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Elements for successful growth
Illustrative IFRS financial statements for Investment Funds 2014

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 2014.

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

During the period since we issued our illustrative 2012 financial statements, there have been a number of IFRS developments directly impacting the investment management industry. In particular, the proposed amendments regarding the application of the investment entities exemption.

The new standard and amendments effective for annual periods beginning on 1 January 2014 which are relevant to investment funds and have been adopted include:

- Amendment to IAS 32 *Offsetting financial assets and liabilities*

- Amendment to IFRS 10, IFRS 12 and IAS 27 *Investment entities*

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

Deloitte as used in this document shall mean Deloitte Touche Tohmatsu Limited and its member firms.

International GAAP Investment Fund
Financial statements for the year ended 31 December 2014

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 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 except for investment entities as mentioned below (See Note 2 to the financial statements for details). It includes IFRSs issued on or before 31 December 2014. IFRS disclosure checklist is available at http://www.iasplus.com/en/publications/global/models-checklists/2014/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. 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.
- Appendix I illustrates example disclosures for an open-ended fund that issues puttable instruments which are classified as equity under IAS 32.
- 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 arrangement in accordance with IFRS 11. The Fund has no interest in unconsolidated structured entities and therefore IFRS 12 does not apply to the fund.

Contents

Index to the notes to the financial statements

Source	International GAAP Investment Fund

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

Statement of profit or loss and comprehensive income for the year ended 31 December 2014

Source		Notes	Year ended 31/12/14	Year ended 31/12/13
IAS 1.113				
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	(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 tax		76,145	(268,002)
IAS 1.82(d)	Withholding taxes	3.10	(87)	(60)
	Profit/(loss) after finance costs and tax		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 11 to 42 form an integral part of these financial statements.

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.

Source	International GAAP Investment Fund

As explained in Note 3.12, 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 liability to its shareholders above the result line, if they consider it to be the most relevant and understandable to the users of the financial statements. This format will result in the 'profit or loss' and 'total comprehensive income' as defined in IAS 1 being reflected as nil on the face of its statement of comprehensive income.

Source	International GAAP Investment Fund			
IAS 1.10(a) IAS 1.51(b),(c)	**Statement of financial position at 31 December 2014**			
IAS 1.113		Notes	As at 31/12/14	As at 31/12/13
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 11 to 42 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.

Appendix I 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.

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 2014

IAS 1.113
IAS 1.51(d),(e)

	Notes	Year ended 31/12/14	Year ended 31/12/13
		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 11 to 42 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.

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 2014

[Alt 1]

Source		Notes	Year ended 31/12/14	Year ended 31/12/13
IAS 1.113 / 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 11 to 42 form an integral part of these financial statements.

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

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

Source	International GAAP Investment Fund			
IAS 1.10(d) IAS 1.51(b),(c)	**Statement of cash flows—indirect method** **for the year ended 31 December 2014**			**[Alt 2]**
IAS 1.113		Notes	Year ended 31/12/14	Year ended 31/12/13
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 11 to 42 form an integral part of these financial statements.

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 these investing and financing activities.

Source	International GAAP Investment Fund
IAS 1.10(e) IAS 1.51(b),(c)	**Notes to the financial statements** **for the year ended 31 December 2014**

1. General information

IAS 1.138(a)

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

IAS 1.138(b)

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

2. Adoption of new and revised IFRSs

2.1 Standards, amendments and interpretations effective for the current year

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

IAS 8.28(a)
IAS 8.28(b), (c) & (d)

Amendments to IFRS 10, IFRS 12 and IAS 27 *Investment Entities:* The Fund has applied the amendments to IFRS 10, IFRS 12 and IAS 27— *Investment Entities* for the first time in the current year. The amendments to IFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

The Fund did not control any entities during the year or the prior year and as a result, the investment entities amendments have had no impact on the Fund.

Amendments to IAS 32 *Offsetting Financial Assets and Financial Liabilities*: The Fund has applied the amendments to IAS 32—*Offsetting Financial Assets and Financial Liabilities* for the first time in the current year. The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off', the offsetting of collateral amounts and 'application of simultaneous realization and settlement'.

The amendments have been applied retrospectively. As the Fund does not have any financial assets and financial liabilities that qualify for offset, the application of the amendments has had no material impact on the disclosures or on the amounts recognized in the Fund's financial statements.

