

Good Investment Fund Limited (Liabilities)

**International GAAP®
Illustrative financial statements of an
investment fund whose puttable shares
are classified as financial liabilities for the
year ended 31 December 2011**

**Based on International Financial Reporting Standards
in issue at 30 September 2011**

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Abbreviations and key

The following styles of abbreviation are used in these International GAAP Illustrative Financial Statements:

IAS 39.48	International Accounting Standard No. 39, paragraph 48
IAS 1.BC13	International Accounting Standard No. 1, Basis for Conclusions, paragraph 13
IFRS 7.31	International Financial Reporting Standard No. 7, paragraph 31
SIC 29.6	Standing Interpretations Committee Interpretation No. 29, paragraph 6
IFRIC 4.6	IFRS Interpretations Committee (formerly IFRIC) Interpretation No. 4, paragraph 6
IAS 39.IG.G.2	IAS 39 <i>Financial Instruments: Recognition and Measurement</i> – Guidance on Implementing IAS 39 Section G: Other, paragraph G.2
IAS 39.AG71	IAS 39 <i>Financial Instruments: Recognition and Measurement</i> – Appendix A – Application Guidance, paragraph AG71
ISA 700.25	International Standard on Auditing No. 700, paragraph 25
Commentary	The commentary explains how the requirements of IFRS have been implemented in arriving at the illustrative disclosure.
GAAP	Generally Accepted Accounting Principles/Practice
IASB	International Accounting Standards Board
Interpretations Committee	IFRS Interpretations Committee (formerly International Financial Reporting Interpretations Committee, IFRIC)
SIC	Standing Interpretations Committee

Introduction

This publication contains an illustrative set of financial statements of Good Investment Fund Limited (the Fund) as of and for the year ended 31 December 2011. These illustrative financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The Fund is an open-ended investment fund, incorporated and listed in a fictitious country within Europe. The listing is for informational purposes only. The Fund's functional and presentation currency is also the euro (€). The Fund has no investments in subsidiaries, joint ventures or associates. Hence, the Fund does not prepare consolidated financial statements. These are the Fund's individual (stand alone) financial statements.

These illustrative financial statements are of a fund whose puttable shares are classified as financial liabilities under IAS 32 *Financial Instruments: Presentation* (as amended in 2008). The financial statements of a fund whose puttable shares are classified as equity instruments are illustrated in a separate publication, entitled Good Investment Fund Limited: Illustrative financial statements of an investment fund whose puttable shares are classified as financial liabilities.

This set of illustrative statements is one of many prepared by Ernst & Young to assist you in preparing your own financial statements. Users of this publication are encouraged to select disclosures relevant to their circumstances and adjust appropriately. Users should also keep in mind that other transactions are likely to require additional disclosures.

The entire series of model financial statements currently available comprises:

- ▶ Good Group (International) Limited
- ▶ Good Group (International) Limited – Illustrative interim condensed consolidated financial statements
- ▶ Good First-time Adopter (International) Limited
- ▶ Good Bank (International) Limited
- ▶ Good Insurance (International) Limited
- ▶ Good Real Estate Group (International) Limited
- ▶ Good Construction Group (International) Limited
- ▶ Good Investment Fund Limited
 - ▶ Illustrative financial statements of an investment fund whose puttable shares are classified as equity instruments
 - ▶ Illustrative financial statements of an investment fund whose puttable shares are classified as financial liabilities
- ▶ Good Petroleum (International) Limited
- ▶ Good Mining (International) Limited

Look for other industry-specific illustrative accounts to be added in the future.

Please note that these illustrative financial statements are not designed to satisfy any country or stock market regulatory requirements and do not illustrate all possible IFRS accounting or disclosure requirements.

Notations shown on the right hand side of each page are IFRS paragraphs that describe the specific disclosure requirements. In case of doubt as to the IFRS requirements, it is essential to refer to the relevant source material and, where necessary, to seek appropriate professional advice.

International Financial Reporting Standards

The abbreviation IFRS is defined in paragraph 5 of the Preface to International Financial Reporting Standards to include "standards and interpretations approved by the International Accounting Standards Board (IASB), and International Accounting Standards (IAS) and Standing Interpretations Committee (SIC) interpretations issued under previous Constitutions". This is also noted in paragraph 7 of IAS 1 and paragraph 5 of IAS 8. Thus, when financial statements are described as complying with IFRS, it means that they comply with the entire hierarchy of pronouncements sanctioned by the IASB. This includes the International Accounting Standards; International Financial Reporting Standards; and Interpretations originated by the IFRS Interpretations Committee (formerly International Financial Reporting Interpretations Committee, IFRIC, or the former Standing Interpretations Committee, SIC).

International Accounting Standards Boards (IASB)

The IASB is the independent standard-setting body of the IFRS Foundation (an independent, not-for-profit private sector organisation working in the public interest). The IASB members (currently 15 full-time members) are responsible for the development and publication of IFRSs, including the IFRS for Small and Medium Entities and for approving Interpretations of IFRSs as developed by the IFRS Interpretations Committee. In fulfilling its standard-setting duties the IASB follows a due process of which the publication of consultative documents, such as discussion papers and exposure drafts, for public comment is an important component.

The IFRS Interpretations Committee

The IFRS Interpretations Committee (Interpretations Committee) is a committee appointed by the IFRS Foundation Trustees to assist the IASB in establishing and improving standards of financial accounting and reporting for the benefit of users, preparers and auditors of financial statements.

The Interpretations Committee addresses issues of reasonably widespread importance, rather than issues of concern to only a small set of entities. Its interpretations cover both:

- ▶ Newly identified financial reporting issues not specifically addressed in IFRS
- ▶ Issues where unsatisfactory or conflicting interpretations have developed, or seem likely to develop in the absence of authoritative guidance, with a view to reaching a consensus on the appropriate treatment
- ▶ Advising the IASB of issues to be considered in the annual improvements to IFRS project

IFRS as at 30 September 2011

The standards applied in these illustrative financial statements are the versions that were in issue as at 30 September 2011 and effective for annual periods beginning on 1 January 2011.

IFRS is illustrated across our various illustrative financial statements as follows:

		Good Group	Good Group Interim	Good First-time Adopter	Good Bank	Good Insurance	Good Investment	Good Real Estate	Good Mining	Good Petroleum	Good Construction
International Financial Reporting Standards (IFRS)											
IFRS 1	<i>First-time Adoption of International Financial Reporting Standards</i>			✓		✓				✓	
IFRS 2	<i>Share-based Payment</i>	✓	✓	✓	✓	✓					✓
IFRS 3	<i>Business Combinations (Revised in 2008)</i>	✓		✓		✓		✓	✓	✓	✓
IFRS 4	<i>Insurance Contracts</i>					✓					✓
IFRS 5	<i>Non-current Assets Held for Sale and Discontinued Operations</i>	✓	✓	✓				✓			
IFRS 6	<i>Exploration for and Evaluation of Mineral Resources</i>								✓	✓	
IFRS 7	<i>Financial Instruments: Disclosures</i>	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
IFRS 8	<i>Operating Segments</i>	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
IFRS 9	<i>Financial Instruments</i>										
IFRS 10	<i>Consolidated Financial Statements</i>										
IFRS 11	<i>Joint Arrangements</i>										
IFRS 12	<i>Disclosure of Interests in Other Entities</i>										
IFRS 13	<i>Fair Value Measurement</i>										
International Accounting Standards (IAS)											
IAS 1	<i>Presentation of Financial Statements</i>	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
IAS 2	<i>Inventories</i>	✓	✓	✓				✓	✓	✓	✓
IAS 7	<i>Statement of Cash Flows</i>	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
IAS 8	<i>Accounting Policies, Changes in Accounting Estimates and Errors</i>	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
IAS 10	<i>Events after the Reporting Period</i>	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
IAS 11	<i>Construction Contracts</i>							✓			
IAS 12	<i>Income Taxes</i>	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
IAS 16	<i>Property, Plant and Equipment</i>	✓		✓	✓	✓		✓	✓	✓	✓
IAS 17	<i>Leases</i>	✓	✓	✓	✓	✓		✓	✓	✓	✓
IAS 18	<i>Revenue</i>	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
IAS 19	<i>Employee Benefits</i>	✓	✓	✓	✓	✓			✓	✓	✓
IAS 20	<i>Accounting for Government Grants and Disclosure of Government Assistance</i>	✓	✓	✓							
IAS 21	<i>The Effects of Changes in Foreign Exchange Rates</i>	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
IAS 23	<i>Borrowing Costs</i>	✓	✓	✓		✓		✓	✓	✓	✓
IAS 24	<i>Related Party Disclosures</i>	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
IAS 26	<i>Accounting and Reporting by Retirement Benefit Plans</i>										

		Good Group	Good Group Interim	Good First-time Adopter	Good Bank	Good Insurance	Good Investment	Good Real Estate	Good Mining	Good Petroleum	Good Construction
IAS 27	<i>Consolidated and Separate Financial Statements (Revised in 2008)</i>	✓	✓	✓	✓	✓		✓	✓	✓	✓
IAS 28	<i>Investments in Associates</i>	✓	✓	✓		✓		✓			✓
IAS 29	<i>Financial Reporting in Hyperinflationary Economies</i>										
IAS 31	<i>Interests in Joint Ventures</i>	✓	✓	✓				✓	✓	✓	✓
IAS 32	<i>Financial Instruments: Presentation</i>	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
IAS 33	<i>Earnings per Share</i>	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
IAS 34	<i>Interim Financial Reporting</i>		✓								
IAS 36	<i>Impairment of Assets</i>	✓	✓	✓		✓		✓	✓	✓	
IAS 37	<i>Provisions, Contingent Liabilities and Contingent Assets</i>	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
IAS 38	<i>Intangible Assets</i>	✓	✓	✓	✓	✓		✓	✓	✓	✓
IAS 39	<i>Financial Instruments: Recognition and Measurement</i>	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
IAS 40	<i>Investment Property</i>	✓	✓	✓		✓		✓			
IAS 41	<i>Agriculture</i>										
Interpretations											
IFRIC 1	<i>Changes in Existing Decommissioning, Restoration and Similar Liabilities</i>	✓	✓	✓					✓	✓	
IFRIC 2	<i>Members' Shares in Co-operative Entities and Similar Instruments</i>										
IFRIC 4	<i>Determining whether an Arrangement Contains a Lease</i>	✓	✓	✓					✓	✓	
IFRIC 5	<i>Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds</i>		✓						✓	✓	
IFRIC 6	<i>Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment</i>	✓	✓	✓							
IFRIC 7	<i>Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies</i>										
IFRIC 9	<i>Reassessment of Embedded Derivatives</i>	✓	✓			✓					
IFRIC 10	<i>Interim Financial Reporting and Impairment</i>	✓	✓								
IFRIC 12	<i>Service Concession Arrangements</i>										✓
IFRIC 13	<i>Customer Loyalty Programmes</i>	✓	✓	✓							
IFRIC 14	<i>IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction</i>	✓	✓	✓	✓						
IFRIC 15	<i>Agreements for the Construction of Real Estate</i>							✓			
IFRIC 16	<i>Hedges of a Net Investment in a Foreign Operation</i>	✓	✓	✓							
IFRIC 17	<i>Distributions of Non-cash Assets to Owners</i>										
IFRIC 18	<i>Transfers of Assets from Customers</i>										
IFRIC 19	<i>Extinguishing Financial Liabilities with Equity Instruments</i>										
SIC 7	<i>Introduction of the Euro</i>										
SIC 10	<i>Government Assistance – No Specific Relation to Operating Activities</i>										
SIC 12	<i>Consolidation – Special Purpose Entities</i>	✓	✓	✓	✓						
SIC 13	<i>Jointly Controlled Entities – Non-Monetary Contributions by Venturers</i>	✓	✓	✓							
SIC 15	<i>Operating Leases – Incentives</i>	✓	✓	✓				✓			
SIC 21	<i>Income Taxes – Recovery of Revalued Non-Depreciable Assets</i>	✓	✓	✓				✓			
SIC 25	<i>Income Taxes – Changes in the Tax Status of an Entity or its Shareholders</i>			✓							

Good Group
 Good Group Interim
 Good First-time Adopter
 Good Bank
 Good Insurance
 Good Investment
 Good Real Estate
 Good Mining
 Good Petroleum
 Good Construction

SIC 27	<i>Evaluating the Substance of Transactions Involving the Legal Form of a Lease</i>	✓	✓	✓
SIC 29	<i>Service Concession Arrangements: Disclosures</i>			
SIC 31	<i>Revenue – Barter Transactions Involving Advertising Services</i>			
SIC 32	<i>Intangible Assets – Web Site Costs</i>			

✓ This standard or interpretation is incorporated into the accounting policies and / or individual transactions with appropriate note disclosures.

All standards and interpretations listed above incorporate all amendments effective 1 January 2011, unless otherwise stated. These amendments also include the amendments resulting from Improvements to IFRS issued in May 2010.

It is important to note that the IASB may issue new and revised standards and interpretations subsequent to 30 September 2011. Therefore, users of this publication are advised to verify that there has been no change in the IFRS requirements between 30 September 2011 and the date on which their financial statements are authorised for issue. Any standards issued but not yet effective need to be considered in the disclosure requirements of a reporting entity.

