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Illustrative IFRS financial statements for Investment Funds 2015

Foreword

I am pleased to present the latest version of our illustrative IFRS financial statements for investment funds which include Standards applicable (without early adoption) as of 31 December 2015. We have included appendices that show the impact of certain Standards on an investment fund.

International GAAP Investment Fund is an existing preparer of IFRS financial statements which has shares traded in a public market, but does not have any subsidiaries, associates or joint ventures.

During the period since we issued our illustrative 2014 financial statements, there have been no significant IFRS developments directly impacting the investment management industry.

We hope that you find these illustrative financial statements helpful. As always, we encourage you to contact your local Deloitte office for additional information or assistance.

Best,

Cary J. Stier
Deloitte Touche Tohmatsu Limited
Global Leader, Investment Management

International GAAP Investment Fund
Financial statements for the year ended 31 December 2015

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

The Fund is assumed to have presented financial statements in accordance with IFRSs for a number of years. Therefore, it is not a first-time adopter of IFRSs. 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 compliance and 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 the various IFRSs do not conflict with such sources of regulation. In addition, local laws or securities regulations may specify disclosures in addition to those required by IFRSs (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. It includes IFRSs issued on or before 31 May 2015. An IFRS disclosure checklist is available at http://www.iasplus.com/en/publications/global/models-checklists/2015/ifrs-checklist.

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 a functional currency different to their presentation currency. This determination will only be arrived at after consideration of the relevant facts and circumstances of these funds.
- For the purposes of this publication it has been assumed that the Fund classifies its investment portfolio, which comprises equity investments, fixed income securities, open-ended investment funds and derivatives, as financial assets or financial liabilities at fair value through profit or loss. These financial assets and financial liabilities are classified as held for trading or designated by the board of directors at fair value through profit or loss at inception. This publication does not include any investments classified as held-to-maturity or available-for-sale, even though these classifications as described in IAS 39 *Financial Instruments: Recognition and Measurement* are permissible. Further the Fund does not classify any derivatives as hedges in a hedging relationship and does not apply hedge accounting.
- On 24 July 2014, the International Accounting Standards Board (IASB) issued the final version of IFRS 9 *Financial Instruments*. IFRS 9 introduces new requirements for classifying and measuring financial assets. All recognized financial assets that are currently in the scope of IAS 39 will be measured at either amortized cost or fair value. Under IFRS 9, most financial instruments are expected to be measured at fair value through profit or loss except for debt instruments that satisfy both a "business model test" and a "contractual cash flow characteristics test", as defined by the Standard and equity instruments which an entity irrevocably designates as at fair value through other comprehensive income. For the purposes of this publication, the Fund has not elected to early adopt IFRS 9, however an appendix has been added describing the impact of early adopting. Refer to IAS Plus for more information on IFRS 9 through the link: http://www.iasplus.com/en/standards/ifrs/ifrs9.
- As per the offering memorandum the net asset value (NAV) of the Fund is calculated using last traded prices.
- 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 be classified as equity. It is assumed that the Fund does not have equity shares in issue as defined in IAS 32 and the Fund does not have any employees.
- Appendix 1 illustrates example disclosures for an open-ended fund that issues puttable instruments which are classified as equity under IAS 32.
- Appendices 2 and 3 discuss the requirements of disclosures of *Interests in Other Entities* as per IFRS 12 and *Investment Entities – Accounting for Subsidiaries* under IFRS 10.
- Appendix 4 provides further information on disclosures required as per IFRS 7.
- Appendix 5 provides details of 1) standards, amendments and interpretations effective for the current year and 2) new and revised IFRS in issue that are not yet effective.
- The Fund does not have any investments that it controls in accordance with IFRS 10 and therefore the IFRS 10 amendments related to investment entities are not applicable.
- The Fund does not have any associates in accordance with IAS 28 or joint arrangements in accordance with IFRS 11. The Fund has no interest in unconsolidated structured entities and therefore the related disclosure requirement under IFRS 12 do not apply to the Fund.

Statement of comprehensive income

Source	International GAAP Investment Fund	Notes	Year ended 31/12/15	Year ended 31/12/14
IAS 1.10(b) IAS 1.51(b),(c)	**Statement of profit or loss and comprehensive income for the year ended 31 December 2015**			
IAS 1.113		Notes	Year ended 31/12/15	Year ended 31/12/14
IAS 1.51(d),(e)			CU'000	CU'000
IAS 1.82(a)	**Operating income**			
IAS 18.35(b)(iii)	Interest income	3.4, 10	3,327	909
IAS 18.35(b)(v)	Dividend income	3.4	909	1,631
	Net realized losses on financial assets and liabilities at fair value through profit or loss	5(c)	(79,860)	(24,480)
IFRS 7.20(a)(i)	Net change in unrealized gains/(losses) on financial assets and liabilities at fair value through profit or loss	3.5, 5(c)	155,741	(244,301)
IAS 21.52(a)	Net foreign currency gains	3.3	993	3,551
IAS 1.85	**Total operating income/(loss)**		81,110	(262,690)
IAS 1.85	**Operating expenses**			
IAS 1.99	Management fees	3.11, 14	(1,998)	(2,851)
IAS 1.99	Performance fees	3.11, 14	(88)	(174)
IAS 1.99	Custodian fees	3.11, 15	(216)	(443)
IAS 1.99	Administration fees	3.11, 15	(138)	(76)
IAS 1.99	Transaction costs	3.11, 3.5	(107)	(321)
IAS 1.99	Professional fees	3.11	(7)	(10)
IAS 1.99	Directors' fees	3.11, 14	(15)	(15)
IAS 1.99	Other expenses	3.11, 14	(7)	(1)
IAS 1.85	**Total operating expenses**		(2,576)	(3,891)
	Operating profit/(loss)		78,534	(266,581)
IAS 1.82(b) IAS 1.85	**Finance costs**			
	Interest expense	11	(389)	(1,421)
	Distribution to holders of redeemable shares	11	(2,000)	–
	Profit/(loss) after finance costs and before taxes		76,145	(268,002)
IAS 1.82(d)	Withholding taxes	3.10	(87)	(60)
	Profit/(loss) after finance costs and taxes		76,058	(268,062)
IAS 32IE.32	**Increase/(decrease) in net assets attributable to holders of redeemable shares**		76,058	(268,062)

The accompanying notes on pages 14 to 69 form an integral part of these financial statements.

Source	International GAAP Investment Fund
	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 permits an entity to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. The Fund has elected to use the single statement approach. However, a statement of changes in net assets attributable to holders of redeemable shares is presented as, in our opinion, it provides the users of the financial statements with relevant and useful information as required by IAS 1 and is considered to be best industry practice in many jurisdictions.
	As explained in Note 3.13, the distribution to holders of redeemable shares are recognized in the statement of comprehensive income as finance costs because redeemable shares are classified as financial liabilities in the statement of financial position in accordance with IAS 32. Other presentation formats may be appropriate as IAS 1.6 recognizes that entities without equity may need to adapt the financial statement presentation of members' or unitholders' interests. 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 liabilities 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.

Statement of financial position

Source	International GAAP Investment Fund	Notes	As at 31/12/15	As at 31/12/14
IAS 1.10(a) IAS 1.51(b),(c)	**Statement of financial position at 31 December 2015**			
IAS 1.113		Notes	As at 31/12/15	As at 31/12/14
IAS 1.51(d),(e)			CU'000	CU'000
	Assets			
IAS 1.60				
IAS 1.54(i)	Cash and cash equivalents, excluding overdrafts	3.7, 7	270	139
IAS 1.54(h)	Dividends receivable		370	541
IAS 1.54(h)	Interest receivable		387	677
IAS 1.54(h)	Receivable from brokers	3.6	3	3
IAS 1.54(d)	Financial assets at fair value through profit or loss	3.5, 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	3.5, 3.8, 5	36,579	15,957
IAS 1.55	**Total assets**		235,854	144,765
	Liabilities			
IAS 1.60				
IAS 1.55	Due to brokers	3.6	13	8
IAS 1.54(n)	Withholding tax payable		8	5
IAS 1.54(m)	Financial liabilities at fair value through profit or loss	3.5, 5	1,411	2,064
IAS 1.54(k)	Accounts payable	3.9	659	416
IAS 1.55	Borrowings	3.9, 8	25,227	10,005
IAS 1.55	**Total liabilities (excluding net assets attributable to holders of redeemable shares)**		27,318	12,498
IAS 32IE.32	**Net assets attributable to holders of redeemable shares**	3.13, 12	208,536	132,267

The accompanying notes on pages 14 to 69 form an integral part of these financial statements.

The illustrative financial statements are based on an open-ended fund that issues redeemable participating shares, which are classified as financial liabilities under IAS 32. In the format above, it is assumed that the Fund does not have equity shares in issue as defined in IAS 32. Consequently, it is not required to present basic and diluted earnings per share in accordance with IAS 33 *Earnings per share* (Note 3.13).

Appendix 1 includes example disclosures for an open-ended fund whose shares or units are equity under IAS 32 *Financial instruments: Presentation.*

IAS 1.60 requires separate presentation of current/non-current assets and liabilities respectively except when a presentation based on liquidity provides information that is more reliable and relevant. When that exception applies, an entity shall present all assets and liabilities in order of liquidity.

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

Source	International GAAP Investment Fund			
IAS 1.6 IAS 1.51(b),(c) IAS 1.106	**Statement of changes in net assets attributable to holders of redeemable shares for the year ended 31 December 2015**			
IAS 1.113		Notes	Year ended 31/12/15	Year ended 31/12/14
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

The accompanying notes on pages 14 to 69 form an integral part of these financial statements.

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

Alt 1 – Direct method of reporting cash flows from operating activities

Source	International GAAP Investment Fund			
IAS 1.10(d) IAS 1.51(b),(c)	**Statement of cash flows – direct method** **for the year ended 31 December 2015**			**[Alt 1]**
IAS 1.113		Notes	Year ended 31/12/15	Year ended 31/12/14
IAS 1.51(d),(e)			CU'000	CU'000
IAS 7.10	**Cash flows from operating activities**			
IAS 7.15	Payments on purchases of investments		(554,271)	(446,687)
IAS 7.15	Proceeds from sale of investments		508,511	489,626
	Payments on purchase and settlement of derivatives		(24,610)	(36,654)
	Receipt from sale and settlement of derivatives		55,177	5,584
IAS 7.31	Interest received		3,617	868
IAS 7.31	Dividends received		1,080	1,090
IAS 7.35	Withholding taxes paid		(84)	(55)
IAS 7.14	Operating expenses paid		(2,333)	(3,875)
	Net cash (used in)/provided by operating activities		(12,913)	9,897
IAS 7.10	**Cash flows from financing activities**			
IAS 7.17	Proceeds from borrowings (excluding bank overdrafts)		35,720	50
	Repayment of borrowings (excluding bank overdrafts)		(28,415)	–
	Proceeds from issue of redeemable shares		2,814	–
	Payment on redemption of redeemable shares		(2,603)	–
	Distributions to holders of redeemable shares	11	(2,000)	–
IAS 7.31	Interest paid on borrowings	11	(389)	(1,421)
	Net cash provided by/(used in) financing activities		5,127	(1,371)
	Net (decrease)/increase in cash and cash equivalents		(7,786)	8,526
	Cash and cash equivalents at the beginning of the financial year	7	(9,816)	(18,342)
	Cash and cash equivalents at the end of the financial year	7	(17,602)	(9,816)

The accompanying notes on pages 14 to 69 form an integral part of these financial statements.

Source	International GAAP Investment Fund

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 while the capital element is classified as a financing activity.

As per IAS 7.6, cash equivalents are defined as short-term, highly liquid investments that are readily convertible to known amounts of cash which are subject to an insignificant risk of change in value. IAS 7 states that cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment purposes. Therefore, in order to determine whether a particular investment qualifies for classification as cash equivalent, it is necessary to look at the purpose for which it is held.

The definition of cash equivalents includes the requirement that they are held for the short term. In order to qualify as such, IAS 7.7 states that the investment will normally have a maturity of three months or less from the date of acquisition.

Alt 2 – Indirect method of reporting cash flows from operating activities

Source	International GAAP Investment Fund	Notes		
IAS 1.10(d) IAS 1.51(b),(c)	**Statement of cash flows—indirect method** **for the year ended 31 December 2015**			**[Alt 2]**
IAS 1.113		Notes	Year ended 31/12/15	Year ended 31/12/14
IAS 1.51(d),(e)			CU'000	CU'000
IAS 7.10	**Cash flows provided by/(used in) operating activities**			
	Increase/(decrease) in net assets attributable to holders of redeemable shares		76,058	(268,062)
	Adjustments for			
	Interest income		(3,327)	(909)
	Dividend income		(909)	(1,631)
	Finance costs recognized in profit or loss		2,389	1,421
	Withholding tax expense recognized in profit or loss		87	60
	Net (increase)/decrease in financial assets at fair value through profit or loss		(91,419)	275,835
	Net (decrease)/increase in financial liabilities at fair value through profit or loss		(653)	488
	Net increase/(decrease) in payables to brokers		5	(5)
	Net increase in accrued expenses		243	797
	Cash (used in)/provided by operations		(17,526)	7,994
IAS 7.31	Interest received		3,617	868
IAS 7.31	Dividends received		1,080	1,090
IAS 7.35	Withholding taxes paid		(84)	(55)
	Net cash (used in)/provided by operating activities		(12,913)	9,897
IAS 7.10	**Cash flows from financing activities**			
IAS 7.17	Proceeds from borrowings (excluding bank overdrafts)		35,720	50
	Repayment of borrowings (excluding bank overdrafts)		(28,415)	–
	Proceeds from issue of redeemable shares		2,814	–
	Payment on redemption of redeemable shares		(2,603)	–
	Distributions to holders of redeemable shares	11	(2,000)	–
IAS 7.31	Interest paid on borrowings	11	(389)	(1,421)
	Net cash provided by/(used in) financing activities		5,127	(1,371)
	Net (decrease)/increase in cash and cash equivalents		(7,786)	8,526
	Cash and cash equivalents at the beginning of the financial year	7	(9,816)	(18,342)
	Cash and cash equivalents at the end of the financial year	7	(17,602)	(9,816)

The accompanying notes on pages 14 to 69 form an integral part of these financial statements.

Source	International GAAP Investment Fund
	IAS 7.18 allows entities to report cash flows from operating activities using either the direct method or the indirect method. The above illustrates the indirect method of reporting cash flows from operating activities. IAS 7 does not specify which profit or loss figure should be used in the indirect method. The Fund has reconciled the increase/(decrease) in net assets attributable to holders of redeemable shares to net cash (used in)/provided by operating activities. Dividends paid to shareholders may be classified as financing cash flows or alternatively, as a component of cash flows from operating activities (IAS 7.34). If the Fund strategy is using leverage, interest paid may be classified as a component of cash flows from operating activities. IAS 7.43 requires that investing and financing transactions that do not require the use of cash or cash equivalents to be excluded from a statement of cash flows. Such transactions (e.g., in-kind investments, and automatic re-investments of distributions) shall be disclosed elsewhere in the financial statements in a way that provides all the relevant information about those investing and financing activities.

