112(c) Margin accounts represent margin deposits held in respect of open exchange-traded futures contracts.

[1] The Fund carries its redeemable shares at armortised cost. The option is available for a Fund to designate their redeemable shares as fair value through profit and loss which would lead to a different categorisation in the table above. If this option is taken by a fund then other requirements applicable to fair valued instruments will apply to its redeemable shares as required by IFRS13.

(All amounts in € thousands unless otherwise stated)

11. Cash and cash equivalents

7p45 For the purposes of the cash flow statement, cash and cash equivalents comprise the following balances with original maturity of less than 90 days:

	2015	2014
Cash at bank	620	325
Short-term deposits	1,000	–
Total	**1,620**	**325**

12. Redeemable shares

1p79, 80
1p134, 135 The Fund's authorised redeemable share capital is 5,000,000 shares with par value of €0.1 per share. These are issued as Class A or Class B shares, both of which carry equal voting rights, are entitled to dividends and are entitled to a proportionate share of the Fund's net assets attributable to holders of redeemable shares. Class B shares are not subject to management fees. All issued redeemable shares are fully paid. The Fund's redeemable shares are subject to a minimum holding and subscription amount. The Fund also has the ability to limit weekly cash redemptions and withhold 25% of the requested amount for a period of no more than one month. Under extraordinary circumstances, the Fund also has the ability to suspend redemptions if this is deemed to be in the best interest of all shareholders. The relevant movements are shown on the statement of changes in net assets attributable to holders of redeemable shares. In accordance with the objectives outlined in Note 1 and the risk management policies in Note 3, the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemptions, such liquidity being augmented by short-term borrowings or disposal of listed securities where necessary.

DV The Fund's net asset value per share is €12,465.84 (2014: €10,764.01) for a Class A share and €13,090.84 (2014: €11,195.14) for a Class B share, at the statement of financial position date.

During the year ended 31 December, the number of shares issued, redeemed and outstanding were as follows:

	2015			2014		
	Class A	Class B	Total	Class A	Class B	Total
At 1 January	7,856	10	7,866	6,878	10	6,888
Redeemable shares issued	2,315	20	2,335	1,183	–	1,183
Redeemable shares redeemed	(1,018)	(6)	(1,024)	(205)	–	(205)
At 31 December	**9,153**	**24**	**9,177**	**7,856**	**10**	**7,866**

13. Distribution payable

32p35, 40 The dividends paid in 2015 and 2014 amounted to €2,000 (€254.26 per share) and €1,000 (€145.18 per share) respectively and are presented as finance cost. A dividend for the year ended 31 December 2015 of €2,500 (€272.42 per share) will be proposed at the Annual General Meeting on 30 April 2016. These financial statements do not reflect this dividend payable.

14. Related-party transactions

24p9
24p18 Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

(a) Management fee

The Fund is managed by XYZ Capital Limited (the 'Investment Manager'), an investment management company incorporated in Lagartos. Under the terms of the management agreement dated 15 May 2001, the Fund appointed XYZ Capital Limited as an Investment Manager to provide management services to the Fund. XYZ Capital Limited receives in return a fee based on the net asset value of Class A shares estimated based on traded values, payable quarterly in advance using the annual rate of 0.8%. Total management fees for the year amounted to €803 (2014: €684), with €67 (2014: €57) in outstanding accrued fees due to XYZ Capital Management Limited at the end of the year.

24p18 *(b) Custodian fee*

The Fund has engaged the services of XYZ Custody Bank Limited, a fellow subsidiary company of the Investment Manager, to provide custodian services for a fee. The fees are charged on a scale of 0.075% per annum on the first €50,000 of the Fund, and 0.04% thereafter on the net asset value of the Fund, estimated based on traded values. Total custodian fees, for the year amounted to €40 (2014: €34), with €4 (2014: €3) in outstanding accrued fees due to XYZ Custody Bank at the end of the year.

(All amounts in € thousands unless otherwise stated)

24p18 *(c) Secretarial and administration fee*

The Fund has engaged the services of ABC Fund Services Limited, a fellow subsidiary company of the Investment Manager, to provide secretarial and administrative services for a fee. The fees are charged on a scale of 0.02% per annum on the net asset value of the Fund, estimated based on traded values.

Total fees for secretarial and administrative services for the year amounted to €16 (2014: €13), with €6 (2014: €5) in outstanding of accrued fees due to ABC Fund Services Limited at the end of the year.

(d) Board of Directors' remuneration

The total remuneration paid to directors in 2015 was €30 (2014: €25) and consisted of only fixed directors' fees.

(e) Related party share holdings

The Directors of the Fund held all the Class B redeemable shares in the Fund (2014: 100%) as detailed below.

For the year ended 31 December 2015:

24p18, 24p19(f)

Shareholder	Number of shares at the start of year	Number of shares acquired in the year	Number of shares redeemed in the year	Number of shares at year end
Directors	10	20	6	24

For the year ended 31 December 2014:

Shareholder	Number of shares at the start of the year	Number of shares acquired in the year	Number of shares redeemed in the year	Number of shares at year end
Directors	10	–	–	10

(All amounts in € thousands unless otherwise stated)

Independent auditor's report

To the shareholders of ABC Fund

Report on the financial statements[1]

We have audited the accompanying financial statements of ABC Fund, which comprise the statement of financial position as at 31 December 2015 and the statements of comprehensive income, changes in net assets attributable to holders of redeemable shares and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation *and fair presentation of these financial statements*[2] in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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 about 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 auditor's 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*[3] 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 *present fairly, in all material respects*[4], the financial position of ABC Fund as at 31 December 2015, and [*of*][5] its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements

[Form and content of this section of the auditor's report will vary depending on the nature of the auditor's other reporting responsibilities, if any.]

Signature
Date
Address

The format of the audit report will need to be tailored to reflect the legal framework of particular countries. In certain countries, the audit report covers both the current year and the comparative year.

[1] This sub heading is only required when a report on other legal and regulatory requirements paragraph is included in the audit report.
[2] Can be replaced with '*of financial statements that give a true and fair view*'.
[3] Should be replaced with '*of financial statements that give a true and fair view*' if '*true and fair*' language was used in the Management's responsibility paragraph.
[4] Should be replaced with '*give a true and fair view of*' if '*true and fair*' language was used in the previous paragraphs.
[5] Should be included if '*true and fair*' language was used in the previous paragraphs.

(All amounts in € thousands unless otherwise stated)

Appendix I – Statement of cash flows – direct method

The financial statements of ABC Fund present the cash flows from operations using the indirect method. The statement below shows the cash flows from operations using the direct method. Both methods are permitted under IAS 7, ''Statement of Cash Flows''.

			Year ended 31 December	
1p113		**Note**	**2015**	**2014**
7p10, 18(a), 21	**Cash flows from operating activities**			
7p15	Purchase of financial assets and settlement of financial liabilities		(36,218)	(15,175)
7p15	Proceeds from sale of financial assets		20,622	5,058
7p15	Purchase and settlement of derivative financial instruments		(1,840)	(1,000)
7p15	Proceeds from derivative financial instruments		2,025	1,167
7p31	Dividends received		1,412	664
7p31	Interest received		917	482
	Operating expenses paid		(971)	(782)
	Net cash used in operating activities		**(14,053)**	**(9,586)**
7p10, 21	**Cash flows from financing activities**			
7p17	Distributions paid to holders of redeemable shares	13	(2,000)	(1,000)
7p17	Proceeds from redeemable shares		26,991	12,901
7p17	Redemptions of redeemable shares		(9,670)	(2,165)
	Net cash from financing activities		**15,321**	**9,736**
	Net increase in cash and cash equivalents		1,268	150
	Cash and cash equivalents at beginning of the year	11	325	182
7p28	Exchange gains/(losses) on cash and cash equivalents		27	(7)
	Cash and cash equivalents at end of the year	11	**1,620**	**325**

(All amounts in € thousands unless otherwise stated)

Appendix II – Fund whose shares are equity

The illustrative financial statements are based on an open-ended fund that issues puttable instruments, which are classified as financial liabilities under IAS 32, 'Financial instruments: Presentation'. The below includes example disclosures for a closed ended fund whose shares or units are equity under IAS 32, 'Financial instruments: Presentation'.

Statement of financial position

1p54, 60, 113		Note	As at 31 December	
			2015	2014
	Assets			
1p66	**Current assets**			
1p54(d), IFRS7p8(a)	Financial assets at fair value through profit or loss	6, 9	106,460	93,242
39p37	Financial assets at fair value through profit or loss pledged as collateral	6, 9	15,268	–
IFRS7p8	Due from brokers		2,356	984
1p54(h), IFRS7p8	Other receivables and prepayments		497	448
1p55	Margin accounts	10	1,026	223
1p54(i)	Cash and cash equivalents	11	1,620	325
	Total assets		**127,227**	**95,222**
	Equity			
1p54(r)	**Capital and reserves attributable to equity holders of the Fund**			
1p78(e)	Share capital		9,177	7,866
1p78(e)	Share premium		81,410	65,400
1p78(e)	Retained earnings		23,827	11,408
	Total equity		**114,414**	**84,674**
	Liabilities			
1p69	**Current liabilities**			
1p54(m), IFRS7p8(e)	Financial liabilities at fair value through profit or loss	7, 9	11,663	9,738
IFRS7p8	Due to brokers		893	665
1p54(k)	Accrued expenses		257	145
	Total liabilities		**12,813**	**10,548**
	Total equity and liabilities		**127,227**	**95,222**

(All amounts in € thousands unless otherwise stated)

Statement of comprehensive income[1]

1p82, 83, 85,102		Note	Year ended 31 December	
			2015	2014
1p82(a)	**Income**			
1p85	Interest income	5	947	549
1p35(b)(v)	Dividend income		1,538	1,055
1p85	Net foreign currency gains or losses on cash and cash equivalents		27	(7)
IFRS7p20(a)(i), 1p35	Other net changes in fair value on financial assets and liabilities at fair value through profit or loss	6, 7	13,455	(2,218)
	Total net income		**15,967**	**(621)**
1p85, 99	**Expenses**			
	Management fee	14	(803)	(684)
	Custodian fee, secretarial and administration fees	14	(56)	(47)
	Transaction costs		(326)	(137)
	Director's fees	14	(30)	(25)
	Other operating expenses		(151)	(123)
	Total operating expenses		**(1,366)**	**(1,016)**
1p85	**Profit/(loss) before tax**		14,601	(1,637)
1p82(d)	Withholding taxes		(182)	(138)
1p82(f)	**Profit/(loss) for the year**		**14,419**	**(1,775)**
1p82(g)	**Other comprehensive income**[2]		–	–
1p82(i)	**Total comprehensive income/(loss)**		**14,419**	**(1,775)**
33p66	**Earnings/(loss) per share – basic and diluted (€ per share)**[3]		**1,692.37**	**(246.53)**

Statement of changes in equity

1p106		Share capital	Share premium	Retained earnings	Total
	At 1 January 2014	6,888	55,642	14,183	76.713
1p106(a)	Total comprehensive income/(loss) for the year	–	–	(1,775)	(1,775)
1p107	Dividend	–	–	(1,000)	(1,000)
1p106(d)	Issue of shares	1,183	11,718	–	12,901
1p106(d)	Repurchase of own shares	(205)	(1,960)	–	(2,165)
	At 31 December 2014	**7,866**	**65,400**	**11,408**	**84,674**
1p106(a)	Total comprehensive income for the year	–	–	14,419	14,419
1p107	Dividend	–	–	(2,000)	(2,000)
1p106(d)	Issue of shares	2,335	24,656	–	26,991
1p106(d)	Repurchase of own shares	(1,024)	(8,646)	–	(9,670)
	At 31 December 2015	**9,177**	**81,410**	**23,827**	**114,414**

[1] IAS 1 (revised), 'Presentation of financial statements', allows a choice of presenting all items of income and expense recognised 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.
[2] The Fund has no components of 'other comprehensive income'; an additional line item has been included for illustrative purposes.
[3] IAS 33, 'Earnings per share', is applicable where the Fund's ordinary shares are traded in a public market or when the financial statements are filed with a regulatory organisation for the purpose of issuing ordinary shares in a public market.

(All amounts in € thousands unless otherwise stated)

Note – Accounting policies (extracts)

1p119 **Share capital**

32p37 Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds, net of tax. Incremental costs directly attributable to the issue of new ordinary shares or options, or for the acquisition of a business, are included in the cost of acquisition as part of the purchase consideration.

32p33 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, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Fund's equity holders.

1p119 **Dividend distribution**

10p12 Dividend distribution to the Fund's shareholders is recognised as a liability in the Fund's financial statements in the period in which the dividends are approved by the Fund's shareholders.

Note – Share capital

1p79, 80

	2015	2014
Authorised share capital 10,000 ordinary shares with a par value of €1,000 per share	10,000	10,000
Ordinary shares-issued and fully paid	9,177	7,866

Each issued and fully paid ordinary share is entitled to dividends when declared and carries one voting right.

The Fund's capital is represented by ordinary shares that have a €1,000 par value and carry one vote each. They are entitled to dividends when declared. The Fund has no restrictions or specific capital requirements on the issue and re-purchase of ordinary shares. The relevant movements on capital are shown on the statement of changes in equity.

Note – Earnings per share

Basic earnings per share is calculated by dividing the profit/(loss) for the year by the weighted average number of ordinary shares in issue during the year, excluding the average number of ordinary shares purchased by the Fund and held as treasury shares.

		2015	2014
33p70(a)	Profit/(loss) for the year (€000's)	14,419	(1,775)
33p70(b)	Weighted average number of ordinary shares in issue	8,520	7,200
	Basic earnings/(loss) per share – basic and diluted (€ per share)	1,692.37	(246.53)

The Fund has not issued any shares or other instruments that are considered to have dilutive potential.

Note – Dividend payable

10p12 The dividend paid in 2015 and 2014 amounted to €2,000 (€254.26 per share) and €1,000 (€145.18 per share) respectively. A dividend for the year ended 31 December 2015 of €2,500 (€272.42 per share) will be proposed at the Annual General Meeting on 30 April 2016. These financial statements do not reflect this dividend payable.

(All amounts in € thousands unless otherwise stated)

Appendix III – Fund with puttable instruments reclassified from liabilities to equity

The illustrative financial statements are based on an open-ended fund which issues puttable instruments, which are classified as financial liabilities under IAS 32, 'Financial instruments: Presentation'.

The below includes example disclosures where the Fund is required to reclassify its puttable shares from liabilities to equity in accordance with IAS 32.

In the prior year the Fund had two share classes in issue (Class A and Class B shares). Both classes in 2014 were classified as 'financial liabilities', given that there was no subordination and that they did not have identical rights. On 1 January 2015, Class B was fully redeemed, leaving only Class A shares remaining in the Fund. Class A shares entitle the holder to a pro rata share of the entity's net assets at liquidation. No other financial instruments are in issue that have total cash flows based substantially on the profit or loss, the changes in the recognised net assets or the changes in the fair value of the recognised and unrecognised net assets of the Fund. The Class A shares have no other contractual obligation than the obligation to redeem the puttable instrument.

Statement of financial position

		Note	As at 31 December	
1p54, 60, 113			**2015**	**2014**
	Assets			
1p66	**Current assets**			
1p54(d), IFRS7p8	Financial assets at fair value through profit or loss	6, 9	106,460	93,242
39p37	Financial assets at fair value through profit or loss pledged as collateral	6, 9	15,268	–
IFRS7p8	Due from brokers		2,356	984
1p54(h), IFRS7p8	Other receivables and prepayments		497	448
1p55	Margin accounts	10	1,026	223
1p54(i)	Cash and cash equivalents	11	1,620	325
	Total assets		**127,227**	**95,222**
	Liabilities			
1p69	**Current liabilities**			
1p54(m), IFRS7p8(e)	Financial liabilities at fair value through profit or loss	7, 9	11,663	9,738
IFRS7p8	Due to brokers		893	665
1p54(k)	Accrued expenses		257	145
	Total liabilities (2014: excluding net assets attributable to holders of redeemable shares)*		**12,813**	**10,548**
1p54(r)	**Net assets attributable to holders of redeemable shares***	12	**114,414**	**84,674**

* Net assets attributable to holders of redeemable shares are classified as equity as at 31 December 2015 and as financial liabilities as at 31 December 2014.