Changes in the 2011 edition of Good Investment Fund Limited Annual Financial Statements

These illustrative financial statements have changed since the 2010 edition due to standards and interpretations issued or amended since 31 August 2010. For details of the effect these standards and interpretations had on the financial statements refer to Note 2.4: *Changes in accounting policies and disclosures*. Note 4 considers those standards and interpretations that have been issued, but are not yet effective. Generally, the fund does not early adopt standards and interpretations (or amendments thereto) prior to the effective date.

Allowed alternative treatments

In some cases, IFRS permits different accounting treatments for certain transactions and events. Preparers of financial statements may choose the treatment that is the most relevant to their business.

IAS 8 requires an entity to select and apply its accounting policies consistently for similar transactions, and/or other events and conditions, unless an IFRS specifically requires or permits categorisation of items for which different policies may be appropriate. Where an IFRS requires or permits such categorisation, an appropriate accounting policy is selected and applied consistently to each category. Therefore, once a choice of one of the alternative treatments has been made, it becomes an accounting policy and must be applied consistently. Changes in accounting policy should only be made if required by a Standard or Interpretation, or if the change results in the financial statements providing reliable and more relevant information.

In this publication, when a choice is permitted by IFRS, the Fund has adopted one of the treatments as appropriate to the circumstances of the Fund. The commentary provides details of which policy has been selected, and why, and summarises the difference in the disclosure requirements.

Financial review by management and schedule of investments

Many entities present a financial review by management that is outside the financial statements. IFRS does not require the presentation of such information, although paragraph 13 of IAS 1 gives a brief outline of what may be included in an annual report. The IASB issued an IFRS Practice Statement *Management Commentary* in December 2010 which provides a broad, non-binding framework for the presentation of a management commentary that relates to the financial statements that have been prepared in accordance with IFRS. If a company decides to follow the guidance in the Practice Statement, management is encouraged to explain the extent to which the Practice Statement has been followed. A statement of compliance with the Practice Statement is only permitted if it is followed in its entirety.

Investment funds often also disclose a schedule of investments either inside (as part of the audited information, including comparatives) or outside the financial statements.

The content of a financial review by management and the format of a schedule of investments is often determined by local market requirements or issues specific to a particular jurisdiction. Therefore, no financial review by management or schedule of investments has been included for the Fund.

Good Investment Fund Limited

Financial Statements

31 December 2011

Illustrative financial statements of an investment fund whose
puttable shares are classified as financial liabilities

General Information

Directors

S Cremen (Chairman)

O Halloum (Chief Executive Officer)

A Gillan (CFO)

B van Lof

R Santokhi

J Pride

K Baskarvan

Investment Manager

Good Asset Management Limited

Custodian

Good Administration Fund Services Limited

Registered Office

Currency House

30 Hedge Street

Euroville

Euroland

Independent Auditor

Professional Accountants & Co.

17 Euroville Square

Euroville

Euroland

IAS 1.138 (a)

Independent auditor's report to the shareholders of Good Investment Fund Limited

We have audited the accompanying financial statements of Good Investment Fund Limited (the Fund), which comprise the Statement of financial position as at 31 December 2011 and the Statement of comprehensive income, Statement of changes in net assets attributable to shareholders and Statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at 31 December 2011, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements

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

Professional Accountants & Co.

31 March 2012

17 Euroville Square

Euroville

Euroland

Commentary

The auditor's report has been prepared in accordance with ISA 700 *Forming an Opinion and Reporting on Financial Statements*, which is applicable for audits of financial statements for periods beginning on or after 15 December 2009. The auditor's report may differ depending on the requirements of the relevant jurisdiction.

Statement of comprehensive income

for the year ended 31 December 2011

IAS 1.10(b), IAS 1.81(a), IAS 1.82-86, IAS 1.102, IAS 1.113
IAS 1.51(c)
IAS 1.38
IAS 1.51(d), (e)

	Notes	2011 €000	2010 €000	
Income				
Net gain/(loss) on financial assets and liabilities at fair value through profit or loss	6	13,814	(1,358)	IFRS 7.20(a)(i) IAS 1.82(a)
Interest revenue	14	1,167	961	IFRS 7.20(b), IAS 18.35(b)(iii)
Dividend revenue	15	1,293	875	IAS 18.35(b)(v), IFRS 7.20(a)(i)
Net foreign exchange gains		101	23	IAS 21.52(a), IAS 1.35
		16,375	501	IAS 1.85
Expense				
Interest expense	14	(146)	(98)	IAS 1.85 IFRS 7.20(b)
Dividend expense on securities sold not yet purchased	15	(301)	(265)	IFRS 7.20(a)(i)
Management and performance fees	22	(1,331)	(854)	IFRS 7.20(c)(ii)
Custodian and administration fees	22	(62)	(40)	IFRS 7.20(c)(ii)
Directors' fees	22	(66)	(60)	IFRS 7.20(c)(ii)
Brokerage fees and other transaction costs		(215)	(190)	IAS 1.102
Other general expenses		(12)	(21)	IAS 1.102
		(2,133)	(1,528)	IAS 1.85
Operating profit/(loss)		14,242	(1,027)	IAS 1.85
Finance costs				
Distributions to shareholders		(3,675)	(7,732)	IAS 1.82(b) IAS 32.40, IAS 32.IE32
Profit/(loss) before tax		10,567	(8,759)	IAS 1.82(f)
Withholding taxes	16	(194)	(131)	IAS 1.82(d), IAS 12.77
Increase/(decrease) in net assets attributable to shareholders from operations		10,373	(8,890)	IAS 32.IE32

Commentary

IAS 1.99 requires expenses to be analysed 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 1.102).

The Fund presents the changes in its liability to the shareholders under the result line in accordance with the special format illustrated by IAS 32.IE32. The Fund has no instruments classified as equity and 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 income is entirely attributed to the net assets attributable to shareholders.

Statement of financial position

as at 31 December 2011

		2011	2010	
	Notes	€000	€000	
Assets				
Cash and cash equivalents	11	2,124	369	IAS 1.10(a), IAS 1.54-55, IAS 1.63, IAS 1.77
Due from brokers	10	1,670	1,744	IAS 1.113
Dividends receivable		142	79	IAS 1.51(c)
Interest receivable		130	107	IAS 1.38,
Cash collateral on securities borrowed and reverse repurchase agreements	9	822	725	IAS 1.51(d),(e)
Other receivables and prepayments		15	9	IAS 1.54(i)
Financial assets at fair value through profit or loss	6,7,8	114,306	80,256	IAS 1.54(d), IFRS 7.8(c)
Financial assets at fair value through profit or loss pledged as collateral	6,7,9	2,393	2,065	IAS 1.54(d), IFRS 7.8(a), IAS 39.37(a)
Total assets		121,602	85,354	
Liabilities				
Due to brokers	10	(73)	(69)	IAS 1.54(m), IFRS 7.8(f)
Management and performance fees payable	22	(111)	(72)	IAS 1.54(m), IFRS 7.8(f)
Custodian and administration fees payable	22	(16)	(10)	IAS 1.54(m), IFRS 7.8(f)
Directors' fees payable	22	(17)	(15)	IAS 1.54(m), IFRS 7.8(f)
Dividends payable on securities sold not yet purchased		(36)	(21)	IAS 1.54(m), IFRS 7.8(f)
Distributions payable		(550)	-	IAS 1.54(m)
Cash collateral on securities lent and repurchase agreements	9	(2,483)	(2,185)	IAS 1.54(m), IFRS 7.8(f)
Other payables and accrued expenses		(11)	(9)	IAS 1.54(k), IFRS 7.8(f)
Financial liabilities at fair value through profit or loss	6,7,8	(29,600)	(26,084)	IAS 1.54(m)
Total liabilities excluding net assets attributable to shareholders		(32,897)	(28,465)	IAS 1.55, IAS 32.IE32
Net assets attributable to shareholders	13	88,705	56,889	IAS 32.IE32, IAS 32.18
Represented by:				
Net assets attributable to shareholders (calculated in accordance with redemption requirements)		88,764	56,927	
Adjustment from mid-market prices to bid/ask-market prices		(59)	(38)	
Net assets attributable to shareholders (calculated in accordance with IFRS)		88,705	56,889	

Commentary

IAS 1.60 requires entities to present assets and liabilities in order of their liquidity (rather than split between current and non-current) when this presentation is reliable and more relevant, as will often be the case for an open-ended investment fund.

It is assumed that the Fund's offer document stipulates that, for the purpose of calculating the redemption price of shares, assets and liabilities are measured based on mid-market prices.

The liability of the Fund to its shareholders is measured as equivalent to the Net Asset Value (NAV) of the Fund measured in accordance with the requirements of IFRS (e.g., long assets measured at 'bid' and short positions measured at 'ask'). For disclosure purposes, the statement of financial position should disclose the NAV as per the offer document issued by the fund and reconcile this figure to the NAV, as per IFRS, with additional disclosures in the notes to the financial statements to assist in understanding the differences between the two amounts.

If a fund has some equity (e.g., available-for-sale reserve which the fund has no obligation to deliver to its shareholders) it should disclose it separately from the net assets attributable to shareholders. IAS 32.IE33 illustrates a format that may be used in such a case. The Fund has not provided a restated comparative statement of financial position for the earliest comparative period, as it has not adopted any new accounting policies retrospectively, nor made a retrospective restatement, nor retrospectively reclassified items in the financial statements.

Statement of changes in net assets attributable to shareholders

for the year ended 31 December 2011

IAS 1.6,
IAS 1.51(a),(c)

	Notes	Net assets attributable to shareholders (calculated in accordance with redemption requirements) €000	Adjustment from mid-market prices to bid/ask-market prices €000	Net assets attributable to shareholders (calculated in accordance with IFRS) €000	Number of shares	Net asset value per share (calculated in accordance with redemption requirements) €	Net asset value per share (calculated in accordance with IFRS) €	IAS 1.80 IAS 1.135 (b)(c) IAS 1.79(a)(iv) IAS 1.51(d),(e)
As at 1 January 2010		81,986	(55)	81,931	6,285,714	13.04	13.03	
Issue of redeemable shares	13	12,368	–	12,368	1,047,294			
Redemption of redeemable shares	13	(28,520)	–	(28,520)	(2,435,567)			
Decrease in net assets attributable to shareholders from transactions in shares		(16,152)	–	(16,152)	(1,388,273)			
Decrease in net assets attributable to shareholders from operations		(8,907)	17	(8,890)	–			
At 31 December 2010		56,927	(38)	56,889	4,897,441	11.62	11.62	
Issue of redeemable shares	13	27,270	–	27,270	2,009,041			
Redemption of redeemable shares	13	(5,827)	–	(5,827)	(441,922)			
Increase in net assets attributable to shareholders from transactions in shares		21,443	–	21,443	1,567,119			
Increase in net assets attributable to shareholders from operations		10,394	(21)	10,373	–			
At 31 December 2011		88,764	(59)	88,705	6,464,560	13.73	13.72	

Commentary

The Fund has no equity as defined in IAS 32. Our view is that the difference between the NAV per IFRS (based on bid/offer prices) and the NAV per the Fund's valuation (based on mid-prices) is not an equity component. Although the Fund's offer document entitles individual shareholders to redeem their shares at a higher amount than the NAV per share calculated in accordance with IFRS, the total liability of the Fund to shareholders is limited to the net assets of the Fund. Therefore, if early redemptions are made at the higher value specified in the offer document, they reduce the NAV of the Fund and, in turn, the redemption value of the remaining shares. An investment fund may have items that are required by standards to be recognised in other comprehensive income, such as available-for-sale financial assets. As the fund's shares are puttable at their share of the net asset value of the fund, the liability in respect of the shares will encompass any unrealised gains and losses on such items. An example of presentation in these circumstances is set out in Appendix 4.

In our view, a statement of changes in net assets attributable to shareholders (or other similar formats) should be presented in the financial statements to describe the changes in net assets attributable to shareholders. An entity could choose, based on its particular facts and circumstances, to disclose such information in the notes to the audited financial statements. This would be consistent with the illustrative example 7 accompanying IAS 32.

In this set of audited financial statements, no statement of changes in equity is presented as it will have a nil balance (i.e., all amounts are allocated to ownership interests classified and presented as financial liabilities). However, in certain jurisdictions, regulators may require reporting entities to present the statement of changes in equity even when such statement has a nil balance. In these jurisdictions a statement of changes in equity will be presented.

