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Harnessing the forces of change
Illustrative IFRS financial statements
2010

Foreword

The forces of change continue to sweep through the industry, impacting management decisions and operational processes at every institution. Compliance requirements are shifting, with new regulations becoming law and new reporting standards being enforced. Capital demands are changing, with a new focus on liquidity and capital efficiency. Customer expectations are evolving, driving demand for new products and increasing the need for service innovation. And competition is responding, with new entrants and emerging financial centers all challenging the established order.

These forces of change can be seen at work in the area of financial reporting, where there is a renewed focus on moving towards a set of globally accepted standards. Financial statements for funds are more of an art than a science, and specific facts and circumstances need to drive individual decisions on the appropriateness of presentation and footnote inclusion.

Within this document we have included a variety of industry disclosures to provide you with examples you may feel are appropriate in the circumstances. This report illustrates an example of financial statements for an investment fund. However, it is not intended to be model financial statements for every fund to follow. IFRS is principles based, and therefore may be interpreted differently and still be compliant with the following illustrations.

As the forces of change continue to transform the industry, financial institutions have a unique opportunity to 'harness' these forces for competitive advantage. By adjusting their strategies and operations to meet the shifting challenges of compliance, capital, customers and competition, institutions can claim a leading market position and generate superior value for all their stakeholders.

Deloitte's Global Financial Services Industry (GFSI) network is committed to providing continued thought leadership across each of these key areas and helping institutions as they focus on 'Harnessing the forces of change'.

Regards,

Stuart Opp
DTTL Investment Management Sector Leader

International GAAP Investment Fund

Financial statements for the year ended 30 June 2010

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

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

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

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

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

IAS 1 (as revised in 2007) introduced a number of terminology changes, including revised titles for the financial statements (e.g., 'statement of financial position' instead of 'balance sheet'). The revised terminology has been adopted throughout this publication. Preparers should be aware, however, that the new titles for the financial statements are not mandatory.

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

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

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

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

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

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

  Appendix I illustrates example disclosures for an open-ended fund that issues puttable instruments which are classified as equity under IAS 32, *Financial instruments: Presentation*.

  Appendix II illustrates example disclosures for an open-ended fund that issues puttable instruments which were reclassified from liabilities to equity, following adoption of IAS 32 (amendment), *Financial instruments: Presentation*, and IAS 1 (amendment), *Presentation of financial statements – Puttable financial instruments and obligations arising on liquidation.*

- IAS 27 *Consolidated and Separate Financial Statements* ("IAS 27") paragraph 19 stipulates that a subsidiary is not excluded from consolidation simply because the investor is a venture capital organization, mutual fund, unit trust or similar entity. Should the Fund hold a subsidiary or an investment which meets the consolidation requirements of IAS 27 and SIC-12 *Consolidation – Special Purpose Entities*, the fund would need to present consolidated financial statements. For the purposes of this publication it has been assumed that the Fund does not have any subsidiaries or investments which meet these requirements. It is also worthwhile noting that investment funds and similar entities are specifically excluded from the scope of IAS 28 *Investment in Associates* ("IAS 28") and IAS 31 *Interests in Joint Ventures* respectively (IAS 28.1(b) and IAS 31.1(b)) that are designated as at fair value through profit and loss or are classified as held for trading and accounted for in accordance with IAS 39. The International Accounting Standards Board ("IASB") published a proposed new standard on consolidation in December 2008.
  ED 10 *Consolidated Financial Statements* proposed that all controlled subsidiaries should be consolidated in full. However following their joint meeting held in February 2010 the IASB and United States Financial Accounting Standards Board ("FASB") discussed proposals which may allow funds to recognize investments that are controlled (subsidiaries) as assets at fair value.

Contents

Index to the notes to the financial statements

Source	International GAAP Investment Fund			
IAS 1.10(b) IAS 1.51(b),(c)	**Statement of comprehensive income for the year ended 30 June 2010**			
IAS 1.113		Notes	Year ended 30/06/10	Year ended 30/06/09
IAS 1.51(d),(e)			CU'000	CU'000
IAS 1.82(a)	**Revenue**			
IAS 18.35(b)(iii)	Interest income	10	3,327	909
IAS 18.35(b)(v)	Dividend income	3.4	909	1,631
	Net realized gains/(losses) on financial assets and liabilities held at fair value through profit or loss	5(c)	(79,860)	(24,480)
IFRS 7.20(a)(i)	Net change in unrealized gains/(losses) on financial assets and liabilities held at fair value through profit or loss	5(c)	155,741	(244,301)
IAS 21.52(a)	Net foreign currency gains/(losses)		993	3,551
IAS 1.85	**Total operating income**		81,110	(262,690)
IAS 1.85	**Expenses**			
IAS 1.99	Interest expense		(3)	(2)
IAS 1.99	Management fees	13	(1,998)	(2,851)
IAS 1.99	Performance fees	13	(88)	(174)
IAS 1.99	Custodian fees	13	(216)	(443)
IAS 1.99	Administration fees	13	(138)	(76)
IAS 1.99	Transaction costs		(107)	(321)
IAS 1.99	Professional fees		(7)	(10)
IAS 1.99	Directors' fees	13	(15)	(15)
IAS 1.99	Other expenses		(7)	(1)
IAS 1.85	**Total operating expenses**		(2,579)	(3,893)
IAS 1.82(f)	**Operating profit/(loss)**		78,531	(266,583)
IAS 1.82(b) IAS 1.85	**Finance costs**			
IAS 32.35	Interest expense	11	(386)	(1,419)
	Distribution to holders of redeemable shares	11	(2,000)	–
	Profit/(loss) after distributions and before tax		76,145	(268,002)
IAS 1.82(d)	Withholding taxes	3.9	(87)	(60)
	Profit/(loss) after distributions and tax		76,058	(268,062)
IAS 32IE.32 IAS 1.82(i)	**Increase/(decrease) in net assets attributable to holders of redeemable shares**		76,058	(268,062)

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

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

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

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

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

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

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

Statement of financial position at 30 June 2010

IAS 1.113		Notes	Year ended 30/06/10	Year ended 30/06/09
IAS 1.51(d),(e)			CU'000	CU'000
	Assets			
IAS 1.60	**Current assets**			
IAS 1.54(i)	Cash and cash equivalents	7	270	139
IAS 1.54(h)	Interest receivable		387	677
IAS 1.54(h)	Dividends receivable		370	541
IAS 1.54(h)	Receivable from brokers		3	3
IAS 1.54(d)	Financial assets at fair value through profit or loss	5	198,245	127,448
IAS 1.54(d), IAS 39.37(a)	Financial assets at fair value through profit or loss pledged as collateral	5	36,579	15,957
IAS 1.55	**Total assets**		235,854	144,765
	Liabilities			
IAS 1.60	**Current liabilities**			
IAS 1.54(k)	Accrued expenses		659	416
IAS 1.55	Due to brokers		13	8
IAS 1.55	Borrowings	8	25,227	10,005
IAS 1.54(m)	Financial liabilities at fair value through profit or loss	5	1,411	2,064
IAS 1.54(n)	Withholding tax payable		8	5
IAS 1.55	**Total liabilities (excluding net assets attributable to holders of redeemable shares)**		27,318	12,498
IAS 32IE.32	**Net assets attributable to holders of redeemable shares**		208,536	132,267

Note: The adoption of IAS 32 (amendment) and IAS 1 (amendment) will have differing outcomes for investment funds with puttable instruments. Some investment funds may be unaffected by the adoption; others may be affected by changes in the classification of certain qualifying instruments from financial liabilities to equity instruments. The illustrative financial statements are based on an open-ended fund that issues redeemable participating shares, which are classified as financial liabilities under IAS 32. The adoption has had no effect on this classification. In the format above, it is assumed that the Fund does not have equity shares in issue as defined in IAS 32. Consequently, it is not required to present basic and diluted earnings per share (IAS 33).

Appendix II illustrates the impact of a change in classification to equity.