(All amounts in € thousands unless otherwise stated)

Statement of comprehensive income

		Note	Year ended 31 December 2015	2014
1p82, 83, 85, 102, 113				
1p82(a)	**Income**			
1p85	Interest income	5	947	549
18p35(b)(v)	Dividend income		1,538	1,055
1p85	Net foreign currency gains or losses on cash and cash equivalents		27	(7)
IFRS7p20 (a)(i)1p35	Other net changes in fair value on financial assets and financial liabilities at fair value through profit or loss	6, 7	13,455	(2,218)
1p85	**Total net income/(loss)**		**15,967**	**(621)**
1p85, 99	**Expenses**			
	Management fee	14	(803)	(684)
	Custodian, secretarial and administration fees	14	(56)	(47)
	Transaction costs		(326)	(137)
	Directors' fees	14	(30)	(25)
	Other operating expenses		(151)	(123)
	Total operating expenses		**(1,366)**	**(1,016)**
1p85	**Operating profit/(loss)**		**14,601**	**(1,637)**
1p82(b)	**Finance costs**			
1p85, 32p 35, 40	Distributions to holders of redeemable shares (2014)[1]	13	–	(1,000)
	Profit/(loss) before tax		**14,601**	**(2,637)**
1p82(d)	Withholding taxes		(182)	(138)
32IE32, 1p85, 32p35, 1p82(i)	**Increase/(decrease) in net assets attributable to holders of redeemable shares[2]**		**14,419**	**(2,775)**

Statement of changes in net assets attributable to holders of redeemable shares[3]

1p6, 106, 113

	Note	2015	2014
Net assets attributable to holders of redeemable shares at 1 January*		**84,674**	**76,713**
Dividend paid to shareholders (2015)		(2,000)[4]	–
Proceeds from redeemable shares issued		26,991	12,901
Redemption of redeemable shares		(9,670)	(2,165)
Net increase		15,321	10,736
Increase/(decrease) in net assets attributable to holders of redeemable shares from operations		14,419	(2,775)
Net assets attributable to holders of redeemable shares at 31 December*	12	**114,414**	**84,674**

* During the year ended 31 December 2014, net assets attributable to holders of redeemable shares are classified as a liability. During the year ended 31 December 2015, net assets attributable to holders of redeemable shares are classified as equity.

Commentary – change to equity classification

The presentation used above seeks to minimise the variation from the presentation used when shares are classified as liabilities. The further analysis of equity movement as required by 1p78(e) is presented in the notes (see share capital note extract).

[1] Under the liability treatment distributions are recognised as a finance cost in the statement of comprehensive income however, under equity treatment distributions are recognised as dividends in the statement of changes in equity.
[2] Use of this heading description is acceptable, as its literal meaning is applicable to both years.
[3] Use of this heading description is acceptable, as its literal meaning is applicable to both years.
[4] Under the liability treatment, distributions are recognised as a finance cost in the statement of comprehensive income; however, under equity treatment, distributions are recognised as dividends in the statement of changes in equity.

(All amounts in € thousands unless otherwise stated)

Notes to the financial statements (extracts)

IFRS7p21
1p119

Redeemable shares

32p16A-D

Prior to 1 January 2015 the fund classified its puttable instruments as liabilities in accordance with IAS 32 (Amendment), 'Financial instruments: Presentation'. However, the amendment requires puttable financial instruments that meet the definition of a financial liability to be classified as equity where certain strict criteria are met. Those criteria include:

- the puttable instruments must entitle the holder to a pro-rata share of net assets;
- the puttable instruments must be the most subordinated class and class features must be identical;
- there must be no contractual obligations to deliver cash or another financial asset other than the obligation on the issuer to repurchase; and
- the total expected cash flows from the puttable instrument over its life must be based substantially on the profit or loss of the issuer.

These conditions were met when Class B became fully redeemed on 1 January 2015 and Class A became the sole share class in the Fund.

As a result of the reclassification of redeemable shares from liabilities to equity, the Fund's distributions are no longer be classified as a finance cost in the statement of comprehensive income, but rather as a dividends paid in the statement of changes in net assets attributable to holders of redeemable shares.

Should the terms or conditions of the redeemable shares change such that they do not comply with the strict criteria contained in the amended IAS 32, 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 recognised in equity.

Redeemable shares can be put back to the Fund at any time for cash equal to a proportionate share of the Fund's trading net asset value calculated in accordance with the Fund's regulations.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds, net of tax. Incremental costs directly attributable to the issue of new ordinary shares or options, or for the acquisition of a business, are included in the cost of acquisition as part of the purchase consideration.

Where the Fund re-purchases its redeemable 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, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Fund's equity holders.

Note – Share capital (extracts)

1p136A(a) As at 31 December 2015, the Fund had €114,414 (2014: €0) of puttable financial instruments classified as equity.

A breakdown of the Fund's equity balance is disclosed in the table extract below:

1p78(e),

	Share capital	Share premium	Retained earnings	Total
At 31 December 2014	**–**	**–**	**–**	**–**
Adjustment for classification of redeemable shares to equity	7,866	65,400	11,408	84,674
Total comprehensive income	–	–	14,419	14,419
Dividend	–	–	(2,000)	(2,000)
Issue of shares	2,335	24,656	–	26,991
Repurchase of own shares	(1,024)	(8,646)	–	(9,670)
At 31 December 2015	**9,177**	**81,410**	**23,827**	**114,414**

(All amounts in € thousands unless otherwise stated)

Commentary – IAS 32 equity versus liability classification

This appendix presents a scenario where a fund moves from the liability treatment to equity treatment of net assets attributable to holders of redeemable shares. In this scenario, the Fund met the criteria prescribed in the IAS 32 amendment at the beginning of the reporting period.

However, if the change in treatment were the other way around (that is, equity to liability classification), the illustrations presented in this appendix can easily be adapted to address that scenario as well.

(All amounts in € thousands unless otherwise stated)

Appendix IV – Available-for-sale securities

Some funds may classify investments as available-for-sale securities. The additional disclosures for investment funds holding available-for-sale securities, with movements in the fair value reflected in other comprehensive income, are illustrated below:

Notes:
- The investments should be identified in the statement of financial position as 'available for sale'.
- The below is based on a fund whose shares in issue have been classified as equity instruments.
- This Fund has elected to present a separate income statement and statement of comprehensive income as permitted under IAS 1, 'Presentation of financial statements'.

Statement of financial position (extract)

		2015	2014
32IE33	**Equity**		
1p78(e)	Share capital	1,598	1,556
1p78(e)	Share premium	216,726	170,051
1p78(e)	Retained earnings	1,279,794	1,339,067
1p108	Other components of equity[1]	214,963	107,749
	Total equity	**1,713,081**	**1,618,423**

Statement of profit and loss (extract)

		2015	2014
	Profit/(loss) before tax	(21,936)	368,296
1p82(d)	Withholding taxes	(1,082)	(15,138)
1p82(f)	**Profit/(loss) for the year**	**(23,018)**	**353,158**

Statement of comprehensive income

		2015	2014
	Profit/(loss) for the year	(23,018)	353,158
1p7	**Other comprehensive income:**		
1p82A	**Items that may be reclassified subsequently to profit or loss[2]:**		
	– Available for sale financial instruments	107,214	(89,465)
1p90	– Tax relating to components of other comprehensive income[3]	–	–
1p82A	**Items that may not be reclassified to profit or loss[4]**	**–**	**–**
1p81A(b)	**Total other comprehensive income**	**107,214**	**(89,465)**
1p81A9(c)	**Total comprehensive income**	**84,196**	**263,693**

[1] Other components of equity would comprise amounts that can not be classified as share capital, share premium or retained earnings and generally consist of amounts that are recognised in other comprehensive income.
[2] Items that may be reclassified subsequently to profit or loss must be shown separately from items that may not be reclassified to profit or loss [1p82A].
[3] An entity should disclose either (a) items of other comprehensive income net of tax or (b) aggregate amount of tax relating to items of other comprehensive separately, disclosing the amount relating to items that may be reclassified and the amount relating to items that may not be reclassified.
[4] Line presented for illustrative purposes only. The Fund does not have any such components of other comprehensive income.

(All amounts in € thousands unless otherwise stated)

Statement of changes in equity[1]

1p106		Share capital	Share premium	Retained earnings	Available-for-sale financial instruments	Total
	At 1 January 2014	1,453	69,132	1,024,710	197,214	1,292,509
1p106(a)	Total comprehensive income	–	–	353,158	(89,465)	263,693
1p107	Dividend	–	–	(38,801)	–	(38,801)
1p106(d)	Issue of shares	178	166,621	–	–	166,799
1p106(d)	Repurchase of own shares	(75)	(65,702)	–	–	(65,777)
	At 31 December 2014	**1,556**	**170,051**	**1,339,067**	**107,749**	**1,618,423**
1p106(d)	Total comprehensive income[2]	–	–	(23,018)	107,214	84,196
1p107	Dividend	–	–	(36,255)	–	(36,255)
1p106(d)	Issue of shares	42	46,675	–	–	46,717
	At 31 December 2015	**1,598**	**216,726**	**1,279,794**	**214,963**	**1,713,081**

Statement of cash flows (extract)

		2015	2014
7p15	**Cash flows from operating activities**		
7p15	Purchases of available-for-sale securities	(144,721)	(155,800)
7p15	Proceeds from sale of available-for-sale securities	547,358	89,038
	Net cash from operating activities	**402,637**	**(66,762)**

Note – Accounting policies (extracts)

Financial assets

1p119 39p9 39p45 The Fund classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

(a) Classification – available-for-sale financial assets

39p9 Available-for-sale (AFS) investments are non-derivatives that are either designated in this category or not classified in any of the other categories. AFS investments are those intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

IFRS7p21 *(b) Measurement – available-for-sale financial assets*

39p46 39p55(b) AFS investments are initially recognised and subsequently carried at fair value. Gains and losses arising from changes in the fair value are recognised in other comprehensive income. When securities classified as AFS are sold or impaired, the accumulated fair value adjustments recognised in other comprehensive income are included in the statement of profit and loss as 'gains and losses from investment securities'.

18p30(a), (c) Interest on AFS debt instruments is calculated using the effective interest method and is recognised in the statement of profit and loss. Dividends on AFS equity instruments are recognised in the statement of profit and loss when the entity's right to receive payment is established.

39p58, 67, 68 The Fund assesses, at each statement of financial position date, whether there is objective evidence that a financial asset is impaired. In the case of AFS equity securities, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If evidence of impairment exists, the cumulative loss previously recognised in other comprehensive income is removed from other comprehensive income 39p69, 70 and recognised in the statement of profit and loss. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the statement of profit and loss.

[1] The statement of changes in equity should present each component of equity. This includes each class of contributed equity, the accumulated balance of each class of other comprehensive income and retained earnings (1p108). 1p106A clarifies that entities may present the required reconciliations for each component of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements.
[2] Total comprehensive income is comprised of total profit or loss, which is presented as a component of retained earnings, and total other comprehensive income.

(All amounts in € thousands unless otherwise stated)

Foreign currency translation

Transactions and balances

21p21, 28 Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at 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 assets and liabilities denominated in foreign currencies are recognised in the statement of profit and loss.

21p30 Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are recognised in the income statement within the fair value net gain or loss. Changes in the fair value of monetary securities denominated in a foreign currency and classified as available for sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in profit or loss; translation differences on non-monetary securities are recognised in other comprehensive income.

Note – Critical judgements in applying Fund's accounting policies (extracts)

1p122, 125 The Fund follows the guidance of IAS 39 to determine when an available-for-sale financial asset is impaired. This determination requires significant judgement. In making this judgement, the Fund evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of, and near-term business outlook for, the investee, including factors such as industry and sector performance, changes in technology, and operational and financing cash flow.

Note – Investment securities

1p77		2015	2014
IFRS7p8(d), 25	Securities available for sale:		
	– Listed debt securities – at fair value	519,656	816,587
	– Listed equity securities – at fair value	219,267	265,700
	Total securities available for sale	**738,923**	**1,082,287**
	Gains and losses from investment securities comprise:		
IFRS7p20(a)(ii)	– Derecognition of available-for-sale financial assets	(1,234)	606
IFRS7p20(e)	– Impairment of available-for-sale equity securities	(50,173)	(224,257)
	– Other	3,466	(1,241)
	Total gains and losses from investment securities	**(47,941)**	**(224,892)**

Note – Other comprehensive income[1]

		2015	2014
	Available-for-sale financial instruments		
IFRS7p20(a)(ii)	Revaluation	108,448	(90,071)
IFRS7p20(a)(ii)	Reclassification adjustments for gains/losses included in profit or loss	(1,234)	606
	Total other comprehensive income	**107,214**	**(89,465)**

[1] An entity may present reclassification adjustments in the statement of comprehensive income or in the notes. An example of when a reclassification adjustment would arise is on derecognition of AFS financial instruments (1p94, 1p95).

(All amounts in € thousands unless otherwise stated)

Appendix V – Funds that invest in other investment funds

Investment funds may hold investments in other investment funds. The additional disclosures that may be provided for funds holding investments in other investment funds are illustrated in this appendix.

Note – Summary of accounting policies (extracts)

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

IFRS13p91 *Valuation of investments in other funds*

The Fund's investments in other funds ('Investee Funds') are subject to the terms and conditions of the respective Investee Fund's offering documentation. The investments in Investee Funds are valued based on the latest available redemption price of such units for each Investee Fund, as determined by the Investee Funds' administrators. The Fund reviews the details of the reported information obtained from the Investee Funds and considers:

- the liquidity of the Investee Fund or its underlying investments;
- the value date of the net asset value (NAV) provided;
- any restrictions on redemptions; and
- the basis of accounting and, in instances where the basis of accounting is other than fair value, fair valuation information provided by the Investee Fund's advisors.

If necessary, the Fund makes adjustments to the NAV of various Investee Funds to obtain the best estimate of fair value. Other net changes in fair value on financial assets and financial liabilities at fair value through profit or loss in the statement of comprehensive income include the change in fair value of each Investee Fund.

Note – Financial risk (extracts)

Fair value estimation (risk note extracts)

IFRS13p91 As at 31 December 2015, 100% (2014: 100%) of financial assets at fair value through profit or loss comprise investments in Investee Funds that have been fair valued in accordance with the policies set out above. The shares of the Investee Funds are not publicly traded; redemption can only be made by the Fund on the redemption dates and subject to the required notice periods specified in the offering documents of each of the Investee Funds. The rights of the Fund to request redemption of its investments in Investee Funds may vary in frequency from weekly to annual redemptions. As a result, the carrying values of the Investee Funds may not be indicative of the values ultimately realised on redemption. In addition, the Fund may be materially affected by the actions of other investors who have invested in the Investee Funds in which the Fund has invested.

All of the Investee Funds in the investment portfolio are managed by portfolio managers who are compensated by the respective Investee Funds for their services. Such compensation generally consists of an asset-based fee and a performance-based incentive fee. Such compensation is reflected in the valuation of the Fund's investment in each of the Investee Funds.

The Investee Funds are not traded on an active market; their fair value is determined using valuation techniques. The value is primarily based on the latest available redemption price of the Investee Fund's units as reported by the administrator of such Investee Fund. The Fund may make adjustments to the value based on considerations such as; liquidity of the Investee Fund or its underlying investments, the value date of the net asset value provided, any restrictions on redemptions and the basis of accounting.

IFRS13p93(b) IFRS 13 requires the Fund to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. 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.

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

(All amounts in € thousands unless otherwise stated)

IFRS13p93(b) The following table analyses within the fair value hierarchy the Fund's financial assets measured at fair value at 31 December 2015:

Assets	Level 1	Level 2	Level 3	Total balance
Financial assets at fair value through profit or loss:				
– Fund of fund investments	–	118,470	1,050	119,520
Total	**–**	**118,470**	**1,050**	**119,520**

The following table analyses within the fair value hierarchy the Fund's financial assets measured at fair value at 31 December 2014:

Assets	Level 1	Level 2	Level 3	Total balance
Financial assets at fair value through profit or loss:				
– Fund of fund investments	–	93.242	–	93,242
Total	**–**	**93,242**	**–**	**93,242**

The Investee Funds held by the Fund are not quoted in active markets[1].

The Investee Funds classified in Level 2[2] were fair valued using the net asset value of the Investee Fund, as reported by the respective Investee Fund's administrator. For these Investee Funds, management believes the Fund could have redeemed its investment at the net asset value per share at the statement of financial position date.

Level 3[3] is comprised of a single Investee Fund, which was fair valued with reference to the net asset value as reported by the Investee Fund's administrator, adjusted to take into account the restrictions applicable to redemptions. Prior to the statement of financial position date, the Investee Fund placed a suspension on its redemptions. Management of the Investee Fund has communicated its intention to lift the suspension by January 2017.[4]

Note – Critical accounting estimates and judgements (extracts)

1p122
1p125 The Fund makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Fair value of investments in other funds

The fair value of investments in Investee Funds that are not quoted in an active market is determined primarily by reference to the latest available redemption price of such units for each Investee Fund, as determined by the administrator of such Investee Fund. The Fund may make adjustments to the reported net asset value of various Investee Funds based on considerations such as:

- the liquidity of the Investee Fund or its underlying investments;
- the value date of the net asset value provided;
- any restrictions on redemptions; and
- the basis of accounting and, in instances where the basis of accounting is other than fair value, fair valuation information provided by the Investee Fund's advisors.