Statement of cash flows

for the year ended 31 December 2011

		2011	2010	
	Notes	€000	€000	IAS 1.10(d), IAS 7.10 IAS 7.18(a), IAS 1.51(c) IAS 1.38 IAS 1.51(d),(e)
Operating activities				
Proceeds from sale of financial investments classified as held for trading		71,092	99,301	IAS 7.15
Proceeds from sale of financial investments designated at fair value through profit or loss		68,344	85,274	IAS 7.15
Payments for purchase of financial investments and settlement of financial liabilities held for trading		(80,494)	(90,486)	IAS 7.15
Payments for purchase of financial investments designated at fair value through profit or loss		(75,990)	(70,900)	IAS 7.15
Proceeds received from brokers		1,288	1,950	
Payments to brokers		(1,210)	(1,219)	
Proceeds from repurchase and securities lending transactions		3,494	2,165	
Repayment and amounts borrowed under repurchase and securities lending transactions		(3,251)	(3,213)	
Payments under reverse-repurchase and securities borrowing transactions		(3,320)	(3,057)	
Proceeds from repayment of amounts lent under reverse repurchase and securities borrowing transactions		3,148	3,285	
Interest received		1,144	1,007	IAS 7.31
Dividend received, net of withholding tax		1,036	778	IAS 7.31
Interest paid		(141)	(103)	IAS 7.31
Dividend paid on securities sold not yet purchased		(286)	(274)	
Management and performance fees paid		(1,292)	(886)	
Custodian and administration fees paid		(56)	(44)	
Directors' fees paid		(64)	(67)	
Other operating expenses paid		(16)	(19)	
Net cash (utilised in)/generated by operating activities		(16,574)	23,492	IAS 7.10, 13, 14
Financing activities				
Proceeds from issue of redeemable shares		27,270	12,368	IAS 7.17(a)
Payments on redemption of redeemable shares		(5,827)	(28,520)	IAS 7.17(b)
Distributions paid to shareholders	18	(3,125)	(7,732)	IAS 7.31, IAS 7.34
Net cash flows provided by/(utilised in) financing activities		18,318	(23,884)	
Net increase/(decrease) in cash and cash equivalents		1,744	(392)	
Cash and cash equivalents at 1 January		369	740	
Effect of exchange rate changes on cash and cash equivalents		11	21	IAS 7.28
Cash and cash equivalents at 31 December	11	2,124	369	IAS 7.45

Commentary

IAS 7.18 allows entities to report cash flows from operating activities using either the direct method or the indirect method. IAS 7.19 encourages entities to use the direct method. Accordingly, the Fund presents its cash flows using the direct method. Illustration of the indirect method is provided in Appendix 1.

Our view is that an investment fund should classify its held-for-trading investment movements as operating activities since the investment activities of an investment fund are the principal revenue-producing activities of the entity and the turnover of such investments is high.

For investments designated at fair value through profit or loss, the fund should assess whether the investments are held for the primary purpose of generating future income and cash flows over the long term. If the fund believes that the transactions in investments designated at fair value through profit or loss are the principal revenue-producing activities of the fund, then these cash flows should be classified as from operating activities (IAS 7.15), otherwise, they should be classified as cash flows from investing activities (IAS 7.16). The classification adopted should be applied consistently.

If a fund has financial assets classified as available-for-sale (AFS), it should present the cash flows associated with them (i.e., purchases of AFS assets and proceeds from sale of AFS assets, other than payments/receipts for those instruments considered to be cash equivalents), as cash flows from investing activities in accordance with IAS 7.16(c)-(d).

In accordance with IAS 7.22(b), cash receipts and payments for items in which the turnover is quick, the amounts are large and the maturities are short are reported on a net basis.

Our view is that an investment fund may choose whether to present its purchases and sales of investments held for trading gross or net. Once a presentation policy is selected, it must be applied consistently. If a fund elects to present the net cash flows from purchases and sales of investments, consideration needs to be given to the adequacy of disclosures in the notes to the financial statements regarding the risks associated with the financial instruments of the entity in accordance with IAS 32 *Financial Instruments: Presentation* and IFRS 7 *Financial Instruments: Disclosures*.

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

IAS 7.35 requires a separate disclosure of cash flows arising from income taxes. The Fund does not provide such a disclosure as its tax expenses relate to withholding taxes which are deducted at source and do not involve cash outflows.

Notes to the financial statements

1. Corporate information

Good Investment Fund Limited (the Fund) is an open-ended investment company domiciled and incorporated as a limited liability company in Euroland. The Fund was incorporated on 17 February 2003 for an unlimited duration as an open-ended investment company under the laws of Euroland in accordance with Part I of the Euroland law relating to undertakings for collective investment enacted on 30 March 1988.

IAS 1.10(e)
IAS 1.112
IAS 1.113
IAS 1.138(a)
IAS 1.138(b)
IAS 1.51(a)

The Fund's registered office is at Currency House, 30 Hedge Street, Euroville, Euroland.

IAS 1.138(a)

The investment objective of the Fund is to achieve consistent medium-term returns while safeguarding capital by investing in a diversified portfolio of equity securities, interest bearing securities and related derivatives in several currencies in both domestic and international markets. The Fund applies, among others, arbitrage, event-driven and long/short equity investment strategies.

IAS 1.138(b)

Most of the Fund's investments are listed and traded on stock exchange markets in the European Union and the United States of America.

The Fund's investment activities are managed by Good Asset Management Limited (the Investment Manager). The Fund's custodian and administrator is Good Administration Fund Services Limited.

The Fund's shares are redeemable at the holder's option and are listed on the Euroland Stock Exchange. The listing is for informational purposes. The shares cannot be traded on the stock exchange.

IAS 1.51(b), (c),
IAS 10.17

Commentary

The Fund is listed on a public stock exchange for informational purposes only. Reasons for such a listing may be to facilitate the valuation of portfolios by investors or because it is a requirement for the entity to be listed on a public stock exchange to allow certain investors who are required to invest only in securities listed on a public stock exchange. Subscriptions and redemptions are handled by the transfer agent/administrator and no transactions are undertaken on the public stock exchange.

The financial statements of Good Investment Fund Limited for the year ended 31 December 2011 were authorised for issue in accordance with a resolution of the Board of Directors on 31 March 2012.

2.1 Basis of preparation

The financial statements of the Fund have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

IAS 1.10(e)

IAS 1.16

The financial statements have been prepared on a historical cost basis, except for financial assets and financial liabilities held at fair value through profit or loss, that have been measured at fair value.

IAS 1.118
IAS 1.112
IAS 1.117

The financial statements are presented in euros and all values are rounded to the nearest thousand euros (€000) except where otherwise indicated.

IAS 1.51(d)-(e)

2.2 Summary of significant accounting policies

IAS 1.10(e)

IFRS 7.21

IAS 1.119

IAS 1.121

IAS 1.112(b), (c)

IAS 1.117

IFRS 7.21

2.2.1 Financial instruments

(i) Classification

The Fund classifies its financial assets and financial liabilities into the following categories in accordance with IAS 39.

IAS 39.9

Financial assets and liabilities at fair value through profit or loss

IAS 39.9

The category of financial assets and liabilities at fair value through the profit or loss is sub-divided into:

Financial assets and liabilities held for trading: financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes equity securities, investments in managed funds and debt instruments. These assets are acquired principally for the purpose of generating a profit from short-term fluctuations in price. All derivatives and liabilities from short sales of financial instruments are classified as held for trading. The Fund's policy is not to apply hedge accounting.

IFRS 7.8(a)(ii)
IFRS 7.8(e)(ii)
IAS 39.AG14

Notes to the financial statements

2.2 Summary of significant accounting policies *continued*

Financial instruments designated as at fair value through profit or loss upon initial recognition: these include equity securities and debt instruments that are not held for trading. These financial assets are designated upon initial recognition on the basis that they are part of a group of financial assets which are managed and have their performance evaluated on a fair value basis, in accordance with the risk management and investment strategies of the Fund, as set out in the Fund's offering document (see also Note 19). The financial information about these financial assets is provided internally on that basis to the Investment Manager and to the Board of Directors.

IFRS 7.8(a)(i)
IAS 39.9(b)(ii)
IFRS 7.B5(a)

Commentary

Investment funds with interests in associates and joint ventures may elect to account for those investments as 'at fair value through profit or loss' (IAS 28.1, IAS 31.1) provided they meet the criteria of IAS 28, IAS 31 and IAS 39. Such election must be applied consistently as a matter of accounting policy choice.

Entities controlled by an investment fund are subsidiaries and must be consolidated (IAS 27.16).

The IASB issued an exposure draft in August 2011 proposing that an investment company will measure its investments in entities that it controls at fair value through profit or loss, rather than consolidate such investments. Until finalised as a standard, this treatment is not permitted under IFRS.

Loans and receivables

IFRS 7.8(c),
IAS 39.9

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Fund includes in this category amounts relating to reverse repurchase agreements, cash collateral on securities borrowed and other short-term receivables.

Other financial liabilities

IFRS 7.8(f),
IAS 39.9

This category includes all financial liabilities, other than those classified as held for trading. The Fund includes in this category amounts relating to repurchase agreements, cash collateral on securities lent and other short-term payables.

The Fund's accounting policy regarding the redeemable participating shares is described in section (I) below.

(ii) Recognition

The Fund recognises a financial asset or a financial liability when, and only when, it becomes a party to the contractual provisions of the instrument.

IAS 39.14

Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Fund commits to purchase or sell the asset.

IAS 39.9,
IAS 39.38
IFRS 7.B5(c)

(iii) Initial measurement

Financial assets and financial liabilities at fair value through profit or loss are recorded in the statement of financial position at fair value. All transaction costs for such instruments are recognised directly in profit or loss.

IAS 39.43

Derivatives embedded in other financial instruments are treated as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contract, and the host contract is not itself classified as held for trading or designated as at fair value through profit or loss. Embedded derivatives separated from the host are carried at fair value with changes in fair value recognised in profit or loss.

IAS 39.11
IAS 39.10

Loans and receivables and financial liabilities (other than those classified as held for trading) are measured initially at their fair value plus any directly attributable incremental costs of acquisition or issue.

(iv) Subsequent measurement

IAS 39.45-47

After initial measurement, the Fund measures financial instruments which are classified as at fair value through profit or loss at fair value (see B below). Subsequent changes in the fair value of those financial instruments are recorded in Net gain or loss on financial assets and liabilities at fair value through profit or loss. Interest earned and dividend revenue elements of such instruments are recorded separately in Interest revenue' and 'Dividend revenue, respectively. Dividend expenses related to short positions are recognised in Dividends on securities sold not yet purchased.

IAS 39.46
IAS 39.9
IAS 39.55(a)

Notes to the financial statements

2.2 Summary of significant accounting policies *continued*

Commentary

There is no specific requirement in IFRS 7 as to where in the Statement of comprehensive income the interest and dividend on financial instruments classified as at fair value through profit or loss should be recorded. The policy applied should be consistent from one period to the next. IFRS 7 requires the location to be disclosed. For example, interest or dividend earned on financial instruments carried at fair value through profit or loss may be included in net gains or losses for the category, or in interest or dividend income, and the policy should make it clear where they are reported. In these financial statements, interest and dividends on financial instruments through profit or loss are disclosed in interest revenue and dividend revenue (expense), respectively.

There are different views as to how to treat interest or dividend expense on short positions. Our view is that they should be classified in a manner consistent with the treatment of interest and dividends on long positions and included in either interest or dividend expense, or in gains and losses on financial instruments at fair value through profit or loss, as appropriate.

Loans and receivables are carried at amortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

IFRS 7.B5(e)
IAS 39.56

Financial liabilities, other than those classified as at fair value through profit or loss, are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, as well as through the amortisation process.

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

IAS 39.9
IAS 39.AG6
IAS 18.30(a)

(v) Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- ▶ The rights to receive cash flows from the asset have expired

IAS 39.17(a)

Or

- ▶ The Fund has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement

IAS 39.17(b)
IAS 39.18(b)

IAS 39.20(a)
IAS 39.20(c)(i)

And

- ▶ Either (a) the Fund has transferred substantially all the risks and rewards of the asset; or (b) the Fund has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

IAS 39.20(c)(ii)
IAS 39.30(a)

When the Fund has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Fund's continuing involvement in the asset. In that case, the fund also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the fund has retained.

The Fund derecognises a financial liability when the obligation under the liability is discharged, cancelled or expired.

IAS 39.39

2.2.2 Determination of fair value

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted price or binding dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

IAS 39.9

IAS 39.48A
IFRS 7.27

Where the Fund has assets and liabilities with offsetting market risks, it uses mid-market prices as a basis for establishing fair values for the offsetting risk positions and applies the bid or ask price to the net open position as appropriate.

IAS 39.AG72

Notes to the financial statements

2.2 Summary of significant accounting policies *continued*

For all other financial instruments not traded in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include: using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible.

IAS 39.AG74

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 7.

2.2.3 Impairment of financial assets

The Fund assesses at each reporting date whether a financial asset or group of financial assets classified as loans and receivables is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is an objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtor, or a group of debtors, is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and, where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred) discounted using the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss as a Credit loss expense.

IAS 39.63
IFRS 7.B5(f)
IAS 39.58-59

IAS 39.AG84

IFRS 7.16

IFRS 7.B5(d)(i)
IFRS 7.B5(d)(ii)
IAS 39.65

Impaired debts, together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Fund. If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a previous write-off is later recovered, the recovery is credited to the Credit loss expense.

IAS 39.AG93

Interest revenue on impaired financial assets is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

2.2.4 Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

IAS 32.42

2.2.5 Functional and presentation currency

The Fund's functional currency is the euro, which is the currency of the primary economic environment in which it operates. The Fund's performance is evaluated and its liquidity is managed in euros. Therefore, the euro is considered as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The fund's presentation currency is also the euro.

IAS 21.9, 20

IAS 1.51(d),
IAS 21.10

2.2.6 Foreign currency translations

Transactions during the period, including purchases and sales of securities, income and expenses, are translated at the rate of exchange prevailing on the date of the transaction.

IAS 21.21, 23,
28

IAS 21.21

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date.

IAS 21.23(a)

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

IAS 21.23(b)
IAS 21.23(c)

Foreign currency transaction gains and losses on financial instruments classified as at fair value through profit or loss are included in profit or loss in the statement of comprehensive income as part of the Net gain or loss on financial assets and liabilities at fair value through profit or loss. Foreign exchange differences on other financial instruments are included in profit or loss in the statement of comprehensive income as Net foreign exchange gains (losses).