Index to the notes to the financial statements

Source	International GAAP Investment Fund
IAS 1.10(e) IAS 1.51(b),(c)	**Notes to the financial statements for the year ended 31 December 2015**
	1. General information
IAS 1.138(a)	International GAAP Investment Fund (the Fund) is an open-ended investment fund incorporated as a [insert legal form of entity] under [insert relevant legislation], with its registered office at [insert address of registered office]. The Fund's redeemable shares are listed on the [insert stock exchange].
IAS 1.138(b)	The objectives of the Fund are [insert investment policies and objectives according to the Fund's offering memorandum]. The classifications of items presented in the statement of financial position are based on liquidity as it provides information that is reliable and more relevant.
	2. Adoption of new and revised IFRSs
	2.1 Standards, amendments and Interpretations effective for the current year
	See Appendix 5 for a list of new Standards, Interpretations and amendments to existing Standards that are effective for the first time for the financial year beginning 1 January 2015 that would be expected to have a material impact on the Fund.
	2.2 New and revised IFRSs in issue but not yet effective
	See Appendix 5 for a number of new Standards, Interpretations and amendments to existing Standards that are not effective for annual periods beginning after 1 January 2015, and have not been applied in preparing these financial statements. None of these are expected to have a material impact on the financial statements of the Fund.

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Source	International GAAP Investment Fund
	Entities are required to disclose in their financial statements the potential impact of new and revised IFRSs that have been issued but are not yet effective. When a complete list is not provided, it may be wise to include a statement to the effect that the impact of all other IFRSs not yet adopted is not expected to be material. Various jurisdictions may be subject to different regulatory requirements as to how detailed disclosures are, some regulators may require both qualitative and quantitative information to be disclosed whereas others consider that qualitative information (e.g., key areas that may be affected by the new or revised IFRSs) suffices in many circumstances. For this reason, relevant regulatory guidance should also be taken into account in preparing the disclosure. The disclosures in Appendix 5 reflect a cut-off date of 31 July 2015. The potential impact of the application of any new and revised IFRSs issued by the IASB after 31 July 2015 but before the financial statements are issued, should be considered and disclosed. The impact of the application of the new and revised IFRSs (see Appendix 5) is for illustrative purposes only. Entities should analyze the impact based on their specific facts and circumstances.

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Source	International GAAP Investment Fund
	Notes to the financial statements for the year ended 31 December 2015 – continued
IAS 1.112(a),117 IAS 1.119-121	**3. Summary of significant accounting policies**
	The following are examples of the types of accounting policies that might be disclosed in this entity's financial statements. Entities are required to disclose in the summary of significant accounting policies the measurement basis (or bases) used in preparing the financial statements and the other accounting policies used that are relevant to an understanding of the financial statements. An accounting policy may be significant because of the nature of the entity's operations even if amounts for the current and prior periods are not material.
	In deciding whether a particular accounting policy should be disclosed, management considers whether disclosure would assist users in understanding how transactions, other events and conditions are reflected in the reported financial performance and financial position. Disclosure of particular accounting policies is especially useful to users when those policies are selected from alternatives allowed in Standards and Interpretations.
	Each entity considers the nature of its operations and the policies that the users of its financial statements would expect to be disclosed for that type of entity. It is also appropriate to disclose each significant accounting policy that is not specifically required by IFRS, but that is selected and applied in accordance with IAS 8*, Accounting Policies, Changes in Accounting Estimates and Errors.* For completeness purposes, in these model financial statements accounting policies have been provided for some immaterial items, although this is not required under IFRS.
IAS 1.16	***3.1 Statement of compliance***
	The financial statements have been prepared in accordance with IFRS.
IAS 1.117(a)	***3.2 Basis of preparation***
	The financial statements have been prepared on the historical cost basis, except for the valuation of certain financial instruments. Historical cost is based on the fair value of the consideration given in exchange for assets.
	Judgements 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.

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Source	International GAAP Investment Fund
	Notes to the financial statements for the year ended 31 December 2015 – continued
	3.3 Foreign currency
	(a) Functional and presentation currency
IAS 21.9,17	Items included in the financial statements of the Fund are measured in the currency of the primary economic environment in which the Fund operates (the "functional currency"). The financial statements of the Fund are presented in currency units (CU), which is the Fund's functional and presentation currency.
IAS 21.21,28, 52(a)	*(b) Foreign currency translation*
	Transactions in currencies other than CU are recorded at the rates of exchange prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary items and non-monetary assets and liabilities that are measured at fair value in a foreign currency are included in profit or loss. Foreign exchange gains and losses on financial assets and financial liabilities at fair value through profit or loss are recognized together with other changes in the fair value. Net foreign exchange gains/(losses) on non-monetary and monetary financial assets and liabilities other than those classified as at fair value through profit or loss are included in the line item net foreign currency gains in the statement of comprehensive income.
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.
	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).

Source	International GAAP Investment Fund

Notes to the financial statements
for the year ended 31 December 2015 – continued

IAS 1.119
IFRS 7.21

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

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

(a) Classification

The Fund classifies its investments in debt and equity securities, open-ended investment funds and derivatives as financial assets or financial liabilities at fair value through profit or loss. These financial assets and financial liabilities are either held for trading or designated by the board of directors at fair value through profit or loss at inception (IAS 39).

IAS 39 IG B11

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

Financial assets and financial liabilities designated at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the Fund's investment strategy as documented in its offering memorandum, and information about these financial assets and liabilities are evaluated by the management of the Fund on a fair value basis together with other relevant financial information (IAS 39).

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Source	International GAAP Investment Fund
	Notes to the financial statements for the year ended 31 December 2015 – continued
IAS 39.14	*(b) Recognition*
	Financial assets and liabilities at fair value through profit or loss are recognized when the Fund becomes party to the contractual provisions of the instrument. Recognition takes place on the trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned.
	Dividend and interest revenue relating to the Fund's investments in debt and equity securities is recognized according to Note 3.4 above. Dividend expense relating to equity securities sold short is recognized when the shareholders' right to receive the payment has been established.
IAS 39.43	*(c) Measurement*
	At initial recognition financial assets and liabilities are measured at fair value. Transaction costs on financial assets and liabilities at fair value through profit or loss are expensed as incurred in the statement of comprehensive income.
IAS 39.46 IFRS 7.B5(e)	Subsequent to initial recognition, financial assets and liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in their fair value are included in the statement of comprehensive income for the period in which they arise. Interest earned on financial assets at fair value through profit or loss and 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.
	Dividend expense on equity securities sold short are included in the net gain or loss arising on financial assets and financial liabilities measured at fair value through profit or loss.
IAS 39.17	*(d) Derecognition*
	Financial assets are derecognized when the contractual rights to the cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.
IAS 39.39	Financial liabilities at fair value through profit or loss are derecognized when the obligation specified in the contract is discharged, cancelled or expired.
	Realized gains and realized losses on derecognition are determined using the First-In, First-Out (FIFO) method *[or other cost formula method applied]* and are included in profit or loss for the period in which they arise.

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Source	International GAAP Investment Fund
	Notes to the financial statements for the year ended 31 December 2015 – continued
IAS 1.119	*3.6 Amounts receivable from and due to brokers*
IFRS 7.21	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.
	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	*3.7 Cash and cash equivalents*
IAS 7.45, 46	Cash and cash equivalents include cash in hand, deposits held at call with banks, other short term investments 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 7.7	Cash equivalents are held for the purpose of meeting short term cash commitments rather than for investment or other purposes. For an investment to qualify as a cash equivalent it must be readily convertible to a known amount of cash and be subject to an insignificant risk of changes in value. Therefore, an investment normally qualifies as a cash equivalent only when it has a short maturity of, say, three months or less from the date of acquisition.
IAS 39.37(a)	*3.8 Collateral*
	Cash collateral provided by the Fund is presented in the statement of financial position as margin cash and is not included as a component of cash and cash equivalents. For collateral other than cash, if the party to whom the collateral is provided has the right by contract or custom to sell or re-pledge the collateral, the Fund classifies that asset in its statement of financial position separately from other assets and identifies the asset as pledged collateral. Where the party to whom the collateral is provided does not have the right to sell or re-pledge, a disclosure of the collateral provided is made in the notes to the financial statements.

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Source	International GAAP Investment Fund
	Notes to the financial statements **for the year ended 31 December 2015 – continued**
IAS 1.119	***3.9 Other financial liabilities***
IFRS 7.21	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.
IAS 1.119	***3.10 Taxation***
IFRS 7.21	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.
	In jurisdictions where the Fund is subject to tax, include a description of the accounting policy on deferred and current taxes.
	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 line item in the statement of comprehensive income.
IAS 1.88	***3.11 Expenses***
IFRS 7.21	All expenses are recognized in the statement of comprehensive income on an accrual basis.
	3.12 Offsetting financial instruments
IAS 32.42	Financial assets and liabilities are offset and the net amount reported within assets and liabilities when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The Fund does not have such financial assets and financial liabilities which requires offsetting.
IAS 1.119	***3.13 Redeemable shares and net assets attributable to holders of redeemable shares***
IFRS 7.21 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.]. As the share classes do not have identical features, these instruments do not meet the definition of puttable financial instruments to be classified as equity in accordance with IAS 32.

Source	International GAAP Investment Fund

Notes to the financial statements
for the year ended 31 December 2015 – continued

Redeemable shares can be put back into the Fund at any time for cash equal to a proportionate share of the Fund's NAV attributable to the share class. The redeemable shares are classified as financial liabilities and are measured at the redemption amounts. See Note 12(b).

Redeemable shares are issued and redeemed based on the Fund's NAV 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 NAV per share for subscriptions and redemptions.

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.

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Source	International GAAP Investment Fund

Notes to the financial statements
for the year ended 31 December 2015 – continued

4. Critical accounting judgements and key sources of estimation uncertainty

The following are examples of disclosures which will depend on the features of the individual fund and the significance of judgements 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 judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily available from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Judgements

In the process of applying the Fund's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the financial statements.

IAS 1.125,129

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.

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

As described in Note 5(e), management uses its judgement 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 observable market data 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.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in Note 5.

Source	International GAAP Investment Fund
	Notes to the financial statements for the year ended 31 December 2015 – continued
IFRS 7.7	**5. Financial assets and financial liabilities at fair value through profit or loss**
	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 the Fund's financial assets and financial liabilities are disclosed in Note 3.5(b) to the financial statements.
IFRS 13.24	*(b) Fair value of financial instruments*
IFRS 13.70	The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and securities) are based on quoted market prices at the close of trading on the year end date. The quoted market price used for financial assets and financial liabilities of the Fund is the last traded price provided such price is within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, management will determine the points within the bid-ask spread that are most representative of the fair value. The price used is not adjusted for transaction costs.
	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 include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants, making the maximum use of observable inputs and relying as little as possible on unobservable inputs.
	For instruments for which there is no active market, the Fund may also use internally developed models, which are usually based on valuation methods and techniques generally recognized as standard within the industry. Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions.

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Source	International GAAP Investment Fund

Notes to the financial statements
for the year ended 31 December 2015 – continued

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 13.93(a),(b)

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

The fair value hierarchy categorizes inputs into the following levels:

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

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

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

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

Source	International GAAP Investment Fund

Notes to the financial statements for the year ended 31 December 2015 – continued

The following table provides an analysis of financial instruments measured at fair value at the year end date by the level in the fair value hierarchy into which the fair value measurement is categorized. All these fair value measurements are recurring.

IFRS 13.93(a),(b)

As at 31 December 2015

Source		Level 1	Level 2	Level 3	Total
		CU'000	CU'000	CU'000	CU'000
IFRS 13.94	**Assets**				
	Financial assets held for trading:				
	Equity securities				
	Industrial	26,124	–	–	26,124
	Financials	7,155	–	–	7,155
	Health industry	13,378	–	–	13,378
		46,657	–	–	46,657
	Debt securities				
	Corporate bonds	389	21,279	–	21,668
	Government bonds	3,843	–	–	3,843
		4,232	21,279	–	25,511
	Derivatives				
	Listed options	34,292	–	–	34,292
	Listed futures	28,659	–	–	28,659
	Forward foreign exchange contracts		276	–	276
		62,951	276	–	63,227

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Source	International GAAP Investment Fund

Notes to the financial statements for the year ended 31 December 2015 – continued

Financial assets designated at fair value through profit or loss:

	Level 1	Level 2	Level 3	Total
	CU'000	CU'000	CU'000	CU'000
Equity securities				
Information technology	42,670	–	–	42,670
Manufacturing	45,899	–	69	45,968
	88,569	–	69	88,638
Assets				
Debt securities				
Corporate bonds	453	552	–	1,005
Government bonds	4,016	–	–	4,016
	4,469	552	–	5,021
Open-ended investment funds				
Hedge funds	–	5,754	16	5,770
Total recurring fair value measurements of assets	**206,878**	**27,861**	**85**	**234,824**

Source	International GAAP Investment Fund

Notes to the financial statements for the year ended 31 December 2015 – continued

Liabilities

	Level 1	Level 2	Level 3	Total
Financial liabilities held for trading:	CU'000	CU'000	CU'000	CU'000
Equity securities sold short				
Information technology	877	78	–	955
Derivatives				
Listed options	199	–	–	199
Forward foreign exchange contracts	–	257	–	257
Total recurring fair value measurements of liabilities	**1,076**	**335**	**–**	**1,411**

IFRS 13.93(d)

As at 31 December 2014

	Level 1	Level 2	Level 3	Total
	CU'000	CU'000	CU'000	CU'000
Assets				
Financial assets held for trading:				
Equity securities				
Industrial	46,124	–	–	46,124
Financials	17,065	–	–	17,065
Health industry	22,994	–	–	22,994
	86,183	–	–	86,183

Source	International GAAP Investment Fund

Notes to the financial statements
for the year ended 31 December 2015 – continued

Assets

	Level 1	Level 2	Level 3	Total
	CU'000	CU'000	CU'000	CU'000
Debt securities				
Corporate bonds	4,389	15,841	–	20,230
Government bonds	7,991	–	–	7,991
	12,380	15,841	–	28,221
Derivatives				
Listed options	11,841	–	–	11,841
Listed futures	3,002	–	–	3,002
Forward foreign exchange contracts	–	797	–	797
	14,843	797	–	15,640
Financial assets designated at fair value through profit or loss:				
Equity securities				
Information technology	7,944	–	–	7,944
Manufacturing	5,316	–	101	5,417
	13,260	–	101	13,361
Total recurring fair value measurements of assets	**126,666**	**16,638**	**101**	**143,405**

Liabilities

	Level 1	Level 2	Level 3	Total
Financial liabilities held for trading:				
Equity securities sold short				
Information technology	1,782	–	–	1,782
Derivatives				
Listed options	123	–	–	123
Forward foreign exchange contracts	–	159	–	159
Total recurring fair value measurements of liabilities	**1,905**	**159**	**–**	**2,064**

Source	International GAAP Investment Fund

Notes to the financial statements for the year ended 31 December 2015 – continued

IFRS 13.93(d)

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

Unlisted debt securities

In the absence of a quoted price in an active market, unlisted debt securities are valued using observable inputs such as recently executed transaction prices in securities of the issuer or comparable issuers and yield curves. Adjustments are made to the valuations when necessary to recognize differences in the instrument's terms. To the extent that the significant inputs are observable, the Fund categorizes these investments as Level 2.