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

IAS 1.6
IAS 1.106

Statement of changes in net assets attributable to holders of redeemable shares for the year ended 30 June 2010

IAS 1.113		Notes	Year ended 30/06/10	Year ended 30/06/09
IAS 1.51(d),(e)			CU'000	CU'000
	Net assets attributable to holders of redeemable shares at the beginning of the financial year		132,267	400,329
	Issue of redeemable shares		2,814	–
	Redemption of redeemable shares		(2,603)	–
	Increase/(decrease) in net assets attributable to holders of redeemable shares		76,058	(268,062)
	Net assets attributable to holders of redeemable shares at the end of the financial year	12	208,536	132,267

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

IAS 1.10(d)	**Statement of cash flows**			
IAS 1.51(b),(c)	**for the year ended 30 June 2010**			**[Alt 1]**
IAS 1.113		Notes	Year ended 30/06/10	Year ended 30/06/09
IAS 1.51(d),(e)			CU'000	CU'000
IAS 7.10	**Cash flows from operating activities**			
IAS 7.15	Payments on purchases of investments		(554,271)	(446,687)
IAS 7.15	Proceeds from sale of investments		508,511	489,626
	Cash payments for derivative financial instruments		55,177	(36,654)
	Cash receipts from derivative financial instruments		(24,610)	5,584
IAS 7.31	Interest received		3,617	868
IAS 7.31	Dividends received		1,080	1,090
IAS 7.35	Withholding taxes paid		(84)	(55)
	Operating expenses paid		(2,336)	(3,877)
	Net cash (used in)/provided by operating activities		(12,916)	9,895
IAS 7.10	**Cash flows from financing activities**			
	Proceeds from borrowings (excluding bank overdrafts)		35,720	50
	Repayment of borrowings (excluding bank overdrafts)		(28,415)	–
	Proceeds from issue of redeemable shares		2,814	–
	Payment on redemption of redeemable shares		(2,603)	–
IAS 7.17	Distributions to holders of redeemable shares	12	(2,000)	–
IAS 7.33	Interest paid on borrowings		(386)	(1,419)
	Net cash (used in)/provided by financing activities		5,130	(1,369)
	Net increase/(decrease) in cash and cash equivalents		(7,786)	8,526
	Cash and cash equivalents at the beginning of the financial year	7	(9,816)	(18,342)
	Cash and cash equivalents at the end of the financial year	7	(17,602)	(9,816)

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

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

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

Statement of cash flows
for the year ended 30 June 2010

[Alt 2]

Source		Notes	Year ended 30/06/10	Year ended 30/06/09
IAS 1.113				
IAS 1.51(d),(e)			CU'000	CU'000
IAS 7.10	**Cash flows from/(used in) operating activities**			
	Increase/(decrease) in net assets attributable to holders of redeemable shares		76,058	(268,062)
	Adjustments for			
	Interest income		(3,327)	(909)
	Dividend income		(909)	(1,631)
	Finance costs recognized in profit or loss		2,386	1,419
	Withholding tax expense recognized in profit or loss		87	60
	Net (increase)/decrease in financial assets at fair value through profit or loss		(91,419)	275,835
	Net (increase)/decrease in financial liabilities at fair value through profit or loss		(653)	488
	Net (increase)/decrease in receivables/payables from/to brokers		5	(5)
	Net (increase)/decrease in accrued expenses		243	797
	Cash (used in)/provided by operations		(17,529)	7,992
IAS 7.31	Interest received		3,617	868
IAS 7.31	Dividends received		1,080	1,090
IAS 7.35	Withholding taxes paid		(84)	(55)
	Net cash (used in)/provided by operating activities		(12,916)	9,895
IAS 7.10	**Cash flows from financing activities**			
	Proceeds from borrowings (excluding bank overdrafts)		35,720	50
	Repayment of borrowings (excluding bank overdrafts)		(28,415)	–
	Proceeds from issue of redeemable shares		2,814	–
	Payment on redemption of redeemable shares		(2,603)	–
IAS 7.17	Distributions to holders of redeemable shares	12	(2,000)	–
IAS 7.31	Interest paid on borrowings		(386)	(1,419)
	Net cash provided by/(used in) financing activities		5,130	(1,369)
	Net (decrease)/increase in cash and cash equivalents		(7,786)	8,526
	Cash and cash equivalents at the beginning of the financial year	7	(9,816)	(18,342)
	Cash and cash equivalents at the end of the financial year	7	(17,602)	(9,816)

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

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

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

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

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

Notes to the financial statements
for the year ended 30 June 2010

1. General information

IAS 1.138(a)

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

IAS1.138(b)

The objective of the Fund is [*insert investment policy and objective according to the Fund's offering memorandum*].

2. Adoption of new and revised IFRS

IAS 8.28

2.1 Standards, amendments and Interpretations effective on 1 July 2009 affecting presentation and disclosure and the reported results and the financial position in the current year

The following new and revised Standards and Interpretations have been adopted in the current period and have affected the amounts reported in these financial statements. Details of other Standards and Interpretations adopted in these financial statements, but that have had no impact on the amounts reported, are set out in section 2.2.

Standards affecting presentation and disclosure

IAS 1 (as revised in 2007) *Presentation of Financial Statements*	IAS 1(2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements. In addition, the revised Standard requires the presentation of a third statement of financial position as at the beginning of the earliest comparative period (01 July 2008) where an entity has applied certain changes in accounting policies retrospectively. These financial statements illustrate the scenario whereby there has been no retrospective change in accounting policy and therefore, three statements of financial position have not been presented.
IFRS 8 *Operating Segments*	IFRS 8 is a disclosure Standard that has resulted in a redesignation of the Fund's reportable segments (see note 9).
Improving Disclosures about Financial Instruments (Amendments to IFRS 7 Financial Instruments: *Disclosures*)	The amendments to IFRS 7 expand the disclosures required in respect of fair value measurements and liquidity risk. The Fund has elected not to provide comparative information for these expanded disclosures in the current year in accordance with the transitional reliefs offered in these amendments.

Standards affecting the reported results and the financial position

Amendment to IAS 39 *Financial Instruments: Recognition and measurement*	The amendment was part of the IASB's annual improvements project published in May 2008. The definition of financial asset or financial liability at fair value through profit or loss as it relates to items that are held for trading was amended. This clarifies that a financial asset or liability that is part of a portfolio of financial instruments managed together with evidence of an actual recent pattern of short-term profit taking is included in such a portfolio on initial recognition. Adoption did not have a significant impact on the Fund's financial statements.

2.2 Standards, amendments and Interpretations effective on 1 July 2009 but not relevant

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

- Improvements to IFRS (issued by the IASB in May 2008) (Effective for annual periods beginning on or after 1 January 2009)
- Amendments to IFRS 1 and IAS 27 *Cost of an Investment in a Subsidiary, Jointly-Controlled Entity or Associate* (Effective for annual periods beginning on or after 1 July 2009)
- Revised IFRS 1 *First Time Adoption of IFRS* (Effective for annual periods beginning on or after 1 July 2009)
- Amendment to IFRS 2 *Share-Based Payment: Vesting Conditions and Cancellations* (Effective for annual periods beginning on or after 1 January 2009)
- Revised IFRS 3 *Business Combinations* (Effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009)

Notes to the financial statements for the year ended 30 June 2010 – continued

- Amendments to IFRIC 9 and IAS 39 *Embedded Derivatives* (Effective for annual periods ending on or after 30 June 2009)
- IFRIC 15 *Agreements for the Construction of Real Estate* (Effective for annual periods beginning on or after 1 January 2009)
- IFRIC 16 *Hedges of a Net Investment in A Foreign Operation* (Effective for annual periods beginning on or after 1 October 2008)
- IFRIC 17 *Distributions of Non-cash Assets to Owners* (Effective for accounting periods beginning on or after 1 July 2009)
- IFRIC 18 *Transfers of Assets from Customers* (Effective prospectively to transfers of assets from customers received on or after 1 July 2009)
- IAS 23 *Borrowing Costs* (Effective for annual periods beginning on or after 1 January 2009)
- Amendments to IAS 27 *Consolidated and Separate Financial Statements* (Effective for annual periods beginning on or after 1 July 2009)
- Amendments to IAS 32 and IAS 1 *Puttable Financial Instruments and Obligations Arising on Liquidation* (Effective for annual periods beginning on or after 1 January 2009)
- Amendments to IAS 39 *Financial Instruments: Recognition and Measurement* (Effective for accounting periods beginning on or after 1 July 2009)
- IAS 39 *Financial Instruments: Recognition and Measurement*, amended for Eligible Hedged Items (Effective for accounting periods beginning on or after 1 July 2009)

2.3 Standards, amendments and Interpretations that are not yet effective on 1 July 2009

- Improvements to IFRS (Issued by IASB in April 2009) (Effective for annual periods beginning on or after 1 January 2010)
- Amendments to IFRS 1 *Additional Exemptions to First-Time Adopters* (Effective for accounting periods beginning on or after 1 January 2010)
- Amendment to IFRS 1 *Limited Exemption from Comparative* IFRS 7 *Disclosures for First-Time Adopters* (Issued 28 January 2010) (Effective for annual periods beginning on or after 1 July 2010)
- Amendments to IFRS 2 *Group Cash-Settled Share Based Payment Transactions* (Effective for accounting periods beginning on or after 1 January 2010)
- IFRS 9 *Financial Instruments* (Issued 12 November 2009) (Effective for annual periods beginning on or after 1 January 2013)
- Amendment to IFRIC 14 *Prepayments of a Minimum Funding Requirement* (Issued 26 November 2009) (Effective for annual periods beginning on or after 1 January 2011)

IAS 8.30(b)

The directors anticipate that the adoption of these Standards and Interpretations in future periods will not have a material financial impact on the financial statements of the Fund, other than the adoption of IFRS 9.