IAS 21.28
IAS 21.30

Notes to the financial statements

2.2 Summary of significant accounting policies *continued*

2.2.7 Repurchase, reverse repurchase, securities lending and securities borrowing transactions

Securities sold under agreement to repurchase at a specified future date (repos) are not derecognised from the statement of financial position as the Fund retains substantially all of the risks and rewards of ownership. The corresponding cash received is recognised in the statement of financial position with a corresponding obligation to return it (Cash collateral on securities lent and repurchase agreements), reflecting its economic substance as a loan to the Fund. The difference between the sale and repurchase prices is treated as interest expense and is accrued over the life of agreement using the effective interest method. When the counterparty has the right to sell or repledge the securities, the Fund reclassifies those securities in its statement of financial position to Financial assets at fair value through profit or loss pledged as collateral.

IFRS 7.13(b)
IAS 39.AG40(a)
IAS
39.AG51(a)-(c)
IAS 39.IG D.1.1

IAS 39.37

IFRS 7.13(b)
IAS 39.AG40(b)
IAS
39.AG51(a)-(c)
IAS 39.IG D.1.1
IAS 39.37

Securities lent to counterparties are not derecognised from the statement of financial position as the Fund retains substantially all the risks and rewards of ownership. Cash received as collateral is recognised in the Statement of financial position with a corresponding obligation to return it (Cash collateral on securities lent and repurchase agreements). When the counterparty has the right to sell or repledge the securities, the Fund reclassifies those securities in its Statement of financial position to Financial assets at fair value through profit or loss pledged as collateral.

Securities purchased under agreements to resell at a specified future date (reverse repos) are not recognised in the Statement of financial position unless they are subsequently sold to third parties (in which case, the obligation to return the securities is recorded as a short sale within trading liabilities and measured at fair value with any gains or losses included in Net gain or loss on financial assets and liabilities at fair value through profit or loss). The corresponding cash paid is derecognised and a corresponding receivable is recorded in the Statement of financial position reflecting the Fund's right to receive it back (Cash collateral on securities borrowed and reverse repurchase agreements). The difference between the purchase and resale prices is treated as interest revenue and is accrued over the life of the agreement using the effective interest method.

IAS 39.AG50

IAS 39.AG15(b)
IAS 39.IG D.1.1

IAS 18.30(a)

Securities borrowed are not recognised in the Statement of financial position, unless they are subsequently sold to third parties (in which case the obligation to return the securities is recorded as a trading liability and measured at fair value with any gains or losses included in Net gain or loss on financial assets and liabilities at fair value through profit or loss). Cash delivered as collateral is derecognised and a corresponding receivable is recorded in the statement of financial position reflecting the Fund's right to receive it back (Cash collateral on securities borrowed and reverse repurchase agreements).

IAS 39.AG50

IAS 39.AG15(b)
IAS 39.IG D.1.1

2.2.8 Due to and due from brokers

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. Refer to the accounting policy for Financial liabilities, other than those classified as at fair value through profit or loss for recognition and measurement.

IAS 39.38

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. Refer to accounting policy for Loans and receivables for recognition and measurement.

Margin accounts represent cash deposits held with brokers as collateral against open futures contracts.

IAS 39.IG B.10

Commentary

Many derivative instruments require margin payments. The margin payment may take the form of cash, securities, or liquid assets. A 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. They are separate assets that are accounted for separately.

2.2.9 Redeemable participating shares

Redeemable participating shares are redeemable at the shareholders' option and are classified as financial liabilities.

IAS 32.18(b)

The liabilities arising from the redeemable shares are carried at the redemption amount being the net asset value calculated in accordance with IFRS.

IAS 39.AG32

For the purpose of calculating the net assets attributable to shareholders in accordance with the Fund's redemption requirements, the Fund's assets and liabilities are valued on the basis of mid-market prices. This valuation of net asset value is different from the IFRS valuation requirements (see Note 2.2(B)). The difference between the two valuations is presented on the face of the statement of financial position under Adjustment from mid-market prices to bid/ask-market prices.

IAS 39.AG72
IAS 39.IG E.2.1

Notes to the financial statements

2.2 Summary of significant accounting policies *continued*

The Fund issues shares at the net asset value of the existing shares. The holder of participating shares can redeem them during the last seven business days of each calendar month for cash equal to a proportionate share of the Fund's net asset value (calculated in accordance with redemption requirements).

The Fund's net asset value per share is calculated by dividing the net assets attributable to shareholders (calculated in accordance with redemption requirements) by the number of shares in issue.

2.2.10 Distributions to shareholders

In accordance with the Fund's constitution, the Fund fully distributes its distributable income to shareholders. *IAS 32.35-36*

Distributions are payable at the end of each half year. Such distributions are determined by reference to the net taxable income of the Fund. (See Note 2.2 (P)).

Distributable income includes capital gains arising from the disposal of investments.

Unrealised recognised gains and losses are included in the net assets attributable to shareholders and are not distributable until realised. Capital losses are not distributed to shareholders, but are retained to be offset against any future realised capital gains. Distributions to shareholders are recognised in the statement of comprehensive income as finance costs.

Commentary

It is important to distinguish between the contractual obligations of a fund and the contractual agreements among its shareholders. It is possible that a fund has full discretion on dividend distribution while there is a shareholders' agreement in place obliging all shareholders to vote for dividend distribution when proposed. The fund is not a party to the shareholders' agreement and therefore from the fund's perspective there would be no contractual obligation in that respect.

2.2.11 Cash and cash equivalents

IAS 7.46

Cash and cash equivalents in the statement of financial position comprise cash on hand, demand deposits, short-term deposits in banks and short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, with original maturities of three months or less. *IAS 7.6*

Short-term investments that are not held for the purpose of meeting short-term cash commitments and restricted margin accounts are not considered as 'cash and cash equivalents'. *IAS 7.7*

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts when applicable. *IAS 7.8*

2.2.12 Interest revenue and expense

Interest revenue and expense are recognised in the statement of comprehensive income for all interest-bearing financial instruments using the effective interest method. *IFRS 7.20(b)*
IAS 18.30(a)
IAS 39.9

2.2.13 Dividend revenue and expense

Dividend revenue is recognised when the Fund's right to receive the payment is established. Dividend revenue is presented gross of any non-recoverable withholding taxes, which are disclosed separately in the statement of comprehensive income. Dividend expense relating to equity securities sold short is recognised when the shareholders' right to receive the payment is established. *IFRS 7.B5(e)*
IAS 18.30(c)

Commentary

Dividend revenues on listed securities, as well as dividend expenses on listed securities sold short, are generally recorded on the ex-dividend date.

The ex-dividend date is the date that the market price of the security is reduced to reflect the amount of the dividend (that is, securities traded on that date do not include rights to the upcoming dividend payment).

IFRS does not address the accounting treatment for dividends received by investors who have the choice to receive cash or shares. Under US GAAP, such dividends are usually recognised as investment income in the amount of the cash option, because in such cases cash is usually the best evidence of fair value of the shares.

Notes to the financial statements

2.2 Summary of significant accounting policies *continued*

2.2.14 Net gain or loss on financial assets and liabilities at fair value through profit or loss

This item includes changes in the fair value of financial assets and liabilities held for trading or designated upon initial recognition as 'at fair value through profit or loss' and excludes interest and dividend income and expense. *IFRS 7.20(a)*
IFRS 7.B5(e)
IAS 39.55(a)

Unrealised gains and losses comprise changes in the fair value of financial instruments for the period and from reversal of prior period's unrealised gains and losses for financial instruments which were realised in the reporting period.

Realised gains and losses on disposals of financial instruments classified as 'at fair value through profit or loss' are calculated using the First-In, First-Out (FIFO) method. They represent the difference between an instrument's initial carrying amount and disposal amount, or cash payments or receipts made on derivative contracts (excluding payments or receipts on collateral margin accounts for such instruments).

Commentary

A separate disclosure of 'realised' and 'unrealised' results from instruments classified as 'at fair value through profit or loss' is not required by IFRS. However, a fund may find it useful to provide such information. Often the realised profit is the basis for:

- ▶ The amount that **must** be distributed to avoid incurring a taxation liability

Or

- ▶ The amount that **may** be distributed in terms of the contract with shareholders

The calculation of the realised/unrealised gains and losses is often driven by jurisdictional requirements and, as such, differences are expected (e.g., some funds only include the unrealised gains and losses which have arisen during the reporting period). A fund which chooses to provide such information should disclose the basis for the calculation and explain how the split between realised and unrealised is determined.

2.2.15 Fees and commissions

Unless included in the effective interest calculation, fees and commissions are recognised on an accrual basis. Legal and audit fees are included within Other general expenses.

2.2.16 Income taxes

The Fund is exempt from all forms of taxation in Euroland (including income, capital gains and withholding taxes) provided the shareholders are currently entitled to the income of the Fund and the Fund fully distributes its net taxable income. However, in some jurisdictions, investment income and capital gains are subject to withholding tax deducted at the source of the income. The Fund presents the withholding tax separately from the gross investment income in the statement of comprehensive income. For the purpose of the statement of cash flows, cash inflows from investments are presented net of withholding taxes, when applicable.

Commentary

A fund may be subject to tax on its investments, which is imposed by the tax authorities in the investee's jurisdiction. Funds are not exempt from providing for tax and they should determine if tax, including deferred tax, needs to be recognised in the financial statements.

The non-refundable portion of the withholding tax is included in the scope of IAS 12 (including relevant recognition, measurement, presentation and disclosure) and is recognised as a tax expense. It should be noted that jurisdictions may treat these taxes differently and these differences may impact the amounts included in the financial statements.

IAS 12 does not directly address the presentation of incoming dividends on which tax has been suffered (i.e., whether they should be shown at the amount received, or gross of withholding tax together with a corresponding tax charge). However, in discussing the presentation prescribed for the **paying** company, IAS 12.65A describes withholding tax as an amount 'paid to the tax authorities on behalf of shareholders'. It would, therefore, be most consistent with this treatment for the recipient to show dividends (and other income subject to withholding taxes) gross of withholding taxes.

Withholding taxes are not separately disclosed in the statement of cash flows as they are deducted at source and do not involve cash outflows.

Notes to the financial statements

2.3 Changes in accounting policy and disclosures

IAS 8.14

New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year, except for the following amended IFRS adopted in the year commencing 1 January 2011:

- ▶ IAS 24 *Related Party Disclosures* (amendment) effective 1 January 2011
- ▶ IAS 32 *Financial Instruments: Presentation* (amendment) effective 1 February 2010
- ▶ IFRIC 14 *Prepayments of a Minimum Funding Requirement* (amendment) effective 1 January 2011
- ▶ IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* effective 1 July 2010
- ▶ Improvements to IFRSs (May 2010) effective either 1 July 2010 or 1 January 2011

The adoption of the standards or interpretations is described below:

IAS 8.28

IAS 24 Related Party Transactions (Amendment)

The IASB issued an amendment to IAS 24 that clarifies the definitions of a related party. The new definitions emphasise a symmetrical view of related party relationships and clarifies the circumstances in which persons and key management personnel affect the related party relationships of an entity. In addition, the amendment introduces an exemption from the general related party disclosure requirements for transactions with government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The adoption of the amendment did not have any impact on the financial position or performance of the Fund.

IAS 32 Financial Instruments: Presentation (Amendment)

The IASB issued an amendment that alters the definition of a financial liability in IAS 32 to enable entities to classify rights issues and certain options or warrants as equity instruments. The amendment is applicable if the rights are given *pro rata* to all of the existing owners of the same class of an entity's non-derivative equity instruments, to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. The amendment has had no effect on the financial position or performance of the Fund because the Fund does not have these type of instruments.

IFRIC 14 Prepayments of a Minimum Funding Requirement (Amendment)

The amendment removes an unintended consequence when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover such requirements. The amendment permits a prepayment of future service cost by the entity to be recognised as pension asset. The amendment has had no effect on the financial position or performance of the Fund because the Fund does not have employee benefit schemes.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

In November 2009, the IASB issued IFRIC 19 *Extinguishing Financial Liabilities with Equity*. The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case that this cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognised immediately in profit or loss. The adoption of this interpretation has had no effect on the financial statements of the Fund.

Improvements to IFRSs

In May 2010, the IASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard.

The adoption of the following amendments resulted in changes to presentation and disclosure and to accounting policies but no impact on the financial position or performance of the Fund.

IFRS 7 Financial Instruments - Disclosures: The amendment was intended to simplify the disclosures provided, by reducing the volume of disclosures around collateral held and improving disclosures by requiring qualitative information to put the quantitative information in context. The Fund reflects the revised disclosure requirements in Note 19.

Notes to the financial statements

2.3 Changes in accounting policy and disclosures *continued*

Other amendments resulting from Improvements to IFRSs to the following standards and interpretations did not have any impact on the accounting policies, financial position or performance of the Fund:

- ▶ IAS 1 *Presentation of Financial Statements* (Presentation of an analysis of each component of other comprehensive income)
- ▶ IFRS 3 *Business Combinations* (Contingent consideration arising from business combination prior to adoption of IFRS 3 (as revised in 2008))
- ▶ IFRS 3 *Business Combinations* (Un-replaced and voluntarily replaced share-based payment awards)
- ▶ IAS 27 *Consolidated and Separate Financial Statements*
- ▶ IAS 34 *Interim Financial Statement*
- ▶ IFRIC 13 *Customer Loyalty Programmes* (determining the fair value of award credits)

Commentary

IAS 8 only requires such disclosure when the initial application of a standard or interpretation has an effect on the current or any prior period. The descriptions above have been provided for illustrative purposes only.