Over-The-Counter (OTC) derivatives

OTC (i.e., non-exchange traded) derivatives are valued using valuation models. The Fund uses a variety of methods which 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 and makes assumptions that are based on market conditions existing at each year end date. Inputs to valuation models are determined from observable market data wherever possible, including prices available from exchanges, dealers, brokers or providers of consensus pricing. To the extent that the significant inputs are observable, the Fund categorizes these derivative fair valuations as Level 2.

Open-ended funds

The Fund invests in managed funds, which are not quoted in an active market and which may be subject to restrictions on redemptions such as lock up periods, redemption gates and side pockets. The Fund's investment manager considers the valuation techniques and inputs used in valuing these funds as part of its due diligence prior to investing, to ensure they are reasonable and appropriate and therefore the NAV of these funds may be used as an input into measuring their fair value. In measuring this fair value, the NAV of the funds is adjusted, as necessary, to reflect restrictions on redemptions, and other specific factors of the fund and fund manager. In measuring fair value, consideration is also given to any transactions in the shares of the fund. Depending on the nature and level of adjustments needed to the NAV and the level of trading in the fund, the Fund classifies these funds as either Level 2 or Level 3.

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

Source	International GAAP Investment Fund

Notes to the financial statements
for the year ended 31 December 2015 – continued

Source	Description	Fair value at 31 Dec 2015 CU'000	Fair value at 31 Dec 2014 CU'000	Valuation technique	Unobservable inputs	Weighted average input	Relationship of unobservable inputs to fair value
	Equity securities Manufacturing	69	101	Comparable trading multiples	EBITDA multiple	9.5	A slight increase in EBITDA multiple used in isolation would result in a significant increase in the fair value.
					Discount for lack of marketability	10%	A slight increase in the discount for lack of marketability used in isolation would result in a significant decrease in the fair value.
	Open-ended investment funds	16	–	Adjusted NAV	Discount for lack of marketability/ restricted redemption	10%	A slight increase in the discount for lack of marketability and restricted redemption used in isolation would result in a significant decrease in the fair value.
IFRS13.93(h)(i)	**Total**	**85**	**101**				

Source	International GAAP Investment Fund
	Notes to the financial statements for the year ended 31 December 2015 – continued
	Level 3 valuations are reviewed on a monthly basis by the Fund's pricing and valuation committee. The committee assesses whether the valuation model inputs are appropriate, as well as whether the valuation result derives from valuation methods and techniques which are generally used within the industry. The committee assesses whether the selected valuation methods arrive at the results which reflect actual economic conditions by performance of backtesting procedures. The committee reports to the board of directors on a quarterly basis.
IFRS 13.93(h)(i)	If there are interrelationships between Level 3 inputs used in the fair value measurement, an entity shall provide a description of those interrelationships and how they might magnify or mitigate the effect of changes in the unobservable inputs on the fair value measurement. If changing one or more of the unobservable inputs to reflect reasonably possible alternative assumptions would change fair value significantly, an entity shall state that fact and disclose the effect of those changes. The entity shall disclose how the effect of a change to reflect a reasonably possible alternative assumption was calculated. For that purpose, significance shall be judged with respect to profit or loss, and total assets or total liabilities, or, when changes in fair value are recognized in other comprehensive income, total equity (IFRS 13.93(h)(ii)).
IFRS 13.93(c)	There were no transfers between Level 1 and Level 2 in the period.

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Source	International GAAP Investment Fund

Notes to the financial statements
for the year ended 31 December 2015 – continued

IFRS 13.93(e)

Reconciliation of Level 3 fair value measurements of financial assets
Fair value measurements using significant unobservable inputs (Level 3)

Source	As at 31 December 2015	Equity securities	Open-ended investment funds	Total
		CU'000	CU'000	CU'000
	Opening balance	101	–	101
	Total gains or losses for the period			
IFRS 13.93(e)(i)	Included in profit or loss	5	(4)	1
IFRS 13.93(e)(iii)	*Purchases, issues, sales and settlements*			
	Purchases	–	20	20
	Sales	(37)	–	(37)
	Transfers into Level 3	–	–	–
	Transfers out of Level 3	–	–	–
	Closing balance	**69**	**16**	**85**
	Change in unrealized gains/(losses) for the year included in profit or loss for assets held at 31 December 2015	**12**	**(4)**	**8**

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Source	International GAAP Investment Fund

Notes to the financial statements
for the year ended 31 December 2015 – continued

As at 31 December 2014

	Equity securities	Total
	CU'000	CU'000
Opening balance	20	20
Total gains and losses for the period	36	36
Included in profit or loss		
Purchases, issues, sales and settlements		
Purchases	204	204
Sales	(159)	(159)
Transfers into Level 3	–	–
Transfers out of Level 3	–	–
Closing balance	**101**	**101**
Change in unrealized gains/(losses) for the year included in profit or loss for assets held at 31 December 2014	13	13

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

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

Source	International GAAP Investment Fund

Notes to the financial statements
for the year ended 31 December 2015 – continued

IFRS 7.20 (a)(i)

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

	Year ended 31/12/15	Year ended 31/12/14
	CU'000	CU'000
Net realized (losses)/gains 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 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 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 (losses)/gains 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)

Source	International GAAP Investment Fund

Notes to the financial statements
for the year ended 31 December 2015 – continued

IFRS 7.9 requires that if an entity has designated a loan or receivable (or group of loans or receivables) as at fair value through profit or loss, it shall disclose the amount of change, during the period and cumulatively, in the fair value of the loan or receivable (or group of loans or receivables) that is attributable to changes in the credit risk of the financial asset determined either:

a. as the amount of change in its fair value that is not attributable to changes in market conditions that give rise to market risk; or

b. using an alternative method the entity believes more faithfully represents the amount of change in its fair value that is attributable to changes in the credit risk of the asset.

The Fund does not have any loans and receivables designated at fair value through profit or loss.

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

Source	International GAAP Investment Fund

Notes to the financial statements
for the year ended 31 December 2015 – continued

For illustration however see example disclosure below.

Source		Year ended 31/12/15	Year ended 31/12/14
		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		
	– 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 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 cumulative change in the fair value of the 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.

(d) Derivative financial instruments

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

Source	International GAAP Investment Fund

Notes to the financial statements for the year ended 31 December 2015 – continued

IFRS 7.31

Options

As at 31 December 2015

Description	Maturity date	Notional amount in CU'000	Fair value in CU'000– financial assets	Fair value in CU'000– financial liabilities
ABC equity index options	31/03/2016	193,200	29,109	–
DEF bond index options	05/05/2016	128,800	5,183	–
GHI equity options	30/06/2016	520,000	–	(199)
			34,292	(199)

As at 31 December 2014

Description	Maturity date	Notional amount in CU'000	Fair value in CU'000– financial assets	Fair value in CU'000– financial liabilities
ABC equity index options	14/02/2015	247,000	10,943	–
DEF bond index options	31/03/2015	2,500	898	–
GHI equity options	30/06/2015	52,300	–	(123)
			11,841	(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 purchased or written 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.

Source	International GAAP Investment Fund

Notes to the financial statements
for the year ended 31 December 2015 – continued

IFRS 7.31

Futures

As at 31 December 2015

Description	Maturity date	Notional amount in CU'000	Fair value in CU'000– financial assets	Fair value in CU'000– financial liabilities
XYZ equity index futures	15/03/2016	5,700	28,659	–

As at 31 December 2014

Description	Maturity date	Notional amount in CU'000	Fair value in CU'000– financial assets	Fair value in CU'000– financial liabilities
XYZ equity index futures	04/03/2015	13,200	3,002	–

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.

Source	International GAAP Investment Fund

Notes to the financial statements
for the year ended 31 December 2015 – continued

IFRS 7.31

Forward foreign exchange contracts

As at 31 December 2015

Outstanding contracts	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	17,000	24,638	–	(198)
Sell Currency B				
Less than 3 months	83,250	117,254	217	–
Buy Currency C				
Less than 3 months	1,150,000	12,842	59	–
Sell Currency C				
Less than 3 months	525,000	5,979	–	(59)
			276	(257)

Source	International GAAP Investment Fund

Notes to the financial statements
for the year ended 31 December 2015 – continued

As at 31 December 2014

Outstanding contracts	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	3,500	4,545	131	–
Sell Currency B				
Less than 3 months	72,125	97,466	–	(143)
Buy Currency C				
Less than 3 months	737,800	8,550	–	(16)
Sell Currency C				
Less than 3 months	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 OTC to economically 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 the reporting date, and has entered into forward foreign exchange contracts for terms not exceeding three months to economically 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 under IFRS to disclose each derivative contract separately. The tables above provide examples of summary quantitative data about exposure to derivative financial instruments at the end of the reporting period.

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Source	International GAAP Investment Fund

Notes to the financial statements
for the year ended 31 December 2015 – continued

IFRS 7.14

(e) Certain financial assets at fair value through profit or loss pledged as collateral

Certain financial assets at fair value through profit or loss, have been pledged to secure borrowings of the Fund (see Note 8). The carrying amount of these assets is as follows:

	2015	2014
	CU'000	CU'000
Debt	25,511	15,957
Equity	11,068	–
Total	36,579	15,957

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

The following are examples of the types of disclosures that might be required. 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.

Source	International GAAP Investment Fund
	Notes to the financial statements for the year ended 31 December 2015 – continued
	The Fund is also exposed to operational risks such as custody risk. Custody risk is the risk of a loss being incurred on securities in custody as a result of a custodian's or sub-custodian's insolvency, negligence, misuse of assets, fraud, poor administration or inadequate record-keeping. Although an appropriate legal framework is in place that reduces the risk of loss of value of the securities held by the custodian or sub-custodian, in the event of its failure, the ability of the Fund to transfer the securities might be temporarily impaired.
	The Fund's risk management policies are approved by the board of directors and seek to minimize the potential adverse effects of these risks on the Fund's financial performance. The risk management system is an ongoing process of identification, measurement, monitoring and controlling risk.
IFRS 7 IG15(b)(i)	**Risk management structure**
	The board of directors is ultimately responsible for the overall risk management within the Fund but has delegated the responsibility for identifying and controlling risks to the Fund's investment manager.
IFRS 7 IG15(b)(ii)	**Risk measurement and reporting system**
	The Fund uses different methods to measure and manage the various types of risk to which it is exposed; these methods are explained below.
IFRS 7 IG15(b)(iii)	**Risk mitigation**
	The Fund's offering memorandum details its investment policies 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.

Source	International GAAP Investment Fund
	Notes to the financial statements for the year ended 31 December 2015 – continued
	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 a counterparty will default on its contractual obligations resulting in financial loss to the Fund.
	At reporting date, financial assets exposed to credit risk include debt instruments and derivatives disclosed in Note 5(b) to the financial statements. It is the opinion of the board of directors that the carrying amounts of these financial assets represent the maximum credit risk exposure at the reporting date.
	The board of directors has a documented policy in place of spreading the aggregate value of transactions concluded amongst approved counterparties with an appropriate credit quality. The Fund's exposure and the credit ratings of its counterparties are continuously monitored by management. The following table summarizes the credit quality of the debt instruments in the portfolio, as rated by well known rating agencies [name of the rating agencies] approved by the board of directors, or in the case of an unrated debt instrument, the rating as assigned by the board of directors using an approach consistent with that of the respective rating agencies.

Source	International GAAP Investment Fund

Notes to the financial statements
for the year ended 31 December 2015 – continued

IFRS 7.36(c)

Rating	31/12/15	31/12/14
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 obligations.

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 a 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. There is also risk involved in dealing with the custodian with regard to the segregation of the assets. All securities and other assets deposited with the custodian will be clearly identified as being assets of the Fund.

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

Source	International GAAP Investment Fund
	Notes to the financial statements for the year ended 31 December 2015 – continued
IFRS 7.37	As at 31 December 2015 and 2014, none of these financial assets were impaired or past due.
IFRS 7.36(b)	Description of collateral held as security and of other credit enhancements, and their financial effect (e.g., a quantification of the extent to which collateral and other credit enhancements mitigate credit risk) in respect of the amount that best represents the maximum exposure to credit risk is required to be disclosed in the financial statements.
	IFRS 7.37 has additional disclosure requirements relating to financial assets that are past due or impaired. These disclosures include by class of asset (a) an analysis of the age of financial assets that are past due as at the reporting date but not impaired; and (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. The additional disclosure requirements do not apply to the Fund and hence an illustrative example is provided below.
IFRS 7.37(a)	**Ageing of past due but not impaired**

	31/12/15 CU'000	31/12/14 CU'000
60-90 days	XX	XX
90-120 days	XX	XX
Total	**XX**	**XX**
Average age (days)	XX	XX

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

	31/12/15 CU'000	31/12/14 CU'000
60-90 days	XX	XX
90-120 days	XX	XX
120+ days	XX	XX
Total	**XX**	**XX**

Source	International GAAP Investment Fund

Notes to the financial statements
for the year ended 31 December 2015 – continued

Offsetting and amounts subject to master netting arrangements and similar agreements

IFRS 7.13(c)

As of 31 December 2015 and 31 December 2014, the Fund does not hold financial assets and financial liabilities that are eligible for offset in the statement of financial position but does hold those which are subject to a master netting arrangement or similar agreements.

The similar agreements include derivative clearing agreements entered into under International Derivatives Swaps and Dealers Association (ISDA) master netting agreements. The ISDA agreements do not meet the criteria for offsetting in the statement of financial position as they create a right of set-off of recognized amounts that is enforceable only in the event of default, insolvency or bankruptcy of the Fund or the counterparties. Further, the Fund and its counterparties do not intend to settle on a net basis or to realize the assets and liabilities simultaneously. The Fund receives and posts cash collateral in respect of its derivative transactions.

The following table provides disclosure regarding the financial assets and liabilities subject to enforceable master netting agreements and similar agreements:

IFRS 7. IG40D

As at 31 December 2015

In CU'000

Description	Gross amounts of recognized assets/ liabilities	Gross amounts offset in the statement of financial position	Net amounts of assets/ liabilities presented in the statement of financial position	Related amounts not offset in the statement of financial position: Financial instruments	Related amounts not offset in the statement of financial position: Cash collateral received/ posted	Net amount
Assets						
Derivatives	63,227	–	63,227	57,027	6,200	–
Total	**63,227**	**–**	**63,227**	**57,027**	**6,200**	**–**
Liabilities						
Derivatives	456	–	456	456	–	–
Total	**456**	**–**	**456**	**456**	**–**	**–**

Source	International GAAP Investment Fund

Notes to the financial statements for the year ended 31 December 2015 – continued

As at 31 December 2014

In CU'000

Description	Gross amounts of recognized assets/ liabilities	Gross amounts offset in the statement of financial position	Net amounts of assets/ liabilities presented in the statement of financial position	Related amounts not offset in the statement of financial position: Financial instruments	Related amounts not offset in the statement of financial position: Cash collateral received/ posted	Net amount
Assets						
Derivatives	15,640	–	15,640	14,140	1,500	–
Total	**15,640**	**–**	**15,640**	**14,140**	**1,500**	**–**
Liabilities						
Derivatives	282	–	282	282	–	–
Total	**282**	**–**	**282**	**282**	**–**	**–**

Source	International GAAP Investment Fund
	Notes to the financial statements **for the year ended 31 December 2015 – 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 3.13 to the financial statements, the Fund's redeemable shares are redeemable at the shareholders' option at any time for cash equal to a proportionate share of the Fund's NAV. 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 and liabilities may also 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 OTC and unlisted equities that are not traded in an active market.
	• Investments in derivative contracts traded OTC, which are not quoted in an active market and which generally may be illiquid.
	A fund with material illiquid investments should disclose the 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 honored 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 at the expense 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.