The directors anticipate that IFRS 9 will be adopted in the Fund's financial statements for the period beginning 1 July 2013. The directors are considering the potential impact of the adoption of the Standard.

Note: The disclosures set out above regarding adoption of Standards and Interpretations not yet effective reflect a cut-off date of 30 June 2010. The potential impact of any new or revised Standards and Interpretations issued by the IASB after that date, but before the issue of the financial statements, should also be considered and disclosed.

Notes to the financial statements
for the year ended 30 June 2010 – continued

IAS 1.112(a),117
IAS 1.119

3. Summary of significant accounting policies

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

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

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

IAS 1.16

3.1 Statement of compliance

The financial statements have been prepared in the accordance with IFRS.

IAS 1.117(a)

3.2 Basis of preparation

Effective 1 January 2009, the Fund adopted amendments to International Accounting Standard 1 *Presentation of Financial Statements* (2007) ("IAS 1"), which introduces non-mandatory terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements. IAS 1 requires that all items of income and expense be presented either: in a single statement (a 'statement of comprehensive income'), or in two statements (a separate 'income statement' and 'statement of comprehensive income'). The Fund has elected to present a single statement of comprehensive income. The Fund does not have separate components of other comprehensive income; therefore, comprehensive income is equal to the profit/(loss) reported for all periods presented.

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

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

IAS 1.117(b)

The principal accounting policies are set out below.

3.3 Foreign currency

(a) *Functional and presentation currency*

IAS 21.9,17
IAS 1.51(d)

Items included in the financial statements of the Fund are measured in the currency of the primary economic environment in which the Fund operates (the "functional currency"). The financial statements of the Fund are presented in currency units ("CU"), which is the Fund's functional and presentation currency. The primary objective of the Fund is to generate returns in CU, its capital-raising currency. The liquidity of the Fund is managed on a day-to-day basis in CU in order to handle the issue, acquisition and resale of the Fund's redeemable shares.

IAS 21.21,28,
52(a)

(b) *Foreign currency translation*

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

Source	International GAAP Investment Fund
	Notes to the financial statements **for the year ended 30 June 2010 – continued**
IAS 18.35(a)	*3.4 Revenue recognition*
IAS 18.30(c) IFRS 7.21	Dividend income is recognized when the Fund's right to receive the payment has been established, normally being the ex-dividend date. Dividend income is recognized gross of withholding tax, if any.
IAS 18.30(a)	Interest on debt securities at fair value through profit or loss is accrued on a time-proportionate basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition. Interest income is recognized gross of withholding tax, if any.
	Note: The accounting policy above assumes that interest income and interest expenses from debt securities at fair value through profit or loss are reported as part of interest income/expense ('clean pricing') and not included under net gains/(losses) from these categories of instruments ('dirty pricing').
IAS 1.119 IFRS 7.21	*3.5 Financial assets and financial liabilities at fair value through profit or loss*
	Note: The model financial statements do not include any investments classified as available-for-sale even though this classification is permissible as described in IAS 39 Financial Instruments: Recognition and Measurement*. For example, closed-ended investment funds are usually not exposed to redemption requirements by which the redeemable shares are redeemable at the holder's option, and as such the policy of these funds may be to classify certain financial assets as available-for-sale. This will result in different recognition, derecognition and measurement requirements, and disclosures, to those presented in this model.*
	(a) Classification
	The Fund classifies its investments in debt and equity securities, open-ended investment funds and derivatives as financial assets or financial liabilities at fair value through profit or loss. These financial assets and financial liabilities are either held for trading or designated by the Board of Directors at fair value through profit or loss at inception.
IAS 39 IG B11	Financial assets or financial liabilities held for trading are those acquired or incurred principally for the purpose of selling or repurchasing in the near future or on initial recognition they are part of a portfolio of identified financial instruments that the Fund manages together and has a recent actual pattern of short-term profit-taking. All derivatives and short positions are also included in this category. The Fund does not classify any derivatives as hedges in a hedging relationship.
	Financial assets and financial liabilities designated at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the Fund's investment strategy as documented in its offering memorandum, and information about these financial assets and liabilities are evaluated by the management of the Fund on a fair value basis together with other relevant financial information. All of the Fund's investments can be realized within 12 months of the financial position date.
IAS 39.14	*(b) Recognition*
	Financial assets and liabilities at fair value through profit or loss are recognized when the Fund becomes party to the contractual provisions of the instrument. Recognition takes place on the trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned.
	Dividend and interest revenue relating to the Fund's investments in debt and equity securities are recognised according to Note 3.4 above. Dividend expense relating to equity securities sold short is recognised when the shareholders' right to receive the payment has been established.
IAS 39.43	*(c) Measurement*
	At initial recognition financial assets and liabilities are measured at fair value. Transaction costs on financial assets and liabilities at fair value through profit or loss are expensed as incurred in the statement of comprehensive income.
IAS 39.46 IFRS 7.B5(e)	Subsequent to initial recognition, financial assets and liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in their fair value are included in statement of comprehensive income for the period in which they arise. Dividend or interest earned on financial assets at fair value through profit or loss and dividend or interest expense on the financial liabilities at fair value through profit or loss are disclosed in a separate line item in the statement of comprehensive income. Fair value is determined in the manner described in note 5.

Source	International GAAP Investment Fund
	Notes to the financial statements for the year ended 30 June 2010 – continued
IAS 39.17	*(d) Derecognition*
	Financial assets are derecognized when the contractual rights to the cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.
IAS 39.39	Financial liabilities at fair value through profit or loss are derecognized when the obligation specified in the contract is discharged, cancelled or expires.
	Realized gains and realized losses on derecognition are determined using the weighted average method [*or other cost formula method applied*] and are included in profit or loss for the period in which they arise.
IAS 32.42	*(e) Offsetting*
	The Fund only offsets financial assets and financial liabilities at fair value through profit or loss if the Fund has a legally enforceable right to set off the recognized amounts and either intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.
IAS 1.119 IFRS 7.21	***3.6 Receivable from and due to brokers***
IAS 39 IG B10	Amounts due from brokers include margin accounts and receivables for securities sold (in a regular way transaction) that have been contracted for but not yet delivered on the reporting date. Margin accounts represent cash deposits held with brokers as collateral against open futures contracts.
IAS 39.38	Amounts due to brokers are payables for securities purchased (in a regular way transaction) that have been contracted for but not yet delivered on the reporting date.
	Note: Many counterparties/clearing-houses require margin payments for derivative instruments. The margin payment is not part of the initial net investment in a derivative, but is a form of collateral for the counterparty or clearing-house and may take the form of cash, securities, or other specified assets, typically liquid assets. They are separate assets that are accounted for separately.
IAS 1.119 IFRS 7.21	***3.7 Cash and cash equivalents***
IAS 7.45,46	Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term investments in an active market with original maturities of three months or less, bank overdrafts and money market funds with daily liquidity and all highly liquid financial instruments that mature within three months of being purchased.
IAS 1.119 IFRS 7.21	***3.8 Other financial liabilities***
	Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.
	Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.
IAS 1.119 IFRS 7.21	***3.9 Taxation***
	Under present law governing the Fund in [*insert name of the country of domicile*], the Fund is not subject to tax on income, profits or capital gains or other taxes payable.
	Income from investments held by the Fund may be subject to withholding taxes in jurisdictions other than that of the Fund's as imposed by the country of origin. Withholding taxes, if any, are shown in a separate item in the statement of comprehensive income.
IAS 1.88 IFRS 7.21	***3.10 Expenses***
	All expenses are recognized in the statement of comprehensive income on the accrual basis.
	Expenses related to the set-up of the Fund are expensed as incurred.
IAS 1.119 IFRS 7.21	***3.11 Redeemable shares and net assets attributable to holders of redeemable shares***
IAS 32.18 IAS 39 AG32	The Fund has two classes of redeemable shares in issue: Class A and Class B. Both are the most subordinate classes of financial instruments in the Fund and rank pari passu in all material respects and have the same terms and conditions other than [*list down the differences in terms between the Class A shares and Class B shares, e.g., management fee rate, distribution fees, etc*].