In some jurisdictions, the adoption of IFRS for reporting purposes may be subject to a specific legal process (e.g., in the European Union or Australia). In those jurisdictions, the effective dates may therefore be different from the IASB's effective dates. Nevertheless, all new standards and interpretations must be considered for disclosure, as standards issued but not yet effective in accordance with IAS 8.30 when an entity provides a complete set of financial statements, irrespective of whether or not the legal process referred to above has been completed.

3. Significant accounting judgements, estimates and assumptions

IAS 8.28

The preparation of the Fund's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts recognised in the financial statements and disclosure of contingent liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods.

IAS 1.122

IAS 1.125

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 recognised in the financial statements:

IAS 1.122

Going Concern

The Fund's management has made an assessment of the Fund's ability to continue as a going concern and is satisfied that the Fund has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Fund's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

IAS 1.25-26
IAS 10.14-16

Functional currency

The primary objective of the Fund is to generate returns in euro, its capital-raising currency. The liquidity of the Fund is managed on a day-to-day basis in euros in order to handle the issue, acquisition and resale of the Fund's redeemable shares. The Fund's performance is evaluated in euro. Therefore, the management considers the euro as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions.

Commentary

Although an entity's functional currency is a matter of fact, significant judgement may be required in determining the functional currency of an investment fund that holds investments that are denominated in foreign currencies.

When the primary objective of an investment fund is to generate returns in terms of the currency in which its capital was raised, it is likely that the functional currency of the investment fund will be its capital-raising currency. This will generally be the case with an open-ended investment fund as the liquidity of the fund must be managed on a day-to-day basis in the capital-raising currency in order to handle the issue and redemptions of fund participation units.

Notes to the financial statements

3. Significant accounting judgements, estimates and assumptions *continued*

IAS 1.122
IAS 1.125

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below. The Fund based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Fund. Such changes are reflected in the assumptions when they occur.

IAS 1.125

Fair value of financial instruments

When the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. The estimates include considerations of liquidity and model inputs such as credit risk (both own and counterparty's), correlation and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments in the statement of financial position and the level where the instruments are disclosed in the fair value hierarchy. The models are calibrated regularly and tested for validity using prices from any observable current market transactions in the same instrument (without modification or repackaging) or based on any available observable market data.

IFRS 7 requires disclosures relating to fair value measurements using a three-level fair value hierarchy that reflects the significance of the inputs used in measuring fair values. The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustments based on unobservable inputs, then that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability. To assess the significance of a particular input to the entire measurement, the fund performs sensitivity analysis or stress testing techniques.

Taxes

IAS 12.88,
IAS 1.125

Uncertainties exist with respect to the interpretation of complex tax regulations and changes in tax laws on foreign withholding tax. Given the wide range of international investments, differences arising between the actual investment income and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax expense already recorded. The Fund establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it invests. The amounts of such provisions are based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective investment's domicile. As the Fund assesses the probability for litigation and subsequent cash outflow with respect to taxes as remote, no contingent liability has been recognised.

Commentary

In these financial statements it is assumed that the Fund has determined that there are no tax provisions to be recognised in any period presented, other than withholding tax deducted at the source of the income (see Note 16).

Notes to the financial statements

4. Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Fund's financial statements are listed below. The Fund intends to adopt applicable standards when they become effective.

IAS 1 Financial Statement Presentation – Presentation of Items of Other Comprehensive Income

The amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has no impact on the Fund's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 2012.

IAS 19 Employee Benefits (Amendment)

The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The amendment becomes effective for annual periods beginning on or after 1 January 2013. The fund has no employee benefits which would be affected by these amendments.

IAS 27 Separate Financial Statements (as revised in 2011)

As a consequence of the new IFRS 10 and IFRS 12, what remains in IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. As the fund has no subsidiaries, this amendment has no impact on the Fund's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)

As a consequence of the new IFRS 11 and IFRS 12, IAS 28 has been renamed IAS 28 *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates. As the fund has no associates or joint venture investments, this amendment has no impact on the Fund's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 7 Financial Instruments: Disclosures – Enhanced Derecognition Disclosure Requirements

The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognised assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognised assets. The amendment becomes effective for annual periods beginning on or after 1 July 2011. The amendment affects disclosure only and has no impact on the Fund's financial position or performance.

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9 as issued reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2013. In subsequent phases, the IASB will address hedge accounting and impairment of financial asset. The completion of this project is expected over the course of 2011 or the first half of 2012. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Fund's financial assets but will potentially have no impact on classification and measurements of financial liabilities. The Fund will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

IFRS 10 Consolidated Financial Statements

IFRS 10 replaces the portion of IAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also replaces SIC-12 *Consolidation – Special Purpose Entities*. IFRS 10 establishes a single control model that applies to all entities including 'special purpose entities'. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled, and therefore required to be consolidated by a parent, compared with the requirements that were in IAS 27. This standard becomes effective for annual periods beginning on or after 1 January 2013. This amendment has no impact on the Fund's financial position or performance.

Notes to the financial statements

4. Standards issued but not yet effective *continued*

IFRS 11 *Joint Arrangements*

IFRS 11 replaces IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly-controlled Entities – Non-monetary Contributions by Venturers*. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. The application of this new standard will not impact the financial position of the Fund. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 12 *Disclosure of Involvement with Other Entities*

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 13 – *Fair Value measurement*

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The Fund is currently assessing the impact that this standard will have on the financial position and performance. This standard becomes effective for annual periods beginning on or after 1 January 2013.

Commentary

IAS 8.30 requires disclosure of those standards that have been issued but are not yet effective. These disclosures are required to provide known or reasonably estimable information to enable users to assess the possible impact of the application of such IFRSs on an entity's financial statements. This disclosure is required to the extent that a standard is reasonably expected to have an impact on the accounting policies, financial position or performance of an entity. Descriptions of standards which are not applicable to this fund have been provided for illustrative purposes only.

In August 2011, the IASB published an Exposure Draft *Investment Entities* that proposes an exception to the principle in IFRS 10 that an entity consolidates all controlled investments. Instead, the exposure draft would require an investment entity (as defined) to measure all investments in entities at fair value, with changes recognised in profit or loss. This proposed exception helps address what many in the asset management and private equity industries, and users of their financial statements, believe is a significant problem with the current consolidation requirements in IFRS. However, as this is still to be issued as a standard, it is not included in the disclosures above.

5. Segment information

Commentary

IFRS 8 *Operating Segments* is only mandatory for a fund whose debt or equity instruments are traded in a public market 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 any class of instruments in a public market.

As the shares of the Fund are listed but not traded, the Fund is not within the scope of IFRS 8. The Fund provides the segment information on a voluntarily basis. The segment information presented complies with IFRS 8.

A fund that is not within the scope of IFRS 8 and which chooses to disclose information about segments that does not comply with IFRS 8 may not describe the information as segment information.

The Fund's internal reporting systems are set up to report in accordance with IFRS. The segment disclosures could be significantly more extensive if internal reports have been prepared on a basis other than IFRS. In such cases, reconciliation between the internally reported items and IFRS measurement would need to be prepared (IFRS 8.28). An example of presentation in these circumstances is set out in Appendix 5.

Notes to the financial statements

5. Segment information *continued*

For management purposes, the Fund is organised into one main operating segment, which invests in equity securities, debt instruments, and related derivatives. All of the Fund's activities are interrelated, and each activity is dependent on the others. Accordingly, all significant operating decisions are based upon analysis of the Fund as one segment. The financial results from this segment are equivalent to the financial statements of the Fund as a whole.

IFRS 8.22(a)
IFRS 8.22(b)

Commentary

Investment funds with larger and more diversified operations, which have well-defined lines of business and operating units for which discrete financial information is available and used by the chief operating decision maker, will likely be required to report more than one segment in their financial statements. An example of presentation in these circumstances is set out in Appendix 5.

The following table analyses the Fund's operating income per geographical location. The basis for attributing the operating income is the place of incorporation of the instruments counterparty. *IFRS 8.33(a)*

	<u>2011</u>	<u>2010</u>	
	€000	€000	
Euroland	542	19	<i>IFRS 8.33(a)(i)</i>
United Kingdom	5,176	678	<i>IFRS 8.33(a)(ii)</i>
Rest of European Union	5,316	151	
United States of America	5,236	(344)	
Rest of the world	105	(3)	
Total	<u>16,375</u>	<u>501</u>	

Commentary

IFRS 8.33(a)(i) requires the disclosure of revenues from external customers attributed to the entity's country of domicile. This is also applicable when the revenues from the country of domicile are relatively small (IFRS 8.BC54), as may be the case for many investment funds whose country of domicile is tax-driven.

Although the Fund does not have "customers", it provides information on the geographical location of the counterparty to provide the users with meaningful information.

IFRS 8.33(b) requires a similar disclosure to IFRS 8.33(a) regarding the location of certain non-current assets. The Fund has no such non-current assets and therefore a disclosure under IFRS 8.33(b) is not provided.

The following table analyses the Fund's operating income per investment type.

IFRS 8.32

	<u>2011</u>	<u>2010</u>
	€000	€000
Equity securities	10,024	212
Debt instruments	3,518	599
Derivative financial instruments	2,732	(333)
Foreign exchange gains on financial instruments not at fair value through profit or loss	101	23
	<u>16,375</u>	<u>501</u>

Operating income from one counterparty (including the counterparty's group entities) amounted to €1,750,000 (2010: loss €115,000), and arose from derivative financial instruments. *IFRS 8.34*

Notes to the financial statements

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

Financial assets at fair value through profit or loss

Commentary

Our view is that, generally, investments in open-ended investment funds represent the residual interests in those entities and are, therefore, considered as equity investments from the perspective of the investor (even if from an issuer's perspective these are presented as financial liabilities).

	<u>31 December 2011</u>	<u>31 December 2010</u>	
	€000	€000	
Financial assets held for trading			<i>IFRS 7.8(a)(ii)</i>
<i>(i) Equities and managed funds</i>			
Listed equity securities	37,886	25,384	
Listed managed funds	2,829	1,142	
Unlisted managed funds	20	–	
	<u>40,735</u>	<u>26,526</u>	
<i>(ii) Interest bearing securities</i>			
Debt securities	12,178	7,650	
Asset-backed securities	552	388	
Treasury bills	1,183	813	
	<u>13,913</u>	<u>8,851</u>	
<i>(iii) Derivatives</i>			<i>IAS 39.9</i>
Share price index futures	123	132	
Exchange traded share price options	328	276	
Currency swaps	1,592	1,258	
Forward currency contracts	657	354	
	<u>2,700</u>	<u>2,020</u>	
Total financial assets held for trading	<u>57,348</u>	<u>37,397</u>	
	<u>31 December 2011</u>	<u>31 December 2010</u>	
	€000	€000	
Financial assets designated at fair value through profit or loss			<i>IFRS 7.8(a)(i)</i>
Listed equity securities*	45,463	31,824	
Corporate bonds	11,682	11,009	
Government bonds	2,206	2,091	
Total financial assets designated as at fair value through profit or loss	<u>59,351</u>	<u>44,924</u>	
Financial assets at fair value through profit or loss	<u>116,699</u>	<u>82,321</u>	
* Including securities lent and securities pledged as collateral under repurchase agreements (Note 9)	<u>2,393</u>	<u>2,065</u>	<i>IFRS 7.14(a), IAS 39.37(a)</i>

Notes to the financial statements

6. Financial assets and financial liabilities at fair value through profit or loss *continued*

	<u>2011</u>	<u>2010</u>	
	€000	€000	
Net changes in fair value on financial assets through profit or loss:			
Realised	5,491	5,861	
Unrealised	<u>10,667</u>	<u>(9,327)</u>	
Total gains/(losses)	<u>16,158</u>	<u>(3,466)</u>	
Net change in fair value of assets held for trading	9,377	1,770	<i>IFRS 7.20(a)(i)</i>
Net change in fair value of assets designated at fair value through profit or loss	<u>6,781</u>	<u>(5,236)</u>	<i>IFRS 7.20(a)(i)</i>
Total gains/(losses)	<u>16,158</u>	<u>(3,466)</u>	

The Fund has not designated any loan or receivable as at fair value through profit or loss.

Commentary

A fund which has designated a loan or receivable or group of loans or receivables as at fair value through profit or loss (e.g., a cash collateralised debt obligation which would otherwise meet the definition of 'loans and receivables' in IAS 39.9) as at fair value through profit or loss should provide the disclosure required by IFRS 7.9, which includes the following: the maximum credit exposure, the impact of credit derivatives on the credit exposure, and the change in the fair value of the loan or receivable (or group of loans or receivables) and any related credit derivatives due to changes in credit risk, both during the period and cumulatively.