Source	International GAAP Investment Fund

Notes to the financial statements
for the year ended 31 December 2015 – continued

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.

IFRS 7.39(a)

The following tables detail the Fund's remaining contractual maturities 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
2015				
Accounts payable	613	14	32	659
Due to brokers	12	1	–	13
Borrowings	17,872	5,209	2,146	25,227
Financial liabilities at fair value through profit or loss	869	86	–	955
Net assets attributable to redeemable shares	208,536	–	–	208,536
	227,902	5,310	2,178	235,390
2014				
Accounts payable	367	23	26	416
Due to brokers	7	1	–	8
Borrowings	9,955	50	–	10,005
Financial liabilities at fair value through profit or loss	1,194	588	–	1,782
Net assets attributable to redeemable shares	132,267	–	–	132,267
	143,790	662	26	144,478

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Source	International GAAP Investment Fund

Notes to the financial statements
for the year ended 31 December 2015 – continued

IFRS 7.(b)11(e)

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

	Less than 1 month	1-3 months	3 months to 1 year	Total
	CU'000	CU'000	CU'000	CU'000
2015				
Cash and cash equivalents, excluding overdrafts	270			270
Dividends receivable		370		370
Interest receivable		387		387
Receivable from brokers	3			3
Financial assets at fair value through profit or loss	195,810	2,350	85	198,245
Financial assets at fair value through profit or loss pledged as collateral	11,068	25,511	–	36,579
	207,151	28,618	85	235,854

	Less than 1 month	1-3 months	3 months to 1 year	Total
	CU'000	CU'000	CU'000	CU'000
2014				
Cash and cash equivalents, excluding overdrafts	139			139
Dividends receivable		541		541
Interest receivable		677		677
Receivable from brokers	3			3
Financial assets at fair value through profit or loss	126,550	797	101	127,448
Financial assets at fair value through profit or pledged as collateral	116	15,841	–	15,957
	126, 808	17, 856	101	144,765

Source	International GAAP Investment Fund

Notes to the financial statements
for the year ended 31 December 2015 – continued

IFRS 7.39(b)

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

	Less than 1 month	1-3 months	3 months to 1 year	Total
	CU'000	CU'000	CU'000	CU'000
2015				
Net settled:				
Written listed equity options	–	–	199	199
Gross settled:				
Forward foreign exchange contracts	190	67	–	257
	190	67	199	456
2014				
Net settled:				
Written listed equity options	–	–	123	123
Gross settled:				
Forward foreign exchange contracts	137	22	–	159
	137	22	123	282

IFRS 7.33

(c) Market risk

IFRS 7.34

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

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Source	International GAAP Investment Fund

Notes to the financial statements
for the year ended 31 December 2015 – 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.

VaR analysis

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

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

Historical VaR		Average		Minimum		Maximum		Year end
(99 percent, one-day) by risk type	2015 CU'000	2014 CU'000	2015 CU'000	2014 CU'000	2015 CU'000	2014 CU'000	2015 CU'000	2014 CU'000
Price	XX	XX	XX	XX	XX	XX	XX	XX
Foreign exchange	XX	XX	XX	XX	XX	XX	XX	XX
Interest rate	XX	XX	XX	XX	XX	XX	XX	XX
Diversification	(XX)	(XX)	(XX)	(XX)	(XX)	(XX)	(XX)	(XX)
Total VaR exposure	**XX**	**XX**	**XX**	**XX**	**XX**	**XX**	**XX**	**XX**

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

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

Source	International GAAP Investment Fund
	Notes to the financial statements for the year ended 31 December 2015 – continued
IFRS 7.33	Price risk
IFRS 7.34	Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting similar financial instruments traded in the market.
	The Fund is exposed to equity price risk which arises from its investments in equity securities and related derivatives and investments in open-ended investment funds (see Note 5 for the fair value of these investments).
	The investment manager manages the Fund's equity price risk on a daily basis in accordance with the *Fund's investment objectives and policies [insert Fund's investment objectives and policies]*. The Fund's overall market positions are monitored on a monthly basis by the board of directors.
	Price sensitivity
IFRS 7.40(b)	A five percent change in equity prices is the sensitivity rate used when reporting price risk internally to key management personnel and representing management's assessment of a reasonably possible change in prices.
IFRS 7.40(a)	At 31 December 2015, if equity prices had been five percent higher with all other variables held constant, the increase in net assets attributable to holders of redeemable shares for the year would have been CU 11,670 (2014: 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 (2014: 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 (2014: CU 103).
	If equity prices had been five percent lower with all other variables held constant the decrease in net assets attributable to holders of redeemable shares for the year would have been CU 11,670 (2014: 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 (2014: CU 7,170) set off by the decrease in the fair value of the financial liabilities at fair value through profit or loss by CU 71 (2014: CU 103).
IFRS 7.40(c)	The sensitivity is higher in 2015 than in 2014 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.

Source	International GAAP Investment Fund

Notes to the financial statements for the year ended 31 December 2015 – continued

IFRS 7.(b)22

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

The following table details the Fund's exposure to interest rate risk as at 31 December 2015 by the earlier of contractual maturities or re-pricing:

	Non-interest bearing	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	CU'000
Assets						
Non-interest bearing	199,869	–	–	–	–	199,869
Floating interest rate debt securities	–	2,882	1,873	3,843	10,615	19,213
Fixed interest rate 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	199,869	10,033	2,977	6,106	16,869	235,854
Liabilities (excluding net assets attributable to holders of redeemable shares)						
Non-interest bearing	2,091	–	–	–	–	2,091
Bank overdraft	–	17,872	–	–	–	17,872
Bank loans	–	613	1,839	4,903	–	7,355
	2,091	18,485	1,839	4,903	–	27,318
Net assets attributable to holders of redeemable shares	208,536	–	–	–	–	208,536
Total liabilities	**210,627**	**18,485**	**1,839**	**4,903**	**–**	**235,854**

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Source	International GAAP Investment Fund

Notes to the financial statements
for the year ended 31 December 2015 – continued

The following table details the Fund's exposure to interest rate risk as at 31 December 2014 by the earlier of contractual maturities or re-pricing:

	Non-interest bearing	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	CU'000
Assets						
Non-interest bearing	128,088	–	–	–	–	128,088
Floating interest rate debt securities	–	953	1,466	1,955	5,401	9,775
Fixed interest rate debt securities	–	572	880	1,173	3,240	5,865
Listed bond index options	–	898	–	–	–	898
Cash and bank balances	–	139	–	–	–	139
Total assets	128,088	2,562	2,346	3,128	8,641	144,765
Liabilities (excluding net assets attributable to holders of redeemable shares)						
Non-interest bearing	2,493	–	–	–	–	2,493
Bank overdraft	–	9,955	–	–	–	9,955
Bank loans	–	4	13	33	–	50
	2,493	9,959	13	33	–	12,498
Net assets attributable to holders of redeemable shares	132,267	–	–	–	–	132,267
Total liabilities	**134,760**	**9,959**	**13**	**33**	**–**	**144,765**

Source	International GAAP Investment Fund
	Notes to the financial statements for the year ended 31 December 2015 – continued
	Interest rate sensitivity
IFRS 7.40(b)	The sensitivity analyses below have been determined based on the Fund's exposure to interest rates for interest bearing assets and liabilities (included in the interest rate exposure tables above) at the statement of financial position date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of instruments that have floating rates.
IFRS 7.34(a)	A 25 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of a reasonably possible change in interest rates.
IFRS 7.40(a)	If interest rates had been 25 basis points higher and all other variables were held constant, the Fund's net assets attributable to holders of redeemable shares for the year ended 31 December 2015 would have decreased by CU 11 (2014: CU 9) mainly due to the decrease in the fair value of fixed interest rate debt securities and offset by an increase in interest payable on the bank overdraft.
	If interest rates had been 25 basis points lower and all other variables were held constant, the Fund's net assets attributable to holders of redeemable shares for the year ended 31 December 2015 would have increased by CU 11 (2014: CU 9) mainly due to the increase in the fair value of fixed interest rate 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 NAV invested in fixed and floating rate debt instruments in accordance with the Fund's investment objectives and policies.
IFRS 7.33(b)	In accordance with the Fund's policies, 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 favorably or unfavorably by fluctuations in currency rates and therefore the Fund is 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.

Source	International GAAP Investment Fund

Notes to the financial statements
for the year ended 31 December 2015 – 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	
	2015	2014	2015	2014
	CU'000	CU'000	CU'000	CU'000
Currency of B Land (Currency B)	32,575	4,575	12,753	6,538
Currency of C Land (Currency C)	2,326	1,550	2,768	3,990
Other	75	323	89	950

Foreign currency sensitivity

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

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

IFRS 7.40(a)

	Currency B impact		Currency C impact	
	2015	2014	2015	2014
	CU'000	CU'000	CU'000	CU'000
Decrease 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 is 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.

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Source	International GAAP Investment Fund

Notes to the financial statements
for the year ended 31 December 2015 – continued

IFRS 7.40(c)

The higher foreign currency exchange rate sensitivity in net assets attributable to holders of redeemable shares in 2015 compared with 2014 is attributable to an increase in foreign currency denominated financial assets and 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 does not have any externally imposed capital requirements.

The investment manager manages the capital of the Fund in accordance with the Fund's investment objectives, policies and restrictions, as outlined in the Fund's offering memorandum while maintaining sufficient liquidity to meet participating shareholders' redemptions. The Fund's overall strategy for managing capital remains unchanged from the previous year.

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

The ratio at the year end was as follows:

	Year ended 31/12/15	Year ended 31/12/14
	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%

Index to the notes

Source	International GAAP Investment Fund

Notes to the financial statements
for the year ended 31 December 2015 – continued

The text above illustrates the requirements of IFRS 7.40 whereby a sensitivity analysis for each type of market risk to which the fund is exposed is disclosed including how profit or loss would have been affected by changes in the relevant risk variable.

However, if the fund prepares a sensitivity analysis, such as VaR, that reflects interdependencies between risk variables (e.g., interest rates and exchange rates) and uses it to manage financial risks, it may use that sensitivity analysis in place of an individual sensitivity analysis for each type of market risk to which the fund is exposed at reporting date. In this case, the fund shall also disclose an explanation of the method used in preparing such a sensitivity analysis, and of the main parameters and assumptions underlying the data provided; and an explanation of the objective of the method used and of limitations that may result in the information not fully reflecting the fair value of assets and liabilities involved (IFRS 7.41). On page 55 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 above and all other qualitative and quantitative disclosures not related to sensitivity included in this note should still be presented.

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 an original maturity of less than 90 days:

	31/12/15	31/12/14
	CU'000	CU'000
Cash and demand balances at banks	229	139
Short term deposits	41	–
Bank overdrafts	(17,872)	(9,955)
Total	(17,602)	(9,816)

Under IAS 7 *Cash Flow Statements* bank overdrafts which are repayable on demand and form an integral part of an entity's cash management are included as a component of cash and cash equivalents. It is deemed for the purposes of these financial statements that bank overdrafts meets this criteria (IAS 7.8).

The bank overdraft are payable on demand and form and integral part of the Fund cash management strategy and accordingly it is included in the component of cash and cash equivalents.

Index to the notes

Source	International GAAP Investment Fund

Notes to the financial statements
for the year ended 31 December 2015 – continued

IFRS 7.8(f)

8. Borrowings

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

	Year ended 31/12/15	Year ended 31/12/14
	CU'000	CU'000
Unsecured – at amortized cost		
Bank overdrafts	25	16
Other *[describe]*	–	–
	25	16
Secured – at amortized cost		
Bank overdrafts (i)	17,847	9,939
Bank loans (ii)	7,355	50
Other *[describe]*	–	–
	25,202	9,989
	25,227	10,005

Index to the notes

Source	International GAAP Investment Fund
	Notes to the financial statements for the year ended 31 December 2015 – continued
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 overdrafts is 4.72 percent per annum (2014: 6.1 percent per annum).
	(ii) Payable within 12 months as at the reporting date and secured by a pledge over the Fund's investments in listed equity securities, listed debt securities and open-ended investment funds (see Note 5). The current weighted average effective interest rate on the bank loans is 4.12 percent per annum (2014: 5.22 percent per annum).
IFRS 8.20	**9. Segment information**
IFRS 8.23	*(a) Segment results and net assets*

IFRS 8 *Operating Segments* specifies how an entity should report information about its operating segments in its annual financial statements and applies to the separate or individual financial statements of an entity and the consolidated financial statements of a group with a parent:

i. whose debt or equity instruments are traded in a public market (a domestic or foreign stock exchange or an OTC market, including local and regional markets), or
ii. that files, or is in the process of filing, its financial statements with a securities commission or other regulatory organization for the purpose of issuing any class of instruments in a public market.

An example of a fund that has more than one segment, could be a multi-manager fund where management reviews the performance of each management portfolio separately. IFRS 8 requires disclosure of:

- factors used to identify the entities' operating segments,
- types of products and services from which each reportable segment derives its revenues, and
- information about profit or loss and assets and liabilities for each reportable segment.

IFRS 8.31 requires entities that have a single reportable segment to disclose information about:

i. products and services
ii. geographical areas
iii. major customers

The Fund is organized in one 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 the statements of comprehensive income, financial position and relevant notes.

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.

Source	International GAAP Investment Fund

Notes to the financial statements for the year ended 31 December 2015 – continued

(b) Other information

IFRS 8.33

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

	Operating income/(loss)	
	31/12/15	31/12/14
	CU'000	CU'000
A Land	64,888	(223,286)
B Land	10,544	(31,523)
C Land	1,622	525
Other	4,056	(8,406)
	81,110	(262,690)

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

IFRS 8.34

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

Source	International GAAP Investment Fund

Notes to the financial statements
for the year ended 31 December 2015 – continued

IFRS 7.20(b)

10. Interest income

	Year ended 31/12/15	Year ended 31/12/14
	CU'000	CU'000
Interest income on cash and bank balances	166	64
Interest income on financial assets at fair value through profit or loss:		
Listed debt securities held for trading	2,894	745
Listed debt securities designated as at fair value through profit or loss	267	100
	3,327	909

IFRS 7.20(b)

11. Finance costs

	Year ended 31/12/15	Year ended 31/12/14
	CU'000	CU'000
Distributions to holders of redeemable shares	2,000	–
Interest paid on bank overdrafts and bank loans	389	1,421
	2,389	1,421

Distributions to holders of redeemable shares comprise dividends declared and paid by the Fund to the holders of redeemable shares during the year. The distributions are presented as finance costs due to the redeemable shares being classified as financial liabilities in the statement of financial position as described in Note 3.13 to the financial statements.