The models used to determine fair values are validated and periodically reviewed by experienced personnel at ABC Fund Services Limited, independent of the party that created them. The carrying values of the Investee Funds may be materially different to the values ultimately realised on redemption.

Notes – Financial risk (extracts)

IFRS7p33 *(i) Price risk (extracts)*

The Fund invests in other funds and is susceptible to market price risk arising from uncertainties about future values of those Investee Funds. The investment manager makes investment decisions after an extensive assessment of the underlying fund, its strategy and the overall quality of the underlying fund's manager. The Fund's policy requires the Investment Manager to complete a full reassessment of each of the Investee Funds on a quarterly basis and track the performance of each Investee Fund on a weekly basis.

[1] Funds quoted in an active market would be classified in Level 1 and would consist mostly of daily traded funds for which there is sufficient evidence of transactions taking place on a regular basis and trading prices are readily available.
[2] IFRS13p81 requires the valuation of Level 2 investments to be based on observable inputs. When considering the classification of an investment in an Investee Fund, an observable input can be considered to be, among other things, the published net asset value of the Investee Fund where the net asset value can be transacted upon on the measurement date.
[3] Level 3 roll disclosure is required by IFRS 13; however, it is not presented in this appendix.
[4] Refer to the main body of the Illustrative Financial Statements for disclosure requirements on valuation of level 3 investments.

(All amounts in € thousands unless otherwise stated)

The Fund's investment restrictions prohibit it from investing more than 10% of its assets in any one Investee Fund.

At 31 December 2015, the exposure to investments in investee funds at fair value by strategy employed is disclosed in the following table. These investments are included in financial assets at fair value through profit or loss in the statement of financial position.

IFRS7p34

	31 December			
	2015		**2014**	
	Fair value	**% of net assets attributable to holders of redeemable shares**	**Fair value**	**% of net assets attributable to holders of redeemable shares**
Equity long/short	55,548	49.8	20,564	24.3
Event driven	41,531	37.2	20,568	24.3
Directional trading	9,668	8.7	17,656	20.9
Multi-strategy	5,752	5.2	2,567	3.0
Fund of funds	5,565	5.0	31,887	37.7
Relative value	1,456	1.3	–	–
Total	**119,520**	**107.2**	**93,242**	**110.1**

IFRS7p33(b) The performance of investments held by the Fund is monitored by the Fund's Investment Manager on a weekly basis and reviewed by the Board of Directors on a quarterly basis.

IFRS7p34, 40 The table below summarises the impact on the Fund's net assets attributable to holders of redeemable shares, of reasonable possible changes in the returns of each of the strategies to which the Fund is exposed through the 37 funds in which it invests at year end (2014: 32 funds). A reasonably possible change is management's assessment, based on historical data sourced from the underlying Investee Funds, of what a reasonably possible percentage movement is in the value of a fund following each respective strategy over a 12-month period, in euros. The impact on net assets attributable to holders of redeemable shares is calculated by applying the reasonably possible movement determined for each strategy to the value of each Investee Fund held by the Fund.

The analysis is based on the assumption that the returns on each strategy have increased or decreased, as disclosed, with all other variables held constant. The underlying risk disclosures represent the market risks to which the underlying funds are directly exposed. I, F, O represents interest rate, foreign currency and other price risks respectively. For the purpose of determining the underlying risk disclosures, in accordance with IFRS 7, currency risk is not considered to arise from financial instruments that are non-monetary items – for example, equity investments.

As at 31 December 2015

Strategy	**Sub- strategy**	**Underlying risk exposures**	**Number of Funds**	**Reasonable possible change (%)**	**Impact on net assets attributable to redeemale shareholders**
Equity long/short:					
	Sector specialists	O	6	.2	1,115
	Short bias	O	5	3	1,157
	Opportunistic	O	1	6.7	155
Event driven:					
	Distressed securities	I, F	4	7.5	2,113
	Merger arbitrage	O	4	5.6	1,040
	Emerging markets	I,F,O	2	9.5	169
Directional trading:					
	Global macro	I,F,O	4	8	313
	Market timing	I,F,O	1	7	34
	Commodity pools	I,F,O	1	5.3	233
Multi-strategy:		I,F,O	2	7.0	402
Fund of funds:					
	Fund of funds	I,F,O	1	7.5	245
	Multi-manager	I,F,O	1	6.6	113
Relative value:					
	Convergence arbitrage	I,F,O	2	6.7	19
	Fixed income arbitrage	I,F	1	8.0	37
	Convertible arbitrage	I,F,O	1	5.7	25
	MBS strategy	I,F	1	7.8	20
Total			**37**		**7,190**

(All amounts in € thousands unless otherwise stated)

As at 31 December 2014

Strategy	Sub- strategy	Underlying risk exposures	Number of Funds	Reasonable possible change (%)	Impact on net assets attributable to redeemable shareholders
Equity long/short:					
	Sector specialists	O	6	5.5	1,115
	Short bias	O	2	3.2	115
Event driven:					
	Distressed securities	I, F	5	7.5	1,050
	Merger arbitrage	O	4	5.6	300
	Emerging markets	I,F,O	1	9.5	86
Directional trading:					
	Global macro	I,F,O	2	9.2	513
	Market timing	I,F,O	3	6.8	505
	Commodity pools	I,F,O	1	5.3	502
Multi-strategy:		I,F,O	1	7.0	125
Fund of funds:					
	Fund of funds	I,F,O	6	7.5	1,997
	Multi-manager	I,F,O	1	6.6	103
Total			**32**		**6,411**

IFRS7p33

Note – Liquidity risk (extracts)

The Fund is exposed to monthly cash redemptions of redeemable shares and has a 30-day notice period for redemption requests. It therefore invests the majority of its assets in Investee Funds from which the Fund can redeem within one month or less; it invests only a limited proportion of its assets in Investee Funds with redemption restrictions or redemption terms greater than one month. Certain Investee Funds acquired may also be subject to an initial lock-up period that may range up to two years. No Investee Funds were subject to lock-up periods as at 31 December 2015 or 2014. At 31 December 2015, 90% of the Fund's investments in other funds are subject to redemption restrictions exercisable by the manager of the Investee Fund to manage extraordinary liquidity pressures (2014: 85%). These include the ability to suspend redemptions or withhold varying amounts of any redemption requested. At 31 December 2015, one Investee Fund (2014: nil) has suspended redemptions and was valued at €1,050 (2014: nil).

IFRS7p39(a) The financial liabilities of the Fund at 31 December 2015 and 2014 comprise of accrued expenses and net assets attributable to holders of redeemable shares. As at 31 December 2015, total accrued expenses of €1,150 (2014: €810) had contractual maturity dates ranging between 1 and 7 days (2014: 1 and 7 days) after the year end date. As at 31 December 2015 net assets attributable to holders of redeemable shares of €123,869 (2014: €92,886) had contractual maturity dates of 30 days after year end. As all liabilities as at 31 December 2015 and 2014 fall due within one month of the year end, the effect of discounting has no material impact on the cash flows.

The Fund will generally retain sufficient cash and cash equivalent balances to satisfy its accrued expenses as they fall due. In order to satisfy shareholder redemption requests, the Fund will redeem its investments in Investee Funds, which allow redemptions within one month or less. However, the majority of Investee Funds have the ability to impose discretionary redemption restrictions, which include the ability to suspend redemptions or withhold varying amounts of any redemption requested in extraordinary situations. Additionally, a portion of the Investee Funds may have redemption terms that are greater than one month or may also be subject to lock-up periods of up to two years.

IFRS7pB11E The following table shows the ordinary redemption periods of the Investee Funds held[1]:

At 31 December 2015	Less than 7 days	7 days to 1 month	1-6 months	Suspended
Funds with notice periods of less than 7 days	11,626	14,870	–	–
Funds with notice periods of 7 and 30 days	–	86,129	5,845	1,050*
Total	11,626	100,999	5,845	1,050
At 31 December 2014				
Funds with notice periods of less than 7 days	2,939	5,238	–	–
Funds with notice periods of 7 and 30 days	–	69,780	15,285	–
Total	**2,939**	**75,018**	**15,285**	**–**

*This relates to XYZ Fund of Fund Limited. On 30 November 2015, the directors of XYZ Fund of Fund Limited suspended redemptions due to the level of redemption requests received and the illiquidity of several material positions in its portfolio. The directors of XYZ Fund of Fund Limited issued an advisory letter to shareholders on 18 December 2015, stating that they intend to lift the suspension by January 2017.

[1] IFRS7pB11E states that an entity should disclose a maturity analysis of financial assets it holds for managing liquidity risk if that information is necessary to enable users of its financial statements to evaluate the nature and extent of liquidity risk. It is acceptable to present this analysis in narrative format or in a tabular format.

(All amounts in € thousands unless otherwise stated)

The Fund has entered into a short-term financing agreement with Bank plc, which will allow the Fund to borrow up to 50% of its net asset value for the purpose of paying redemptions. The borrowing facility is available to the Fund up to December 2017 and bears interest at one-month USD LIBOR plus 50 basis points. It is the intention of the Fund to utilise this facility only in instances where it is unable to liquidate an adequate portion of its investments in order to pay redemptions as they fall due, or in cases where the liquidation of investments held would put the Fund in a disadvantageous position. The Fund has not utilised this facility during 2015 and 2014.

The Fund also has the ability in extraordinary situations to impose discretionary redemption restrictions, which include the ability to suspend redemptions or withhold varying amounts of any redemption requested. It is the intention of the Fund to exercise this ability only in instances where the payment of redemptions would put the remaining shareholders in a disadvantageous position, or if the Fund is unable to liquidate its investments or source acceptable financing that would allow the Fund to pay redemptions as they fall due.

Commentary – IFRS 12, 'Disclosure of interests in other entities'

IFRS 12, 'Disclosure of interests in other entities', was effective for annual periods beginning on or after 1 January 2013. When investee funds are considered to be 'structured entities' as defined in IFRS 12, there will be additional disclosure requirements [IFRS12p24-31]. Refer to Appendix XI for the impact of IFRS 12 on funds that invest in other investment funds which meet the definition of ''structured entities''.

Appendix VI – Funds with significant leverage

Investment funds may have significant levels of leverage that are critical to the operations of the fund, which give rise to additional risks for such funds. Examples of the additional disclosures that may be required for funds in these circumstances are illustrated below.

Note – Accounting policies (extracts)

1p119
IFRS7p21

Borrowings

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

Collateral

39IGD1
39p37

Cash collateral provided by the Fund is identified in the statement of financial position as 'margin cash' and is not included as a component of 'cash and cash equivalents'. For collateral other than cash, if the party to whom the collateral is provided has the right by contract or custom to sell or re-pledge the collateral, the Fund classifies that asset in its statement of financial position separately from other assets and identifies the asset as pledged collateral. Where the party to whom the collateral is provided does not have the right to sell or re-pledge, the collateral provided is disclosed in the notes to the financial statements.

1p119
IFRS7p21

Sale and repurchase agreements

39AG51

Securities sold subject to repurchase agreements are reclassified in the financial statements as pledged assets when the transferee has the right by contract or custom to sell or re-pledge the collateral. The counterparty liability is included under 'due under repurchase agreements'. Securities purchased under agreements to resell are recorded separately under 'due from agreements to resell'. The difference between the sale and the repurchase price is treated as interest and accrued over the life of the agreement using the effective interest method.

Note – Borrowings (extracts)

7p50

The Fund has a margin borrowing facility for investment purposes up to 10 times its most recently calculated net asset value attributable to holders of redeemable shares.

The margin borrowing facility matures in 2017 and bears interest at 1 week USD LIBOR plus 25 basis points.

IFRS7p14

The margin borrowings are secured by certain financial assets at fair value through profit or loss equal to €110,000 (2014: €90,000).

IFRS7p29

The carrying value of the borrowings approximates their fair value.

Note – Financial risk management (extracts)

Financial risk factors

IFRS7p31

The Fund may use various forms of leverage that increases the effect of any investment value changes on capital. These include the use of margin borrowings, repurchase agreements and derivatives. While borrowing and leverage present opportunities for increasing total return, they have the effect of potentially increasing losses as well.

If the gains on financial assets made with borrowed funds are less than the costs of the leverage or, under certain circumstances, if the borrowing is terminated by the applicable lenders or counterparties in advance of its stated term, the value of the Fund's net assets attributable to holders of redeemable shares will decrease. Therefore, any event that adversely affects the value of an investment by the Fund would be magnified to the extent leverage is employed. The cumulative effect of the use of leverage in a market that moves adversely to a leveraged investment could result in a substantial loss which would be greater than if leverage were not used.

3.1.1 Market risk (extracts)

(iii) Cash flow and fair value interest rate risk

IFRS7p33(a)

The Fund uses various forms of leverage that increase the Fund's interest costs. There is no guarantee that existing borrowing arrangements or other arrangements for obtaining leverage can be refinanced at rates as favourable to the Fund as those rates available in the past.

(All amounts in € thousands unless otherwise stated)

3.1.2 Liquidity risk (extracts)

IFRS7p33(a), 31

There is no guarantee that existing borrowing facilities or arrangements for obtaining leverage, will remain in place for the life of the Fund. The Fund's borrowing facilities are subject to a security interest in favour of the relevant creditors and contain various financial and other covenants, including over-collateralisation tests, limitations on restricted payments and limitations on indebtedness. Such over-collateralisation tests limit the amount that can be borrowed by the Fund to a calculated percentage of the fair value of the pledged financial assets and other collateral. If there were a decline in the fair value of the collateral pledged to the creditors under such facilities, the Fund might be required to liquidate collateral assets in order to maintain compliance with the applicable financial covenants and might be prevented from making any distributions.

Following an event of default under such facilities, the creditors could direct sales of the collateral assets. The prices obtained in any such liquidation or foreclosure sales may not be sufficient to repay the Fund's obligations under the facilities, in which case the Fund would not have any remaining funds to distribute.

Further, most leveraged transactions require the posting of collateral. A decrease in fair value of such financial assets may result in the lender, including derivative counterparties, requiring the Fund to post additional collateral or otherwise sell assets at a time when it may not be in the Fund's best interest to do so. A failure of the Fund to continue to post the required collateral could result in a disposition of Fund's assets at times and prices, which could be disadvantageous to the Fund and could result in substantial losses having a material adverse effect on the Fund. To the extent that a creditor has a claim on the Fund, such claim would be senior to the rights of the redeemable participating shareholders.

Expiration or withdrawal of available financing for leverage positions, and the requirement to post collateral in respect of changes in the fair value of leveraged exposures, can rapidly result in adverse effects to the Fund's access to liquidity and its ability to maintain leveraged positions, and may cause the Fund to incur material losses.

The borrowing facilities available to the Fund mature during 2018. As of 31 December 2015, the Fund has existing available financing of €275 million (2014: €115 million) and is in the process of obtaining additional financing arrangements. However, there is no guarantee the borrowing facility or other arrangements for obtaining leverage will be available on the same terms and conditions acceptable to the Fund. In the event of not obtaining additional financing, the Fund will be forced to liquidate positions to repay the outstanding borrowings.

(All amounts in € thousands unless otherwise stated)

Appendix VII – Segment reporting – multiple segments

If the Fund has debt or equity instruments that are traded in a public market or when the financial statements are filed with a securities commission or other regulatory organisation for the purpose of issuing any class of instrument in a public market, IFRS 8, 'Operating segments', is applicable.

IFRS 8 requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. This appendix includes segment information for a fund that is within the scope of IFRS 8 and has more than one operating segment.

Note – Accounting policies (extracts)

1p119 **Segment reporting**

IFRS8p5(b) Operating segments are reported in a manner consistent with the internal reporting used by the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the strategic asset allocation committee of the investment manager that makes strategic decisions.

Note – Segment information

IFRS8p22(a) The strategic asset allocation committee of the investment manager makes the strategic resource allocations on behalf of the fund. The Fund has determined the operating segments based on the reports reviewed by this committee that are used to make strategic decisions.

IFRS8p22(a) The committee considers the business as two sub-portfolios, which are managed by separate specialist teams at the Investment Manager. These sub-portfolios consist of an equity portfolio, which focuses on equity securities and related derivatives; the second sub-portfolio consists of debt and cash instruments.

IFRS8p22(b) The reportable operating segments derive their income by seeking investments to achieve targeted returns consummate with an acceptable level of risk within each portfolio. These returns consist of interest, dividends and gains on the appreciation in the value of investments.

IFRS8p29 There were no changes in the reportable segments during the year.