2.2 New and revised IFRSs in issue but not yet effective

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. The disclosures below reflect a cut-off date of 31 December 2014. The potential impact of the application of any new and revised IFRSs issued by the IASB after 31 December 2014 but before the financial statements are issued should also be considered and disclosed.

The impact of the application of the new and revised IFRSs (see below) is for illustrative purposes only. Entities should analyse the impact based on their specific facts and circumstances.

IAS 8.30
IAS 8.31

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

IFRS 9	Financial Instruments[5]
IFRS 15	Revenue from Contracts with Customers[4]
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations[3]
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[3]
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants[3]
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions[1]
Amendments to IFRSs	Annual Improvements to IFRSs 2010-2012 Cycle[2]
Amendments to IFRSs	Annual Improvements to IFRSs 2011-2013 Cycle[1]

1 Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.
2 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions. Earlier application is permitted.
3 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.
4 Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.
5 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

Note that IFRS 14 Regulatory Deferral Accounts *is not applicable to the Group as the Group is not a first-time adopter of IFRSs.*

Notes to the consolidated financial statements
for the year ended 31 December 2014—continued

IAS 8.30
IAS 8.31

IFRS 9 *Financial Instruments*

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of IFRS 9:

- all recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have 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, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value through profit or loss at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- with regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

- in relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- the new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for 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 also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Fund anticipate that the application of IFRS 9 in the future may have a material impact on amounts reported in respect of the Fund's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until the Fund undertakes a detailed review.

Notes to the consolidated financial statements for the year ended 31 December 2014—continued

IFRS 15 *Revenue from Contracts with Customers*

In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise 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. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

The directors of the Fund do not anticipate that 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.

Amendments to IFRS 11 *Accounting for Acquisitions of Interests in Joint Operations*

The amendments to IFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes 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 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.

The amendments to IFRS 11 apply prospectively for annual periods beginning on or after 1 January 2016. 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 16 and IAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation*

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 amortisation 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; or

b) when it can be demonstrated that revenue and 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. 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.

Notes to the consolidated financial statements for the year ended 31 December 2014—continued

Amendments to IAS 16 and IAS 41 *Agriculture: Bearer Plants*

The amendments to IAS 16 and IAS 41 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. The produce growing on bearer plants continues to be accounted for in accordance with IAS 41.

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 19 *Defined Benefit Plans: Employee Contributions*

The amendments to IAS 19 clarify how an entity should account for contributions made by employees or third parties to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee.

For contributions that are independent of the number of years of service, the entity may either recognise the contributions as a reduction in the service cost in the period in which the related service is rendered, or to attribute them to the employees' periods of service using the projected unit credit method; whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees' periods of service.

The directors of the Group do not anticipate that the application of these amendments to IAS 19 will have a significant impact on the Fund's financial statements, as the Fund does not have any employees.

Annual Improvements to IFRSs 2010-2012 Cycle

The *Annual Improvements to IFRSs 2010-2012 Cycle* include a number of amendments to various IFRSs, which are summarised below.

The amendments to IFRS 2 (i) change the definitions of 'vesting condition' and 'market condition'; and (ii) add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'. The amendments to IFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to IFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of IFRS 9 or IAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit or loss. The amendments to IFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

The amendments to IFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of IFRS 13 clarify 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. As the amendments do not contain any effective date, they are considered to be immediately effective.

The amendments to IAS 16 and IAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to IAS 24 clarify that a management entity providing key management personnel services to a 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 such compensation is not required.

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

Notes to the consolidated financial statements
for the year ended 31 December 2014—continued

Annual Improvements to IFRSs 2011-2013 Cycle

The *Annual Improvements to IFRSs 2011-2013 Cycle* include a number of amendments to various IFRSs, which are summarised below.

The amendments to IFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to IFRS 13 clarify 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 amendments to IAS 40 clarify that IAS 40 and IFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

(a) the property meets the definition of investment property in terms of IAS 40; and

(b) the transaction meets the definition of a business combination under IFRS 3.

The directors of the Fund do not anticipate that the application of these amendments will have a significant impact on the Funds financial statements.

It has been assumed for the purposes of these illustrative financial statements that the application of the above new or revised IFRSs, and amendments to IFRSs, will not have a material impact to the amounts recognised or disclosures in these illustrative financial statements. Entities should analyse the impact of these new or revised IFRSs on their financial statements based on their specific facts and circumstances and make appropriate disclosures.