Notes to the financial statements for the year ended 30 June 2010 – continued

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

Redeemable shares are issued and redeemed based on the Fund's net asset value per share, calculated by dividing the net assets of the Fund, calculated in accordance with the Fund's offering memorandum, by the number of redeemable shares in issue. The Fund's offering memorandum requires that investment positions are valued on the basis of the last traded market price for the purpose of determining the trading net asset value per share for subscriptions and redemptions. The financial assets and liabilities at fair value through profit or loss in the statement of financial position have been adjusted to bid-market and ask-market prices respectively, in accordance with IFRS.

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

4. Critical accounting judgments and key sources of estimation uncertainty

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

In the application of the Fund's accounting policies, which are described in note 3 to the financial statements, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily available from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

IAS 1.122

4.1 Critical judgments in applying accounting policies

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

Functional currency

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

IAS 1.125,129

4.2 Key sources of estimation uncertainty

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

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

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

The carrying amount of these investments is CU XXX (2009: CU XXX). Details of assumptions used and of the end results of sensitivity analyses regarding these assumptions is provided in note 6.

Notes to the financial statements
for the year ended 30 June 2010 – continued

IFRS 7.7

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

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

IAS 1.113

(a) Significant accounting policies

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

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

Source		30/06/10 Fair value in CU'000	30/06/09 Fair value in CU'000
IFRS 7.8(a)	**Financial assets at fair value through profit or loss**		
	Held for trading		
	– Equity securities	46,657	86,183
	– Debt securities	25,511	15,640
	– Derivatives	63,227	28,221
	Designated as at fair value through profit or loss		
	– Equity securities	8,638	13,361
	– Debt securities	5,021	–
	– Open-ended investment funds	85,770	–
		234,824	143,405
IFRS 7.8(e)	**Financial liabilities at fair value through profit or loss**		
	Held for trading		
	– Equity securities sold short	(955)	(1,782)
	– Derivatives	(456)	(282)
		(1,411)	(2,064)

IFRS 7.12
IFRS 7.13

During the year, the Fund has not reclassified any financial assets or liabilities as one measured at cost or amortized cost rather than at fair value, or at fair value rather than at cost or amortized cost, and all transfers of financial assets fully qualified for derecognition. (Refer to IFRS 7.12A for applicable disclosure where such reclassifications have been made.)

Notes to the financial statements
for the year ended 30 June 2010 – continued

IFRS 7.20 (a)(i) *(c) Net gains and losses on financial assets and liabilities at fair value through profit or loss*

	Year ended 30/06/10	Year ended 30/06/09
	CU'000	CU'000
Net realized gains/(losses) on financial assets at fair value through profit or loss		
– Held for trading	(124,598)	(13,156)
– Designated as at fair value through profit or loss	44,079	(12,436)
	(80,519)	(25,592)
Net realized gains/(losses) on financial liabilities at fair value through profit or loss		
– Held for trading	659	1,112
– Designated as at fair value through profit or loss	–	–
	659	1,112
Net realized gains/(losses) on financial assets and liabilities at fair value through profit or loss	(79,860)	(24,480)
Net change in unrealized gains/(losses) on financial assets at fair value through profit or loss		
– Held for trading	133,525	(103,477)
– Designated as at fair value through profit or loss	22,595	(142,436)
	156,120	(245,913)
Net change in unrealized gains/(losses) on financial liabilities at fair value through profit or loss		
– Held for trading	(379)	1,612
– Designated as at fair value through profit or loss	–	–
	(379)	1,612
Net change in unrealized gains/(losses) on financial assets and liabilities at fair value through profit or loss	155,741	(244,301)

Note: IFRS 7.10 requires that if an entity has designated a financial liability at fair value through profit or loss it shall separately disclose (a) the amount of change, during the period and cumulatively, in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, and (b) the difference between the financial liability's carrying amount and the amount the entity would be contractually required to pay at maturity of the obligation. It is assumed that no such change attributable to credit risk of the Fund's liabilities has occurred for the Fund.

For illustration however see example disclosure below.

		Year ended 30/06/10	Year ended 30/06/09
		CU'000	CU'000
IFRS 7.10(a)	Changes in fair value attributable to changes in credit risk recognized during the period (i)	XX	XX
IFRS 7.10(a)	Cumulative changes in fair value attributable to changes in credit risk	XX	XX
IFRS 7.10(b)	Difference between carrying amount and contractual amount at maturity		
	– cumulative financial liabilities at fair value	XX	XX
	– amount payable at maturity	XX	XX
		XXX	XXX

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

Notes to the financial statements for the year ended 30 June 2010 – continued

(d) Derivative financial instruments

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

Exchange traded options

As at 30 June 2010

Description	Maturity date	Notional amount in CU'000	Fair value in CU'000 – financial assets	Fair value in CU'000 – financial liabilities
ABC equity index options	30/09/2010	193,200	57,456	–
DEF bond index options	05/11/2010	128,800	5,183	–
GHI equity options	30/12/2010	520,000	–	(199)
			62,639	(199)

As at 30 June 2009

Description	Maturity date	Notional amount in CU'000	Fair value in CU'000 – financial assets	Fair value in CU'000 – financial liabilities
ABC equity index options	14/08/2009	247,000	17,411	–
DEF bond index options	30/09/2009	2,500	898	–
GHI equity options	30/12/2009	52,300	–	(123)
			18,309	(123)

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

Futures

As at 30 June 2010

Description	Maturity date	Notional amount in CU'000	Fair value in CU'000 – financial assets	Fair value in CU'000 – financial liabilities
XYZ equity index futures	15/09/2010	5,700	312	–

As at 30 June 2009

Description	Maturity date	Notional amount in CU'000	Fair value in CU'000 – financial assets	Fair value in CU'000 – financial liabilities
XYZ equity index futures	04/10/2009	13,200	9,114	–

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

Notes to the financial statements
for the year ended 30 June 2010 – continued

Forward foreign exchange contracts

As at 30 June 2010

Outstanding contracts	Average exchange rate	Contract value in foreign currency ’000	Contract value in CU’000	Fair value in CU’000 – financial assets	Fair value in CU’000 – financial liabilities
Buy Currency B					
Less than 3 months	0.69	17,000	24,638	–	(198)
Sell Currency B					
Less than 3 months	0.71	83,250	117,254	217	–
Buy Currency C					
Less than 3 months	89.55	1,150,000	12,842	59	–
Sell Currency C					
Less than 3 months	87.80	525,000	62,927	–	(59)
				276	(257)

As at 30 June 2009

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

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

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

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

Notes to the financial statements for the year ended 30 June 2010 – continued

IFRS 7.27

(e) Fair value of financial instruments

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

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

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

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

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

IFRS 7.29(a)

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

Notes to the financial statements
for the year ended 30 June 2010 – continued

IFRS 7.27B(a)

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

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

	30/06/10			
	Level 1	Level 2	Level 3	Total
	CU'000	CU'000	CU'000	CU'000
Financial assets held for trading				
Equity securities	46,657	–	–	46,657
Derivatives	62,951	276	–	63,227
Debt securities	4,232	21,279	–	25,511
Financial assets designated at fair value through profit and loss at inception				
Equity securities	8,569	–	69	8,638
Open-ended investment funds	–	85,770	–	85,770
Debt securities	732	4,273	16	5,021
Total	123,141	111,598	85	234,824
Financial liabilities held for trading				
Equity securities sold short	877	78	–	955
Derivatives	456	–	–	456
Total	1,333	78	–	1,411

IFRS 7.27B(b)

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

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

Notes to the financial statements for the year ended 30 June 2010 – continued

IFRS 7.27B(c)

Reconciliation of Level 3 fair value measurements of financial assets

	30/06/10			
	Equity securities	Debt securities	Derivative financial assets	Total
	CU'000	CU'000	CU'000	CU'000
Opening balance	81	20	–	101
Purchases	–	–	–	–
Sales	(17)	–	–	(17)
Transfers in/out of Level 3	–	–	–	–
Gains and losses recognized in profit and loss	5	(4)	–	1
Closing balance	69	16	–	85
Unrealised gains/(losses) on Level 3 investments held at 30 June 2010	12	(4)	–	8

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

Note: *In the first year of application of the IFRS 7 amendment, there is no requirement for an entity to provide comparative information. The Fund has therefore elected not to provide comparatives.*

IFRS 7.14

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

Financial assets at fair value through profit or loss, including investments in listed equity securities, listed debt securities and open-ended investment funds, with a carrying amount of CU 58,204,460 (2009: CU 28,655,239) have been pledged to secure borrowings of the Fund (see note 8).