An additional dividend of CU 500,000 has been proposed by the board of directors on *[insert date]* for the year ended 31 December 2015 which is not reflected in these financial statements.

Source	International GAAP Investment Fund

Notes to the financial statements
for the year ended 31 December 2015 – 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 NAV 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.

Source	International GAAP Investment Fund

Notes to the financial statements
for the year ended 31 December 2015 – continued

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

	Year ended 31/12/15			Year ended 31/12/14		
	Class A shares	Class B shares	Total number of shares	Class A shares	Class B shares	Total number of shares
Number of redeemable shares outstanding at 1 January	2,244,028	322,258	2,566,286	2,244,028	322,258	2,566,286
Issue of redeemable shares	26,000	10,350	36,350	–	–	–
Redemption of redeemable shares	(32,816)	–	(32,816)	–	–	–
Number of redeemable shares outstanding at 31 December	2,237,212	332,608	2,569,820	2,244,028	322,258	2,566,286

(b) NAV per share

The NAV as per the offering memorandum issued by an investment fund may differ from the NAV of the fund measured in accordance with the requirements of IFRS. Common differences may include the capitalization and amortization of start-up costs (whereas under IFRS purposes they are expensed as incurred) and the subsequent measurement of other financial liabilities at fair value (whereas under IFRS these are subsequently measured at amortized cost using the effective interest method).

In the case of any difference between NAV per the offering memorandum and that per IFRS, 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. Although not required by IFRS, a fund may present a reconciliation of the NAV as per IFRS and to the NAV calculated as per the offering memorandum with additional disclosures in the notes to the financial statements to assist users in understanding the differences between the two amounts. This disclosure is not required under IFRS, but it is industry practice and useful to investors.

Source	International GAAP Investment Fund

Notes to the financial statements
for the year ended 31 December 2015 – continued

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

	Year ended 31/12/15		Year ended 31/12/14	
	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	51.67	51.84
Adjustment for start-up costs see (i) below	(0.10)	(0.10)	(0.15)	(0.15)
NAV per share (in accordance with IFRS)	81.61	81.98	51.52	51.69

(i) Start-up costs adjustment

Start-up costs are amortized over a period of years as per the offering memorandum, for NAV per share used for issuance and redemption of shares. However, they are expensed as incurred in accordance with IFRS.

13. Financial instruments not measured at fair value

IFRS 7.29

The financial instruments not measured at fair value are short-term financial assets and financial liabilities whose carrying amounts are a reasonable approximation of fair value.

Cash and cash equivalents include cash in hand, deposits held with banks and other short term investments in an active market with original maturities of three months or less.

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

IAS 24.18

14. Related party transactions

[*Name of entity*] (the investment manager), and the directors are considered related parties of the Fund due to direct or indirect control and transactions with them which are summarized as follows:

IAS 24.23

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.

Index to the notes

Source	International GAAP Investment Fund

Notes to the financial statements for the year ended 31 December 2015 – continued

IAS 24.18

Investment manager

The Fund has appointed [*name entity, a subsidiary of the investment manager*] to provide management services pursuant to a management agreement dated [*insert date*]. Under the terms of the agreement the Fund pays the investment manager [*insert terms of the agreement*]. In addition the Fund pays a performance fee calculated [*insert terms as per the agreement*]. Management and performance fees for the year ended 31 December 2015 totalled CU 2,085,682 (2014: CU 3,025,071) and are presented in the statement of comprehensive income. The amount outstanding at the year end is CU 173,820 (2014: CU 252,090) and it is included in accounts payable.

Board of directors

The members of the board of directors are listed on page [*insert page number where directors are listed*] of the annual report. Directors' fees paid during the year ended 31 December 2015 totalled CU 15,000 (2014: CU 15,000) and are presented in the statement of comprehensive income. The amount outstanding at the year end is CU 3,750 (2014: CU 3,750) and it is included in accounts payable. No other staff costs are paid by the Fund.

IAS 24.18

For the years ended 31 December 2015 and 31 December 2014 members of the board of directors held shares in the Fund as detailed below:

	Number of shares at the beginning of the year	Number of shares acquired during the year	Number of shares disposed of during the year	Number of shares at year end	Distribution received CU'000
2015	12,000	1,350	–	13,350	400
2014	12,000	–	–	12,000	–

Transactions with related parties may also include:
– trades between related funds
– investments in related party stock
– seed and other unitholdings by entities related to the investment manager, senior management or other governance groups
– borrowings or other facilities used from related parties

Index to the notes

Source	International GAAP Investment Fund

Notes to the financial statements
for the year ended 31 December 2015 – continued

15. Other key relationships

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 31 December 2015 totalled CU 216,486 (2014: CU 443,250) and are presented in the statement of comprehensive income. The amount outstanding at the year end is CU 18,040 (2014: CU 36,937) and it is included in accounts payable.

Administrator

The Fund has appointed [*name of entity*] to provide administrative services pursuant to an administration agreement dated [*insert date*]. Under the terms of the agreement the Fund pays the administrative agent [*insert terms of the agreement*]. Administrative fees for the year ended 31 December 2015 totalled CU 137,846 (2014: CU 75,700) and are presented in the statement of comprehensive income. The amount outstanding at the year end is CU 11,487 (2014: CU 6,308) and it is included in accounts payable.

IAS 10.21

16. Events after statement of financial position date

There have been no significant events after the statement of financial position date which in the opinion of the board of directors requires recognition or disclosure in the financial statements.

17. Approval of financial statements

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

Independent auditors' report

Source	International GAAP Investment Fund

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

Board of directors
[APPROPRIATE ADDRESS]

To the shareholders of International GAAP Investment Fund

Report on the financial statements

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

Management's responsibility for the financial statements

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

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA). 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' judgement, 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.

Source	International GAAP Investment Fund
	We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.
	Opinion
	In our opinion, the financial statements give a true and fair view of the financial position of International GAAP Investment Fund as of 31 December 2015, and its financial performance, changes in its net assets attributable to holders of redeemable shares and its cash flows for the year then ended in accordance with the International Financial Reporting Standards.
	[Signature]
	[Date]
	[Address}
	The audit of the financial statements may be conducted in accordance with 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.
	The format of the audit report may be impacted when local auditing standards apply.

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

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

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

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

This Appendix illustrates:

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

for an open-ended fund that issues puttable instruments which are classified as equity under IAS 32 *Financial Instruments: Presentation*.
For the purpose of this illustration, this Fund has no redeemable shares classified as liabilities.

IAS 33 *Earning per share* applies to entities whose ordinary shares or potential ordinary shares are traded in a public market (a domestic or foreign stock exchange or an OTC market, including local and regional markets) or that files, or is in the process of filing, its financial statements with a securities commission or other regulatory organization for the purpose of issuing ordinary shares in a public market.

The shares of the Fund in this Appendix are puttable instruments which are classified as equity under IAS 32. As per IAS 32.96(c), puttable instruments which are not considered as equity for the purpose of IAS 33 are exempted from the requirements of providing earning per share information in the financial statements.

Investment funds issue shares or units with unique, entity specific characteristics which represent the investors' ownership interest. Determining whether the units issued meet the definition to qualify as financial liabilities or equities requires considerations of the features of the fund's unit against the general definition contained in IAS 32.11, and the other guidance contained within IAS 32.

One of the key features in differentiating a financial liability from equity is the existence of a contractual obligation of one party to the financial instrument (the issuer) to deliver cash or another financial asset to the other party (the holder), or to exchange financial assets or financial liabilities with the holder under conditions that are potentially unfavorable to the issuer. Investment funds typically issue units that are redeemable at the option of the holder for cash and thus meet the definition of a financial liability as they contain a contractual obligation of the issuer to deliver cash to the holder.

Do the units qualify as puttable instruments under IAS 32?

As the units give the holder the right to put the instrument back to the issuer for cash, they are puttable instruments as defined in IAS 32 and may qualify for and require presentation as equity by exception if specified criteria under IAS 32. 16A and 16B are all satisfied.

IAS 32.16A allows a puttable instrument to be classified as equity if it has met all of the following characteristics:

1) it entitles the holder to a pro-rata share of the fund's net assets in the event of the fund's liquidation;

2) the instrument is in the class of the instruments that is subordinate to all other classes of instruments;

3) all financial instruments in the class that is subordinate to all other classes of instruments have identical features. For example, they all must be puttable, and the formula or other method used to calculate the repurchase or redemption price is the same for all instruments in that class;

4) apart from the contractual obligation for the issuer to repurchase or redeem the instruments for cash or another financial asset, the instrument does not include any contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or liabilities with another entity under conditions that are potentially unfavorable to the fund; and

5) the total expected cash flows attributable to the instrument over the life of the instrument are based substantially on the profit or loss over the life of the instrument, or the change in recognized net assets or the change in fair value of the recognized and unrecognized net assets of the fund.

IAS 32.16B also states for an instrument to qualify as equity, the fund must not have any other instrument that has:

1) total cash flows based substantially on the profit or loss, or the change in recognized net assets or the change in fair value of the recognized and unrecognized net assets of the fund; and

2) the effect of substantially restricting or fixing the residual return to the puttable instrument holders.

A fund will normally easily satisfy all conditions from IAS 32.16A except (3), as they normally issue multiple series and the series are equally subordinate but have different features, for example, different fee rates, lock up periods and different liquidity terms.

It is important to note that it is not appropriate to assume that the puttable units of a fund with multiple series will automatically violate condition 3 from IAS 32.16A. An analysis must be performed to assess the features attached to each series.

Source	International GAAP Investment Fund			
IAS 1.10(b) IAS 1.51(b),(c)	**Statement of profit or loss and other comprehensive income for the year ended 31 December 2015**			
IAS 1.113		Notes	Year ended 31/12/15	Year ended 31/12/14
IAS 1.51(d),(e)			CU'000	CU'000
IAS 1.82(a)	**Revenue**			
IAS 18.35(b)(iii)	Interest income	3.4, 10	3,327	909
IAS 18.35(b)(v)	Dividend income	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	3.5, 5(c)	155,741	(244,301)
IAS 21.52(a)	Net foreign currency gains/(losses)	3.3	993	3,551
IAS 1.85	**Total operating income/(loss)**		81,110	(262,690)
IAS 1.85	**Expenses**			
IAS 1.99	Management fees	3.11, 14	(1,998)	(2,851)
IAS 1.99	Performance fees	3.11, 14	(88)	(174)
IAS 1.99	Custodian fees	3.11, 15	(216)	(443)
IAS 1.99	Administration fees	3.11, 15	(138)	(76)
IAS 1.99	Transaction costs	3.11, 3.5	(107)	(321)
IAS 1.99	Professional fees		(7)	(10)
IAS 1.99	Directors' fees	3.11, 14	(15)	(15)
IAS 1.99	Other expenses		(7)	(1)
IAS 1.85	**Total operating expenses**		(2,576)	(3,891)
	Operating profit/(loss)		78,534	(266,581)
IAS 1.82(b) IAS 1.85	**Finance costs**			
	Interest expense	11	(389)	(1,421)
	Profit/(loss) before tax		78,145	(268,002)
IAS 1.82(d)	Withholding taxes	3.10	(87)	(60)
	Profit/(loss) after tax		78,058	(268,062)
	Profit/(loss and other comprehensive income for the year		78,058	(268,062)

Source	International GAAP Investment Fund			
IAS 1.10(a) IAS 1.51(b),(c)	**Statement of financial position at 31 December 2015**			
IAS 1.113		Notes	Year ended 31/12/15	Year ended 31/12/14
IAS 1.51(d),(e)			CU'000	CU'000
	Assets			
IAS 1.60	**Current assets**			
IAS 1.54(i)	Cash and cash equivalents	3.7, 7	270	139
IAS 1.54(h)	Dividends receivable		370	541
IAS 1.54(h)	Interest receivable		387	677
IAS 1.54(h)	Receivable from brokers	3.6	3	3
IAS 1.54(d)	Financial assets at fair value through profit or loss	3.5, 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	3.5, 3.8, 5	36,579	15,957
IAS 1.55	**Total assets**		235,854	144,765
	Equity and liabilities			
IAS 1.136A(a)				
IAS 1.78(e)	Share capital	3.13, 12	26	26
IAS 1.78(e)	Share premium	3.13, 12	303,998	303,787
IAS 1.78(e)	Retained earnings/accumulated deficit	3.13, 12	(95,488)	(171,546)
	Total equity		208,536	132,267
IAS 1.60	**Current liabilities**			
IAS 1.55	Due to brokers	3.6	13	8
IAS 1.54(n)	Withholding tax payable		8	5
IAS 1.54(m)	Financial liabilities at fair value through profit or loss	3.5, 5	1,411	2,064
IAS 1.54(k)	Accrued expenses	3.9	659	416
IAS 1.55	Borrowings	3.9, 8	25,227	10,005
IAS 1.55	**Total liabilities**		27,318	12,498
	Total equity and liabilities		235,854	144,765

Source	International GAAP Investment Fund

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

Statement of changes in equity
for the year ended 31 December 2015

IAS 1.51(d),(e)

	Share capital	Share premium	Retained earnings	Total
	CU'000	CU'000	CU'000	CU'000
Balance at 1 January 2014	26	303,787	96,516	400,329
Profit/(loss) for the year	–	–	(268,062)	(268,062)
Payment of dividends	–	–	–	–
Issue of ordinary shares	–	–	–	–
Redemption of ordinary shares	–	–	–	–
Balance at 31 December 2014	26	303,787	(171,546)	132,267
Profit/(loss) for the year	–	–	78,058	78,058
Payment of dividends	–	–	(2,000)	(2,000)
Issue of ordinary shares	–	2,814	–	2,814
Redemption of ordinary shares	–	(2,603)	–	(2,603)
Balance at 31 December 2015	26	303,998	(95,488)	208,536

Source	International GAAP Investment Fund
	Notes to the financial statements for the year ended 31 December 2015
IAS 1.119	**3.13 Share capital**
IAS 32.16a,16b	The Fund has two classes of ordinary shares in issue. The Fund's ordinary shares meet the definition of puttable instruments and are classified as equity in accordance with IAS 32 *Financial instruments: Presentation* and IAS 1 *Presentation of financial statements* 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, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received is included in equity attributable to the Fund's equity holders.
	Should the ordinary shares' terms or conditions change such that they do not comply with the strict criteria contained in the amendment, the ordinary shares would be reclassified as 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.

Source	International GAAP Investment Fund

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
2015				
Accrued expenses	613	14	32	659
Due to brokers	12	1	–	13
Borrowings	17,872	6,209	1,146	25,227
Financial liabilities at fair value through profit or loss	869	86	–	955
	19,366	6,310	1,178	26,854
2014				
Accrued expenses	367	23	26	416
Due to brokers	7	1	–	8
Borrowings	9,955	50	–	10,005
Financial liabilities at fair value through profit or loss	1,194	588	–	1,782
	11,523	662	26	12,211

Source	International GAAP Investment Fund

Notes to the financial statements for the year ended 31 December 2015

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 NAV 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.