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 IFRSs 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 overleaf.

Source	International GAAP Investment Fund

Notes to the financial statements
for the year ended 31 December 2014—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 21

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

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).

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 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.

Source	International GAAP Investment Fund

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

IAS 1.119
IFRS 7.21

3.6 Amounts receivable from and due to brokers

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

IAS 39.38

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

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.

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

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.

IAS 1.119
IFRS 7.21

3.9 Other financial liabilities

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

Other financial liabilities are subsequently measured at amortized cost using the effective interest method.

IAS 1.119
IFRS 7.21

3.10 Taxation

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

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
IFRS 7.21

3.11 Expenses

All expenses are recognized in the statement of comprehensive income on the 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
IFRS 7.21
IAS 32.18
IAS 39 AG32

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

The Fund has two classes of redeemable shares in issue: Class A and Class B. Both are the most subordinate classes of financial instruments in the Fund and rank pari passu in all material respects and have the same terms and conditions other than *[list down the differences in terms between the Class A shares and Class B shares, e.g., management fee rate, distribution fees, etc.]*. These instruments do not meet definition of puttable financial instruments to be classified as equity in accordance with IAS 32.

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.

Notes to the financial statements
for the year ended 31 December 2014—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 not quoted in an active market and over-the-counter 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.

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.

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

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

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

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

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.

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

	Level 1	Level 2	Level 3	Total
	CU'000	CU'000	CU'000	CU'000
Assets (IFRS 13.94)				
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
Financial assets designated at fair value through profit or loss:				
Equity securities				
Information technology	42,670	–	–	42,670
Manufacturing	45,899	–	69	45,968
	88,569	–	69	88,638
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**

Notes to the financial statements
for the year ended 31 December 2014—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 2013

	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
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				
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**

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

OTC (i.e., non-exchange traded) derivatives are valued using valuation models. The Fund used 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:

IFRS13.93(h)(i)

Description	Fair value at 31 Dec 2014	Fair value at 31 Dec 2013	Valuation technique	Unobservable inputs	Weighted average input	Relationship of unobservable inputs to fair value
Equity securities Manufacturing	CU'000 69	CU'000 101	Comparable trading multiples	EBITDA multiple	9.5	A significant increase in EBITDA multiple used in isolation would result in a significant increase in the fair value.
				Discount for lack of marketability	10%	A significant 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 significant increase in the discount for lack of marketability and restricted redemption used in isolation would result in a significant decrease in the fair value.
Total	**85**	**101**				

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

Level 3 valuations are reviewed on a monthly basis by the Fund's pricing and valuation committee who report to the board of directors on the same frequency basis. The committee assess whether the valuation model inputs are appropriate, as well as whether the valuation result derives from valuation methods and techniques which are generally 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.

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.

IFRS 13.93(e)

Reconciliation of Level 3 fair value measurements of financial assets

Fair value measurements using significant unobservable inputs (Level 3)

Source	31 December 2014	Equity securities CU'000	Open-ended investment funds CU'000	Total 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 2014	**12**	**(4)**	**8**

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

31 December 2013

	Equity securities	Total
	CU'000	CU'000
Opening balance	20	20
Total gains and losses for the period included in profit or loss	**36**	**36**
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 2013	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.

Notes to the financial statements
for the year ended 31 December 2014—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 31/12/14	Year ended 31/12/13
	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)

IFRS 7.9 required 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.

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

For illustration however see example disclosure below.

Source		Year ended 31/12/14	Year ended 31/12/13
		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.

IFRS 7.31 **Options**

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	31/03/2015	193,200	29,109	–
DEF bond index options	05/05/2015	128,800	5,183	–
GHI equity options	30/06/2015	520,000	–	(199)
			34,292	(199)

As at 31 December 2013

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	14/02/2014	247,000	10,943	–
DEF bond index options	31/03/2014	2,500	898	–
GHI equity options	30/06/2014	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 puchased 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.

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

FRS 7.31

Futures

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	15/03/2015	5,700	28,659	–

As at 31 December 2013

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	04/03/2014	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.

IFRS 7.31

Forward foreign exchange contracts

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	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)

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

As at 31 December 2013

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 over-the-counter 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 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.