The segment information provided to the strategic allocation committee for the reportable segments is as follows:

Commentary – Description of segments

Entities shall disclose factors used to identify its reportable segments, including the basis of organisation, and types of products and services from which each reportable segment derives its revenues. From 1 July 2014, they must also disclose the judgments made by management in applying the aggregation criteria of the standard, including a description of the aggregated segments and the economic indicators that have been assessed in determining that the aggregated segments share similar economic characteristics [IFRS8p22(aa)]. This appendix does not include illustrative guidance on aggregated segments as there are no aggregated segments in this example.

For the year ended 31 December 2015

IFRS8p23, 24

	Equity sub-portfolio	Debt sub-portfolio	Total
Interest income	–	947	947
Dividend income	1,538	–	1,538
Capital gains	13,733	(251)	13,482
Transaction costs	(196)	(130)	(326)
Withholding taxes	(182)	–	(182)
Total net segment income	**14,893**	**566**	**15,459**
Total segment assets	101,867	22,507	124,374
Total segment liabilities	11,663	–	11,663

Total segment assets include:

	Equity sub-portfolio	Debt sub-portfolio	Total
Financial assets at fair value through profit or loss	100,841	20,887	121,728
Other	1,026	1,620	2,646

(All amounts in € thousands unless otherwise stated)

For the year ended 31 December 2014

IFRS8p23, 24

	Equity sub-portfolio	Debt sub-portfolio	Total
Interest income	–	549	549
Dividend income	1,055	–	1,055
Capital gains	(2,760)	535	(2,225)
Transaction costs	(96)	(41)	(137)
Withholding taxes	(138)	–	(138)
Total net segment income	**(1,939)**	**1,043**	**(896)**
Total segment assets	77,974	15,816	93,790
Total segment liabilities	9,738	–	9,738

Total segment assets include:

	Equity sub-portfolio	Debt sub-portfolio	Total
Financial assets at fair value through profit or loss	77,751	15,491	93,242
Other	223	325	548

IFRS8p23 There were no transactions between reportable segments.

IFRS8p27 The assessment of the performance of the operating segments is based on investments valued at last traded market prices. The Fund's administration and management fees are not considered to be segment expenses.

IFRS8p28(b) A reconciliation of total net segmental income to operating profit/(loss) is provided as follows.

	2015	2014
Total net segment income	15,459	(896)
Withholding taxes	182	138
Other fees and expenses	(1,040)	(879)
Operating profit/(loss)	**14,601**	**(1,637)**

IFRS8p27 The amounts provided to the strategic allocation committee with respect to total assets are measured in a manner consistent with IFRS. The Fund's other receivables and prepayments are not considered to be segment assets and are managed by the administration function.

Reportable segments' assets are reconciled to total assets as follows.

IFRS8p28

	2015	2014
Segment assets for reportable segments	124,374	93,790
Other receivables and prepayments	2,853	1,432
Total assets	**127,227**	**95,222**

IFRS8p27 The amounts provided to the strategic allocation committee with respect to total liabilities are measured in a manner consistent with IFRS,. The Fund's redeemable participating shares and payables for administration and management fees are not considered to be segment liabilities and are managed by the administration function.

Reportable segments' liabilities are reconciled to total liabilities as follows:

IFRS8p28

	2015	2014
Segment liabilities for reportable segments	11,663	9,738
Accrued expenses	257	145
Net assets attributable to redeemable shareholders	114,414	84,674
Other payables	893	665
Total liabilities	**127,227**	**95,222**

IFRS8p33 The Fund is domiciled in Lagartos. All of the Fund's income from investments is from entities incorporated in countries other than Lagartos.

The Fund has no assets classified as non-current assets.

The breakdown of the major components of income and assets from other countries are disclosed below. All revenues are derived from financial assets and are attributed to a country based on the domiciliation of the issuer of the instrument.

Appendix VII – Segment reporting – multiple segments

(All amounts in € thousands unless otherwise stated)

For the year ended 31 December 2015:

	United States	**Europe**[1]	**Total**
Segmental net income	13,872	1,587	15,459
Financial assets at fair value through profit or loss	95,826	28,548	124,374

For the year ended 31 December 2014

	United States	**Europe**	**Total**
Segmental net income	(886)	(10)	(896)
Financial assets at fair value through profit or loss	72,776	21,014	93,790

IFRS8p34 The Fund also has a highly diversified shareholder population, and no individual investor owns more than 1% of the issued capital of the Fund.

[1] If there were material balances included in this segment that related to an individual country, additional disclosures would be required to present segmental information for those individual countries with material balances.

(All amounts in € thousands unless otherwise stated)

Appendix VIII – Segment reporting – single segment

IFRS 8, 'Operating segments', is applicable if the Fund has debt or equity instruments that are traded in a public market or when the financial statements are filed with a securities commission or other regulatory organisation for the purpose of issuing any class of instrument in a public market. This appendix includes segment information for a fund that is within the scope of IFRS 8 but has only one operating segment. The standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes.

This appendix is based on a Fund for which the internal reporting provided to the chief operating decision-maker (CODM) is consistent with the measurement and recognition principles of IFRS.

In cases where the information provided to the CODM may differ from that contained in the Fund's financial statements – for instance, where investments are valued on a different basis or where certain income or expense items are excluded from the internally reported profit or loss – the Fund will present the segment information consistent with what is reported internally to the CODM; it will also present a reconciliation to the financial statement amounts. (See Appendix VIII for examples of these types of disclosure.)

In this instance, the Fund trades in a highly diversified portfolio of listed XYZ-Land equity, and the CODM's asset allocation decisions are made using a bottom-up approach based on a single, integrated investment strategy, with the Fund's performance being evaluated on an overall basis. These factors are the main reasons why the Fund qualifies as a single-segment entity.

It is possible for another fund that holds an identical portfolio to have multiple segments, depending on how the fund is managed internally. For example, if another fund that also invests only in listed XYZ-Land equity is managed using a top-down approach, with the CODM allocating a specific portion of total assets to a select group of industries, and with the performance of each industry group being measured and managed separately, that fund may be seen as having multiple segments. IFRS8p5-10 lists the considerations to be made when determining the different operating segments of an entity.

Note – Accounting policies (extracts)

1p119 **Segment reporting**

IFRS8p5(b) Operating segments are reported in a manner consistent with the internal reporting used by the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the managing director (MD) of the investment manager that makes strategic decisions.

Note – Segment information

IFRS8p22(a) The MD of the investment manager makes the strategic resource allocations on behalf of the fund. The Fund has determined the operating segments based on the reports reviewed by the MD, which are used to make strategic decisions.

IFRS8p22(a) The MD is responsible for the Fund's entire portfolio and considers the business to have a single operating segment. The MD's asset allocation decisions are based on a single, integrated investment strategy, and the Fund's performance is evaluated on an overall basis.

IFRS8p22(b) The Fund trades in a highly diversified portfolio of listed XYZ-Land equity with the objective of generating significant medium-term capital growth.

IFRS8p23
IFRS8p24 The internal reporting provided to the MD for the Fund's assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of IFRS.

IFRS8p29 There were no changes in the reportable segments during the year.

IFRS8p33[1] The Fund is domiciled in Lagartos. All of the Fund's income is from investments in entities incorporated in XYZ-Land.

The Fund has no assets classified as non-current assets.

The Fund has a highly diversified portfolio of investments, and no single investment accounts for more than 6% of the Fund's income.

IFRS8p34 The Fund also has a diversified shareholder population. However, as at 31 December 2015, there were three shareholders who each held more than 10% of the Fund's net asset value. Their holdings were 11%, 13% and 19% respectively. As at 31 December 2014, there were no shareholders who held greater than 10% of the Fund's net asset value.[2]

[1] IFRS8p33(a) makes reference to 'external customers'. Although this term bears no literal relevance to a fund, a fund will be required to present the equivalent revenue disclosures required by this paragraph.
[2] The IFRS8p34 reference to 'external customers' in this paragraph is taken to mean the investors for the purpose of a fund.

Appendix IX – Investment fund with tax uncertainty

In cases where a country's tax regulations cause uncertainty, it is necessary to assess the extent of this uncertainty and the resulting accounting impact. In all cases where material tax uncertainty exists, adequate disclosure should be included in the notes to the financial statement to bring the users' attention to the exposure, even if measured at nil.

Care should be taken when considering whether the exposure is direct or indirect. If the exposure is indirect - for example, via a participating instrument established between the investor and an intermediary - the exposure may be more appropriately considered as part of the fair valuation process when valuing the participating agreements, rather than as a potential income tax liability. The relevant standards and recognition and measurement criteria may be different.

The following summary guidance on calculation of tax uncertainties and relating interest and penalties is taken largely from the PwC's *IFRS Manual of Accounting* (MoA), which can be referred to for a more detailed discussion.

Uncertain tax positions

Uncertainties in income taxes are not addressed specifically in IAS 12. IAS 37, 'Provisions, contingent liabilities and contingent assets', excludes income taxes from its scope and is not used to measure uncertain tax positions. The general measurement principles in IAS12p46 should, therefore, be applied: *''Current tax liabilities (assets) for the current and prior periods shall be measured at the amount expected to be paid to (recovered from) the taxation authorities using the tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.''* [MoA 13.74].

An entity may choose to consider uncertain tax positions at the level of the individual uncertainty or group of related uncertainties. Alternatively, it may choose to consider tax uncertainties at the level of its total tax liability to each taxing authority. [MoA 13.75]

Interest and penalties on uncertain tax positions

There is diversity in practice with regard to the treatment of interest and penalties on uncertain tax positions. In some cases, interest and penalties are accounted for as if they are within IAS 12's scope, either because the interest and penalties are rolled up into a lump sum settlement and cannot be separated from the taxes, or as a matter of accounting policy. In that case, any associated charge would normally be included within the tax line in the income statement and the liability would be included within the income tax liability on the balance sheet. Alternatively, interest and penalties may be recognised, measured and presented as provisions under IAS 37, 'Provisions, contingent liabilities and contingent assets', and classified as finance or other operating expense, respectively, in the income statement. This is because these items are not measured and settled by the tax authorities on the basis of taxable profits [MoA 13.82-83].

The accounting policy for interest and penalties applies to both interest payable (and any related penalties) and to interest recoverable (and any related damages). Where the amounts involved are material, the accounting policy used to recognise, measure and classify interest and penalties/damages related to tax should be disclosed clearly in the financial statements and applied consistently [MoA 13.84.1].

Below is an illustrative disclosure that may be appropriate in cases of direct exposure to tax uncertainties.

IAS12p46

Accounting policies – Tax and related interest and penalties

In accordance with IAS 12, 'Income taxes', the Fund is required to recognise a tax liability when it is probable that the tax laws of foreign countries require a tax liability to be assessed on the Fund's capital gains sourced from such foreign country, assuming the relevant taxing authorities have full knowledge of all the facts and circumstances. The tax liability is then measured at the amount expected to be paid to the relevant taxation authorities, using the tax laws and rates that have been enacted or substantively enacted by the end of the reporting period. There is sometimes uncertainty about the way enacted tax law is applied to offshore investment funds. This creates uncertainty about whether or not a tax liability will ultimately be paid by the Fund. Therefore, when measuring any uncertain tax liabilities, management considers all of the relevant facts and circumstances available at the time that could influence the likelihood of payment, including any formal or informal practices of the relevant tax authorities.

The Fund considers interest and penalties on related tax liabilities to be an inseparable element of the tax liability and accounts for interest and penalties as if they are within the scope of IAS 12. These amounts are included within the tax line in the statement of comprehensive income, and the liability would be included within the income tax liability on the statement of financial position.

(All amounts in € thousands unless otherwise stated)

Notes to the financial statements – Taxation

The Fund invests in securities issued by entities which are virtually all domiciled in countries other than Lagartos. Many of these foreign countries have tax laws that indicate that capital gains taxes may be applicable to non residents, such as the Fund. Typically, these capital gains taxes are required to be determined on a self assessment basis; therefore, such taxes may not be deducted by the Fund's broker on a 'withholding' basis.

At 31 December 2015 and 2014, the Fund has measured uncertain tax liabilities and related interest and penalties with respect to foreign capital gains taxes at nil: while this represents management's best estimate the estimated value could differ significantly[1] from the amount ultimately payable. The maximum exposure of the Fund as at 31 December 2015 was €XXX (2014: €XXX).[2]

[If the maximum exposure to a specific tax uncertainty was substantial management may wish to consider replacing the 2nd paragraph with the following wording]:

At December 31, 2015 and 2014, the Fund has measured uncertain tax liabilities and related interest and penalties with respect to foreign capital gains taxes at nil. While this represents management best estimate there remains a risk that foreign tax authorities will attempt to collect taxes on capital gains earned by the Fund. This could happen without giving any prior warning, possibly on a retrospective basis, and could result in a substantial loss to the Fund. The maximum expected potential exposure of a loss to the Fund as at 31 December 2015 is €XXX (2014: €XXX).

[1] If the exposure is not significant then the word ''significantly'' should be deleted and consideration given to including a statement explaining that the potential impact is not expected to be significant.
[2] The specific facts that support the non-accrual of uncertain tax liabilities should be disclosed here. These factors may include for example, the relevant tax authority's public communication or private communication with specific tax payers, a history of non-collection (due perhaps to an inability or unwillingness to collect), or other specific precedents etc. The factors should not include detection risk or anticipation of changes in tax law.

Appendix X – Investment Entities (amendments to IFRS 10, IFRS 12 and IAS 27)

This appendix provides illustrative disclosure required by Investment Entities (amendments to IFRS 10, IFRS 12 and IAS 27) (the "Amendments") for a Fund that has a controlled subsidiary and meets the definition of an "Investment Entity" as defined in the Amendments and which had previously consolidated its subsidiary.

An entity shall apply IFRS 10, 'Consolidated Financial Statements', IFRS 11, 'Joint arrangements', IFRS 12, 'Disclosure of interests in other entities', IAS 27, 'Separate Financial Statements' and IAS 28 , 'Investments in associates and joint ventures' for annual periods beginning on or after 1 January 2013. The Amendments shall apply to annual periods beginning on or after 1 January 2014 and early adoption is also permitted. [IFRS 10pC1B]

Commentary – Introduction

The purpose of this appendix is to illustrate the impact of first time adoption of these Amendments. As the Amendments are effective for annual periods beginning on or after 1 January 2014, a fund with a 31 December 2015 year would have already adopted these Amendments in its prior year. However, funds with financial year ends prior to 31 December 2015 may have to adopt these Amendments for the first time in their 2015 financial statements. For Illustrative purposes this appendix is therefore based on a 30 June 2015 year end date.

The Amendments provide an exception to consolidation***** under IFRS 10 for Investment Entities.

A parent entity will need to make an assessment of whether it meets the definition of an investment entity. An Investment Entity is defined as an entity that:

(a) obtains funds from one or more investors for the purpose of providing those investor(s) with investment management services;
(b) commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
(c) measures and evaluates the performance of substantially all of its investments on a fair value basis. [IFRS10p27].

A parent entity will also need to consider a set of typical characteristics. These, combined with the above definition, are intended to allow for an appropriate balance between creating a clear scope and allowing judgment in assessing whether an entity is an investment entity. The characteristics are:

(a) holding more than one investment;
(b) having more than one investor;
(c) having investors that are not related parties of the entity; and
(d) having ownership interests in the form of equity or similar interests [IFRS10p28].

The absence of one or more of these characteristics does not prevent the entity from qualifying as an investment entity [IFRS10B85N].

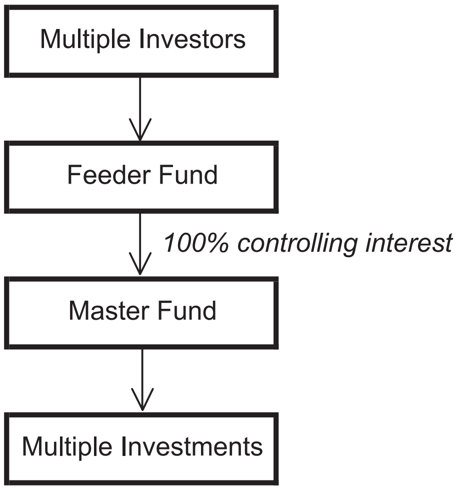
Commentary – Subsidiary providing investment services

* Notwithstanding the exception to consolidation explained above, the Amendments require an investment entity to consolidate a subsidiary that provides services that relate to the investment entity's investment activities [IFRS10p32].

'Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)' was issued in December 2014. These Amendments clarified that IFRS10p32 does not apply to subsidiaries which are themselves investment entities. This means that an investment entity parent, that has a subsidiary which is also an investment entity, must fair value that subsidiary. These Amendments are effective for annual periods beginning on or after 1 January 2016, and are described as clarifications of the existing guidance.