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

IFRS 7.31

6. Financial risk management

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

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

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

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

IFRS 7 IG15 (b)(i)

Risk management structure

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

Notes to the financial statements
for the year ended 30 June 2010 – continued

IFRS 7 IG15(b)(ii)

Risk measurement and reporting system

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

IFRS 7 IG15(b)(iii)

Risk mitigation

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

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

IFRS 7.34(c)
IFRS 7 IG18

Excessive risk concentration

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

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

IFRS 7 IG15(c)

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

IFRS 7.33

(a) Credit risk

IFRS 7.34
IFRS 7.36

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

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

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

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

IFRS 7.36(c)

Rating	30/06/10	30/06/09
Aaa/AAA	57%	60%
Aa/AA	26%	13%
A/A	12%	24%
Baa/BBB	5%	3%
Total	100%	100%

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

Notes to the financial statements for the year ended 30 June 2010 – continued

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

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

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

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

IFRS 7.36(a) The maximum exposure to credit risk before any credit enhancements at 30 June is the carrying amount of the financial assets as set out below.

	30/06/10	30/06/09
Debt securities	30,532	15,641
Derivative assets	63,227	28,221
Cash and cash equivalents	270	139
Other assets	760	1,221
Total	94,789	45,222

IFRS 7.36(d) As at 30 June 2010 and 2009, there were no debt instruments past due.

Note: IFRS 7.37 has additional disclosure requirements relating to financial assets that are past due or impaired. These disclosure include by class of asset (a) an analysis of the age of financial assets that are past due as at the reporting date but not impaired; (b) an analysis of financial assets that are individually determined to be impaired as at the reporting date, including the factors the Fund considered in determining that they are impaired; and (c) for amounts disclosed in (a) and (b), a description of collateral held by the Fund as security and other credit enhancements and, unless impracticable, an estimate of their fair value.

For illustration however see example of disclosures below

IFRS 7.37(a) **Ageing of past due but not impaired**

	30/06/10 CU'000	30/06/09 CU'000
60-90 days	XX	XX
90-120 days	XX	XX
Total	**XX**	**XX**
Average age (days)	XX	XX

IFRS 7.37(b) **Ageing of impaired financial assets**

	30/06/10 CU'000	30/06/09 CU'000
60-90 days	XX	XX
90-120 days	XX	XX
120+ days	XX	XX
Total	**XX**	**XX**

Notes to the financial statements
for the year ended 30 June 2010 – continued

IFRS 7.33 *(b) Liquidity risk*

IFRS 7.34 Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

IFRS 7.39(b) As described in note 3.11 to the financial statements, the Fund's redeemable shares are redeemable at the shareholders' option monthly for cash equal to a proportionate share of the Fund's net asset value. The Fund is therefore potentially exposed to monthly redemptions by its shareholders.

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

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

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

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

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

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

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

Notes to the financial statements for the year ended 30 June 2010 – continued

IFRS 7.39(a)

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

	Less than 1 month	1-3 months	3 months to 1 year
	CU'000	CU'000	CU'000
2010			
Accrued expenses	613	14	32
Due to brokers	12	1	–
Borrowings	17,872	6,209	1,146
Financial liabilities at fair value through profit or loss	869	86	–
Net assets attributable to redeemable shares	208,536	–	–
	227,902	6,310	1,178
2009			
Accrued expenses	367	23	26
Due to brokers	7	1	–
Borrowings	9,955	50	–
Financial liabilities at fair value through profit or loss	1,194	588	–
Net assets attributable to redeemable shares	132,267	–	–
	143,790	662	26

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

	Less than 1 month	1-3 months	3 months to 1 year
	CU'000	CU'000	CU'000
2010			
Total assets	192,044	38,631	5,179
	192,044	38,631	5,179

Note: In the first year of application of the IFRS 7 amendment, there is no requirement for an entity to provide comparative information. The Fund has therefore elected not to provide comparatives.

Notes to the financial statements
for the year ended 30 June 2010 – continued

IFRS 7.39(b)

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

	Less than 1 month	1-3 months	3 months to 1 year
	CU'000	CU'000	CU'000
2010			
Net settled:			
Listed equity options	–	–	199
Gross settled:			
Foreign exchange forward contracts	190	67	–
	190	67	199
2009			
Net settled:			
Listed equity options	–	–	123
Gross settled:			
Foreign exchange forward contracts	137	22	–
	137	22	123

IFRS 7.33

(c) Market risk

IFRS 7.34

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

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

If however the Fund prepares a sensitivity analysis, such as value-at-risk ("VaR"), that reflects interdependencies between risk variables (e.g., interest rates and exchange rates) and uses it to manage financial risks, it may use that sensitivity analysis in place of an individual sensitivity analysis for each type of market risk to which the Fund is exposed at reporting date. In this case, the Fund shall also disclose an explanation of the method used in preparing such a sensitivity analysis, and of the main parameters and assumptions underlying the data provided; and an explanation of the objective of the method used and of limitations that may result in the information not fully reflecting the fair value of assets and liabilities involved (IFRS 7.41). At the bottom of note 6 (c) we have demonstrated the disclosure of such a VaR analysis as an alternative for those Funds that use a VaR analysis to manage financial risks. Note however that this alternative is only applicable to the sensitivity disclosures contained below and all other qualitative and quantitative disclosures not related to sensitivity included in this note should still be presented.

Notes to the financial statements
for the year ended 30 June 2010 – continued

IFRS 7.41

Market risk [IFRS 7.41 Alternative disclosure]

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

Value-at-Risk (VaR) analysis

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

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

Historical VaR	Average		Minimum		Maximum		Year end	
(99%, one-day)	2010	2009	2010	2009	2010	2009	2010	2009
by risk type	CU'000	CU'000	CU'000	CU'000	CU'000	CU'000	CU'000	CU'000
Price	XX	XX	XX	XX	XX	XX	XX	XX
Foreign exchange	XX	XX	XX	XX	XX	XX	XX	XX
Interest rate	XX	XX	XX	XX	XX	XX	XX	XX
Diversification	(XX)	(XX)	(XX)	(XX)	(XX)	(XX)	(XX)	(XX)
Total VaR exposure	XX	XX	XX	XX	XX	XX	XX	XX

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

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

IFRS 7.33

Price risk

IFRS 7.34

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

The Fund is exposed to market price risk arising from its investments in securities, open-ended investment funds and derivatives (see note 5 for the fair value of these investments, including an analysis of these fair values as a percentage of net assets attributable to holders of redeemable shares).

The Investment Manager manages the Fund's market risk on a daily basis in accordance with the Fund's investment objective and policies. The Fund's overall market positions are monitored on a monthly basis by the Board of Directors.

Price sensitivity

IFRS 7.40(b)

The following details the Fund's sensitivity to a 5% increase and decrease in market prices, with 5% being the sensitivity rate used when reporting price risk internally to key management personnel and representing management's assessment of a reasonably possible change in market prices.

Notes to the financial statements for the year ended 30 June 2010 – continued

IFRS 7.40(a) At 30 June 2010, if market prices had been 5% higher with all other variables held constant, the increase in net assets attributable to holders of redeemable shares for the year would have been CU 11,670 (2009: CU 7,067) higher, arising due to the increase in the fair value of financial assets at fair value through profit or loss by CU 11,741 (2009: CU 7,170) offset by the increase in the fair value of the financial liabilities at fair value through profit or loss by CU 71 (2009: CU 103).

If market prices had been 5% lower with all other variables held constant, the decrease in net assets attributable to holders of redeemable shares for the year would have been CU 11,670 (2009: CU 7,067) lower, arising mainly due to the decrease in the fair value of financial assets at fair value through profit or loss by CU 11,741 (2009: CU 7,170) set off by the decrease in the fair value of the financial liabilities at fair value through profit or loss CU 71 (2009: CU 103).

IFRS 7.40(c) The sensitivity is higher in 2010 than in 2009 because of an increase in the net financial assets and liabilities at fair value through profit or loss at the statement of financial position date.