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:

	2014 CU'000	2013 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.

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

Source	
IFRS 7 IG15(b)(i)	**Risk management structure**
	The board of directors is ultimately responsible for the overall risk management within the Fund but has delegated the responsibility for identifying and controlling risks to the Fund's Investment Manager.
IFRS 7 IG15(b)(ii)	**Risk measurement and reporting system**
	The Fund uses different methods to measure and manage the various types of risk to which it is exposed; these methods are explained below.
IFRS 7 IG15(b)(iii)	**Risk mitigation**
	The Fund's offering memorandum details its investment policy and guidelines that encompasses its overall investment strategy, its tolerance for risk and its general risk management philosophy.
	The Fund uses derivatives and other instruments for trading purposes and for risk management.
IFRS 7.34(c) IFRS 7 IG18	**Excessive risk concentration**
	A concentration of risk exists where: (i) positions in financial instruments are affected by changes in the same risk factor or group of correlated factors; and (ii) the exposure could, in the event of large but plausible adverse developments, result in significant losses.
	Concentrations of liquidity risk may arise from the repayment terms of financial liabilities, sources of borrowing facilities or reliance on a particular market in which to realize liquid assets. Concentrations of foreign exchange risk may arise if the Fund has a significant net open position in a single foreign currency, or aggregate net open positions in several currencies that tend to move together.
	Concentrations of counterparty risk may arise when a number of financial instruments or contracts are contracted with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.
IFRS 7 IG15(c)	In order to avoid excessive concentration of risk, the Fund's investment policies and risk management procedures include specific guidelines to ensure the maintenance of a diversified portfolio. The Investment Manager is mandated within prescribed limits to reduce exposure or to use derivative instruments to manage excessive risk concentrations when they arise.
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:

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

IFRS 7.36(c)

Rating	31/12/14	31/12/13
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.

IFRS 7.37 As at 31 December 2014 and 2013, 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 International GAAP Investment Fund and hence an illustrative example is provided below.

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

	31/12/14	31/12/13
	CU'000	CU'000
60-90 days	XX	XX
90-120 days	XX	XX
Total	**XX**	**XX**
Average age (days)	XX	XX

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

	31/12/14	31/12/13
	CU'000	CU'000
60-90 days	XX	XX
90-120 days	XX	XX
120+ days	XX	XX
Total	**XX**	**XX**

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

Offsetting and amounts subject to master netting arrangements and similar agreements

IFRS 7.13C

As of 31 December 2014 and 31 December 2013, 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 7IG40D

As at 31 December 2014

In CU'000

				Related amounts not offset in the statement of financial position		
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	Financial instruments	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**	**–**	**–**

As at 31 December 2013

In CU'000

				Related amounts not offset in the statement of financial position		
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	Financial instruments	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**	**–**	**–**

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

IFRS 7.33

(b) Liquidity risk

IFRS 7.34

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

IFRS 7.39(b)

As described in Note 3.11 to the financial statements, the Fund's redeemable shares are redeemable at the shareholders' option at any time for cash equal to a proportionate share of the Fund's 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 over-the-counter and unlisted equities that are not traded in an active market.
- Investments in derivative contracts traded over-the-counter, which are not quoted in an active market and which generally may be illiquid.

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 honoured in an orderly fashion). Such suspensions may be imposed to help avoid the fund from having to be liquidated. Alternatively, suspensions may be imposed if the fund's investments become so difficult to value that there would be serious concern that redeeming members would be advantaged 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.

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

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

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

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

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
2014				
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
2013				
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

IFRS 7B11E

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
2014				
Total assets	226,044	8,631	1,179	235,854
	226,044	8,631	1,179	235,854
2013				
Total assets	144,054	711	–	144,765
	144,054	711	–	144,765

Notes to the financial statements
for the year ended 31 December 2014—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
2014				
Net settled:				
Written listed equity options	–	–	199	199
Gross settled:				
Forward foreign exchange contracts	190	67	–	257
	190	67	199	456
2013				
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.