(All amounts in € thousands unless otherwise stated)

For the purpose of this appendix, adoption of the Amendments are applied by a parent entity Feeder Fund in the following "Master-Feeder" structure:



Commentary – Structure

The Feeder Fund meets the definition of an investment entity as the following conditions exist:
(a) the Feeder Fund has obtained funds for the purpose of providing investors with investment management services;
(b) the Master-Feeder structure's business purpose, which was communicated directly to investors of the Feeder Fund, is investing solely for capital appreciation and investment income and the Master Fund has identified and documented potential exit strategies for its equity and non-financial investments;
(c) although the Feeder Fund does not have an exit strategy for its interest in Master Fund, the Feeder Fund can nevertheless be considered to have an exit strategy for its investments because the Master Fund was formed in connection with the Feeder Fund and holds investments on behalf of the Feeder Fund; and
(d) the investments held by Master Fund are measured and evaluated on a fair value basis and information about the investments made by Master Fund is provided to investors on a fair value basis through the Feeder Fund [IFRS10IE14].

The Master Fund and the Feeder Fund were formed in connection with each other for legal, regulatory, tax or similar requirements. When considered together, they display the following typical characteristics of an investment entity:
(a) the Feeder Fund indirectly holds more than one investment because the Master Fund holds a portfolio of investments;
(b) although the Master Fund is wholly capitalised by the Feeder Fund, the Feeder Fund is funded by many investors who are unrelated to the Feeder Fund; and
(c) ownership in the Feeder Fund is represented by redeemable shares which are classified as debt in accordance with IAS 32 and which are exposed to variable returns from changes in the fair value of the Feeder Fund's net assets [IFRS10B85W, IE15].

Transition

At the date of initial application, an entity shall assess whether it is an investment entity on the basis of the facts and circumstances that exist at that date [IFRS10pC3A].

An investment entity shall measure its investment in each subsidiary at fair value through profit or loss as if the requirements of the Amendments had always been effective. The investment entity shall retrospectively adjust both the annual period that immediately precedes the date of initial application and equity at the beginning of the immediately preceding period for any difference between:
(a) the previous carrying amount of the subsidiary; and
(b) the fair value of the investment entity's investment in the subsidiary.

The cumulative amount of any fair value adjustments previously recognised in other comprehensive income shall be transferred to retained earnings at the beginning of the annual period immediately preceding the date of initial application [IFRS10C3B].

Retrospective application is required to the extent that it is practicable in accordance with IAS 8 [IFRS10C3D].

Commentary – Retrospective application

As noted in the Amendment's basis of conclusions, the IASB agreed with arguments that retrospective application would result in more useful information and should not be onerous because investment entities would be expected to have information about the fair value of their investments [IFRS10pBC284].

(All amounts in € thousands unless otherwise stated)

The following presents extracts of the financial statements of the Feeder Fund after early adoption of the Amendments.

Statement of financial position

	2015	As at 30 June 2014 (Restated)	As at 1 July[1] 2013 (Restated)
Assets			
Current assets			
Financial asset at fair value through profit or loss	125,010	114,157	82,915
Other receivables and prepayments	355	297	248
Cash and cash equivalents	225	200	125
Total assets	**125,590**	**114,654**	**83,288**
Liabilities			
Current liabilities			
Accrued expenses	(295)	(240)	(140)
Liabilities (excluding net assets attributable to holders of redeemable shares)	**(295)**	**(240)**	**(140)**
Net assets attributable to holders of redeemable shares	**125,295**	**114,414**	**83,148**

Statement of comprehensive income

	2015	Year ended 30 June 2014 (Restated)
Income		
Interest income	3	2
Other net changes in fair value on financial asset at fair value through profit or loss	10,032	13,381
Total net income	**10,035**	**13,383**
Expenses		
Management fee	(879)	(803)
Directors fees	(10)	(10)
Other operating expenses	(165)	(151)
Total operating expenses	**(1,054)**	**(964)**
Increase/(decrease) in net assets attributable to holders of redeemable shares from operations	**8,981**	**12,419**

Commentary – Fair value of the Master Fund

The Master-Feeder structure used for the above illustration is based on a scenario where the previous carrying amount of the Master Fund as at 1 July 2013 was equal to the fair value of the Feeder Fund's investment in the Master Fund at that date. As such, no adjustment to equity was needed per IFRS10C3B.

It is possible however, for the fair value of a subsidiary to be different from the previous carrying amount of the subsidiary. For example, where the investee fund's trading net asset value is calculated differently from the measurement basis of the investee fund's individual assets and liabilities. In this scenario, the difference would be recognised as an adjustment to equity in accordance with IFRS10C3B.

[1] IAS1p39 requires and entity to present a statement of financial position as at the beginning of the earliest comparative period when an entity applies an accounting policy retrospectively.

(All amounts in € thousands unless otherwise stated)

Note – Accounting policies (extracts)

Basis of preparation (extracts)

IFRS12p19A The Feeder Fund meets the definition of an investment entity as defined by IFRS 10 and is required to account for the investment in its subsidiary at fair value through profit and loss.

27p8A, 16A These financial statements are the only financial statements presented by the Feeder Fund.

8p28 *Standards and amendments effective for annual periods beginning on or after 1 July 2014:*

The Feeder Fund has adopted the Investment Entities amendments to IFRS 10, IFRS 12 and IAS 27 (the ''Amendments'') which are effective 1 January 2014. The amendments to IFRS 10 define an investment entity and introduce an exception from the consolidation requirements for investment entities.

IFRS10C3A On adoption, the Feeder Fund has determined that it meets the definition of an investment entity. As a result, the Feeder Fund has changed its accounting policy with respect to its investment in its subsidiary. The subsidiary, which was previously consolidated, is now accounted for at fair value through profit or loss. This change in accounting policy has been applied retrospectively in accordance with the transition provisions of IFRS 10 and the Amendments to IFRS 10. The transition provisions require retrospective application in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'. However, they specify that an entity needs only to present the quantitative information required by paragraph 28(f) of IAS 8 for the annual period immediately preceding the date of initial application.

IFRS10C2, C2A

The amendments to IFRS 12 introduce new disclosure requirements related to investment entities. Adoption of the IFRS 12 amendments have impacted the Feeder Fund's level of disclosures in certain of the above noted areas, but has not impacted the Feeder Fund's financial position or results of operations.

The amendments to IAS 27 require an investment entity as defined in IFRS 10 to present separate financial statements as its only financial statements in the case where it measures all of its subsidiaries at fair value through profit or loss and to disclose that fact.

Investment entity

IFRS12p2, 9A The Feeder Fund has multiple unrelated investors and indirectly holds multiple investments through the Master Fund. Ownership interests in the Feeder Fund are in the form of redeemable shares which are classified as debt in accordance with IAS 32 and which are exposed to variable returns from changes in the fair value of the Feeder Fund's net assets. The Feeder Fund has been deemed to meet the definition of an investment entity per IFRS 10 as the following conditions exist:

(a) The Feeder Fund has obtained funds for the purpose of providing investors with investment management services.
(b) The Feeder Fund's business purpose, which was communicated directly to investors, is investing solely for returns from capital appreciation and investment income, through the use of a Master-Feeder structure.
(c) The performance of investments made through the Master Fund are measured and evaluated on a fair value basis.

IFRS12p9A Although the Feeder Fund does not meet all of the typical characteristics of an investment entity (namely, the Feeder Fund does not have multiple investments), Management believe it is nevertheless an investment entity because it was formed in conjunction with the Master Fund and effects multiple investments through the Master Fund.

Subsidiary

IFRS12p19B The Feeder Fund controls the Master through its 100% holding of the voting rights and ownership interests in XYZ Master Fund (the ''Master Fund''). The Master Fund is incorporated in Lagartos.

Commentary – Subsidiaries of an investment entity subsidiary

If the investment entity is the parent of another investment entity (the subsidiary), the parent shall also provide the disclosures required by IFRS12p19B for investments that are controlled by its investment entity subsidiary. The disclosure may be provided by including, in the financial statements of the parent, [extracts from] the financial statements of the subsidiary that contain the information [IFRS12p19C]. For the purpose of this appendix, the Master Fund has no subsidiaries.

(All amounts in € thousands unless otherwise stated)

IFRS12p19D(b) **IFRS12p19E** The Feeder Fund and Master Fund operate as an integrated structure whereby the Feeder Fund invests solely into the Master Fund. Total subscriptions made by the Feeder Fund into the Master Fund during the year ended 30 June 2015 were €35,345,000 (2014: €25,432,000). As at 30 June 2015 and 30 June 2014 there were no capital commitment obligations and no amounts due to the Master Fund for unsettled purchases.

IFRS12p19D(a) The Feeder Fund invests into the Master Fund by purchasing the Master Fund's redeemable participating shares. The Master Fund allows redemptions of these shares on a monthly basis with a 30 day notification period. The Master Fund also has the ability to limit monthly redemptions and withhold 25% of the requested amount for a period of no more than one month. Under extraordinary circumstances, the Master Fund also has the ability to suspend redemptions.

IFRS12p19F Movements in the fair value of the Master Fund's portfolio and corresponding movements in the fair value of the Master Fund may expose the Feeder Fund to a loss.

Commentary – Disclosures

The amendment to IFRS 12 introduces disclosures that are required for an Investment Entity. These required disclosures include the following:

- significant judgments and assumptions made in determining whether an entity has met the definition of an investment entity [IFRS12p9A];
- reasons for concluding that an entity is an investment entity in cases where one or more of the typical characteristics do not apply [IFRS12p9A];
- information on each unconsolidated subsidiary (name, country of incorporation, proportion of ownership interest held) [IFRS12p19B];
- restrictions on unconsolidated subsidiaries transferring funds to the investment entity and any current commitments or intentions of the investment entity to provide financial or other support to an unconsolidated subsidiary [IFRS12p19D];
- financial or other support provided to unconsolidated subsidiaries during the year, where there wasn't any contractual obligation to do so [IFRS12p19E]; and
- information about any controlled 'structured entities' (for example, any contractual arrangements to provide any financial or other support) including events or circumstances that would expose the reporting entity to a loss [IFRS12p19F].

The detailed disclosure requirements are contained in IFRS12p2, 9A – 9B and 19A – 19G.

The amendment to IFRS 12 states that an investment entity need not provide the disclosures required by IFRS12p24 for an unconsolidated structured entity that it controls and for which it presents the disclosures required by paragraphs 19A–19G [IFRS12p25A].

Fair Value estimation

IFRS13p91 The Feeder Fund's investment in the Master Fund is subject to the terms and conditions of the Master Fund's constitutional documents. The investment in the Master Fund is valued at fair value which is based on the latest available redemption price of the Master Fund's redeemable shares, as determined by the Master Fund's administrator. Management reviews the details of the reported information obtained from the Master Fund and considers:

- the liquidity of the Feeder Fund's holding in the Master Fund or its underlying investments;
- the value date of the net asset value (NAV) provided; and
- any restrictions on redemptions

If necessary, the Feeder Fund makes adjustments to the NAV of the Master Fund to obtain the best estimate of fair value. Other net changes in fair value on financial assets and financial liabilities at fair value through profit or loss in the statement of comprehensive income include the change in fair value of the Master Fund.

(All amounts in € thousands unless otherwise stated)

Note – Change in accounting policy and transition

8p28 As a result of the adoption of IFRS 10 and the Amendments to IFRS 10, the Feeder Fund has changed its accounting policy with respect to its investment in its subsidiary. The subsidiary which was previously consolidated is now accounted for at fair value through profit or loss. The transition provisions require retrospective application in accordance with IAS 8. However, they specify that an entity need only present the quantitative information required by paragraph 28(f) of IAS 8 for the annual period immediately preceding the date of initial application. Comparative amounts have been restated in accordance with the transition guidance.

The following shows the adjustments made to each financial statement line item for the comparative period [EXTRACTS][1]:

Statement of financial position

	30 June **2014** **(Consolidated)**	**Adjustment**	30 June **2014** **(Restated)**
Assets			
Current assets			
Financial assets at fair value through profit or loss	121,728	(7,571)	114,157
Due from brokers	2,356	(2,356)	–
Other receivables and prepayments	497	(200)	297
Margin accounts	1,026	(1,026)	–
Cash and cash equivalents	1,620	(1,420)	200
Total assets	**127,227**	**(12,573)**	**114,654**
Liabilities			
Current liabilities			
Financial liabilities at fair value through profit or loss	(11,663)	11,663	–
Due to brokers	(893)	893	–
Accrued expenses	(257)	17	(240)
Liabilities (excluding net assets attributable to holders of redeemable shares)	**(12,813)**	**12,573**	**(240)**
Net assets attributable to holders of redeemable shares	**114,414**	**–**	**114,414**

Statement of comprehensive income

	Year ended 30 June 2014 **(Consolidated)**	**Adjustment**	Year ended 30 June 2014 **(Restated)**
Income			
Interest income	947	(945)	2
Dividend income	1,538	(1,538)	–
Net foreign currency gains or losses on cash and cash equivalents	27	(27)	–
Other net changes in fair value on financial assets and financial liabilities at fair value through profit or loss	11,455	1,926	13,381
Total net income/(loss)	**13,967**	**(584)**	**13,383**
Expenses			
Management fee	(803)	–	(803)
Custodian, secretarial and administration fees	(56)	56	–
Transaction costs	(326)	326	–
Directors fees	(30)	20	(10)
Other operating expenses	(151)	–	(151)
Total operating expenses	**(1,366)**	**402**	**(964)**
Operating profit/(loss)	**12,601**	**(182)**	**12,419**
Withholding taxes	(182)	182	–
Increase/(decrease) in net assets attributable to holders of redeemable shares from operations	**12,419**	**–**	**12,419**

[1] IAS8p28(f) requires, to the extent practicable, the presentation of the amount of adjustment for each financial statement line item affected. For the purpose of this appendix we have only presented the adjustments to the statement of financial position and statement of comprehensive income as an example of the disclosure required.

Commentary – IAS 8, 'Accounting policies, changes in accounting estimates and errors"

IAS 8p28 lists the disclosure requirements when initial application of an IFRS has an effect on the current period or any prior period. These requirements include; disclosure of the amount of the adjustment for each financial statement line item affected for the current period and each prior period presented, to the extent practicable [IAS8p28(f)]. The amendment to IFRS 10 however, provides some relief from this requirement and states that an entity need only present the quantitative information required by IAS 8p 28(f) for the annual period immediately preceding the date of initial application of IFRS 10. An entity may also present this information for the current period or for earlier comparative periods, but is not required to do so [IFRS10pC2A].

The above illustration shows the presentation of adjustments relating to the statement of financial position and the statement of comprehensive income as an example of the disclosure required.

Note – Fair value estimation (extracts)

IFRS13p93 As at 30 June 2015, 100% (2014: 100%) of the financial asset at fair value through profit or loss relate to the Feeder Fund's investment in the Master Fund that has been fair valued in accordance with the policies set out above. The shares of the Master Fund are not publicly traded; redemptions can only be made by the Feeder Fund on the redemption dates and are subject to the required notice periods specified in the offering document. As a result, the carrying value of the Master Fund may not be indicative of the value ultimately realised on redemption.

The fair value of the investment in the Master Fund is primarily based on the latest available redemption price as reported by the administrator of the Master Fund. The Feeder Fund may make adjustments to the value based on considerations such as; liquidity of the Feeder Fund's holding in the Master Fund or its underlying investments.

IFRS13p93 As at 30 June 2015 and 30 June 2014 the Feeder Fund classified its investment in the Master Fund as level 2 within the fair value hierarchy, as management believes the Feeder Fund could have redeemed its investment at the net asset value per share, at the statement of financial position date. The investment was valued at fair value using the net asset value as reported by the Master Fund's administrator.

Commentary – Fair value disclosures

In the prior year the Feeder Fund would have presented the fair value disclosures required by IFRS 7 on a consolidated basis. This disclosure would have therefore been made based on the portfolio of investments held by the Master Fund. Due to the change in accounting policy as a result of the adoption of IFRS 10 and Amendments to IFRS 10, these disclosures are now required to be made based on the investments directly held by the Feeder (ie. the Master Fund).

Commentary – Financial risk disclosures

In restating financial risk disclosures required by IFRS 7, 'Financial instruments: disclosures', careful thought and judgement must be applied. IFRS 7 requires an entity to disclose information that enables users of its financial statements to evaluate the nature and extent of risks arising from financial instruments to which the entity is exposed at the end of the reporting period [IFRS7p31]. IFRS 7 also requires an entity to disclose its objectives, policies and processes for managing the risk and the methods used to measure the risk [IFRS7p33(b)].

The fact that the Feeder Fund has moved from consolidation to fair value accounting for its subsidiary would not, in itself, change the risks to which the Feeder Fund is/was exposed to. The basis for much of the risk disclosures under IFRS 7 is 'through the eyes of management' - that is, based on the information provided to key management personnel. As such, it is likely that the change in policy would also have little or no impact on the Feeder Fund's objectives, policies and processes for managing risk and its methods used to measure risk per IFRS7p33.