IFRS 7.33 **Interest rate risk**

IFRS 7.34 Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

IFRS 7.B22 The Fund is exposed to interest rate risk as it invests in listed debt securities bearing interest at both fixed and floating interest rates and related derivative instruments. Other financial assets and liabilities exposed to interest rate risk include borrowings which are invested at long term interest rates and cash and bank balances which are invested at short term interest rates. The Investment Manager manages the Fund's exposure to interest rate risk on a daily basis in accordance with the Fund's investment objective and policies. The Fund's overall exposure to interest rate risk is monitored on a monthly basis by the Board of Directors.

The following table details the Fund's exposure to interest rate risk as at 30 June 2010 by the earlier of contractual maturities or re-pricing:

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

IFRS 7 does not explicitly specifiy whether an entity needs to provide disclosure of Fund's exposure to interest rate risk by the earlier of contractual maturities or re-pricing. The detailed note as disclosed above has been voluntarily adopted by the Fund.

Notes to the financial statements for the year ended 30 June 2010 – continued

The following table details the Fund’s exposure to interest rate risk as at 30 June 2009 by the earlier of contractual maturities or re-pricing:

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

Interest rate sensitivity

IFRS 7.40(b)

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

IFRS 7.34(a)

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

IFRS 7.40(a)

If interest rates had been 25 basis points higher and all other variables were held constant, the Fund’s increase in net assets attributable to holders of redeemable shares for the year ended 30 June 2010 would have decreased by CU 11 (2009: CU 9) mainly due to the decrease in the market value of fixed interest rate listed debt securities and a lesser amount due to an increase in interest payable on the bank overdraft.

If interest rates had been 25 basis points lower and all other variables were held constant, the Fund’s increase in net assets attributable to holders of redeemable shares for the year ended 30 June 2009 would have increased by CU 11 (2008: CU 9) mainly due to the increase in the market value of fixed interest rate listed debt securities.

IFRS 7.33(c)

The Fund’s sensitivity to interest rates has increased during the current period mainly due to the increase in the concentration of the Fund’s net asset value invested in fixed and floating rate debt instruments in accordance with the Fund’s investment objective and policies.

IFRS 7.33(b)

In accordance with the Fund’s policy, the Investment Manager monitors the Fund’s overall interest sensitivity on a daily basis; the Board of Directors reviews it on a quarterly basis.

IFRS 7.33

Currency risk

IFRS 7.34(a)

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

Notes to the financial statements
for the year ended 30 June 2010 – continued

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

	Assets		Liabilities	
	2010	2009	2010	2009
	CU'000	CU'000	CU'000	CU'000
Currency of B Land ("B")	32,575	4,575	12,753	6,538
Currency of C Land ("C")	2,326	1,550	2,768	3,990
Other	75	323	89	950

IFRS 7.40(b) *Foreign currency sensitivity*

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

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

IFRS 7.40(a)

	Currency B Impact		Currency C Impact	
	2010	2009	2010	2009
	CU'000	CU'000	CU'000	CU'000
Increase in net assets attributable to holders of redeemable shares	(8,918)	(9,196)	(5,044)	(544)

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

IFRS 7.40(c) The higher foreign currency exchange rate sensitivity in net assets attributable to holders of redeemable shares in 2010 compared with 2009 is attributable to an increase in foreign currency denominated financial liabilities.

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

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

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

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

The ratio at the year-end was as follows:

	Year ended 30/06/10	Year ended 30/06/09
	CU'000	CU'000
Borrowings (see note 8)	25,227	10,005
Cash and bank balances	(270)	(139)
Borrowings net of cash and bank balances	24,957	9,866
Net assets attributable to holders of redeemable shares	208,536	132,267
Ratio	12%	7%

Notes to the financial statements for the year ended 30 June 2010 – continued

IAS 7.45

7. Cash and cash equivalents

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

	30/06/10 CU'000	30/06/09 CU'000
Cash and demand balances at banks	229	139
Short term deposit	41	–
Bank overdrafts	(17,872)	(9,955)
Total	(17,602)	(9,816)

IFRS 7.8(f)

8. Borrowings

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

	Year ended 30/06/10 CU'000	Year ended 30/06/09 CU'000
Unsecured – at amortized cost		
Bank overdrafts	25	16
Other *[describe]*	–	–
	25	16
Secured – at amortized cost		
Bank overdrafts (i)	17,847	9,939
Bank loans (ii)	7,355	50
Other *[describe]*	–	–
	25,202	9,989
	25,227	10,005

IFRS 7.7,14

(i) Payable within 12 months as at the reporting date and secured by a pledge over the Fund's investments in listed equity securities, listed debt securities and open-ended investment funds (see note 5). The current weighted average effective interest rate on the bank overdraft is 4.72% per annum (2009: 6.1% per annum).

(ii) Payable within 12 months as at the reporting date and secured by a pledge over the Fund's investments in listed equity securities, listed debt securities and open-ended investment funds (see note 5). The current weighted average effective interest rate on the bank loans is 4.12% per annum (2009: 5.22% per annum).

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

IFRS 8.20

9. Segment information

Note: The following segment information is required by IFRS 8, Operating Segments, *to be presented in the separate or individual financial statements of an entity (and in the consolidated financial statements of a group with a parent):*

- *whose debt or equity instruments are traded in a public market; or*
- *that files, or is in the process of filing, its (consolidated) financial statements with a securities commission or other regulatory organization for the purpose of issuing any class of instruments in a public market.*

IFRS 8 is effective for annual financial statements for periods beginning on or after 1 January 2009.

Notes to the financial statements for the year ended 30 June 2010 – continued

IFRS 8.23 *(a) Segment results and net assets*

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

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

IFRS 8.33 *(b) Other information*

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

	Operating income	
	30/06/10	30/06/09
	CU'000	CU'000
A Land	64,888	(223,286)
B Land	10,544	(31,523)
C Land	1,622	526
Other	4,056	(8,406)
	81,110	(262,689)

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

IFRS 8.34 The Fund's shares are widely held and no individual shareholder owns more than 1% of the share capital of the Fund.

IFRS 7.20(b)

10. Interest income

	Year ended 30/06/10	Year ended 30/06/09
	CU'000	CU'000
Interest income on cash and bank balances	166	64
Interest income on financial assets at fair value through profit or loss:		
– Listed debt securities held for trading	2,894	745
– Listed debt securities designated as at fair value through profit or loss	267	100
Other	–	–
	3,327	909

IFRS 7.20(b)

11. Finance costs

	Year ended 30/06/10	Year ended 30/06/09
	CU'000	CU'000
Distributions to holders of redeemable shares	2,000	–
Interest paid on bank overdrafts and bank loans	386	1,419
	2,386	1,419

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

An additional dividend of CU 500,000 has been proposed by the Board of Directors on [*insert date*] for the year ended 30 June 2010 which is not reflected in these financial statements.

Notes to the financial statements
for the year ended 30 June 2010 – continued

IAS 1.79(a)

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

(a) Authorized and issued capital

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

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

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

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

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

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

	Year ended 30/06/10			Year ended 30/06/09		
	Class A shares	Class B shares	Total number of shares	Class A shares	Class B shares	Total number of shares
Number of redeemable shares outstanding at 1 July	2,244,028	322,258	2,566,286	2,244,028	322,258	2,566,286
Issue of redeemable shares	26,000	10,350	36,350	–	–	–
Redemption of redeemable shares	(32,816)	–	(32,816)	–	–	–
Number of redeemable shares outstanding at 30 June	2,237,212	332,608	2,569,820	2,244,028	322,258	2,566,286

(b) Net asset value per share

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

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

Notes to the financial statements for the year ended 30 June 2010 – continued

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

	Year ended 30/06/10		Year ended 30/06/09	
	Class A shares	Class B shares	Class A shares	Class B shares
Net asset value per share used for the issuance and redemptions of shares	81.71	82.08	51.92	52.10
– Adjustment for bid/ask market prices	0.51	0.52	0.25	0.26
– Adjustment for start-up costs	0.10	0.10	0.15	0.15
Net asset value per share (in accordance with IFRS)	81.10	81.46	51.52	51.69

IAS 24.22

13. Related party transactions

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

IAS 24.17

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

IAS 24.23

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

Investment Manager

The Fund has appointed [*name of entity*] to provide management services pursuant to a management agreement dated [*insert date*]. Under the terms of the agreement the Fund pays the Investment Manager [*insert terms of the agreement*]. In addition the Fund pays a performance fee calculated [*insert terms as per the agreement*]. Management and performance fees for the year ended 30 June 2010 totalled CU 2,085,682 (2009: CU 3,025,071) and are presented in the statement of comprehensive income.