Notes to the financial statements
for the year ended 31 December 2014—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	2014 CU'000	2013 CU'000	2014 CU'000	2013 CU'000	2014 CU'000	2013 CU'000	2014 CU'000	2013 CU'000
Price	XX	XX	XX	XX	XX	XX	XX	XX
Foreign exchange	XX	XX	XX	XX	XX	XX	XX	XX
Interest rate	XX	XX	XX	XX	XX	XX	XX	XX
Diversification	(XX)	(XX)	(XX)	(XX)	(XX)	(XX)	(XX)	(XX)
Total VaR exposure	**XX**	**XX**	**XX**	**XX**	**XX**	**XX**	**XX**	**XX**

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

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

IFRS 7.33

Price risk

IFRS 7.34

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

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

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

Price sensitivity

IFRS 7.40(b)

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.

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

IFRS 7.40(a) At 31 December 2014, 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 (2013: 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 (2013: 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 (2013: 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 (2013: 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 (2013: CU 7,170) set off by the decrease in the fair value of the financial liabilities at fair value through profit or loss CU 71 (2013: CU 103).

IFRS 7.40(c) The sensitivity is higher in 2014 than in 2013 because of an increase in the net financial assets and liabilities at fair value through profit or loss at the statement of financial position date.

IFRS 7.33 **Interest rate risk**

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

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

The following table details the Fund’s exposure to interest rate risk as at 31 December 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	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**

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

The following table details the Fund's exposure to interest rate risk as at 31 December 2013 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**

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 2014 would have decreased by CU 11 (2013: 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 2014 would have increased by CU 11 (2013: 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 policy, the Investment Manager monitors the Fund's overall interest sensitivity on a daily basis; the board of directors reviews it on a quarterly basis.

IFRS 7.33 **Currency risk**

IFRS 7.34(a) Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Fund invests in securities and other investments that are denominated in currencies other than the CU. Accordingly, the value of the Fund's assets may be affected favourably or unfavourably by fluctuations in currency rates and therefore the Fund 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.

Notes to the financial statements
for the year ended 31 December 2014—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	
	2014	2013	2014	2013
	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	
	2014	2013	2014	2013
	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 mainly as a result of an increase in the fair value of currency C denominated financial liabilities combined with the decrease in the fair value of currency C forward exchange contracts.

IFRS 7.40(c) The higher foreign currency exchange rate sensitivity in net assets attributable to holders of redeemable shares in 2014 compared with 2013 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 31/12/14	Year ended 31/12/13
	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	209,850	132,267
Ratio	12%	7%

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

The text above we illustrate the requirements of IFRS 7.40 whereby a sensitivity analysis for each type of market risk to which the fund is exposed is disclosed 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 33 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:

	31/12/14	31/12/13
	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.*

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 31/12/14	Year ended 31/12/13
	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

Notes to the financial statements for the year ended 31 December 2014—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 (2013: 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 (2013: 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 over-the-counter 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, asset and liabilities for each reportable segment.*

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 other parts of the financial statements.

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

(b) Other information

IFRS 8.33

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

	Operating income/(loss)	
	31/12/14	31/12/13
	CU'000	CU'000
A Land	64,888	(223,286)
B Land	10,544	(31,523)
C Land	1,622	525
Other	4,056	(8,406)
	81,110	(262,690)

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

IFRS 8.34

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

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

IFRS 7.20(b)

10. Interest income

	Year ended 31/12/14	Year ended 31/12/13
	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 31/12/14	Year ended 31/12/13
	CU'000	CU'000
Distributions to holders of redeemable shares	2,000	–
Interest paid on bank overdrafts and bank loans	389	1,421
	2,389	1,421

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

An additional dividend of CU 500,000 has been proposed by the board of directors on *[insert date]* for the year ended 31 December 2014 which is not reflected in these financial statements.

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.

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

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

	Year ended 31/12/14			Year ended 31/12/13		
	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 IFRSs. Common differences may include the capitalization and amortization of start-up costs (whereas under IFRSs purposes 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).

In the case of any difference between NAV per the offering memorandum and that per IFRSs, 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 IFRSs. 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 IFRSs, but it is industry practice and useful to investors.

Notes to the financial statements
for the year ended 31 December 2014—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 IFRSs, as follows:

	Year ended 31/12/14		Year ended 31/12/13	
	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 IFRSs)	81.61	81.98	51.52	51.69

13. Financial instruments not measured at fair value

IFRS 7.25/7.29

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.

Notes to the financial statements
for the year ended 31 December 2014—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 2014 totalled CU 2,085,682 (2013: CU 3,025,071) and are presented in the statement of comprehensive income. The amount outstanding at the year end is CU 173,820 (2013: 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 2014 totalled CU 15,000 (2013: CU 15,000) and are presented in the statement of comprehensive income. The amount outstanding at the year end is CU 3,750 (2013: CU 3,750) and it is included in accounts payable. No other staffs costs are paid by the Fund.