Source	International GAAP Investment Fund

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

	Year ended 31/12/15			Year ended 31/12/14		
	Class A shares	Class B shares	Total number of shares	Class A shares	Class B shares	Total number of shares
Number of ordinary shares outstanding at 1 January	2,244,028	322,258	2,566,286	2,244,028	322,258	2,566,286
Issue of ordinary shares	26,000	10,350	36,350	–	–	–
Redemption of ordinary shares	(32,816)	–	(32,816)	–	–	–
Number of ordinary shares outstanding at 31 December	2,237,212	332,608	2,569,820	2,244,028	322,258	2,566,286

Other than the heading, this has no other difference when compared to the note included in the main body of the illustrative financial statements.

Source	International GAAP Investment Fund

Notes to the financial statements for the year ended 31 December 2015

(b) NAV per share

The NAV as per the offering memorandum issued by an investment fund may differ from the NAV of the fund measured in accordance with the requirements of IFRSs. Common differences may include the capitalization and amortization of start-up costs (whereas under IFRSs they are expensed as incurred) and the subsequent measurement of other financial liabilities at fair value (whereas under IFRSs these are subsequently measured at amortized cost using the effective interest method).

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 IFRSs. 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 IFRSs with additional disclosures in the notes to the financial statements to assist in understanding the differences between the two amounts.

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 IFRSs, as follows:

	Year ended 31/12/15		Year ended 31/12/14	
	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	51.67	51.84
Adjustment for start-up costs	(0.10)	(0.10)	(0.15)	(0.15)
NAV per share (in accordance with IFRS)	81.61	81.98	51.52	51.69

Appendix 2 – Disclosure of interests in other entities IFRS 12

This Appendix provides guidance on the necessary disclosures required of an entity's interest in other entities (both consolidated and unconsolidated). Inputs from users of financial statements and the global financial crisis of 2008 highlighted a lack of transparency about the risks an entity was exposed to from its interests in other entities.

In response to input received from users, it was decided to address the need in IFRS 12 the need for improved disclosures of a reported entity's interests in other entities when the reporting entity has a special relationship with those other entities, by disclosing information that enables users of the financial statements to evaluate:

a. the nature of, and risks associated with, its interests in other entities; and

b. the effects of those interests on its financial position, financial performance and cash flows.

"Interests in other entities" are any interests that exposes the investment company to variability of returns related to that other entity. These interests can take the form of investments in debt or equity instruments, as well as other forms such as agreements to provide funds, guarantees, or credit enhancement. An investment company will have interests in other entities, regardless of whether the investment company meets the technical definition of an investment entity in IFRS 10 discussed in Appendix 3.

All investment companies will therefore need to consider the application of IFRS 12 in determining their financial statement note disclosure.

IFRS 12 is organized into the following areas for disclosure. But please note that this discussion is not exhaustive.

- Significant judgements and assumptions: For an entity that considers itself an investment entity under the principles of IFRS 10, this disclosure could include how this judgment was made.
- Interests in subsidiaries: Investment companies that prepare consolidated financial statements will need to consider these disclosure requirements.
- Investment entities' interests in unconsolidated subsidiaries: This part of IFRS 12 is particularly relevant where an entity meeting the IFRS 10 definition of an entity has subsidiaries that it accounts for at fair value, as discussed in Appendix 3.
- Interests in joint arrangements and associates: This part of IFRS 12 should be considered by investment companies with these sorts of interests.
- Interests in unconsolidated structured entities: A structured entity is defined by IFRS 12 as one where voting or similar rights are not the deciding factor in determining whether control exists. This part of IFRS 12 deals with disclosures of interests that an entity may have in such entities that are not consolidated in the entity's financial statements. For an investment company, this can include investments in other investment funds if those funds meet the definition of a "structured entity".

Interests in unconsolidated subsidiaries – An investment entity that does not consolidate its subsidiaries needs to disclose that fact. This part of IFRS 12 deals with various disclosures required of the unconsolidated subsidiaries (name, principal place of business, country of incorporation, proportion of ownership interest). It also deals with various disclosures required for any significant restrictions and any contractual obligations to provide financial or other support.

The application of IFRS 12 in a particular investment company's financial statements can be a matter of significant judgment. As noted above, different aspects of IFRS 12 may apply depending on the nature of an investment company's interests in other entities.

Appendix 3 – Investment entities – Exception to consolidation

This Appendix provides guidance for a particular class of investment funds known as 'investment entities'. The concept of an investment entity was introduced as part of a series of amendments made to IFRS 10, 12 and IAS 27 (the amendments), which are effective for annual periods beginning on or after 1 January 2014. These amendments effectively provide a limited-scope exception to the requirement to consolidate certain subsidiaries, for those parent entities that meet the definition of an investment entity. Please note that this Appendix does not address all the requirements and specific details included in the amendments and is not a substitute for a review of the amendments and related Standards themselves.

Investment entity status

To apply the consolidation exception, a parent should determine whether it is an investment entity as defined within IFRS 10.

IFRS 10.27 sets out three elements that differentiate investment entities from other entities and that must be met in order for an entity to qualify as an investment entity. The three elements are as follows:

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

In addition, IFRS 10.28 also lists four typical characteristics of an investment entity, which are stated below:

4. it has more than one investment;
5. it has more than one investor;
6. it has investors that are not related parties; and
7. it has ownership interest in the form of equity or similar interests.

The absence of one or more of these four typical characteristics does not prevent an entity from qualifying as an investment entity.
The assessment of whether or not an entity meets the definition of an investment entity may require the entity to make significant judgements and assumptions. Information about significant judgements and assumptions should be disclosed (see IFRS 12.9A). Appendix B to IFRS 10 includes additional guidance to perform this assessment.

Consolidation exception

The most important implication of being considered an investment entity under IFRS 10 is the guidance that is provided for accounting for subsidiaries by investment entities. Although IFRS 10 generally requires that all subsidiaries are consolidated, IFRS 10 now provides an exception to this requirement for those parent entities that meet the definition of an investment entity, meaning that subsidiaries of investment entities are generally to be accounted for at fair value through profit or loss as opposed to through consolidation. However, there is some complexity and judgment involved in this assessment, which was the subject of some further amendments to IFRS 10, which become effective in 2016. This discussion incorporates these recent amendments.

Note that the initial amendments regarding investment entities became effective in 2014 (the amendments noted in the first paragraph of this Appendix) and the further clarifications become effective in 2016, with earlier application permitted. As a result, investment entities reporting on a 2015 fiscal year end, for example, should have adopted the 2014 amendments but need not have implemented the further clarifications provided with a 2016 effective date. Investment entities should refer to the transitional requirements in IFRS 10 for more information.

The general principle underpinning the investment entity guidance in IFRS 10 is that investment entities should account for subsidiaries at fair value, rather than consolidating them. However, there is an exception whereby subsidiaries whose main purpose is to provide services related to the investment entity parent's investing activities are required to be consolidated. Questions were raised regarding subsidiaries that are themselves investment entities and also provide services to the parent investment entity. In response to these questions, the amendments effective in 2016 clarify that a subsidiary that is an investment entity and provides services should be accounted for at fair value and not consolidated. In other words, the subsidiary's status as an investment entity outweighs the fact that it may also provide services to the investment entity parent.

Please refer to Appendix 5 for the requirements applicable in 2016.

Appendix 4 – Disclosure requirements IFRS 7

Source	Disclosure requirements
	This appendix provides additional guidance and disclosure requirements to ensure completeness of the requirements specified in IFRS 7 Appendix B.
	Loans or receivable designated at fair value through profit and loss
	Has the entity designated a loan or receivable (or group of loans or receivables) as at fair value through profit or loss?
	If yes: It shall disclose:
IFRS 7.9(a)	a) the maximum exposure to credit risk of the loan or receivable (or group of loans or receivables) at the end of the reporting period;
IFRS 7.9(b)	b) the amount by which any related credit derivatives or similar instruments mitigate that maximum exposure to credit risk;
IFRS 7.9(c)	c) the amount of change, during the period and cumulatively, in the fair value of the loan or receivable (or group of loans or receivables) that is attributable to changes in the credit risk of the financial asset determined either; i) as the amount of change in its fair value that is not attributable to changes in market conditions that give rise to market risk; or ii) using an alternative method the entity believes more faithfully represents the amount of change in its fair value that is attributable to changes in the credit risk of the asset; and
IFRS 7.9(d)	d) the amount of the change in the fair value of any related credit derivatives or similar instruments that has occurred during the period and cumulatively since the loan or receivable was designated.
	Notes:
IFRS 7.B9	1) The maximum exposure to credit risk reported for financial assets is typically the gross amount net of any amount offset in accordance with IAS 32 and any impairment losses in terms of IAS 39, i.e., it should not take account of any collateral held or other credit enhancements (e.g., netting agreements that do not qualify for offset in accordance with IAS 32).
IFRS 7.9	2) Changes in market conditions that give rise to market risk include changes in an observed (benchmark) interest rate, commodity price, foreign exchange rate or an index of prices or rates.

Source	International GAAP Investment Fund
	Has the entity been designated a financial liability as at fair value through profit or loss in accordance with paragraph 9 of IAS 39?
	If yes: It shall disclose:
IFRS 7.10(a)	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 determined either:
	i) as the amount of change in its fair value that is not attributable to changes in market conditions that give rise to market risk; or
	ii) using an alternative method the entity believes more faithfully represents the amount of change in its fair value that is attributable to changes in the credit risk of the liability; and
IFRS 7.10(b)	b) the difference between the financial liability's carrying amount and the amount the entity would be contractually required to pay at maturity to the holder of the obligation.
	Notes:
IFRS 7.10	1) Changes in market conditions that give rise to market risk include changes in a benchmark interest rate, the price of another entity's financial instrument, commodity price, foreign exchange rate or an index of prices or rates. For contracts that include a unit-linking feature, changes in market conditions include changes in the performance of the related internal or external investment fund.
IFRS 7.B4	2) If the only relevant changes in market conditions for a liability are changes in an observed (benchmark) interest rate, the amount of change in fair value not attributable to changes in market conditions can be estimated as follows: • compute the liability's internal rate of return at the start of the period using both the liability's observed market price and the contractual cash flows at the start of the period, and then deduct the observed benchmark interest rate at the start of the period to arrive at an instrument-specific component of the internal rate of return; • calculate the present value of the cash flows associated with the liability using the liability's contractual cash flows at the end of the period and a discount rate equal to the sum of (i) the benchmark interest rate at the end of the period, and (ii) the instrument-specific component of the internal rate of return (as calculated above); and • the difference between the observed market price of the liability at the end of the period and the present value of the contractual cash flows at the end of the period (as calculated above) is the change in fair value not attributable to changes in the benchmark interest rate that shall be disclosed.

Source	International GAAP Investment Fund
	Reclassification of
	Did the entity reclassify a financial asset from one category to another during the reporting period?
	If yes:
	If the entity has reclassified a financial asset (in accordance with paragraphs 51 to 54 of IAS 39) as one measured
IFRS 7.12(a)	a) at cost or amortized cost, rather than at fair value; or
IFRS 7.12(b)	b) at fair value, rather than at cost or amortized cost,
	it shall disclose the amount reclassified into and out of each category and the reason for that reclassification.
	Has the entity reclassified a financial asset out of the fair value through profit or loss category in accordance with paragraph 50B or 50D of IAS 39 or out of the available-for-sale category in accordance with paragraph 50E of IAS 39?
	If yes:
	It shall disclose:
IFRS 7.12a(a)	a) the amount reclassified into and out of each category;
IFRS 7.12a(b)	b) for each reporting period until derecognition, the carrying amounts and fair values of all financial assets that have been reclassified in the current and previous reporting periods;
IFRS 7.12a(c)	c) if a financial asset was reclassified in accordance with paragraph 50B, the rare situation, and the facts and circumstances indicating that the situation was rare;
IFRS 7.12a(d)	d) for the reporting period when the financial asset was reclassified, the fair value gain or loss on the financial asset recognized in profit or loss or other comprehensive income in that reporting period and in the previous reporting period;
IFRS 7.12a(e)	e) for each reporting period following the reclassification (including the reporting period in which the financial asset was reclassified) until derecognition of the financial asset, the fair value gain or loss that would have been recognized in profit or loss or other comprehensive income if the financial asset had not been reclassified, and the gain, loss, income and expense recognized in profit or loss; and
IFRS 7.12a(f)	f) the effective interest rate and estimated amounts of cash flows the entity expects to recover, as at the date of reclassification of the financial asset.

Source	International GAAP Investment Fund
	Offsetting financial assets and financial liabilities
IFRS 7.13(a)	Does the entity have any recognized financial instruments which are set off in accordance with paragraph 42 of IAS 32?
IFRS 7.b41	**If yes:** Irrespective of whether the instruments are offset in the statement of financial position, does the entity have any recognized financial instruments that are subject to an enforceable master netting arrangement or similar agreement (e.g., derivative clearing agreements, global master purchase agreements, global master securities lending agreements and any related rights to financial collateral)?
IFRS 7.13b IFRS 7.13c	**If yes:** The entity shall disclose information to enable users of its financial statements to evaluate the effect or potential effect of netting arrangements on the entity's financial position, including (in a tabular format, separating financial assets and financial liabilities unless another format is more appropriate) the following information at the end of the reporting period:
IFRS 7.13C(a)	a) the gross amounts of those recognized financial assets and recognized financial liabilities;
IFRS 7.13c(b)	b) the amounts that are set off in accordance with the criteria in paragraph 42 of IAS 32;
IFRS 7.13c(c)	c) the net amounts presented in the statement of financial position ((a) less (b));
IFRS 7.13c(d)	d) the amounts subject to an enforceable master netting arrangement or similar agreements that are not otherwise included in (b), including: i) amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in paragraph 42 of IAS 32; and ii) amounts related to financial collateral (including cash collateral); and
IFRS 7.13c(e)	e) the net amount after deducting the amounts in (d) from the amounts in (c) above.
IFRS 7.13(d) IFRS 7.B51	The amounts disclosed in (d) for an instrument should be limited to the amount in (c) for that instrument. **Note:** These disclosures may be grouped entirely by type of financial instrument or transaction (e.g., derivatives,

Source	International GAAP Investment Fund
	repurchase and reverse repurchase agreements or securities borrowing and securities lending agreements). Alternatively, these disclosures may be provided by type of financial instrument for items (a) – (c) and by counterparty for items (c) – (e), respectively. If the entity provides the required information by counterparty, the entity is not required to identify the counterparties by name but the amounts that are individually significant in terms of total counterparty amounts should be disclosed with the remaining individually insignificant counterparty amounts aggregated together.
IFRS 7.13e	The entity shall include a description of the rights of set off associated with the entity's recognized financial assets and recognized financial liabilities subject to enforceable master netting arrangements and similar agreements that are disclosed in accordance with (d), including the nature of those rights.
IFRS 7.13f	If the information required by paragraphs 13b–13e of IFRS 7 is disclosed in more than one note to the financial statements, has the entity cross-referred between those notes?
IFRS 7.B52	**Note:** *Disclosures – Offsetting Financial Assets and Financial Liabilities* (Amendments to IFRS 7), issued in December 2011, added paragraphs 13A-13F and B40-B53 to IFRS 7. An entity shall apply these amendments when it applies *Disclosures – Offsetting Financial Assets and Financial Liabilities* (Amendments to IFRS 7).
	Collateral
	Does the entity hold any financial assets at the reporting date that has been pledged as collateral for liabilities or contingent liabilities?
	If yes: The entity shall disclose:
IFRS 7.14(a)	a) the carrying amount of financial assets it has pledged as collateral for liabilities or contingent liabilities, including amounts that have been reclassified in the statement of financial position (e.g., as a loaned asset, pledged equity instruments, or repurchase receivable) separately from other assets as the transferee has the right to sell or repledge the collateral, in accordance with paragraph 37(a) of IAS 39; and
IFRS 7.14(b)	b) the terms and conditions relating to its pledge.