Custodian

The Fund has appointed [*Name of entity*] to provide custodian services pursuant to a custodian agreement dated [*insert date*]. Under the terms of the agreement the Fund pays the Custodian [*insert terms of the agreement*]. Custodian fees for the year ended 30 June 2010 totalled CU 216,486 (2009: CU 443,250) and are presented in the statement of comprehensive income.

Administrator

The Fund has appointed [N*ame of entity*] to provide administrative services pursuant to an administration agreement dated [*insert date*]. Under the terms of the agreement the Fund pays the Administrative Agent [*insert terms of the agreement*]. Administrative fees for the year ended 30 June 2010 totalled CU 137,846 (2009: CU 75,700) and are presented in the statement of comprehensive income.

Board of Directors

The members of the Board of Directors are listed on page [*insert page number where directors are listed*] of the annual report. Directors' fees paid during the year ended 30 June 2010 totalled CU 15,000 (2009: CU 15,000) and are presented in the statement of comprehensive income.

For the year ended 30 June 2010 members of the Board of Directors held shares in the Fund as detailed below:

	Number of shares at the beginning of the year	Number of shares acquired during the year	Number of shares disposed of during the year	Number of shares at year end	Distribution received
2010	12.000	1.350	–	13.350	10,400
2009	12.000	–	–	12.000	–

Notes to the financial statements for the year ended 30 June 2010 – continued

IAS 10.21

14. Events after statement of financial position date

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

IAS 10.17

15. Approval of financial statements

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

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

Board of Directors
[*APPROPRIATE ADDRESS*]

To the shareholders of International GAAP Investment Fund

Report on the financial statements

We have audited the accompanying financial statements of International GAAP Investment Fund ("Fund"), which comprise the statement of financial position as at 30 June 2010 and the statement of comprehensive income, statement of changes in net assets attributable to holders of redeemable shares and statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

The management of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of International GAAP Investment Fund as of 30 June 2010, and of the results of its operations, changes in its net assets attributable to holders of redeemable shares and its cash flows for the year then ended in accordance with the International Financial Reporting Standards.

Deloitte Touche Tohmatsu
xx-xx-2010

Note: The audit of the financial statements may be conducted in accordance with International Standards on Auditing (ISA) and/or applicable local auditing standards, making reference to local laws, auditing standards or regulations. The format of the report above is as specified by ISA 700 (Revised), The Independent Auditors' Report on a Complete Set of General Purpose Financial Statements (effective for auditors' reports dated on or after 31 December 2006).

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

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

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

A fund whose shares are puttable and which has full discretion on dividend distribution classifies those shares as equity instruments.

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

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

This Appendix illustrates:

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

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

Statement of comprehensive income for the year ended 30 June 2010

Source		Notes	Year ended 30/06/10	Year ended 30/06/09
IAS 1.10(b) IAS 1.51(b),(c) IAS 1.113				
IAS 1.51(d),(e)			CU'000	CU'000
IAS 1.82(a)	**Revenue**			
IAS 18.35(b)(iii)	Interest income	10	3,327	909
IAS 18.35(b)(v)	Dividend income		909	1,631
	Net realized gains/(losses) on financial assets and liabilities held at fair value through profit or loss	5(c)	(79,860)	(24,480)
IFRS 7.20(a)(i)	Net change in unrealized gains/(losses) on financial assets and liabilities held at fair value through profit or loss	5(c)	155,741	(244,301)
IAS 21.52(a)	Net foreign currency gains/(losses)		993	3,551
IAS 1.85	**Total operating income/(loss)**		81,110	(262,690)
IAS 1.85	**Expenses**			
IAS 1.99	Interest expense		(3)	(2)
IAS 1.99	Management fees	13	(1,998)	(2,851)
IAS 1.99	Performance fees	13	(88)	(174)
IAS 1.99	Custodian fees	13	(216)	(443)
IAS 1.99	Administration fees	13	(138)	(76)
IAS 1.99	Transaction costs		(107)	(321)
IAS 1.99	Professional fees		(7)	(10)
IAS 1.99	Directors' fees	13	(15)	(15)
IAS 1.99	Other expenses		(7)	(1)
IAS 1.85	**Total operating expenses**		(2,579)	(3,893)
IAS 1.82(f)	**Operating profit/(loss)**		78,531	(266,583)
IAS 1.82(b) IAS 1.85	**Finance costs**			
IAS 32.35	Interest expense	11	(386)	(1,419)
	Profit/(loss) before tax		78,145	(268,002)
IAS 1.82(d)	Withholding taxes		(87)	(60)
	Profit/(loss) after tax		78,058	(268,062)
IAS 1.82 (i)	**Profit/(loss) for the year**		78,058	(268,062)

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

Statement of financial position
at 30 June 2010

Source		Notes	Year ended 30/06/10	Year ended 30/06/09
IAS 1.113				
IAS 1.51(d),(e)			CU'000	CU'000
	Assets			
IAS 1.60	**Current assets**			
IAS 1.54(i)	Cash and cash equivalents	7	270	139
IAS 1.54(h)	Interest receivable		387	677
IAS 1.54(h)	Dividends receivable		370	541
IAS 1.54(h)	Receivable from brokers		3	3
IAS 1.54(d)	Financial assets at fair value through profit or loss	5	198,245	127,448
IAS 1.54(d), IAS 39.37(a)	Financial assets at fair value through profit or loss pledged as collateral	5	36,579	15,957
IAS 1.55	**Total assets**		235,854	144,765
	Liabilities			
IAS 1.136A(a)				
IAS 1.78(e)	Share capital	12	26	26
IAS 7.78(e)	Share premium		303,998	303,787
IAS 1.78(e)	Retained earnings		(95,448)	(171,546)
	Total equity		208,536	132,267
IAS 1.60	**Current liabilities**			
IAS 1.54(k)	Accrued expenses		659	416
IAS 1.55	Due to brokers		13	8
IAS 1.55	Borrowings	8	25,227	10,005
IAS 1.54(m)	Financial liabilities at fair value through profit or loss	5	1,411	2,064
IAS 1.54(n)	Withholding tax payable		8	5
IAS 1.54(r)	**Total liabilities**		27,318	12,498
	Total equity and liabilities		235,854	144,765

Statement of changes in equity for the year ended 30 June 2010

IAS 1.51(d),(e)

	Share capital	Share premium	Retained earnings	Total
	CU'000	CU'000	CU'000	CU'000
Balance at 1 July 2008	26	303,787	96,516	400,329
Profit/(loss) for the year	–	–	(268,062)	(268,062)
Payment of dividends	–	–	–	–
Issue of ordinary shares	–	–	–	–
Redemption of ordinary shares	–	–	–	–
Balance at 30 June 2009	26	303,787	(171.546)	132,267
Profit/(loss) for the year	–	–	78,058	78,058
Payment of dividends	–	–	(2,000)	(2,000)
Issue of ordinary shares	–	2,814	–	2,814
Redemption of ordinary shares	–	(2,603)	–	(2,603)
Balance at 30 June 2010	26	303,998	(95,488)	208,536

Notes to the financial statements for the year ended 30 June 2010 – extract

IAS 1.119

3.11 Share capital

IFRS 7.21 The Fund has one class of ordinary shares in issue. The Fund’s ordinary shares are classified as equity as the Fund has full discretion on repurchasing the shares and on dividend distributions.

IAS 32.33 Incremental costs directly attributable to the issue or redemption of ordinary shares are recognized directly in equity as a deduction from the proceeds or part of the acquisition cost.

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

IFRS 7.31

6. Financial risk management

IFRS 7.33 *(b) Liquidity risk*

IFRS 7.39(a) The following tables detail the Fund’s remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Fund can be required to pay.