Some factors to consider when preparing parent only versus consolidated financial statements are:

- Whether the investment entity and its subsidiary(ies) comprise an integrated structure. In an integrated structure, such as the Master-Feeder structure illustrated above, there would likely be little change to the nature of its financial risk disclosures.
- Exposures that are direct versus those that are indirect (ie. exposures that exist through a master fund). As the investment entity will now be presenting separate financial statements as opposed to consolidated financial statements, the clear identification of indirect versus direct risk exposures would be beneficial in providing qualitative information on the nature of the exposure.

(All amounts in € thousands unless otherwise stated)

- Quantification of indirect exposure if factors such as non-controlling interests exist. Where non-controlling interests exist, this will need to be considered in measuring the quantitative indirect exposure of the investment entity as this may be different from the exposure that was previously disclosed on a consolidated basis.
- Direct risks to the investment in the subsidiary. When preparing financial statements on a consolidated basis the direct risks between the investment entity and subsidiary may not have been considered or disclosed, for instance, the asset liquidity of the investment in subsidiary or if, for example, the currency of the shares held in the subsidiary is different from the functional currency of the parent. In the above illustrative example, the Feeder Fund is subject to the redemption terms of the Master Fund. The ability of the Feeder Fund to liquidate its investment in the Master Fund is likely a key consideration of how the Feeder Fund is able to manage its own liquidity risk.

Appendix XI – Impact of IFRS 12, 'Disclosure of interests in other entities' on funds that invest in other investment funds

This appendix provides illustrative disclosure required by IFRS 12 for a Fund that holds investments in underlying funds which meet the definition of ''unconsolidated structured entities'' under IFRS 12. It is assumed that the Fund has no interests in any other entities, as defined by IFRS 12, that require disclosure, including interests in subsidiaries, joint ventures and associates.

The objective of IFRS 12, 'Disclosures of interests in other entities' (effective for annual periods beginning on or after 1 January 2013) is to require an entity to disclose information that enables users of its financial statements to evaluate the nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows. Any entity that has an interest in subsidiaries, joint arrangements, associates or unconsolidated structured entities will be caught in the scope of this standard. As such, funds that invest in other funds may be caught in the scope of this standard if the investee funds are consolidated subsidiaries (whether structured entities or not) or unconsolidated structured entities as defined in IFRS 12.

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements [IFRS12pB21].

A structured entity often has some or all of the following features or attributes:
(a) restricted activities.
(b) a narrow and well-defined objective, such as to effect a tax-efficient lease, carry out research and development activities, provide a source of capital or funding to an entity or provide investment opportunities for investors by passing on risks and rewards associated with the assets of the structured entity to investors.
(c) insufficient equity to permit the structured entity to finance its activities without subordinated financial support.
(d) financing in the form of multiple contractually linked instruments to investors that create concentrations of credit or other risks (tranches) [IFRS12pB22].

Commentary – Significant judgements and assumptions

A reporting entity should consider whether its interest in another entity represents an interest in a structured entity. Significant judgements and assumptions made should be disclosed. Funds are often constituted so that they either do not have voting rights or where voting rights are only protective in nature. Funds may, therefore, meet the definition of structured entities [IFRS12p2]. This appendix does not address this issue.

Illustrative Disclosure:

Notes – Summary of accounting policies (extracts)

Commentary – Investment entities amendments

This appendix does not include the Investment Entities Amendments to IFRS 10, IFRS 12 and IAS 27, which is effective for periods beginning on or after 1 January 2014. Refer to Appendix X for guidance on the impact of these Amendments.

IFRS12pB21 **Structured entities**

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. A structured entity often has some or all of the following features or attributes; (a) restricted activities, (b) a narrow and well-defined objective, such as to provide investment opportunities for investors by passing on risks and rewards associated with the assets of the structured entity to investors, (c) insufficient equity to permit the structured entity to finance its activities without subordinated financial support and (d) financing in the form of multiple contractually linked instruments to investors that create concentrations of credit or other risks (tranches).

IFRS12p26 The Fund considers all of its investments in other funds (''Investee Funds'') to be investments in unconsolidated structured entities. The Fund invests in Investee Funds whose objectives range from achieving medium to long term capital growth and whose investment strategy does not include the use of leverage. The Investee Funds are managed by unrelated asset managers and apply various investment strategies to accomplish their respective investment objectives. The Investee Funds finance their operations by issuing redeemable shares which are puttable at the holder's option and entitles the holder to a proportional stake in the respective fund's net assets. The Fund holds redeemable shares in each of its Investee Funds.

(All amounts in € thousands unless otherwise stated)

IFRS12B26(c) The change in fair value of each Investee Fund is included in the statement of comprehensive income in ''Other net changes in fair value on financial assets and financial liabilities at fair value through profit or loss''.

Commentary – Sponsored structured entities

For the purpose of this illustrative it is also assumed that the Fund has not sponsored any structured entities, if the Fund had sponsored a structured entity the Fund would need to meet the additional disclosure requirements of IFRS12p27.

Notes 4 Financial risk (extracts)

IFRS12p26 The Fund's investments in Investee Funds are subject to the terms and conditions of the respective Investee Fund's offering documentation and are susceptible to market price risk arising from uncertainties about future values of those Investee Funds. The investment manager makes investment decisions after extensive due diligence of the underlying fund, its strategy and the overall quality of the underlying fund's manager. All of the Investee Funds in the investment portfolio are managed by portfolio managers who are compensated by the respective Investee Funds for their services. Such compensation generally consists of an asset based fee and a performance based incentive fee and is reflected in the valuation of the Fund's investment in each of the Investee Funds.

IFRS12B26(e) The right of the Fund to request redemption of its investments in Investee Funds ranges in frequency from weekly to semi annually.

IFRS12p29 The exposure to investments in Investee Funds at fair value by strategy employed is disclosed in the following table. These investments are included in financial assets at fair value through profit or loss in the statement of financial position[1].

IFRS12p24, 26 & 29

31 Dec 2015[2]

Strategy	Number of Investee Funds	Net Asset Value of Investee Fund (range and weighted avg) €Million	Investment fair value € 000's	% of net assets attributable to holders of redeemable shares
Equity long/short	12	25-60/(45)	55,548	49.8
Event driven	10	75-107/(82	41,531	37.2
Directional trading	6	100-225(175)	9,668	8.7
Multi-strategy	2	37-45/(41)	5,752	5.2
Fund of Funds	2	21-25/(23)	5,565	5
Relative value	5	25-100/(66)	1,456	1.3
			119,520	107.2

Commentary – Disclosure

IFRS12p26 requires disclosure of qualitative and quantitative information about an entity's interests in unconsolidated structured entities, including, but not limited to, the nature, purpose, size and activities of the structured entity and how the structured entity is financed.

IFRS12p29 (c)&(d) The Fund's maximum exposure to loss from its interests in Investee funds is equal to the total fair value of its investments in investee funds.

IFRS12p25 Once the Fund has disposed of its shares in an investee fund the Fund ceases to be exposed to any risk from that investee fund.

IFRS12p30 The Fund's investment strategy entails trading in other funds on a regular basis. Total purchases in investee funds during the year ended 31 December 2015 was €35,345,000 (2014: €16,012,013). The Fund intends to continue opportunistic trading in other funds. As at 31 December 2015 and 31 December 2014 there were no capital commitment obligations and no amounts due to investee funds for unsettled purchases.

IFRS12B27(b) During the year ended 31 December 2015 total net losses incurred on investments in Investee Funds were €17,381,000 (2014: €11,081,981).

[1] The line item in the statement of financial position in which the structured entities are included should be disclosed [IFRS12p29(b)]

[2] Comparative information has not been included in the Illustrative disclosure above however it is required as the standard was effective since 1 January 2013.

(All amounts in € thousands unless otherwise stated)

Commentary – IFRS 7

The disclosure requirements of IFRS 7 and IFRS 12 may overlap to some extent. However, the intention is that both standards complement each other [IFRS12BC72-BC74]. Therefore in situations where a fund invests in other funds, which fall within the definition of a structured entity, additional disclosures requirements will result from the application of IFRS 12.

(All amounts in € thousands unless otherwise stated)

Appendix XII – Offsetting; Requirements and Disclosures under Amendments to IAS 32 and IFRS 7

Amendments to IFRS 7, 'Disclosures – Offsetting financial assets and financial liabilities' (the "Amendments to IFRS 7") require additional disclosures to enable users of financial statements to evaluate the effect or the potential effects of netting arrangements, including rights of set-off associated with an entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.

Amendments to IAS 32, 'Offsetting financial assets and financial liabilities' (the "Amendments to IAS 32") provide clarification on the offsetting criteria in IAS 32 and address inconsistencies in their application.

Although both sets of amendments were issued in December 2011 by the IASB, the effective dates differ by 1 year. The Amendments to IFRS 7 are effective for annual periods beginning on or after 1 January 2013, while the Amendments to IAS 32 are effective for annual periods beginning on or after 1 January 2014.

This appendix provides detailed guidance on the content of both sets of amendments and example disclosures required by the Amendments to IFRS 7.

Amendments to IAS 32

The existing guidance in paragraph 42 of IAS 32 states that a "financial asset and a financial liability shall be offset and the net amount presented in the statement of financial position when, and only when, an entity:
(a) currently has a legally enforceable right to set-off the recognised amounts; and
(b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously."

The purpose of the amendments is to provide clarification on the above existing criteria.

The Amendments to IAS 32 clarify that an entity currently has a "legally enforceable right to set-off" if the right to set-off is not contingent on a future event and is enforceable in the normal course of business, in the event of default and in the event of insolvency or bankruptcy of the entity and all of the counterparties [32pAG38B].

The Amendments to IAS 32 also clarify that gross settlement can be considered equivalent to net settlement if, and only if, the gross settlement mechanism has features that eliminate or result in insignificant credit and liquidity risk, and that will process receivables and payables in a single settlement process or cycle. AG38F of IAS32 lists several characteristics that a gross settlement system might have that would allow it to meet this criterion. It is possible that systems utilised, for instance, by certain clearing houses may be considered equivalent to a net settlement system.

Commentary – Amendments to IAS 32

Although the purpose of these amendments is to provide clarification on existing criteria, it is possible that application of the amendments may result in a change to an entity's offsetting practice. This is due to the diversity in practice prior to the issuance of clarification.

The nature and extent of the right of set off, including any conditions attached to its exercise and whether it would remain in the event of default or insolvency or bankruptcy, may vary from one legal jurisdiction to another. As such, the laws applicable to the relationships between the parties need to be considered to ascertain whether the right to set off is enforceable in the manner defined in the Amendments to IAS 32 [32pAG38C & 38D].

It is also likely that legal analysis and judgement would be required in the determination of whether arrangements to which the entity is subject meet the netting criteria under IAS 32.

Amendments to IFRS 7

Scope:

The disclosures relating to these amendments are required for all recognised financial instruments that are set-off in accordance with paragraph 42 of IAS 32 (see above). These disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments and transactions, irrespective of whether they are set-off in accordance with paragraph 42 of IAS 32 [IFRS7p13A,B40].

The similar agreements referred to above include derivative clearing agreements, global master repurchase agreements, global master securities lending agreements, and any related rights to financial collateral. The similar financial instruments and transactions referred to above include derivatives, sale and repurchase agreements, reverse sale and repurchase agreements, securities borrowing, and securities lending agreements [IFRS7pB41].

Financial instruments that are subject only to a collateral agreement are not within the scope [IFRS7pB41].

(All amounts in € thousands unless otherwise stated)

The Amendments to IFRS 7 and IAS 32 do not provide a definition of ''master netting arrangement'' however IAS 32 provides the following list of characteristics which a master netting arrangement would have:

- Such an agreement provides 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 arrangements are commonly used by financial institutions to provide protection against loss in the event of bankruptcy or other circumstances that result in a counterparty being unable to meet its obligations.
- A master netting arrangement commonly creates a right of set-off that becomes enforceable and affects the realisation or settlement of individual financial assets and financial liabilities only following a specified event of default or in other circumstances not expected to arise in the normal course of business [32p50].

Commentary – Scope of IFRS 7; IFRS vs US GAAP

The Amendments to IFRS 7 and ASU 2011-11 under US GAAP were both issued in December 2011 with consistent effective dates. The disclosure requirements under both the IFRS and US GAAP guidance were the result of a joint project between the IASB and the FASB which was intended to provide comparable information about balance sheet offsetting between those entities that prepare their financial statements under US GAAP and those that prepare their financial statements under IFRS.

In January 2013, the FASB then issued ASU 2013-01, 'Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities'. This ASU limits the scope of the offsetting disclosures in US GAAP to;

- Recognised derivative instruments, including bifurcated embedded derivatives,
- Repurchase agreements and reverse repurchase agreements, and
- Securities borrowing and securities lending transactions.

FASB's issuance of the above guidance was the result of concerns raised by constituents in a variety of industries regarding the potentially broad scope of the disclosure requirements.

The IASB however, as at the date of this publication, has not issued any similar scope clarification. In the absence of such clarification, the scope under IFRS therefore remains as defined in the Amendments to IFRS 7, issued in December 2011.

Disclosure requirements:

The disclosure requirements contained in the Amendments to IFRS 7 apply to all recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set-off in accordance with paragraph 42 of IAS 32 [IFRS7p13A].

The purpose of these disclosures is to enable users of the financial statements to evaluate the effect or potential effect of netting arrangements on the entity's financial position. This includes the effect or potential effect of rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities that are subject to a master netting arrangement or similar agreement [IFRS7p13B].

The disclosures require amounts to be presented in a tabular format separately for financial assets and financial liabilities, unless another format is more appropriate [IFRS7p13C]. For instance, an entity may choose to disclose one table for its assets (and a separate table for its liabilities) which are subject to a master netting arrangements. The specific disclosure requirements are listed below, however, in general terms, each table will disclose:

i) Gross assets (or liabilities) subject to a master netting arrangement;
ii) Amounts set-off against the asset (or liability) in accordance with the offsetting criteria in paragraph 42 of IAS 32; and
iii) Amounts available for set-off against the asset (or liability) that have not been set-off.

(All amounts in € thousands unless otherwise stated)

The following table details the main disclosure requirements and provides commentary explanations of each requirement:

	Disclosure requirement	Explanation and commentary
A	Gross amounts of recognised financial assets and recognised financial liabilities [IFRS7p13C(a)].	These amounts relate to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement irrespective of whether they meet the offsetting criteria. However, they do not relate to any amounts recognised as a result of collateral agreements that do not meet the offsetting criteria in paragraph 42 of IAS 32 (such amounts will be disclosed under D below) [IFRS7pB43].
B	The amounts that are set-off in accordance with the criteria in paragraph 42 of IAS 32 [IFRS7p13C(b)].	Amounts disclosed are limited to the amounts that are subject to set-off. For example, if the gross amount of the asset is larger than the gross amount of the liability (assuming the asset and liability meet the offsetting criteria), the financial asset disclosure table will include the entire amount of the derivative asset (in accordance with 'A') and the entire amount of the derivative liability (in accordance with 'B'). However, while the financial liability disclosure table will include the entire amount of the derivative liability (in accordance with 'A'), it will only include the amount of the derivative asset (in accordance with 'B') that is equal to the amount of the derivative liability [IFRS7pB44].
C	The net amounts presented in the statement of financial position [IFRS7p13C(c)].	This is simply the difference between 'A' and 'B'. Note that if there are no amounts which meet the offsetting criteria then the amounts disclosed for 'A' will equal the amount disclosed for 'C' [IFRS7pB45].
D	Amounts subject to set-off that do not qualify for offsetting under (B) above [IFRS7p13C(d)]. This relates to; i. amounts which are subject to set-off against the asset (or liability) disclosed in 'A' which have not been offset in the statement of financial position, and ii. Any financial collateral (including cash collateral), both received and pledged.	The amounts disclosed under 'D' are limited to the amounts disclosed in 'C' [IFRS7p13D]. This is further explained in the illustrative guidance provided below.
E	Net amount [IFRS7p13C(e)].	Net of C and D.

Other disclosure requirements:

- An entity shall include a description in the disclosures of the rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities subject to enforceable master netting arrangements and similar agreements that are disclosed in accordance with 'D' in the table above, including the nature of those rights [IFRS7p13E].
- If the disclosure requirements listed above are disclosed in more than one note to the financial statements, an entity shall cross-refer between those notes [IFRS7p13F].
- The amounts required to be disclosed by 'C' in the table above must be reconciled to the individual line item amounts presented in the statement of financial position [IFRS7pB46].
- To meet the objective of the disclosure requirements an entity may need to supplement them with additional (qualitative) disclosures, depending on the terms of the enforceable master netting arrangements and related agreements, including the nature of the rights of set-off, and their effect or potential effect on the entity's financial position [IFRS7pB53].