Source	International GAAP Investment Fund
IFRS 7.15	Does the entity hold collateral (of financial or non-financial assets) and is the entity permitted to sell or repledge the collateral in the absence of default by the owner of the collateral?
	If yes: It shall disclose:
IFRS 7.15(a)	a) the fair value of such collateral held;
IFRS 7.15(b)	b) the fair value of any such collateral sold or repledged, and whether the entity has an obligation to return it; and
IFRS 7.15(c)	c) the terms and conditions associated with its use of the collateral.
	Allowance account for credit losses
	Does the entity hold any financial assets impaired by credit losses?
IFRS 7.16	**If yes:** When financial assets are impaired by credit losses and the entity records the impairment in a separate account (e.g., an allowance account used to record individual impairments or a similar account used to record a collective impairment of assets) rather than directly reducing the carrying amount of the asset, it shall disclose a reconciliation of changes in that account during the period for each class of financial assets.
	Compound financial instruments with multiple embedded derivatives
	Has the entity issued any compound financial instruments with multiple embedded derivatives?
IFRS 7.17	**If yes:** If the entity has issued an instrument that contains both a liability and an equity component, and the instrument has multiple embedded derivatives whose values are interdependent (such as a callable convertible debt instrument), it shall disclose the existence of those features.

Source	International GAAP Investment Fund
	Defaults and breaches
	Did the entity incur any defaults or breaches on loans payable?
	If yes:
IFRS 7.18(a)	a) details of any defaults during the period of principal, interest, sinking fund, or redemption terms of those loans payable;
IFRS 7.18(b)	b) the carrying amount of the loans payable in default at the end of the reporting period; and
IFRS 7.18(c)	c) whether the default was remedied, or the terms of the loans payable were renegotiated, before the financial statements were authorized for issue.
IFRS 7.19	If, during the period, there were breaches of loan agreement terms other than those described in paragraph 18 of IFRS 7 (see above), the entity shall disclose the same information as required by paragraph 18 if those breaches permitted the lender to demand accelerated repayment (unless the breaches were remedied, or the terms of the loan were renegotiated, on or before the end of the reporting period).
	Hedge accounting
	Has the entity applied hedge accounting in accordance with IAS 39?
	If yes:
	The entity shall disclose the following separately for each type of hedge (i.e., fair value hedges, cash flow hedges, and hedges of net investments in foreign operations):
IFRS 7.22(a)	a) a description of each type of hedge;
IFRS 7.22(b)	b) a description of the financial instruments designated as hedging instruments and their fair values at the end of the reporting period; and
IFRS 7.22(c)	c) the nature of the risks being hedged.
	Are any of these hedges cash flow hedges?
	If yes:
	For cash flow hedges, the entity shall disclose:
IFRS 7.23(a)	a) the periods when the cash flows are expected to occur and when they are expected to affect profit or loss;
IFRS 7.23(b)	b) a description of any forecast transaction for which hedge accounting had previously been used, but which is no longer expected to occur;

Source	International GAAP Investment Fund
IFRS 7.23(c)	c) the amount that was recognized in other comprehensive income during the period;
IFRS 7.23(d)	d) the amount that was reclassified from equity to profit or loss for the period, showing the amount included in each line item in the statement of comprehensive income; and
IFRS 7.23(e)	e) the amount that was removed from equity during the period and included in the initial cost or other carrying amount of a non-financial asset or non-financial liability whose acquisition or incurrence was a hedged highly probable forecast transaction.
	The entity shall disclose separately:
IFRS 7.24(a)	a) in fair value hedges, gains or losses:
	i) on the hedging instrument; and
	ii) on the hedged item attributable to the hedged risk;
IFRS 7.24(b)	b) in cash flow hedges, the ineffectiveness recognized in profit or loss; and
IFRS 7.24(c)	c) for hedges of net investments in foreign operations, the ineffectiveness recognized in profit or loss.
	Further IAS 1 described certain disclosure requirements for the share capital and dividend which are as follows
IAS 1.77	An entity shall disclose, either in the statement of financial position or in the notes, further sub-classifications of the line items presented, classified in a manner appropriate to the entity's operations.
	An entity shall disclose the following, either in the statement of financial position or the statement of changes in equity, or in the notes:
IAS 1.79(a)	a) for each class of share capital:
	i) the number of shares authorized;
	ii) the number of shares issued and fully paid, and issued but not fully paid;
	iii) par value per share, or that the shares have no par value;
	iv) a reconciliation of the number of shares outstanding at the beginning and at the end of the period;
	v) the rights, preferences and restrictions attaching to that class, including restrictions on the distribution of dividends and the repayment of capital;

Source	International GAAP Investment Fund
	vi) shares in the entity held by the entity or by its subsidiaries or associates; and
	vii) shares reserved for issue under options and contracts for the sale of shares, including the terms and amounts; and
IAS 1.79(b)	b) a description of the nature and purpose of each reserve within equity.
IAS 1.80	An entity without share capital (e.g., a partnership or trust), shall disclose information equivalent to that required by paragraph 79(a) of IAS 1 (see above), showing changes during the period in each category of equity interest and the rights, preferences and restrictions attaching to each category of equity interest.
	Capital
IAS 1.134	An entity shall disclose information that enables users of its financial statements to evaluate the entity's objectives, policies and processes for managing capital.
	To comply with paragraph 134 of IAS 1 (see above), the entity discloses the following:
IAS 1.135(a)	a) qualitative information about its objectives, policies and processes for managing capital, including:
	i) a description of what it manages as capital;
	ii) when an entity is subject to externally imposed capital requirements, the nature of those requirements and how those requirements are incorporated into the management of capital; and
	iii) how it is meeting its objectives for managing capital;
IAS 1.135(b)	b) summary quantitative data about what it manages as capital;
IAS 1.135(c)	c) any changes in 135(a) and 135(b) (see above) from the previous period;
IAS 1.135(d)	d) whether during the period it complied with any externally imposed capital requirements to which it is subject; and
IAS 1.135(e)	e) when the entity has not complied with such externally imposed capital requirements, the consequences of such non-compliance.
IAS 1.136	When an aggregate disclosure of capital requirements and how capital is managed would not provide useful information or distorts a financial statement user's understanding of an entity's capital resources, the entity shall disclose separate information for each capital requirement to which the entity is subject.

Source	International GAAP Investment Fund
	Other disclosures
	An entity shall disclose in the notes:
IAS 1.137(a)	a) the amount of dividends proposed or declared before the financial statements were authorized for issue but not recognized as a distribution to owners during the period, and the related amount per share; and
IAS 1.137(b)	b) the amount of any cumulative preference dividends not recognized.
	An entity shall disclose the following, if not disclosed elsewhere in information published with the financial statements:
IAS 1.138(a)	a) the domicile and legal form of the entity, its country of incorporation and the address of its registered office (or principal place of business, if different from the registered office);
IAS 1.138(b)	b) a description of the nature of the entity's operations and its principal activities;
IAS 1.138(c)	c) the name of the parent entity and the ultimate parent of the group; and
IAS 1.138(d)	d) if it is a limited life entity, information regarding the length of its life.

Appendix 5 – Adoption of new and revised IFRS

This Appendix details the following:

1) New standards, interpretations and amendments to existing standards effective for the first time for periods beginning on 1 January 2015

2) New standards, interpretations and amendments to existing standards issued but not yet effective for periods beginning on 1 January 2015, but will be effective for later periods.

It has been assumed for the purposes of these illustrative financial statements that the application of new standards, interpretations and amendments to existing standards, will not have a material impact to the amounts recognized in these illustrative financial statements. Entities should analyze the impact of these new standards, interpretations and amendments to existing standards on their financial statements based on their specific facts and circumstances and make appropriate disclosures.

Standards, amendments and interpretations effective for the current year

The following new standards and amendments to IFRS have been adopted in these financial statements

- Amendments to IFRS *Annual Improvements to IFRS 2010-2012 Cycle*
- Amendments to IFRS *Annual Improvements to IFRS 2011-2013 Cycle*

Annual improvements to IFRS 2010 – 2012 cycle
(Effective for annual periods beginning on or after 1 July 2014, except as disclosed below)

The annual improvements include amendments to a number of IFRS. The requirements of the amendments and their impact on the Fund's financial statements has been summarized below.

Standard	Subject of amendment	Details
IFRS 13 *Fair Value Measurement*	Short-term receivables and payables	The amendment to the basis for conclusions of IFRS 13 clarifies that the issue of IFRS 13 and consequential amendments to IAS 39 and IFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial. This amendment does not include any effective date because this is just to clarify the intended meaning of the board in its basic for conclusions.
IAS 24 *Related Party Disclosures*	Key management personnel	The amendment clarifies that a management entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of compensation to key management personnel that is paid by the management entity to the management entity's employees or directors is not required.

The amendments have been applied retrospectively. As the Fund does not hold any short term receivables and payables and already discloses the amounts paid or payable to the key management personnel (i.e., the directors) for the provision of services, the amendments have had no material impact on the disclosures or on the amounts recognized in the Fund's financial statements.

Annual improvements to IFRS 2011 – 2013 cycle
(Effective for annual periods beginning on or after 1 July 2014)

The annual improvements includes an amendment to IFRS 13 which impacts the Fund. The requirements of the amendment and its impact on the Fund's financial statements has been summarized below.

Standard	Subject of amendment	Details
IFRS 13 *Fair Value Measurement*	Scope of paragraph 52 (portfolio exception)	The amendment clarifies that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32.

The amendment has been applied retrospectively. As the Fund does not hold any financial assets and liabilities that do not meet the definitions of financial asset or liabilities within IAS 32, the amendment has had no material impact on the disclosures or on the amounts recognized in the Fund's financial statements.

For the purposes of these illustrative financial statements, the following amendments to IFRS that are mandatorily effective for the year ending 31 December 2015 are not considered based on the operations of the Fund.

1. Amendments to IAS 19 *Defined Benefit Plans: Employee Contributions* (effective for annual periods beginning on or after 1 July 2014).
2. The following amendments from the Annual Improvements to IFRS 2010 – 2012 Cycle

Standard	Subject of amendment
IFRS 2 – *Share based payment*	Definition of vesting condition
IFRS 3 – *Business Combinations*	Accounting for contingent consideration in a business combination
IFRS 8 – *Operating Segments*	i) Disclosure of judgments involved in deciding whether or not to aggregate operating segments ii) When reconciliation of the total of the reportable segments' assets to the entity's assets is required
IAS 16 – *Property, Plant and Equipment;* IAS 38 – *Intangible Assets*	Revaluation method – proportionate restatement of accumulated depreciation (amortization)

3. The following amendments from the Annual Improvements to IFRS 2010 – 2012 Cycle

Standard	Subject of amendment
IFRS 3 – *Business Combinations*	Scope exceptions for joint ventures
IAS 40 – *Investment Property*	Clarifying the interrelationship between IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property

2.2 New and revised IFRS in issue but not yet effective

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

- IFRS 9 *Financial Instruments*;
- IFRS 14 *Regulatory Deferral Accounts;*
- IFRS 15 *Revenue from Contracts with Customers*;
- Amendments to IFRS 11 *Accounting for Acquisitions of Interests in Joint Operations*;
- Amendments to IAS 1 *Disclosure Initiative*;
- Amendments to IAS 16 and IAS 38 *Clarification of Acceptable Methods of Depreciation and Amortization*;
- Amendments to IAS 16 and IAS 41 *Agriculture: Bearer Plants*;
- Amendments to IAS 27 *Equity Method in Separate Financial Statements*;
- Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture;*
- Amendments to IFRS 10, IFRS 12 and IAS 28 *Investment Entities: Applying the Consolidation Exception*; and
- *Annual Improvements to IFRS 2012-2014 cycle.*

IFRS 9 *Financial Instruments* (as revised in 2014)
(Effective for annual periods beginning on or after 1 January 2018)

In July 2014, the IASB finalized the reform of financial instruments accounting and issued IFRS 9 (as revised in 2014), which contains the requirements for a) the classification and measurement of financial assets and financial liabilities, b) impairment methodology, and c) general hedge accounting. IFRS 9 (as revised in 2014) will supersede IAS 39 *Financial Instruments: Recognition and Measurement* in its entirety upon its effective date.

Classification and measurement of financial assets and financial liabilities

With respect to the classification and measurement, the number of categories of financial assets under IFRS 9 has been reduced; all recognized financial assets that are currently within the scope of IAS 39 will be subsequently measured at either amortized cost or fair value under IFRS 9. Specifically:

- a debt instrument that (i) is held within a business model whose objective is to collect the contractual cash flows and (ii) has contractual cash flows that are solely payments of principal and interest on the principal amount outstanding must be measured at amortized cost (net of any write down for impairment), unless the asset is designated at fair value through profit or loss (FVTPL) under the fair value option.
- a debt instrument that (i) is held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets and (ii) has contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, must be measured at FVTOCI, unless the asset is designated at FVTPL under the fair value option.

- all other debt instruments must be measured at FVTPL.

  – all equity investments are to be measured in the statement of financial position at fair value, with gains and losses recognized in profit or loss except that if an equity investment is not held for trading, an irrevocable election can be made at initial recognition to measure the investment at FVTOCI, with dividend income recognized in profit or loss.

IFRS 9 also contains requirements for the classification and measurement of financial liabilities and derecognition requirements. One major change from IAS 39 relates to the presentation of changes in the fair value of a financial liability designated as at FVTPL attributable to changes in the credit risk of that liability. Under IFRS 9, such changes are presented in other comprehensive income, unless the presentation of the effect of the change in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as FVTPL is presented in profit or loss.

Phase 2: Impairment methodology
The impairment model under IFRS 9 reflects expected credit losses, as opposed to incurred credit losses under IAS 39. Under the impairment approach in IFRS 9, it is no longer necessary for a credit event to have occurred before credit losses are recognized. Instead, an entity always accounts for expected credit losses and changes in those expected credit losses. The amount of expected credit losses should be updated at each reporting date to reflect changes in credit risk since initial recognition.

Phase 3: Hedge accounting
The general hedge accounting requirements of IFRS 9 retain the three types of hedge accounting mechanisms in IAS 39. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify as hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is no longer required. Far more disclosure requirements about an entity's risk management activities have been introduced.

The work on macro hedging by the IASB is still at a preliminary stage–a discussion paper was issued in April 2014 to gather preliminary views and direction from constituents with a comment period which ended on 17 October 2014. The project is under redeliberations at the time of writing.