Financial liabilities at fair value through profit or loss

	<u>31 December 2011</u>	<u>31 December 2010</u>	
	€000	€000	
(i) Listed equity securities sold short	<u>25,114</u>	<u>22,100</u>	<i>IAS 39.AG15(b)</i>
(ii) Derivatives			<i>IAS 39.AG15(a)</i>
Interest rate swaps	2,797	2,082	
Share price index futures	1,638	1,839	
Written call share price options	<u>51</u>	<u>63</u>	
	<u>4,486</u>	<u>3,984</u>	
Financial liabilities held for trading	<u>29,600</u>	<u>26,084</u>	<i>IFRS 7.8(e)(ii)</i>

	<u>2011</u>	<u>2010</u>	
	€000	€000	
Net changes in fair value of financial liabilities through profit or loss:			
Realised	(1,550)	1,171	
Unrealised	<u>(794)</u>	<u>937</u>	
Total gains/(losses)	<u>(2,344)</u>	<u>2,108</u>	<i>IFRS 7.20(a)(i)</i>

Notes to the financial statements

6. Financial assets and financial liabilities at fair value through profit or loss *continued*

Commentary

The Fund's financial liabilities classified as at fair value through profit or loss comprise solely those held for trading. A fund which has a financial liability designated as at fair value through profit or loss should disclose the following information (IFRS 7.10):

- ▶ 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. As it may be difficult for many funds to identify and measure the change in fair value due to changes in the credit risk of a liability, IFRS 7 permits entities to determine the change as the proportion of change in the liability's fair value that is not attributable to a change in market conditions that gives rise to market risk.
- ▶ The difference between the financial liability's carrying amount and the amount the fund would be contractually required to pay at maturity to the holder of the obligation.

Puttable shares classified as financial liabilities, measured at the redemption amount, are disclosed in other notes to these financial statements.

	2011	2010
Net gain or loss on financial assets and financial liabilities at fair value through profit or loss:	€000	€000
Realised	3,941	7,032
Unrealised	9,873	(8,390)
Total gains/(losses)	13,814	(1,358)
Held for trading	7,033	3,878 <i>IFRS 7.20(a)(i)</i>
Designated at fair value through profit or loss	6,781	(5,236) <i>IFRS 7.20(a)(i)</i>
Total gains/(losses)	13,814	(1,358)

Commentary

Gains and losses arising on financial instruments at fair value through profit or loss are presented net in accordance with IAS 1.35, which permits net presentation of gains and losses arising from a group of similar transactions. However, IAS 1.35 requires such gains and losses to be reported separately, if material. This is interpreted to mean that **individual** gains and losses require separate reporting, if material.

7. Fair value of financial instruments

IFRS 7.27

Commentary

Valuation hierarchy disclosures must be given by 'class' of financial instrument, which is a level lower than categories such as at fair value through profit or loss or available-for-sale. The Fund presents the information based on the type of asset and liabilities, i.e., listed equity securities, listed managed funds, etc.

The level in the hierarchy within which the fair value measurement is classified must be based on the lowest level input that is significant to the fair value measurement in its entirety. (As an example, if the credit valuation adjustment made to a derivative value is based on non-observable inputs and the effect of this is significant to the instrument's value, then the whole instrument is to be presented in Level 3.)

The implicit fair value hierarchy for measurement in IAS 39 is different from the fair value hierarchy in IFRS 7. For example, some over-the-counter derivatives are disclosed as Level 2 financial instruments, even though they are generally treated as quoted in an active market for IAS 39 measurement purposes.

The three-level hierarchy disclosures are only required for financial instruments measured at fair value.

Notes to the financial statements

7. Fair value of financial instruments *continued*

The following table shows financial instruments recognised at fair value, analysed between those whose fair value is based on:

IFRS 7.27A

- ▶ Quoted prices in active markets for identical assets or liabilities (Level 1)
- ▶ Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2)
- ▶ Those with inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3)

	31 December 2011				31 December 2010			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	€000	€000	€000	€000	€000	€000	€000	€000
Financial assets at fair value through profit or loss								
<i>Financial assets held for trading</i>								
(i) Equities and managed funds								
Listed equity securities	37,616	270	–	37,886	25,384	–	–	25,384
Listed managed funds	2,479	350	–	2,829	1,142	–	–	1,142
Unlisted managed funds	–	–	20	20	–	–	–	–
(ii) Interest bearing securities								
Listed debt securities	–	12,178	–	12,178	–	7,650	–	7,650
Listed asset-backed securities	–	–	552	552	–	–	388	388
Treasury bills	45	1,138	–	1,183	25	788	–	813
(iii) Derivatives financial assets								
Share price index futures	123	–	–	123	132	–	–	132
Exchange traded share price options	328	–	–	328	276	–	–	276
Currency swaps	–	1,592	–	1,592	–	1,258	–	1,258
Forward currency contracts	–	657	–	657	–	354	–	354
<i>Financial assets designated at fair value through profit or loss</i>								
Listed equity securities	45,463	–	–	45,463	31,824	–	–	31,824
Corporate bonds	–	11,682	–	11,682	–	11,009	–	11,009
Government bonds	–	2,206	–	2,206	–	2,091	–	2,091
	86,054	30,073	572	116,699	58,783	23,150	388	82,321
Financial liabilities at fair value through profit or loss								
<i>Financial liabilities held for trading</i>								
(i) Listed equities sold short	25,114	–	–	25,114	22,100	–	–	22,100
(ii) Derivatives								
Interest rate swaps	–	2,797	–	2,797	–	2,082	–	2,082
Share price index futures	1,638	–	–	1,638	1,839	–	–	1,839
Written call share price options	–	51	–	51	–	63	–	63
	26,752	2,848	–	29,600	23,939	2,145	–	26,084

When fair values of listed equity and debt securities as well as publicly traded derivatives at the reporting date are based on quoted market prices or binding dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs, the instruments are included within Level 1 of the hierarchy. When the Fund has assets and liabilities with offsetting market risks, it uses mid-market prices as a basis for establishing fair values for the off-setting risk positions and applies the bid or ask price to the net open position as appropriate.

IFRS 7.27
IAS 39.AG72

Notes to the financial statements

7. Fair value of financial instruments *continued*

For all other financial instruments, fair value is determined using valuation techniques.

IFRS 7.27

The Fund holds investments in listed equity securities that are not quoted in an active market. These instruments are valued using observable inputs, such as recently executed transaction prices, where applicable. When a current transaction can be observed in the same instrument, that price is used unless there is evidence that it does not represent fair value. The Fund classifies the fair value of these investments as Level 2.

The Fund invests in listed debt securities, corporate and government bonds and treasury securities. When these instruments are not measured at the quoted price in an active market they 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 recognise differences in the instrument's terms. To the extent that these inputs are observable, the Fund classifies the fair value of these investments as Level 2.

The Fund uses widely recognised valuation models for determining fair values of over-the-counter interest rate swaps, currency swaps and forward foreign exchange contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves. For these financial instruments, inputs into models are market observable and are therefore included within Level 2.

The fair values of over-the-counter options on traded equity securities are calculated using an option pricing model by reference to the following market-based inputs: (i) expected volatility; (ii) expected dividends yield; and (iii) the risk-free rate of interest, which are all considered to be market observable. Therefore, the fair values of over-the-counter options on traded equity securities are included within Level 2.

Commentary

The options of the Fund are assumed to be for a short term. It should be noted that for a long-dated option, the expected volatility is likely to be determined as a Level 3 input and would typically be significant to the overall value of the option. Consequently, the entire measurement would be classified as Level 3.

The fair values of investments in asset-backed securities, for which there is currently no active market, are calculated using a valuation model which is accepted in the industry. The model uses a discounted cash flow analysis, which incorporates both observable and non-observable data. Observable inputs include assumptions regarding current rates of interest and real estate prices. Unobservable inputs include assumptions regarding expected future default rates, prepayment rates and market liquidity discounts. The model is calibrated to the ABX index, where relevant. However, significant adjustments may be required in order to reflect differences between the characteristics of the index and the instrument to be valued. The fair value of such instruments is included within Level 3.

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. Transactions in the shares of such funds do not occur on a regular basis. Investments in those funds are valued based on the Net Assets Value (NAV) per share published by the administrator of those funds. Such a NAV is adjusted when necessary, to reflect the effect of the time passed since the calculation date, liquidity risk, limitations on redemptions and other factors. Depending on the fair value level of an underlying fund's assets and liabilities and on the adjustments needed to the NAV per share published by that fund, the Fund classifies the fair value of that investment as either Level 2 or Level 3.

Due to the short-term nature of financial assets and financial liabilities recorded at amortised cost, it is assumed that the carrying amount of those instruments approximate their fair value.

IFRS 7.29(a)

Notes to the financial statements

7. Fair value of financial instruments *continued*

Transfers between levels

Commentary

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

IFRS 13 will require, for assets and liabilities held at the end of the reporting period that are measured at fair value on a recurring basis, disclosure of the amounts of any transfers, not just significant transfers as required by IFRS 7, between Level 1 and Level 2 of the fair value hierarchy, the reasons for those transfers and the entity's policy for determining when transfers between levels are deemed to have occurred. Transfers into each level shall be disclosed and discussed separately from transfers out of each level.

Transfers between Level 1 and 2

IFRS 7.27B (b)

The following table shows all transfers between Level 1 and Level 2 of the fair value hierarchy for financial assets recognised at fair value:

	Transfers from Level 1 to Level 2		Transfers from Level 2 to Level 1	
	2011	2010	2011	2010
	€000	€000	€000	€000
Financial assets held-for-trading				
Equity securities	255	–	–	25
Managed funds	300	–	–	199
	<u>555</u>	<u>–</u>	<u>–</u>	<u>224</u>

Financial assets were transferred from Level 2 to Level 1 as the markets for certain quoted equities and managed funds was considered to be active during 2010 for the first time. Fair values for these instruments at the reporting date are based on quoted market prices or binding dealer price quotations.

Financial assets were transferred from Level 1 to Level 2 as they ceased to be traded in an active market during the year. Fair values at the reporting date were obtained using valuation techniques based on observable market inputs.

Level 3 reconciliation

IFRS 7.27B

Commentary

For Level 3 fair value measurements, a reconciliation is required between the opening and closing balances, including:

- ▶ Total gains or losses for the period split between those recognised in profit or loss and those recognised in other comprehensive income, plus the amount of the gains or losses relating to instruments still held at the period end. Disclosure of where they are presented in the statement of comprehensive income is also required.
- ▶ Purchases, sales, issues and settlements (by each type of movement rather than net)
- ▶ Transfers into and out of Level 3, with 'significant' transfers into the category disclosed separately from transfers out, along with the reasons for those transfers. 'Significant' for this purpose is not defined and management will need to use judgement to determine which transfers to disclose separately

Examples of situations which may result in transfers into or out of Level 3 may include:

- ▶ Level 1 to/from Level 3: investments delisting from or listing on a public exchange which is considered to be an active market
- ▶ Level 2 to/from Level 3: inputs to valuation models ceasing to be/becoming observable
- ▶ Most funds, including the Fund, do not have available-for-sale investments or cash flow hedges. If a fund does have such instruments, it would include a separate line item to disclose the total gain or losses recognised in other comprehensive income

Notes to the financial statements

7. Fair value of financial instruments *continued*

The following table shows a reconciliation of all movements in the fair value of financial instruments categorised within Level 3 between the beginning and the end of the reporting period. IFRS 7.27B(c)-(d)

	2011			2010			
	Financial assets held for trading Listed asset-backed securities	Financial assets held for trading Unlisted managed funds	Total	Financial assets held for trading Listed asset-backed securities	Financial assets held for trading Unlisted managed funds	Total	
	€000	€000	€000	€000	€000	€000	
Opening balance	388	–	388	450	–	450	IFRS 7.27B (c)
Total gains and losses							
In profit or loss	92	(5)	87	(62)	–	(62)	IFRS 7.27B(c)(i)
Purchases	122	–	122	–	–	–	IFRS 7.27B (c)(iii)
Sales	(50)	(15)	(65)	–	–	–	IFRS 7.27B (c)(iii)
Issues	–	–	–	–	–	–	IFRS 7.27B (c)(iii)
Settlements	–	–	–	–	–	–	IFRS 7.27B (c)(iii)
Transfers into (out of) Level 3	–	40	40	–	–	–	IFRS 7.27B (c)(iv)
Closing balance	552	20	572	388	–	388	IFRS 7.27B (c)
Total gains and losses for the period included in profit or loss for assets held at the end of the reporting period	92	(2)	90	(62)	–	(62)	IFRS 7.27B (d)

During 2011, following the delisting of three managed funds and their management's decision to suspend redemptions for periods ranging between 6 and 12 months, the Fund's investments in those funds totalling €40,000 were reclassified from Level 1 to Level 3. On 1 October 2011, the Fund redeemed one of these investments for €15,000. The remaining investments at the reporting date are valued based on their published NAV adjusted to reflect liquidity risk. If an additional liquidity discount of 5% is applied to the carrying value, the fair value of the unlisted funds classified as Level 3 would have decreased by €1,000. IFRS 7.27B (c)(iv)

For the asset-backed securities measured at Level 3 at the reporting date, the Fund adjusted the prepayment rate, default rate and discount rate assumptions within a range of reasonably possible alternatives. The extent of the adjustment varied according to the characteristics of each security. IFRS 7.27B (e)

The potential effect of using reasonably possible alternative assumptions for valuing asset-backed securities classified as Level 3 at the reporting date would reduce the fair value by up to €6,600 (2010: €4,700) or increase the fair value by €8,300 (2010: €5,800)

Commentary

A fund which has equity instruments that are recorded at cost because their fair values cannot be reliably measured, should disclose the nature and carrying amount of those instruments, including an explanation of why this is the case (IFRS 7.30). Furthermore, IFRS 7 requires information about how the fund intends to dispose of such financial instruments.