Disclosure options

In making the quantitative disclosure requirements listed in items 'A' to 'E' in the table above, the Amendments to IFRS 7 provide the option of:

i) Making all disclosures 'A' to 'E' by type (of financial instrument or transaction), or
ii) Making disclosures 'A' to 'C' by type and making disclosures 'C' to 'E' by counterparty. Under this option, disclosure for item 'C' is therefore made both by type and by counterparty.

If option (ii) is taken, amounts that are individually significant in terms of total counterparty amounts shall be separately disclosed and the remaining individually insignificant counterparty amounts shall be aggregated into one line item [IFRS7pB52].

(All amounts in € thousands unless otherwise stated)

Commentary – IFRS 7, Disclosures

It is not uncommon for a fund to engage in transactions with several different counterparties and therefore be subject to several different master netting arrangements. As a result, care must be taken to match assets and liabilities only to amounts that are subject to offset with assets or liabilities held with the same counterparty.

For example, Fund W engages in derivative trading with 3 different counterparties. Transactions with each counterparty are governed by separate master netting agreements. However, the offsetting criteria under paragraph 42 of IAS32 have NOT been met. For simplicity, no collateral has been received or pledged with any counterparty. Relevant balances are below:

	Asset	Liability
Counterparty X	4	4
Counterparty Y	5	0
Counterparty Z	6	11
Total	15	15

Quantitative asset disclosure for Fund W's derivatives are as follows:

Gross assets per 'A'	–	15
Amount offset per 'B'	–	0
Net per 'C'	–	15
Amount per 'D'	–	10
Net per 'E'	–	5

As shown above, although Fund W has gross derivative assets of 15 and gross derivative liabilities of 15, which are all subject to master netting arrangements, the net amount per 'E' is 5. The reason for this is that Fund W has zero liabilities subject to set off with Counterparty Y and, while the Fund has a liability of 11 with Counterparty Z, only an amount of 6 can be used in the disclosure since the amount disclosed under 'D' is limited to the gross asset held with that counterparty.

This concept is further explained in the illustrative disclosure below.

The following illustrative disclosure is based on a fictional fund (Fund A) which engages in derivatives, repurchase and reverse repurchase transactions with various counterparties. The transactions with counterparties are all governed by separate master netting agreements which fall within the scope of the Amendments to IFRS 7. The following table summarises the gross assets, liabilities and collateral relevant to each counterparty.

	Counterparty 1	Counterparty 2	Counterparty 3	Counterparty 4	TOTAL
Derivative assets not offset per IAS 32p42	1,000	720	220	–	**1,940**
Derivative assets offset per IAS 32p42 *	100	–	50	–	**150**
Derivative Liabilities not offset per IAS 32p42	(400)	(1,200)	(300)	–	**(1,900)**
Derivative Liabilities offset per IAS 32p42 *	(100)	–	(50)	–	**(150)**
Amounts receivable under agreements to resell	–	–	–	500	**500**
Amounts payable under agreements to repurchase	–	–	–	(650)	**(650)**
Cash paid as collateral	–	400	–	–	**400**
Cash received as collateral	(500)	–	–	–	**(500)**
Investments pledged by counterparty to Fund **	–	–	–	(510)	**(510)**
Investments pledged by Fund to counterparty	–	150	50	700	**900**

* These balances are not reflected in the statement of financial position as they have been offset in accordance with IAS 32
** This balance is not reflected in the statement of financial position as it does not meet the recognition criteria

The following illustrative disclosure includes extracts from the Fund's statement of financial position and disclosure required by the Amendments to IFRS 7. The IFRS 7 disclosure requirements are illustrated using both disclosure options mentioned previously.

(All amounts in € thousands unless otherwise stated)

Illustrative Disclosure:

Fund A
Statement of financial position (EXTRACTS)

Assets	
Derivatives	1,940
Amounts receivable under agreements to resell	500
Cash collateral receivable	400
Investments pledged by Fund	900
Liabilities	
Derivatives	(1,900)
Amounts payable under agreements to repurchase	(650)
Cash collateral payable	(500)

Notes – Offsetting and amounts subject to master netting arrangements and similar agreements

IFRS7p13C, B51

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements[1]:

	A	B	C = A-B	D		E = C-D
	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set-off in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	Related amounts not set-off in the statement of financial position		Net amount
				D(i) and D(ii) Financial Instruments	D(ii) Cash collateral received	
Description						
Derivatives	2,090	150	1,940	1,340	500	100
Reverse repo receivable	500	–	500	500	–	–

IFRS7p13C, B51

Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements:

	A	B	C = A-B	D		E = C-D
	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set-off in the statement of financial position	Net amounts of financial liabilities presented in the statement of financial position	Related amounts not set-off in the statement of financial position		Net amount
				D(i) and D(ii) Financial Instruments	D(ii) Cash collateral pledged	
Description						
Derivatives	2,050	150	1,900	1,540	330	30
Repo payable	650	–	650	650	–	–

[1] This table illustrates Fund A's application of the quantitative disclosure requirements (requirements 'A' to 'E' detailed in the table further above) by TYPE of financial instrument (ie. the first option).

(All amounts in € thousands unless otherwise stated)

Commentary – Quantitative disclosures

'A' –
In the above example, amounts disclosed under 'A' would include derivative assets, derivative liabilities, amounts receivable under agreements to resell and amounts payable under agreements to repurchase. Amounts disclosed under 'A' do not relate to any amounts recognised as a result of collateral agreements that do not meet the offsetting criteria in paragraph 42 of IAS32. As a result, the cash collateral receivable and payable as well as the financial assets pledged by the Fund will not be presented under 'A'.

For the asset table, the gross derivative would equal all amounts subject to a master netting arrangement, including amounts set-off in the SoFP. This would be 1,940 + 150 = 2,090. Similarly, the gross derivative liability would be 1,900 + 150 = 2,050.

'B' –
The amounts that are set off in accordance with the criteria in paragraph 42 of IAS32 will be disclosed here.

'C' –
This is the difference between 'A' and 'B' (this amount should reconcile to the statement of financial position).

'D' –
Assets:
The amount disclosed for derivatives is calculated as follows:

	Counterparty 1	**Counterparty 2**	**Counterparty 3**	**TOTAL $**
Net derivative asset	1,000	720	220	1,940
Derivative liability subject to set off	(400)	(720)	(220)	1,340
Sub total	**600**	**0**	**0**	**600**
Cash collateral received	(500)	n/a	n/a	(500)
Net	**100**	**0**	**0**	**100**

For the amounts receivable under agreements to resell, although the Fund has a payable to Counterparty 4 of 650 and has also received pledged collateral of 510, the value disclosed under 'D' is limited to 500 which is the gross asset amount and the amount disclosed in 'C'.

'D' –
Liabilities:
The amount disclosed for derivatives is calculated as follows:

	Counterparty 1	**Counterparty 2**	**Counterparty 3**	**TOTAL $**
Net derivative liability	400	1,200	300	1,900
Derivative asset subject to set off	(400)	(720)	(220)	(1,340)
Sub total	**0**	**480**	**80**	**560**
Investments pledged by Fund	n/a	(150)	(50)	(200)
Sub total	**0**	**330**	**30**	**360**
Cash collateral provided	n/a	(330)	0	(330)
Net	**0**	**0**	**30**	**30**

The amount disclosed under 'D' relating to financial instruments (1,540) is comprised of the derivative assets subject to set off (1,340) plus the investments pledged by the Fund (200).

For Counterparty 2, although 400 cash collateral was provided, the amount disclosed for 'D(ii)' is limited to the net amount remaining, which in the above scenario is 330.

For the amounts payable under agreements to repurchase, although the Fund has a receivable from Counterparty D of 500 and has pledged collateral of 700, the value disclosed under 'D' is limited to 650 which is the gross liability amount and the amount disclosed in 'C'.

'E' –
This is the difference between 'C' and 'D'

(All amounts in € thousands unless otherwise stated)

The following table illustrates Fund A's application of the quantitative disclosure requirements (requirements 'A' to 'E' detailed in the table further above) by COUNTERPARTY (ie. the second option). Under this option, the Fund will disclose items 'A' to 'C' by type and items 'C' to 'E' by counterparty.

Disclosure of items 'A' to 'C' by type will be the same as illustrated in the tables above. The following tables therefore just illustrate items 'C' to 'E' by counterparty:

IFRS7p13C, B52

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements:

	C = A-B	**D**		**E = C-D**
	Net amounts of financial assets presented in the statement of financial position	Related amounts not set-off in the statement of financial position		Net amount
		D(i) and D(ii) Financial Instruments	D(ii) Cash collateral received	
Counterparty 1	1,000	400	500	100
Counterparty 2	720	720	–	–
Counterparty 3	220	220	–	–
Counterparty 4	500	500	–	–

IFRS7p13C, B52

Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements:

	C = A-B	**D**		**E = C-D**
	Net amounts of financial liabilities presented in the statement of financial position	Related amounts not set-off in the statement of financial position		Net amount
		D(i) and D(ii) Financial Instruments	D(ii) Cash collateral pledged	
Counterparty 1	400	400	–	–
Counterparty 2	1,200	870	330	–
Counterparty 3	300	270	–	30
Counterparty 4	650	650	–	–

Commentary – Quantitative disclosures (continued)

Disclosure by counterparty:

From the tables above it can be seen that the net amounts presented in 'E' are the same regardless of which presentation option is used by the fund.

Refer to previous commentary boxes for explanations on how the individual amounts presented in the counterparty table were calculated.

Collateral and disclosure under item 'D':

For the purpose of this disclosure an entity shall disclose collateral at its fair value. This applies both to collateral received and collateral pledged [IFRS7pB48].

The amounts disclosed in accordance with 'D' should also relate to actual collateral received or pledged and not to any resulting payables or receivables recognised to return or receive back such collateral [IFRS7pB48].

(All amounts in € thousands unless otherwise stated)

IFRS7p13E, B50 Transactions with Counterparty 1, 2, 3 and 4 are governed by separate master netting agreements. Each agreement allows for net settlement of certain open contracts where the Fund and respective counterparty both elect to settle on a net basis. In the absence of such an election, contracts will be settled on a gross basis. However, each party to the master netting agreement will have the option to settle all open contracts on a net basis in the event of default of the other party. Per the terms of each master netting agreement, an event of default includes the following:

- failure by a party to make payment when due;
- failure by a party to perform any obligation required by the agreement (other than payment) if such failure is not remidied within 30 days after notice of such failure is given to the party;
- bankruptcy.

IFRS7pB50 Investments pledged as collateral by the Fund can be sold or repledged by the respective counterparty. Cash collateral received is restricted and does not form part of the Fund's cash and cash equivalents. Under the terms of the master netting agreements, collateral can only be seized by a party in the event of default of the other party.

Commentary – Qualitative disclosures

An entity shall include a description in the disclosures of the rights of set off associated with the entity's recognised financial assets and recognised financial liabilities subject to enforceable master netting arrangements and similar agreements that are disclosed in accordance with item 'D', including the nature of those rights [IFRS7p13E].

For example:

- An entity shall describe its conditional rights.
- For instruments subject to rights of set-off that are not contingent on a future event but that do not meet the remaining criteria in IAS 32p42, the entity shall describe the reason(s) why the criteria are not met.
- For any financial collateral received or pledged, the entity shall describe the terms of the collateral agreement (for example, when the collateral is restricted) [IFRS7pB50].

In order to make the above required disclosures an entity will need to analyse the terms contained in its agreements. The qualitative disclosures provided above are illustrative only and may not necessarily be consistent with the terms contained in master netting and similar agreements of all funds.

(All amounts in € thousands unless otherwise stated)

Appendix XIII – Funds whose shares are transacted using a different measurement basis for certain assets or liabilities, when compared to IFRS

A fund's prospectus may require certain items to be accounted for differently when calculating the net asset value for transacting its own shares (the "trading NAV"), compared to the requirements of IFRS. For instance, IFRS requires set-up costs to be expensed when incurred however, a fund's prospectus may require such costs to be amortised over several years for the purpose of determining the trading NAV. In such a circumstance the fund's financial statements will have to include the total expense in the period incurred with no amortisation in order to comply with IFRS, however this would lead to the fund having a trading NAV that is different from the sum of the fund's assets and liabilities (excluding redeemable shares) calculated in accordance with IFRS. This appendix addresses how such differences should be treated.

Equity vs Liability:
The treatment of such differences differs depending on whether the shares of the fund are classified as equity or liabilities under IAS 32[1,2]. This is because different measurement criteria apply to the shares depending on the classification.

Equity:
The IFRS framework [paragraph 49] defines equity simply as "the residual interest in the assets of the entity after deducting all its liabilities". As such, if share are considered to be equity instruments then their measurement would have to equate to total assets less total liabilities calculated in accordance with IFRS. In this circumstance there would therefore be a difference between the trading NAV of the fund (calculated in accordance with the prospectus) and the net asset value (equity value) calculated in accordance with IFRS, however it is permissible to disclose and explain the nature of this difference in the notes to the financial statements. No adjustment to the primary statements is required[3].

Commentary – Example note disclosure when shares are presented as equity under IAS 32.

As mentioned above, no adjustment to the primary statements is necessary in this scenario if the shares were classified as equity. However, a fund may still wish to explain the difference between its trading net asset value and its equity as per the Statement of Financial Position. The following is example note disclosure that can be used:

Example Note:
The Fund's prospectus requires set-up costs to be amortised over a period of 4 years for the purpose of calculating its trading net asset value, whereas IFRS requires set-up costs to be expensed as incurred. All set-up costs have been expensed during the year ended 31 December 2014 in accordance with IFRS, however this has resulted in a difference between the Fund's trading net asset value and the sum of assets and liabilities measured in accordance with IFRS. The Fund's shares are classified as equity in accordance with IAS 32 and therefore equate to the residual value of the Fund's total assets less its total liabilities. The following table shows the reconciliation of the Fund's equity value to its trading net asset value:

	As at December 31	
	2015	**2014**
Equity as per Statement of Financial Position	79,543	83,924
Adjustment for set-up costs	500	750
Trading net asset value calculated in accordance with the Fund's Prospectus	80,043	84,674

Liability:
If shares are considered to be liabilities under IAS 32 then IFRS requires the liability to be measured at fair value or amortised cost. The primary input of measurement would be the amount payable upon redemption of the shares[4], which in turn would be based on the trading net asset value in accordance with the fund's prospectus. In this situation the liability measurement of the shares will not equate to the sum of the fund's assets and liabilities (excluding the shares). This difference therefore becomes an adjustment that needs to be presented in the primary statements. The following illustrates how such an adjustment is presented.

[1] Where the criteria listed in IAS32p16A&B are met a fund's shares shall be classified as equity.
[2] For the purpose of this appendix, set-up costs are not considered to have a substantial impact on the total expected cash flows attributable to the puttable shares over the life of the instrument. If the impact of set-up costs were substantial then IAS 32p16A(e) should be considered in determining whether the shares should be classified as equity or liabilities.
[3] Refer to PwC Q&A solution "Dual Net Asset Value Reporting".
[4] The fair value of a financial liability with a demand feature (eg a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid [IFRS13p47]. In cases where the trading NAV is higher than the sum of assets and liabilities (as illustrated in this Appendix) an adjustment will be required, however if the trading NAV is lower than the sum of assets and liabilities there should be no adjustment since all net assets are attributable to the shareholders.

(All amounts in € thousands unless otherwise stated)

Example scenario:

The fund commenced operations on 1 January 2014 and incurred €1,000 in set-up costs. The fund's year end is 31 December and the policy per the fund's prospectus is to amortise all set-up costs over 4 years.

	Statement of Operations: Expense		Statement of Financial Position: Amortised set-up costs	
	Per IFRS	**Per prospectus**	**Per IFRS**	**Per prospectus**
Year ended 31 Dec 2014	1,000	250	–	750
Year ended 31 Dec 2015		250	–	500
Year ended 31 Dec 2016		250	–	250
Year ended 31 Dec 2017		250	–	–

The above scenarios results in an adjustment of €750 at the end of 31 December 2014 and an adjustment of €500 at the end of 31 December 2015.