Transitional provisions
IFRS 9 (as revised in 2014) is effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. If an entity elects to apply IFRS 9 early, it must apply all of the requirements in IFRS 9 at the same time, except for those relating to:

1. the presentation of fair value gains and losses attributable to changes in the credit risk of financial liabilities designated as at FVTPL, the requirements for which an entity may early apply without applying the other requirements in IFRS 9; and

2. hedge accounting, for which an entity may choose to continue to apply the hedge accounting requirements of IAS 39 instead of the requirements of IFRS 9.

An entity may early apply the earlier versions of IFRS 9 instead of the 2014 version if the entity's date of initial application of IFRS 9 is before 1 February 2015. The date of initial application is the beginning of the reporting period when an entity first applies the requirements of IFRS 9.

IFRS 9 contains specific transitional provisions for i) classification and measurement of financial assets; ii) impairment of financial assets; and iii) hedge accounting. Please see IFRS 9 for details. The directors of the Fund anticipate application of IFRS 9 in the future may have a material impact on amounts reported in respect of the Fund's financial assets and liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until the Fund undertakes a detailed review.

IFRS 14 *Regulatory Deferral Accounts*
(Effective for first annual financial statements with annual periods beginning on or after 1 January 2016)

IFRS 14 specifies the accounting for regulatory deferral account balances that arise from rate-regulated activities. This Standard is available only to first-time adopters of IFRS who recognized regulatory deferral account balances under the previous GAAP. IFRS 14 permits eligible first-time adopters of IFRS to continue their previous GAAP rate-regulated accounting policies, with limited changes, and requires separate presentation of regulatory deferral account balances in the statement of financial position and statement of profit or loss and comprehensive income. Disclosures are also required to identify the nature of, and risks associated with, the form of rate regulation that has given rise to recognition of regulatory deferral account balances.

IFRS 14 is effective for an entity's first annual IFRS financial statements for annual periods beginning on or after 1 January 2016, with earlier application permitted.

IFRS 15 *Revenue from Contracts with Customers*
(Effective for annual periods beginning on or after 1 January 2017)

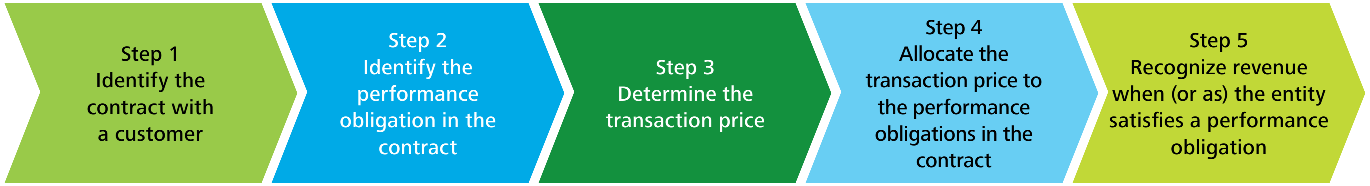
IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. It will supersede the following revenue Standards and Interpretations upon its effective date:

- IAS 18 *Revenue*;
- IAS 11 *Construction Contracts*;
- IFRIC 13 *Customer Loyalty Programs*;
- IFRIC 15 *Agreements for the Construction of Real Estate*;
- IFRIC 18 *Transfers of Assets from Customers*; and
- SIC 31 *Revenue-Barter Transactions Involving Advertising Services*.

As suggested by the title of new Revenue Standard, IFRS 15 will only cover revenue arising from contracts with customers. Under IFRS 15, a customer of an entity is a party that has contracted with the entity to obtain goods or services that are an output of the entity's ordinary activities in exchange for consideration. Unlike the scope of IAS 18, the recognition and measurement of interest income and dividend income from debt and equity investments are no longer within the scope of IFRS 15. Instead, they are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* (or IFRS 9 *Financial Instruments*, if IFRS 9 is early adopted).

As mentioned above, the new Revenue Standard has a single model to deal with revenue from contracts with customers. Its core principle is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The new Revenue Standard introduces a five-step approach to revenue recognition and measurement:



Far more prescriptive guidance has been introduced by the new Revenue Standard:

- Whether or not a contract (or a combination of contracts) contains more than one promised good or service, and if so, when and how the promised goods or services should be unbundled.

- Whether the transaction price allocated to each performance obligation should be recognized as revenue over time or at a point in time. Under IFRS 15, an entity recognizes revenue when a performance obligation is satisfied, which is when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Unlike IAS 18, the new Standard does not include separate guidance for 'sales of goods' and 'provision of services'; rather, the new Standard requires entities to assess whether revenue should be recognized over time or a particular point in time regardless of whether revenue relates to 'sales of goods' or 'provision of services'.

- When the transaction price includes a variable consideration element, how it will affect the amount and timing of revenue to be recognized. The concept of variable consideration is broad; a transaction price is considered variable due to discounts, rebates, refunds, credits, price concessions, incentives, performance bonuses, penalties and contingency arrangements. The new Standard introduces a high hurdle for variable consideration to be recognized as revenue – that is, only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

- When costs incurred to obtain a contract and costs to fulfil a contract can be recognized as an asset.

Extensive disclosures are required by the new Standard.

Many entities across the different industries will likely be affected by IFRS 15 (at least to a certain extent). In some cases, the changes may be substantial and may require changes to the existing IT systems and internal controls. Entities should consider the nature and extent of these changes.

For additional information, please refer to the Deloitte publications *IFRS in Focus* and *IFRS Industry Insights* which highlight the practical implications of IFRS 15 to various industries. These publications can be downloaded at http://www.iasplus.com/en/tag-types/global.

IFRS 15 is effective for reporting periods beginning on or after 1 January 2017 with early application permitted. Entities can choose to apply the Standard retrospectively or to use a modified transition approach, which is to apply the Standard retrospectively only to contracts that are not completed contracts at the date of initial application (for example, 1 January 2017 for an entity with a 31 December year-end).

In May 2015, the IASB issued an exposure draft that proposes to defer the mandatory effective date of IFRS 15 to 1 January 2018, with a comment period ended in early July 2015.

The directors of the Fund do not anticipate the application of IFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Fund's financial statements as the Fund does not earn revenue arising from contracts with customers.

The Fund does not anticipate the application of IFRS 15 to have a material impact. However, funds may have "unique" revenue streams that would render the application of the Standard to have a material impact. Funds should analyze the Standard based on their specific facts and circumstances.

Amendments to IFRS 11 *Accounting for Acquisitions of Interests in Joint Operations*
(Effective for annual periods beginning on or after 1 January 2016)

The amendments to IFRS 11 provide guidance on how to account for the acquisition of an interest in a joint operation in which the activities constitute a business as defined in IFRS 3 *Business Combinations*. Specifically, the amendments state that the relevant principles on accounting for business combinations in IFRS 3 and other standards (e.g., IAS 12 *Income Taxes* regarding recognition of deferred taxes at the time of acquisition and IAS 36 *Impairment of Assets* regarding impairment testing of a cash generating unit to which goodwill on acquisition of a joint operation has been allocated) should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation.

A joint operator is also required to disclose the relevant information required by IFRS 3 and other standards for business combinations.

Entities should apply the amendments prospectively to acquisitions of interests in joint operations (in which the activities of the joint operations constitute businesses as defined in IFRS 3) occurring from the beginning of annual periods beginning on or after 1 January 2016. Earlier application is permitted.

The directors of the Fund do not anticipate that the application of these amendments to IFRS 11 will have a material impact on the Fund's financial statements.

Amendments to IAS 1 *Disclosure Initiative*
(Effective for annual periods beginning on or after 1 January 2016)

The amendments were a response to comments that there are difficulties in applying the concept of materiality in practice. Certain key highlights in the amendments are as follows:

- An entity should not reduce the understandability of its financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions.
- An entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material.

- In the other comprehensive income section of a statement of profit or loss and other comprehensive income, the amendments require separate disclosures for the following items:
  - the share of other comprehensive income of associates and joint ventures accounted for using the equity method that will not be reclassified subsequently to profit or loss; and
  - the share of other comprehensive income of associates and joint ventures accounted for using the equity method that will be reclassified subsequently to profit or loss.

The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2016 with earlier application permitted.

The directors of the Fund do not anticipate that the application of these amendments to IAS 1 will have a material impact on the Fund's financial statements, as the Fund does not have investments in associates and joint ventures accounted for under the equity method.

Amendments to IAS 16 and IAS 38 *Clarification of Acceptable Methods of Depreciation and Amortization*
(Effective for annual periods beginning on or after 1 January 2016)

The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortization of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

a) when the intangible asset is expressed as a measure of revenue. For example, an entity could acquire a concession to explore and extract gold from a gold mine. The expiry of the contract might be based on a fixed amount of total revenue to be generated from the extraction (for example, a contract may allow the extraction of gold from the mine until total cumulative revenue from the sale of gold reaches CU2 billion) and not be based on time or on the amount of gold extracted. Provided that the contract specifies a fixed total amount of revenue to be generated on which amortization is to be determined, the revenue that is to be generated might be an appropriate basis for amortizing the intangible asset; or

b) when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016 with earlier application permitted.

The directors of the Fund do not anticipate that the application of these amendments to IAS 16 and IAS 38 will have a material impact on the Fund's financial statements, as the Fund does not hold any property, plant and equipment, and intangible assets.

Amendments to IAS 16 and IAS 41 *Agriculture: Bearer Plants*
(Effective for annual periods beginning on or after 1 January 2016)

The amendments to IAS 16 Property, *Plant and Equipment* and IAS 41 *Agriculture* define a bearer plant and require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with IAS 16, instead of IAS 41. In terms of the amendments, bearer plants can be measured using either the cost model or the revaluation model set out in IAS 16.

The produce growing on bearer plants continues to be accounted for in accordance with IAS 41.

The amendments apply retrospectively for annual periods beginning on or after 1 January 2016 with earlier application permitted.
As a transitional provision, entities need not disclose the quantitative information required by paragraph 28(f) of IAS 8 for the current period. However, quantitative information for each prior period presented is still required. Also, on the initial application of the amendments, entities are permitted to use the fair value of items of bearer plant as their deemed cost as at the beginning of the earliest period presented. Any difference between the previous carrying amount and fair value should be recognized in opening retained earnings at the beginning of the earliest period presented.

The directors of the Fund do not anticipate that the application of these amendments to IAS 16 and IAS 41 will have a material impact on the Fund's financial statements, as the Fund does not hold any property, plant and equipment, and intangible assets.

Amendments to IAS 27 Equity Method in Separate Financial Statements
(Effective for annual periods beginning on or after 1 January 2016)

The amendments focus on separate financial statements. Specifically, the amendments allow an entity to account for as the Fund does not hold any prosperty, plant and equipment, and biological assets that meet the definition of bearer plants. Investments in subsidiaries, joint ventures and associates in its separate financial statements:

- at cost;
- in accordance with IFRS 9 (or IAS 39 for entities that have not yet adopted IFRS 9), or;
- using the equity method as described in IAS 28 *Investments in Associates and Joint Ventures*.

The same accounting must be applied to each category of investments.

The amendments also clarify that when a parent ceases to be an investment entity, or becomes an investment entity, it should account for the change from the date when the change in status occurs.

The amendments should apply retrospectively for annual periods beginning on or after 1 January 2016 with earlier application permitted.
The directors of the Fund do not anticipate that the application of these amendments to IAS 27 will have a material impact on the Fund's financial statements, as the Fund does not have any investments in subsidiaries, joint ventures and associates.

Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
(Effective for annual periods beginning on or after 1 January 2016)

The amendments deal with situations where there are sales or contribution of assets between an investor and its associate or joint venture.
IAS 28 and IFRS 10 are amended, as follows:

IAS 28 has been amended to reflect the following:

- Gains and losses resulting from transactions involving assets that do not constitute a business between an investor and its associate or joint venture are recognized to the extent of unrelated investors' interests in the associate or joint venture.
- Gains or losses from downstream transactions involving assets that constitute a business between an investor and its associate or joint venture should be recognized in full in the investor's financial statements.

IFRS 10 has been amended to reflect the following:

- Gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognized in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognized in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The amendments should apply prospectively to transactions occurring in annual periods beginning on or after 1 January 2016 with earlier application permitted.

The directors of the Fund do not anticipate that the application of these amendments to IFRS 10 and IAS 28 will have a material impact on the Fund's financial statements.

Amendments to IFRS 10, IFRS 12 and IAS 28 *Investment Entities: Applying the Consolidation Exception* (Effective for annual periods beginning on or after 1 January 2016)

The amendments clarify that the exemption from preparing consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all its subsidiaries at fair value in accordance with IFRS 10. Consequential amendments have also been made to IAS 28 to clarify that the exemption from applying the equity method is also applicable to an investor in an associate or joint venture if that investor is a subsidiary of an investment entity that measures all its subsidiaries at fair value.

The amendments further clarify that the requirement for an investment entity to consolidate a subsidiary providing services related to the former's investment activities applies only to subsidiaries that are not investment entities themselves.

Moreover, the amendments clarify that in applying the equity method of accounting to an associate or a joint venture that is an investment entity, an investor may retain the fair value measurements that the associate or joint venture used for its subsidiaries.

Lastly, clarification is also made that an investment entity that measures all its subsidiaries at fair value should provide the disclosures required by IFRS 12 *Disclosures of Interests in other entities*.

The amendments apply retrospectively for annual periods beginning on or after 1 January 2016 with earlier application permitted.

The directors of the Fund do not anticipate that the application of these amendments to IFRS 10, IFRS 12 and IAS 28 will have a material impact on the Fund's financial statements, as the Fund is not a subsidiary of a parent that is an investment entity and does not hold any investments in associates or joint ventures.

Annual improvements to IFRS 2012 – 2014 cycle
(Effective for annual periods beginning on or after 1 January 2016)

The annual improvements include amendments to a number of IFRS, which have been summarized below.

Standard	Subject of amendment	Details
IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*	Changes in methods of disposal	The amendment introduces specific guidance in IFRS 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa). The amendment clarifies that such a change is considered as a continuation of the original plan of disposal and accordingly an entity should not apply paragraphs 27-29 of IFRS 5 regarding changes to a plan of sale in those situations.
IFRS 7 *Financial Instruments: Disclosures* (with consequential amendments to IFRS 1)	(i) Servicing contracts (ii) Applicability of the amendments to IFRS 7 on offsetting disclosure to condensed interim financial statements	The amendment provides additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets. Also, the amendment clarifies that the offsetting disclosures are not specifically required for all interim periods. However, the disclosures may need to be included in the condensed interim financial statements to satisfy the requirements in IAS 34 *Interim Financial Reporting*.
IAS 19 *Employee Benefits*	Discount rate: regional market issue	The amendment clarifies that the rate used to discount post-employment benefit obligations should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The basis for conclusions to the amendment also clarifies that the depth of the market for high quality corporate bonds should be assessed at a currency level which is consistent with the currency in which the benefits are to be paid. For currencies for which there is no deep market in such high quality bonds, the market yields (at the end of the reporting period) on government bonds denominated in that currency should be used.

The directors of the Fund do not anticipate that the application of these amendments to IFRS 5 and IAS 19 will have a material impact on the Fund's financial statements, as the Fund does not hold any non-current assets for sale, and also does not have any employees. Furthermore, the Fund does not anticipate that the amendment to IFRS 7 will have a material impact on the Fund's financial statements, as the Fund does not have servicing contracts for continuing involvement in transferred assets.

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