It should be noted that, under IFRS 9 (which the Fund has not early adopted), there is no possibility to carry equity investments at cost. Furthermore, while IFRS 9 provides application guidance on some circumstances in which cost might be representative of fair value, those circumstances do not apply to equity investments held by investment funds.

Notes to the financial statements

8. Derivative contracts

Typically, derivative contracts serve as components of the Fund's investment strategy and are utilised primarily to structure and hedge investments, to enhance performance and reduce risk to the Fund (the Fund does not designate any derivative as a hedging instrument for hedge accounting purposes). The derivative contracts that the Fund holds or issues include: futures; over-the-counter (OTC) options; forward currency contracts; exchange-traded options; currency swap agreements; interest caps and floors and interest rate swap agreements. *IFRS 7.31*

The Fund uses derivative financial instruments to economically hedge its risks associated primarily with interest rate and foreign currency fluctuations. Derivative financial instruments may also be used for trading purposes where the Investment Manager believes this would be more effective than investing directly in the underlying financial instruments. *IFRS 7.33*

Derivatives often reflect, at their inception only a mutual exchange of promises with little or no transfer of tangible consideration. However, these instruments frequently involve a high degree of leverage and are very volatile. A relatively small movement in the underlying of a derivative contract may have a significant impact on the profit or loss of the Fund.

OTC derivatives may expose the Fund to the risks associated with the absence of an exchange market on which to close out an open position.

The Fund's constitution sets limits on investments in derivatives with high risk profile. The Investment Manager is instructed to closely monitor the Fund's exposure under derivative contracts as part of the overall management of the Fund's market risk (see also Note 19).

At the reporting dates, the Fund has positions in the following types of derivatives:

Forwards and futures

Forward and futures contracts are contractual agreements to buy or sell a specified financial instrument at a specific price and date in the future. Forwards are customised contracts transacted in the OTC market. Futures contracts are transacted in standardised amounts on regulated exchanges and are subject to daily cash margin requirements.

The main differences in the risks associated with forward and futures contracts are credit risk and liquidity risk. The Fund has credit exposure to the counterparties of forward contracts. The credit risk related to future contracts is considered minimal because the exchange ensures that these contracts are always honoured. Forward contracts are settled gross and, therefore, considered to bear a higher liquidity risk than the future contracts which are settled on a net basis. Both types of contracts result in market risk exposure.

Swaps

Swaps are contractual agreements between two parties to exchange streams of payments over time based on specified notional amounts. Interest rate swaps relate to contracts taken out by the Fund with major brokers in which the Fund either receives or pays a floating rate of interest in return for paying or receiving a fixed rate of interest. The payment flows are usually netted against each other, with the difference being paid by one party to the other. In a currency swap, the Fund pays a specified amount in one currency and receives a specified amount in another currency. Currency swaps are gross-settled.

Interest rate caps, floors and collars

A purchased cap is a contract that entitles the holder, in exchange for paying a premium, to receive the difference between the current floating interest rate and the specified strike rate of the cap (applied to the notional amount), to the extent that the current interest rate exceeds the cap.

A written floor is a contract that requires the writer, in exchange for receiving a premium, to pay the difference between the specified strike rate of the floor and the current floating interest rate (applied to the notional amount), to the extent that the current floating interest rate drops below the floor.

A combination of a purchased cap and a written floor is referred to as a collar. A collar usually does not involve premium exchange (zero cost). The terms of a collar, such as the notional, maturity and underlying index would be the same for both the cap and floor, only the strike price and occasionally, the degree of leverage would be different. Such a collar would protect against an increase in the market interest rate above a certain level and give away the benefit of a decrease in the market interest rate below a different level.

Notes to the financial statements

8. Derivative contracts *continued*

Options

Options are contractual agreements that convey the right, but not the obligation, for the purchaser either to buy or sell a specific amount of a financial instrument at a fixed price, either at a fixed future date or at any time within a specified period.

The Fund purchases and sells put and call options through regulated exchanges and OTC markets. Options purchased by the Fund provide the Fund with the opportunity to purchase (call options) or sell (put options) the underlying asset at an agreed-upon value either on or before the expiration of the option. The Fund is exposed to credit risk on purchased options only to the extent of their carrying amount, which is their fair value.

Options written by the Fund provide the purchaser the opportunity to purchase from or sell to the Fund the underlying asset at an agreed-upon value either on or before the expiration of the option.

Options are generally settled on a net basis.

The following table shows the fair values of derivative financial instruments, recorded as assets or liabilities, together with their notional amounts. The notional amount, recorded gross, is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the year end, but are indicative of neither the market risk nor the credit risk.

IFRS 7.34(a)

	31 December 2011			31 December 2010		
	Assets	Liabilities	Notional amount	Assets	Liabilities	Notional amount
	€000	€000	€000	€000	€000	€000
Derivatives primarily held for trading purposes						
Share price index futures	123	(1,638)	45,000	132	(1,839)	55,000
Share price options	328	–	30,000	276	–	25,000
Written call share price options	–	(51)	1,000	–	(63)	1,200
	<u>451</u>	<u>(1,689)</u>	<u>76,000</u>	<u>408</u>	<u>(1,902)</u>	<u>81,200</u>
Derivatives primarily held for risk management purposes						
Interest rate swaps	–	(2,797)	20,000	–	(2,082)	20,000
Currency swaps	1,592	–	14,487	1,258	–	12,203
Forward currency contracts	657	–	5,716	354	–	3,221
Interest rate collar	–	–	5,000	–	–	–
	<u>2,249</u>	<u>(2,797)</u>	<u>45,203</u>	<u>1,612</u>	<u>(2,082)</u>	<u>35,424</u>
	<u>2,700</u>	<u>(4,486)</u>	<u>121,203</u>	<u>2,020</u>	<u>(3,984)</u>	<u>116,624</u>

9. Collateral given and received

Cash collateral on securities borrowed/lent and reverse repurchase/repurchase agreements:

	31 December 2011	31 December 2010
	€000	€000
Assets		
Cash collateral on securities borrowed	123	167
Reverse repurchase agreements	699	558
	<u>822</u>	<u>725</u>
Liabilities		
Cash collateral on securities lent	447	459
Repurchase agreements	2,036	1,726
	<u>2,483</u>	<u>2,185</u>

Notes to the financial statements

9. Collateral given and received *continued*

Collateral given

IFRS 7.14

The carrying amount of financial assets pledged as collateral for liabilities is €27,625,000 (2010: €25,415,000). The counterparty may sell or repledge the collateral only in event of default by the Fund. Financial assets pledged as collateral are included within financial assets designated at fair value through profit or loss. In certain circumstances, the Fund may be required to provide additional collateral if the collateral provided declines in value.

IFRS 7.13(a)

The fair value of securities lent and sold under agreements to repurchase at 31 December 2011 was €2,393,000 (31 December 2010: €2,065,000). The counterparty is allowed to sell or repledge those securities in the absence of default by the Fund. Those securities are designated as at fair value through profit or loss and presented as Financial assets at fair value through profit or loss pledged as collateral in the Statement of financial position.

IFRS 7.13(c)

IFRS 7.13(a)

IAS 39.37(a)

The counterparties have an obligation to return the securities to the Fund. All repurchase and securities lending agreements mature within three months from inception. There are no other significant terms and conditions associated with the use of collateral.

IFRS 7.13(b)

Collateral received

IFRS 7.15

As part of the reverse repurchase and securities borrowing agreements, the Fund has received securities that it is allowed to sell or repledge in the absence of default by their owner. At 31 December 2011, the Fund held securities with fair value of €839,000 (2010: €746,000) on such terms. Of these €142,000 (2010: €152,000) have been pledged or otherwise transferred to satisfy commitments under short sale transactions. The Fund has an obligation to return the securities to its counterparties. If the collateral received declines in value, the Fund may, in certain circumstances, require additional collateral. There are no other significant terms and conditions associated with the use of collateral.

Commentary

Derecognition: under IFRS 7.13, certain information must be disclosed for each class of financial asset when transferred financial assets do not qualify for derecognition, or when the assets continue to be recognised to the extent of the fund's 'continuing involvement'.

Collateral given: disclosure is required of the carrying amount and of the terms and conditions of financial assets pledged as collateral. In addition, IAS 39 requires that collateral provided is reclassified separately from other assets when the counterparty has the right to sell or repledge the collateral (by custom or contract).

Collateral received: a fund must disclose the fair value and terms and conditions of financial or non-financial assets received as collateral which the fund has the right to sell or repledge in the absence of default.

For the terms and conditions associated with its use of the collateral, the fund may refer to the ISDA's Collateral Guidelines (if applicable).

Cash collateral: IAS 39.37 only applies for *non-cash* collateral. Securities borrowing/lending transactions often involve the transfer of cash as collateral. In accordance with IAS 39.IG D.1.1, when a fund receives cash as collateral and the cash is not legally segregated from the fund's assets, the fund should recognise the cash received as an asset and a payable to the transferor. Conversely, when the fund transfers cash on such terms it should derecognise the cash and recognise a receivable from the transferee.

10. Due from/to brokers

	31 December 2011	31 December 2010	
	€000	€000	
Balances due from brokers			IAS 39.38
Margin accounts	1,439	1,622	IAS 39.IG B.10
Receivables for securities sold but not yet settled	231	122	
	<u>1,670</u>	<u>1,744</u>	
Balances due to brokers			IAS 39.38
Payables for securities purchased but not yet settled	73	69	
	<u>73</u>	<u>69</u>	

At 31 December 2011 and 2010 restrictions on the use of balances due from brokers exist due to open derivative positions. At 31 December 2011 an amount of €1,439,000 is restricted (2010: €1,622,000).

Notes to the financial statements

11. Cash and cash equivalents

	31 December 2011	31 December 2010	
	€000	€000	
Cash at banks	1,115	117	
Short-term deposits	1,009	252	
	<u>2,124</u>	<u>369</u>	IAS 7.45

12. Categories of financial assets and financial liabilities

Commentary

IFRS 7.8 requires the disclosure of the carrying amounts of each of the categories defined in IAS 39. Disclosure in a separate note is not necessarily required. A fund may also provide that information in various locations throughout the financial statements (e.g., statement of financial position, accounting policy note and other notes).

The following table analyses the carrying amounts of the financial assets and liabilities by category as defined in IAS 39: IFRS 7.8

	31 December 2011	31 December 2010	
	€000	€000	
Financial assets			
Financial assets at fair value through profit or loss			IFRS 7.8(a)
Held for trading	57,348	37,397	IFRS 7.8(a)(ii)
Designated at fair value through profit or loss	59,351	44,924	IFRS 7.8(a)(i)
	<u>116,699</u>	<u>82,321</u>	
Loans and receivables ¹	4,903	3,033	IFRS 7.8(c)
	<u>121,602</u>	<u>85,354</u>	
Financial liabilities			
Financial liabilities at fair value through profit or loss			IFRS 7.8(e)
Held for trading	29,600	26,084	IFRS 7.8(e)(ii)
Financial liabilities measured at amortised cost ²	3,297	2,381	IFRS 7.8(f)
	<u>32,897</u>	<u>28,465</u>	

¹ Loans and receivables include: cash and cash equivalents, due from brokers, cash collateral on securities borrowed and reverse repurchase agreements, dividend and interest receivables, other receivables and prepayments.

² Financial liabilities measured at amortised cost include: due to brokers, cash collateral on securities lent and repurchase agreements, dividends payable on securities sold not yet purchased, distributions payable to shareholders, fees and other payables and accrued expenses.

13. Redeemable participating shares

Authorised and issued capital

IAS 1.79(a)(i),
(iii), (v),
IAS 1.135(a)(i)
IAS 1.135

The authorised share capital of the Fund is €100,000 divided into 10,000,000 redeemable participating shares of €0.01 par value with each carrying one vote. All issued redeemable shares are fully paid and are listed on the Euroland 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 shareholders.

Notes to the financial statements

13. Redeemable participating shares *continued*

Each share issued confers upon the shareholder an equal interest in the Fund, and is of equal value. A share does not confer any interest in any particular asset or investment of the Fund. Shareholders have various rights under the Fund's constitution, including the right to:

- ▶ Have their shares redeemed at a proportionate share based on the Fund's net asset value per share on the redemption date
- ▶ Receive income distributions
- ▶ Attend and vote at meetings of shareholders
- ▶ Participate in the termination and winding up of the Fund

The rights, obligations and restrictions attached to each share are identical in all respects. For the purpose of calculating the net assets attributable to shareholders in accordance with the Fund's constitution, the Fund's assets and liabilities are valued on the basis of mid-market prices. This valuation of net asset value is different from the IFRS valuation requirements (see Note 2.2(B) and (I)). Reconciliation between the Fund's NAV under IFRS and the NAV calculated per the Fund's constitution is provided in the statement of changes in net assets attributable to shareholders.