Statement of financial position

		As at 31 December 2015	2014
	Assets		
	Current assets		
	Financial assets at fair value through profit or loss	78,000	91,000
	Due from brokers	2,000	950
	Other receivables and prepayments	500	440
	Cash and cash equivalents	350	325
	Total assets	**80,850**	**92,715**
	Liabilities		
	Current liabilities		
	Financial liabilities at fair value through profit or loss	(250)	(7,500)
	Due to brokers	(800)	(770)
	Accrued expenses	(257)	(521)
1Rp55	**Liabilities (excluding net assets attributable to holders of redeemable shares)**	(1,307)	(8,791)
32IE32	**Net assets attributable to holders of redeemable shares (before set-up cost adjustment)**	**79,543**	**83,924**
	Represented by:		
1Rp54(m)	**Net assets attributable to holders of redeemable shares (at trading value)**	**80,043**	**84,674**
1Rp55, 78(e)	Adjustment for set-up costs*	(500)	(750)

(All amounts in € thousands unless otherwise stated)

Statement of comprehensive income

		Note	Year ended 31 December 2015	2014
	Income			
	Dividend income		1,538	1,000
	Other net changes in fair value on financial assets and financial liabilities at fair value through profit or loss		7,500	5,000
	Total net income/(loss)		**9,038**	**6,000**
	Expenses			
	Management fee		(800)	(650)
	Transaction costs		(125)	(100)
	Other operating expenses		(140)	(150)
	Total operating expenses		**(1,065)**	**(900)**
	Operating profit/(loss)		**7,973**	**5,100**
	Finance costs			
	Distributions to holders of redeemable shares		(500)	(500)
	Profit/(loss) after distributions		**7,473**	**4,600**
	Adjustment for set-up costs*	12	(250)	750
32IE32, 1Rp85, 32p35	**Increase/(decrease) in net assets attributable to holders of redeemable shares from operations**		**7,223**	**5,350**

Statement of changes in net assets attributable to holders of redeemable shares

	Note	Year ended 31 December 2015	2014
Net assets attributable to holders of redeemable shares at 1 January (before set up cost adjustment)		**83,924**	–
Represented by:			
Net assets attributable to holders of redeemable shares at 1 January (at trading value)		84,674	–
Adjustment for set-up costs		750	–
Net assets attributable to holders of redeemable shares at 1 January (at trading value)		**84,674**	–
Proceeds from redeemable shares issued		3,346	79,324
Redemption of redeemable shares		(15,200)	–
Net increase from share transactions		(11,854)	79,324
Profit/(loss) after distributions and tax		7,473	4,600
Adjustment for set-up costs*	**12**	(250)	750
Increase/(decrease) in net assets attributable to holders of redeemable shares from operations		7,223	5,350
Net assets attributable to holders of redeemable shares at 31 December (at last traded market prices)		**80,043**	**84,674**

(All amounts in € thousands unless otherwise stated)

Commentary – Subsidiary providing investment services

* The amount presented in the Statement of Comprehensive Income represents the movement in the adjustment during the year. As 2014 is the first year of operation, the adjustment moved from nil to €750. During 2015 the adjustment decreased from €750 to €500 in the statement of Financial Position, therefore the movement presented in the Statement of Comprehensive Income was (€250).

Notes to the financial statements (extracts)

Note 12

The Fund's prospectus requires set-up costs to be amortised over a period of 4 years for the purpose of calculating its trading net asset value, whereas IFRS requires set-up costs to be expensed as incurred. All set-up costs have been expensed during the year ended 31 December 2014 in accordance with IFRS, however this has resulted in a difference between the Fund's trading net asset value and the sum of assets and liabilities (excluding redeemable shares) measured in accordance with IFRS. The Fund's shares are classified as liabilities in accordance with IAS 32. This liability is measured at the amount which the Fund is obligated to pay upon redemption, which is based on the trading net asset value calculated in accordance with the prospectus. The resulting difference of €500 (2014: €750) is presented in the Statement of Financial Position and the movement in these differences of (€250) (2014: €750) has been presented in the Statement of Comprehensive Income.

(All amounts in € thousands unless otherwise stated)

Appendix XIV – New standards and amendments

This appendix provides a summary of (a) new standards and amendments that are effective for the first time for periods commencing on or after 1 January 2015 (ie. years ending 31 December 2015) and (b) forthcoming requirements, being standards and amendments that will become effective on or after 1 January 2015.

New standards and amendments – applicable 1 January 2015

The following standards and interpretations apply for the first time to financial reporting periods commencing on or after 1 January 2015:

Topic	Key requirements	Effective date*
Annual Improvements to IFRSs 2010-2012 and 2011-2013 cycles	In December 2013, the IASB has made the following amendments: • IFRS 1 – confirms that first-time adopters of AASs can adopt standards that are not yet mandatory, but do not have to do so • IFRS 2 – clarifies the definition of 'vesting condition' and now distinguishes between 'performance condition' and 'service condition' • IFRS 3 – clarifies that an obligation to pay contingent consideration is classified as financial liability or equity under the principles in IAS 32 and that all non-equity contingent consideration (financial and non-financial) is measured at fair value at each reporting date. • IFRS 3 – clarifies that IFRS 3 does not apply to the accounting for the formation of any joint arrangement • IFRS 8 – requires disclosure of the judgements made by management in aggregating operating segments and clarifies that a reconciliation of segment assets must only be disclosed if segment assets are reported. • IFRS 13 confirms that short-term receivables and payables can continue to be measured at invoice amounts if the impact of discounting is immaterial. • IFRS 13 – clarifies that the portfolio exception in IFRS 13 (measuring the fair value of a group of financial assets and financial liabilities on a net basis) applies to all contracts within the scope of IAS 39 or IFRS 9 • IAS 16 and IAS 38 – clarifies how the gross carrying amount and accumulated depreciation are treated where an entity measures its assets at revalued amounts • IAS 24 – where an entity receives management personnel services from a third party (a management entity), the fees paid for those services must be disclosed by the reporting entity, but not the compensation paid by the management entity to its employees or directors. • IAS 40 – clarifies that IAS 40 and IFRS 3 are not mutually exclusive when distinguishing between investment property and owner-occupied property and determining whether the acquisition of an investment property is a business combination.	1 July 2014

* Applicable to reporting periods commencing on or after the given date.

(All amounts in € thousands unless otherwise stated)

Topic	Key requirements	Effective date*
Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)	The amendments clarify the accounting for defined benefit plans that require employees or third parties to contribute towards the cost of the benefits. Under the previous version of IAS 19, most entities deducted the contributions from the cost of the benefits earned in the year the contributions were paid. However, the treatment under the 2011 revised standard was not so clear. It could be quite complex to apply, as it requires an estimation of the future contributions receivable and an allocation over future service periods. To provide relief, changes were made to IAS 19. These allow contributions that are linked to service, but that do not vary with the length of employee service (eg a fixed % of salary), to be deducted from the cost of benefits earned in the period that the service is provided. Therefore many entities will be able to (but not be required) continue accounting for employee contributions using their existing accounting policy.	1 July 2014

Forthcoming requirements

As at 30 September 2015, the following standards and interpretations had been issued but were not mandatory for annual reporting periods ending 31 December 2015. For more recent information please refer to our web site at www.pwc.com/ifrs.

Topic	Key requirements	Effective date*
IFRS 9 Financial Instruments and associated amendments to various other standards	IFRS 9 replaces the multiple classification and measurement models in IAS 39 *Financial instruments: Recognition and* measurement with a single model that has initially only two classification categories: amortised cost and fair value. Classification of debt assets will be driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortised cost if: a) the objective of the business model is to hold the financial asset for the collection of the contractual cash flows, and b) the contractual cash flows under the instrument solely represent payments of principal and interest. All other debt and equity instruments, including investments in complex debt instruments and equity investments, must be recognised at fair value. All fair value movements on financial assets are taken through the statement of profit or loss, except for equity investments that are not held for trading, which may be recorded in the statement of profit or loss or in reserves (without subsequent recycling to profit or loss). For financial liabilities that are measured under the fair value option entities will need to recognise the part of the fair value change that is due to changes in the their own credit risk in other comprehensive income rather than profit or loss. The new hedge accounting rules (released in December 2013) align hedge accounting more closely with common risk management practices. As a general rule, it will be easier to apply hedge accounting going forward. The new standard also introduces expanded disclosure requirements and changes in presentation. In December 2014, the IASB made further changes to the classification and measurement rules and also introduced a new impairment model. With these amendments, IFRS 9 is now complete. The changes introduce: • a third measurement category (FVOCI) for certain financial assets that are debt instruments • a new expected credit loss (ECL) model which involves a three-stage approach whereby financial assets move through the three stages as their credit quality changes. The stage dictates how an entity measures impairment losses and	1 January 2018

* Applicable to reporting periods commencing on or after the given date.

(All amounts in € thousands unless otherwise stated)

Topic	Key requirements	Effective date*
	applies the effective interest rate method. A simplified approach is permitted for financial assets that do not have a significant financing component (eg trade receivables). On initial recognition, entities will record a day-1 loss equal to the 12 month ECL (or lifetime ECL for trade receivables), unless the assets are considered credit impaired. For financial years commencing before 1 February 2015, entities can elect to apply IFRS 9 early for any of the following: • the own credit risk requirements for financial liabilities • classification and measurement (C&M) requirements for financial assets • C&M requirements for financial assets and financial liabilities, or • C&M requirements for financial assets and liabilities and hedge accounting. After 1 February 2015, the new rules must be adopted in their entirety.	
IFRS 15 *Revenue from contracts with customers* and associated amendments to various other standards	The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. A new five-step process must be applied before revenue can be recognised: • identify contracts with customers • identify the separate performance obligation • determine the transaction price of the contract • allocate the transaction price to each of the separate performance obligations, and • recognise the revenue as each performance obligation is satisfied. Key changes to current practice are: • Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. • Revenue may be recognised earlier than under current standards if the consideration varies for any reasons (such as for incentives, rebates, performance fees, royalties, success of an outcome etc) – minimum amounts must be recognised if they are not at significant risk of reversal. • The point at which revenue is able to be recognised may shift: some revenue which is currently recognised at a point in time at the end of a contract may have to be recognised over the contract term and vice versa. • There are new specific rules on licenses, warranties, non-refundable upfront fees and, consignment arrangements, to name a few. • As with any new standard, there are also increased disclosures. These accounting changes may have flow-on effects on the entity's business practices regarding systems, processes and controls, compensation and bonus plans, contracts, tax planning and investor communications. Entities will have a choice of full retrospective application, or prospective application with additional disclosures.	1 January 2018 *(In September 2015 an amendment to IFRS 15 was published which changed the effective date of IFRS 15 from 1 January 2017 to 1 January 2018)*

* Applicable to reporting periods commencing on or after the given date.

Appendix XIV – New standards and amendments

(All amounts in € thousands unless otherwise stated)

Topic	Key requirements	Effective date*
IFRS 14 Regulatory Deferral Accounts	IFRS 14 is an interim standard which provides relief for first-adopters of IFRS in relation to the accounting for certain balances that arise from rate-regulated activities ('regulatory deferral accounts'). The standard permits these entities to continue to apply their previous GAAP accounting policies for the recognition, measurement, impairment and derecognition of regulatory deferral accounts.	1 January 2016
Accounting for Acquisitions of Interests in Joint Operations – Amendments to IFRS 11	The amendments to IFRS 11 clarify the accounting for the acquisition of an interest in a joint operation where the activities of the operation constitute a business. They require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a business. This includes: • measuring identifiable assets and liabilities at fair value • expensing acquisition-related costs • recognising deferred tax, and • recognising the residual as goodwill, and testing this for impairment annually. Existing interests in the joint operation are not remeasured on acquisition of an additional interest, provided joint control is maintained. The amendments also apply when a joint operation is formed and an existing business is contributed.	1 January 2016
Clarification of Acceptable Methods of Depreciation and Amortisation – Amendments to IAS 16 and IAS 38	The amendments clarify that a revenue-based method of depreciation or amortisation is generally not appropriate. The IASB has amended IAS 16 *Property, Plant and Equipment* to clarify that a revenue-based method should not be used to calculate the depreciation of items of property, plant and equipment. IAS 38 *Intangible Assets* now includes a rebuttable presumption that the amortisation of intangible assets based on revenue is inappropriate. This presumption can be overcome if either • The intangible asset is expressed as a measure of revenue (ie where a measure of revenue is the limiting factor on the value that can be derived from the asset), or • It can be shown that revenue and the consumption of economic benefits generated by the asset are highly correlated.	1 January 2016
Equity method in separate financial statements – Amendments to IAS 27	The IASB has made amendments to IAS 27 *Separate Financial Statements* which will allow entities to use the equity method in their separate financial statements to measure investments in subsidiaries, joint ventures and associates. IAS 27 currently allows entities to measure their investments in subsidiaries, joint ventures and associates either at cost or as a financial asset in their separate financial statements. The amendments introduce the equity method as a third option. The election can be made independently for each category of investment (subsidiaries, joint ventures and associates). Entities wishing to change to the equity method must do so retrospectively.	1 January 2016
Agriculture: Bearer Plants – Amendments to IAS 16 and IAS 41	IAS 41 *Agriculture* now distinguishes between bearer plants and other biological asset. Bearer plants must be accounted for as property plant and equipment and measured either at cost or revalued amounts, less accumulated depreciation and impairment losses. A bearer plant is defined as a living plant that: • is used in the production or supply of agricultural produce • is expected to bear produce for more than one period, and • has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.	1 January 2016

* Applicable to reporting periods commencing on or after the given date.

(All amounts in € thousands unless otherwise stated)

Topic	Key requirements	Effective date*
	Agricultural produce growing on bearer plants remains within the scope of IAS 41 and is measured at fair value less costs to sell with changes recognised in profit or loss as the produce grows.	
Sale or contribution of assets between an investor and its associate or joint venture – Amendments to IFRS 10 and IAS 28	The IASB has made limited scope amendments to IFRS 10 *Consolidated financial statements* and IAS 28 *Investments in associates and joint ventures*. The amendments clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a 'business' (as defined in IFRS 3 Business Combinations). Where the non-monetary assets constitute a business, the investor will recognise the full gain or loss on the sale or contribution of assets. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor only to the extent of the other investor's investors in the associate or joint venture. The amendments apply prospectively.	1 January 2016
Annual Improvements to IFRSs 2012-2014 cycle	The latest annual improvements clarify: • IFRS 5 – when an asset (or disposal group) is reclassified from 'held for sale' to 'held for distribution' or vice versa, this does not constitute a change to a plan of sale or distribution and does not have to be accounted for as such • IFRS 7 – specific guidance for transferred financial assets to help management determine whether the terms of a servicing arrangement constitute 'continuing involvement' and, therefore, whether the asset qualifies for derecognition • IFRS 7 – that the additional disclosures relating to the offsetting of financial assets and financial liabilities only need to be included in interim reports if required by IAS 34 • IAS 19 – that when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important and not the country where they arise • IAS 34 – what is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report' and adds a requirement to cross-reference from the interim financial statements to the location of that information.	1 January 2016
Disclosure Initiative – Amendments to IAS 1	The amendments to IAS 1 *Presentation of Financial Statements* are made in the context of the IASB's Disclosure Initiative, which explores how financial statement disclosures can be improved. The amendments provide clarifications on a number of issues, including: • Materiality – an entity should not aggregate or disaggregate information in a manner that obscures useful information. Where items are material, sufficient information must be provided to explain the impact on the financial position or performance. • Disaggregation and subtotals – line items specified in IAS 1 may need to be disaggregated where this is relevant to an understanding of the entity's financial position or performance. There is also new guidance on the use of subtotals. • Notes – confirmation that the notes do not need to be presented in a particular order. • OCI arising from investments accounted for under the equity method – the share of OCI arising from equity-accounted investments is grouped based on whether the items will or will not subsequently be reclassified to profit or loss. Each group should then be presented as a single line item in the statement of other comprehensive income.	1 January 2016

* Applicable to reporting periods commencing on or after the given date.

Topic	Key requirements	Effective date*
	According to the transitional provisions, the disclosures in IAS 8 regarding the adoption of new standards/accounting policies are not required for these amendments.	
Investment entities: Applying the consolidation exception – Amendments to IFRS 10, IFRS 12 and IAS 28	Amendments made to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in associates and joint ventures* clarify that: ● The exception from preparing consolidated financial statements is also available to intermediate parent entities which are subsidiaries of investment entities. ● An investment entity should consolidate a subsidiary which is not an investment entity and whose main purpose and activity is to provide services in support of the investment entity's investment activities. ● Entities which are not investment entities but have an interest in an associate or joint venture which is an investment entity have a policy choice when applying the equity method of accounting. The fair value measurement applied by the investment entity associate or joint venture can either be retained, or a consolidation may be performed at the level of the associate or joint venture, which would then unwind the fair value measurement. Early adoption is permitted.	1 January 2016

* Applicable to reporting periods commencing on or after the given date.

About PwC's Asset Management practice
The asset management industry faces challenging markets, new regulatory reform measures, and competition for clients and talent – All against a backdrop of heightened expectations from investors, regulators, industry partners, and other stakeholders. Our Asset Management partners and staff can assist in meeting these key industry challenges.

PwC helps organisations and individuals create the value they're looking for. We're a network of firms in 157 countries with more than 195,000 people who are committed to delivering quality in assurance, tax, and advisory services.

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Questions?
PwC clients who have questions about this publication should contact their engagement partner. Engagement teams that have questions should contact members of the Asset Management team in Accounting Consulting Services.