	Less than 1 month	1-3 months	3 months to 1 year	Total
	CU’000	CU’000	CU’000	CU’000
2010				
Accrued expenses	613	14	32	659
Due to brokers	12	1	–	13
Borrowings	17,872	6,209	1,146	25,227
Financial liabilities at fair value through profit or loss	869	86	–	955
	19,366	6,310	1,376	27,310
2009				
Accrued expenses	367	23	26	416
Due to brokers	7	1	–	8
Borrowings	9,955	50	–	10,005
Financial liabilities at fair value through profit or loss	1,194	588	–	2,064
	11,523	662	26	12,493

Notes to the financial statements
for the year ended 30 June 2010 – extract

IAS 1.79(a)

12. Ordinary redeemable shares

(a) Authorized and issued capital

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

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

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

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

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

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

	Year ended 30/06/10			Year ended 30/06/09		
	Class A shares	Class B shares	Total number of shares	Class A shares	Class B shares	Total number of shares
Number of ordinary shares outstanding at 1 July	2,244,028	322,258	2,566,286	2,244,028	322,258	2,566,286
Issue of ordinary shares	26,000	10,350	36,350	–	–	–
Redemption of ordinary shares	(32,816)	–	(32,816)	–	–	–
Number of ordinary shares outstanding at 30 June	2,237,212	332,608	2,569,820	2,244,028	322,258	2,566,286

Notes to the financial statements for the year ended 30 June 2010 – extract

(b) Net asset value per share

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

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

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

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

	Year ended 30/06/10		Year ended 30/06/09	
	Class A shares	Class B shares	Class A shares	Class B shares
NAV per share used for the issuance and redemptions of shares	81.71	82.08	51.92	52.10
– Adjustment for bid prices	0.51	0.52	0.25	0.26
– Adjustment for start-up costs	0.10	0.10	0.15	0.15
NAV per share (in accordance with IFRS)	81.10	81.46	51.52	51.69

Appendix II – Reclassification of puttable instruments from liabilities to equity

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

This Appendix includes examples of disclosures required, in addition to those in Appendix I, for an open-ended fund where the equity classification results from the adoption of IAS 32 (amendment) *Financial instruments: Presentation* and IAS 1 (amendment) *Presentation of financial statements* – Puttable financial instruments and obligations arising on liquidation.

The instruments classified as equity will no longer have to comply with the measurement requirements of financial liabilities in IAS 39 *Financial instruments: Recognition and measurement* or the disclosure requirements of IFRS 7 *Financial instruments: Disclosure*.

The adoption of this amendment has resulted in the Fund's reclassification of its puttable instrument from liabilities to equity. IAS 32 requires retrospective application; the Fund should therefore also comply with of IAS 1.39. This requires the Fund to present a statement of financial position as at the beginning of the earliest comparative period.

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

Statement of financial position at 30 June 2010

Source		Notes	Year ended 30/06/10	Year ended 30/06/09 (Restated)	01/07/08 (Restated)
IAS 1.113					
IAS 1.51(d),(e)			CU'000	CU'000	CU'000
	Assets				
IAS 1.60	**Current assets**				
IAS 1.54(i)	Cash and cash equivalents	7	270	139	541
IAS 1.54(h)	Interest receivable		387	677	3,987
IAS 1.54(h)	Dividends receivable		370	541	2,587
IAS 1.54(h)	Receivable from brokers		3	3	5
IAS 1.54(d)	Financial assets at fair value through profit or loss	5	198,245	127,448	402,239
IAS 1.54(d) IAS 39.37(a)	Financial assets at fair value through profit or loss pledged as collateral	5	36,579	15,957	26,647
IAS 1.55	**Total assets**		235,854	144,765	436,006
	Liabilities				
IAS 1.60	**Current liabilities**				
IAS 1.54(k)	Accrued expenses		659	416	1,878
IAS 1.55	Due to brokers		13	8	11
IAS 1.55	Borrowings	8	25,227	10,005	30,141
IAS 1.54(m)	Financial liabilities at fair value through profit or loss	5	1,411	2,064	3,636
IAS 1.54(n)	Withholding tax payable		8	5	11
IAS 1.54(r)	**Total liabilities**		27,318	12,498	35,677
IAS 1.136A(a)					
IAS 1.78(e)	Share capital	12	26	26	26
IAS 7.78(e)	Share premium		303,998	303,787	303,787
IAS 1.78(e)	Retained earnings		(95,448)	(171,546)	96,516
	Total equity		208,536	132,267	400,329

Note: According to IAS 1.39, in case of accounting policies applied retrospectively and reclassification of items in financial statements, the fund shall present, as a minimum, three statements of financial position, two of each of the other statements, and related notes.

An entity presents statements of financial position as at (a) the end of the current period, (b) the end of the previous period (which is the same as the beginning of the current period), and (c) the beginning of the earliest comparative period.

The additon of a third statement of financial position may be a matter of professional judgement, and the entities should consider the materiality of the information that would be contained in a thrid statement of financial position and whether this would affect economic decisions made by a user of the financial statements. In doing so, it would be useful to take into consideration factors such as nature of the change, the alternative disclosures provided and whether the change in accounting policy actually affected the financial position at the beginning of the comparative period. Additionally, specific views from regulators should be considered in this assessment.

Statement of changes in equity for the year ended 30 June 2010

IAS 1.10(c),51(b),(c)
IAS 1.106
IAS 1.51(d),(e)

	Share capital	Share premium	Retained earnings	Total
	CU'000	CU'000	CU'000	CU'000
Balance at 1 July 2008, as previously reported	–	–	–	–
Effect of Change in adopting amendments to IAS 32	26	303,787	96,516	400,329
As restated	26	303,787	96,516	400,329
Profit or loss for the year	–	–	(268,062)	(268,062)
Other comprehensive income for the year	–	–	–	–
Total comprehensive income/(loss) for the year	–	–	(268,062)	(268,062)
Issue of shares	–	–	–	–
Redemption of shares	–	–	–	–
Payment of dividends	–	–	–	–
Total transactions with shareholders	–	–	–	–
Balance at 30 June 2009	26	303,787	(171,546)	132,267
Balance at 1 July 2009, as previously reported	–	–	–	–
Effect of change in adopting amendments to IAS 32	26	303,787	(171,546)	132,267
As restated	26	303,787	(171,546)	132,267
Profit or loss for the year	–	–	78,058	78,058
Other comprehensive income for the year	–	–	–	–
Total comprehensive income/(loss) for the year	–	–	78,058	78,058
Issue of shares	1	2,813	–	2,814
Redemption of shares	(1)	(2,602)	–	(2,603)
Payment of dividends	–	–	(2,000)	(2,000)
Total transactions with shareholders	–	211	(2,000)	(1,789)
Balance at 30 June 2010	26	303,998	(95,448)	208,536

Notes to the financial statements
for the year ended 30 June 2010 – extract

2. Adoption of new and revised International Financial Reporting Standards (IFRS)

2.1 Standards and Interpretations affecting presentation and disclosure and the reported results and the financial position in the current year

Standards affecting presentation and disclosure

IAS 32 *Financial Instruments: Presentation* and IAS 1 *Presentation of Financial Statements* – Puttable financial instruments and obligations arising on liquidation	A puttable financial instrument includes a contractual obligation for the issuer to repurchase or redeem that instrument for cash or another financial asset on exercise of the put. As an exception to the definition of a financial liability, IAS 32 requires that an instrument that includes such an obligation is classified as an equity instrument if it has all of certain features.

IAS 1.117(a)

3. Summary of significant accounting policies

Effective 1 January 2009, the Fund has applied IAS 32 (amendment) *Financial instruments: Presentation* and IAS 1 (amendment) *Presentation of financial statements* – Puttable financial instruments and obligations arising on liquidation. Previously, the Fund had classified its puttable instruments as liabilities in accordance with IAS 32 *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 that class's features must be identical;
- there must be no contractual obligations to deliver cash or another financial assets other than the obligation on the issuer to repurchase; and
- the total expected cash flows from the puttable instruments over its life must be based substantially on the profit or loss of the issuer.

IAS 1.10(f) As a result of the reclassification of puttable instrument from liabilities to equity, the Fund's distributions will no longer be classified as a finance cost in the statement of comprehensive income but rather will be recorded as a dividend in the statement of changes in equity.

The amendment has been applied retrospectively.

IAS 8.22 The line items of the financial statements have been affected by the reclassification as follows:

- Dividends to holders of redeemable shares previously recognized as finance costs in the statement of comprehensive income have been reclassified as transactions with holders and recorded in the statement of changes in equity. The increase/decrease in net assets attributable to holders of redeemable shares is now represented as the profit/loss of the period. The above has resulted in total comprehensive income for the year of CU 78,058,000. Previously, the total of comprehensive income for the year was nil; and
- The Fund's equity has increased and financial liabilities have decreased by CU 208,536,000 (2009: CU 132,267,000; 2008: CU 400,329,000).

IAS 1.119
IFRS 7.21

3.11 Redeemable shares

The Fund issues redeemable shares, which are redeemable at the holder's option and are classified as equity in accordance with the Amendment referred to in note 2.1.

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

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