IAS 24.18

For the years ended 31 December 2014 and 31 December 2013 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
2014	12,000	1,350	–	13,350	400
2013	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

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 2014 totalled CU 216,486 (2013: CU 443,250) and are presented in the statement of comprehensive income. The amount outstanding at the year end is CU 18,040 (2013: 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 2014 totalled CU 137,846 (2013: CU 75,700) and are presented in the statement of comprehensive income. The amount outstanding at the year end is CU 11,487 (2013: CU 6,308) and it is included in accounts payable.

IAS 10.21

16. Events after statement of financial position date

There has been no significant event after the statement of financial position date which in the opinion of the board of directors requires 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*].

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 2014, 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.

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 2014, 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 over-the-counter 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 organisation 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 ISA 32. As per IAS 32.96C, 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.

Source	International GAAP Investment Fund

Source		Notes	Year ended 31/12/14	Year ended 31/12/13
IAS 1.10(b) IAS 1.51(b),(c)	**Statement of profit or loss and other comprehensive income for the year ended 31 December 2014**			
IAS 1.113		Notes	Year ended 31/12/14	Year ended 31/12/13
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	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	14	(1,998)	(2,851)
IAS 1.99	Performance fees	14	(88)	(174)
IAS 1.99	Custodian fees	15	(216)	(443)
IAS 1.99	Administration fees	15	(138)	(76)
IAS 1.99	Transaction costs	3.5	(107)	(321)
IAS 1.99	Professional fees		(7)	(10)
IAS 1.99	Directors' fees	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)	**Finance costs**			
IAS 1.85				
	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 2014**			
IAS 1.113		Notes	Year ended 31/12/14	Year ended 31/12/13
IAS 1.51(d),(e)			CU'000	CU'000
	Assets			
IAS 1.60	**Current assets**			
IAS 1.54(i)	Cash and cash equivalents	7	270	139
IAS 1.54(h)	Dividends receivable		370	541
IAS 1.54(h)	Interest receivable		387	677
IAS 1.54(h)	Receivable from brokers	3.6	3	3
IAS 1.54(d)	Financial assets at fair value through profit or loss	5	198,245	127,448
IAS 1.54(d) IAS 39.37(a)	Financial assets at fair value through profit or loss pledged as collateral	5	36,579	15,957
IAS 1.55	**Total assets**		235,854	144,765
	Equity and liabilities			
IAS 1.136A(a)				
IAS 1.78(e)	Share capital	12	26	26
IAS 1.78(e)	Share premium	12	303,998	303,787
IAS 1.78(e)	Retained earnings/accumulated deficit	12	(95,488)	(171,546)
	Total equity		208,536	132,267
IAS 1.60	**Current liabilities**			
IAS 1.55	Due to brokers	3.6	13	8
IAS 1.54(n)	Withholding tax payable		8	5
IAS 1.54(m)	Financial liabilities at fair value through profit or loss	5	1,411	2,064
IAS 1.54(k)	Accrued expenses		659	416
IAS 1.55	Borrowings	8	25,227	10,005
IAS 1.55	**Total liabilities**		27,318	12,498
	Total equity and liabilities		235,854	144,765

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

Statement of changes in equity
for the year ended 31 December 2014

IAS 1.51(d),(e)

	Share capital	Share premium	Retained earnings	Total
	CU'000	CU'000	CU'000	CU'000
Balance at 1 January 2013	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 2013	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 2014	26	303,998	(95,488)	208,536

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

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, re-issued or disposed of. Where such shares are subsequently sold or reissued, any consideration received is included in equity attributable to the Fund's equity holders.

Should the 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.

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
2014				
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
2013				
Accrued expenses	367	23	26	416
Due to brokers	7	1	–	8
Borrowings	9,955	50	–	10,005
Financial liabilities at fair value through profit or loss	1,194	588	–	1,782
	11,523	662	26	12,211

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

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.

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

	Year ended 31/12/14			Year ended 31/12/13		
	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.

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

(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 31/12/14		Year ended 31/12/13	
	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 IFRSs)	81.61	81.98	51.52	51.69

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Notes

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