Commentary

The NAV as per the offer document issued by an investment fund often differs from the NAV of the fund measured in accordance with the requirements of IFRS. Common differences are measurement of NAV on the basis of mid-market prices as opposed to IFRS measurement basis (i.e., long assets measured at "bid" and short positions measured at "ask") and capitalisation and amortisation of start up costs (whereas, for IFRS purposes, they are expensed as incurred). Our view is that the liability of an investment fund to its shareholders should be measured as equivalent to the NAV of the fund (i.e., the value of the fund's assets less the value of its liabilities) measured in accordance with the requirements of IFRS. For disclosure purposes, the statement of financial position should disclose the NAV as per the offer document issued by the investment fund and reconcile this figure to the NAV as per IFRS with additional disclosures in the notes to the financial statements to assist in understanding the differences between the two amounts.

Some funds may have a nominal amount of founders' shares classified as equity. These should be presented separately on the face of the statement of financial position.

Capital management

IAS 1.134,
IAS 1.135

As a result of the ability to issue and redeem shares, the capital of the Fund can vary depending on the demand for redemptions and subscriptions to the Fund. The Fund is not subject to externally imposed capital requirements and has no legal restrictions on the issue or redemption of redeemable shares beyond those included in the Fund's constitution.

The Fund's objectives for managing capital are:

- ▶ To invest the capital in investments meeting the description, risk exposure and expected return indicated in its prospectus
- ▶ To achieve consistent returns while safeguarding capital by investing in diversified portfolio, by participating in derivative and other capital markets and by using various investment strategies and hedging techniques
- ▶ To maintain sufficient liquidity to meet the expenses of the Fund, and to meet redemption requests as they arise
- ▶ To maintain sufficient size to make the operation of the Fund cost-efficient

Refer to Financial risk management objectives and policies (Note 19) for the policies and processes applied by the Fund in managing its capital.

Commentary

The Fund is assumed to have issued only one class of shares. Other funds which issue several classes of shares (typically hedge funds) need to provide further information about the various classes and their particular characteristics (e.g., currency, performance fee, lock up period, subordination). The fund should also disclose which of the classes it manages as "capital" (typically all the classes).

Notes to the financial statements

14. Interest revenue and expense

(a) Interest revenue

	<u>2011</u>	<u>2010</u>	
	€000	€000	<i>IAS 18.35(b)(iii)</i>
Cash collateral on securities borrowed and reverse repurchase agreements	41	27	
Cash and cash equivalents	29	7	
Other	10	6	
	<u>80</u>	<u>40</u>	<i>IFRS 7.20(b)</i>
Debt securities held for trading	487	336	<i>IFRS 7.20(a)(i)</i>
Debt securities designated at fair value through profit or loss	600	585	<i>IFRS 7.20(a)(i)</i>
	<u><u>1,167</u></u>	<u><u>961</u></u>	

Commentary

The subtotal has been included to show the interest received from financial assets that are not recorded at fair value through profit or loss, as required by IFRS 7.

If applicable, the fund should also separately disclose interest income on impaired financial assets accrued in accordance with IAS 39.AG93.

(b) Interest expense

	<u>2011</u>	<u>2010</u>	
	€000	€000	
Bank overdraft	47	11	
Cash collateral on securities lent and repurchase agreements	99	87	
	<u>146</u>	<u>98</u>	<i>IFRS 7.20(b)</i>

15. Dividend revenue and expense

(a) Dividend revenue

	<u>2011</u>	<u>2010</u>	
	€000	€000	
Equity securities held for trading	602	394	<i>IFRS 7.20(a)(i)</i>
Equity securities designated at fair value through profit or loss	691	481	<i>IFRS 7.20(a)(i)</i>
	<u>1,293</u>	<u>875</u>	

(b) Dividend expense on securities sold not yet purchased

	<u>2011</u>	<u>2010</u>	
	€000	€000	
Equity securities sold short (classified as held for trading)	301	265	<i>IFRS 7.20(a)(i)</i>
	<u>301</u>	<u>265</u>	

16. Income tax

Commentary

The amount of income tax (comprising withholding tax deducted at the source of the income) is not significant for the Fund. These disclosures are illustrative of a fund which may have more significant transactions subject to such income tax. A fund should also consider if deferred tax needs to be recognised.

In these financial statements it is assumed that the Fund has determined that there is no other tax, including deferred tax, to be recognised in any period presented.

As the Fund is exempt from all forms of taxation in Euroland, provided it meets the distribution criteria, the Fund has a statutory tax rate of 0%. Investment income and capital gains are subject to withholding tax in certain foreign jurisdictions and are the only items subject to taxation at an average applicable withholding tax rate of 15% (2010: 15%) in such jurisdictions. The withholding tax attributable to the Fund in 2011 is €194,000 (2010: €131,000).

*IAS 12.2,
IAS 12.77*

Notes to the financial statements

17. Earning per share (optional)

Commentary

IAS 33 *Earnings per Share* does not apply to open ended investment funds whose shares are classified as financial liabilities as these shares do not meet the IAS 33.5 definition of "ordinary share" ("an equity instrument that is subordinate to all other classes of equity instruments").

However, as additional performance measures, such as earnings per ownership unit, are relevant to an understanding of an investment fund's financial performance, many funds will provide this information. Our view is that if management decides to disclose some form of equivalent EPS then it should be disclosed in the notes to the financial statements (i.e., not on the face of the statement of comprehensive income). The calculation of the performance measure (e.g., numerator and denominator) should also be disclosed. In addition, it is important to consider any restrictions that might be imposed by local regulators on the presentation of such information.

Change in net assets attributable to shareholders per share is calculated by dividing the "Increase (decrease) in net assets attributable to shareholders from operations" as disclosed in the statement of comprehensive income, adjusted to add back any distributions to shareholders, by the weighted average number of shares in issue during the year.

	<u>2011</u>	<u>2010</u>
	<u>€000</u>	<u>€000</u>
Increase/(decrease) in net assets attributable to shareholders from operations	10,373	(8,890)
Adjustment to add back distributions to shareholders	<u>3,675</u>	<u>7,732</u>
Adjusted increase/(decrease) in net assets attributable to shareholders from operations	<u>14,048</u>	<u>(1,158)</u>
Weighted average number of shares	<u>5,649,658</u>	<u>5,605,460</u>
	€	€
Change in net assets attributable to shareholders per share (basic and diluted)	<u>2.487</u>	<u>(0.207)</u>

18. Distributions to shareholders

IAS 32.40

	<u>2011</u>			<u>2010</u>		
	<u>Distributions</u>	<u>Number of</u>	<u>Distributions</u>	<u>Distributions</u>	<u>Number of</u>	<u>Distributions</u>
	€000	shares	per share	€000	shares	per share
Interim distribution						
30 June	3,125	4,936,809	0.633	7,732	4,862,893	1.590
Final distribution						
31 December	550	6,464,560	0.085	–	4,897,441	–

The portion of the final non-discretionary distribution for the year which was unpaid at the reporting date is disclosed in the statement of financial position.

19. Financial risk and management objectives and policies

IFRS 7.31
IFRS 7.32
IFRS 7.33
IFRS 7.IG15(a)

Introduction

The Fund's objective in managing risk is the creation and protection of shareholder value. Risk is inherent in the Fund's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risks limits and other controls. The process of risk management is critical to the Fund's continuing profitability. The Fund is exposed to market risk (which includes currency risk, interest rate risk and price risk), credit risk and liquidity risk arising from the financial instruments it holds.

Risk management structure

IFRS 7.IG15(b)(i)

The Fund's Investment Manager is responsible for identifying and controlling risks. The Board of Directors supervises the Investment Manager and is ultimately responsible for the overall risk management of the Fund.

Notes to the financial statements

19. Financial risk and management objectives and policies *continued*

IFRS 7.31
IFRS 7.32
IFRS 7.IG15(b)(ii)

Risk measurement and reporting system

The Fund's risks are measured using a method that reflects both the expected loss likely to arise in normal circumstances and unexpected losses that are an estimate of the ultimate actual loss based on statistical models. The models make use of the probabilities derived from historical experience, adjusted to reflect the economic environment.

Monitoring and controlling risks is primarily set up to be performed based on limits established by the Board of Directors. These limits reflect the business strategy including the risk that the Fund is willing to accept and the market environment of the Fund. In addition, the Fund monitors and measures the overall risk in relation to the aggregate risk exposure across all risks type and activities.

Risk mitigation

IFRS
7.IG15(b)(iii)

The Fund has investment guidelines that set out its overall business strategies, its tolerance for risk and its general risk management philosophy.

The Fund uses derivatives and other instruments for trading purposes and in connection with its risk management activities.

The Investment Manager assesses the risk profile before entering into economic hedge transactions. The effectiveness of hedges is assessed by the Board of Directors (based on economic considerations rather than IFRS hedge accounting conditions). The effectiveness of all hedge relationships is monitored by the Board of Directors on a quarterly basis. In situations of ineffectiveness, the Investment Manager is instructed to enter into a new hedge relationship to mitigate risk on a continuous basis, thereby restructuring or closing out the existing hedge cover.

IFRS
7.IG15(b)(iv)

Excessive risk concentration

IFRS 7.34(c)
IFRS 7.B8
IFRS 7.IG18

Concentration indicates the relative sensitivity of the Fund's performance to developments affecting a particular industry or geographical location. Concentrations of risk arise when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or that 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. 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 realise 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.

IFRS 7.IG15(c)

In order to avoid excessive concentrations of risk, the Fund's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. The Investment Manager is instructed to reduce exposure or to use derivative instruments to manage excessive risk concentrations when they arise.

Commentary

Concentrations of risk arise from financial instruments that have similar characteristics and are affected similarly by changes in economic or other conditions.

Concentrations of risk should be disclosed if not otherwise apparent. This should include:

- ▶ A description of how management determines concentrations
- ▶ A description of the shared characteristic that identifies each concentration (e.g., counterparty, geographical area, currency or market); for example, the shared characteristic may refer to geographical distribution of counterparties by groups of countries, individual countries or regions within countries
- ▶ The amount of the risk exposure associated with all financial instruments sharing that characteristic

Notes to the financial statements

19. Financial risk and management objectives and policies *continued*

IFRS 7.31
IFRS 7.32
IFRS 7.33

Market risk

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 equity prices.

The maximum risk resulting from financial instruments, except for written options and securities sold short, equals their fair value.

Short selling involves borrowing securities and selling them to a broker-dealer. The Fund has an obligation to replace the borrowed securities at a later date. Short selling allows the Fund to profit from a decline in market price to the extent that such decline exceeds the transaction costs and the costs of borrowing the securities, while the gain is limited to the price at which the Fund sold the security short. Possible losses from short sales may be unlimited as the Fund has a liability to repurchase the security in the market at prevailing prices at the date of acquisition.

With written options, the Fund bears the market risk of an unfavourable change in the price of the security underlying the option. Exercise of an option written by the Fund could result in the Fund selling or buying a security at a price significantly different from its fair value.

Commentary

IFRS 7.40 requires an entity to prepare a sensitivity analysis for each type of market risk to which it is exposed. However, under IFRS 7.41, if an entity prepares a sensitivity analysis, such as value-at-risk (VaR), that reflects interdependencies between risk variables (e.g., interest rates and exchange rates) and uses it to manage financial risks, it may use that sensitivity analysis in place of the analysis required by IFRS 7.40.

Illustration of VaR disclosures is provided in Appendix 2.

Interest rate risk

IFRS 7.B22
IFRS 7.33(a)

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Board of Directors has established limits on the interest gaps for stipulated periods. The Fund enters into interest rate derivatives, mainly interest rate swaps in which the Fund agrees to exchange, at specified intervals, the difference between fixed and variable interest amounts calculated by reference to an agreed-upon notional principal amount in an effort to manage these risks.

The majority of interest rate exposure arises on investments in debt securities and from securities lending/borrowing and repurchase/reverse repurchase agreements in the European Union and United States of America. Most of the Fund's investments in debt securities carry fixed interest rates and mature within five years. Balances relating to securities lending/borrowing and repurchase/reverse repurchase agreements usually mature within three months.

The following table demonstrates the sensitivity of the Fund's profit or loss for the year to a reasonably possible change in interest rates, with all other variables held constant.

The sensitivity of both the net assets attributable to shareholders and the change in net assets attributable to shareholders from operations is the effect of the assumed changes in interest rates on:

IFRS 7.40(b)

- ▶ The net interest income for one year, based on the floating rate financial assets held at the end of the reporting period
- ▶ Changes in fair value of investments for the year, based on revaluing fixed rate financial assets at the end of the reporting period

In practice, the actual trading results may differ from the sensitivity analysis below and the difference could be significant.

Notes to the financial statements

19. Financial risk and management objectives and policies *continued*

IFRS 7.31
IFRS 7.32

	Change in basis points	Sensitivity of interest income Increase/(decrease) €000	Sensitivity of changes in fair value of investments Increase/(decrease) €000
31 December 2011			
EUR	+25 / -25	3 / (3)	(42) / 29
USD	+20 / -20	1 / (1)	(22) / 17
GBP	+15 / -15	0 / (0)	(13) / 11
Others	+25 / -25	0 / (0)	(2) / 1
31 December 2010			
EUR	+30 / -30	1 / (1)	(40) / 28
USD	+35 / -35	0 / (0)	(30) / 23
GBP	+10 / -10	0 / (0)	(7) / 6
Others	+20 / -20	0 / (0)	0 / (0)

IFRS 7.40(a)
IFRS 7.B18(b)
IFRS 7.B19
IFRS 7.IG36

The following table analyses the Fund's interest rate risk exposure. The Fund's assets and liabilities are included at fair value and categorised by the earlier of contractual re-pricing or maturity dates.

	0-3 months €000	3 months – 6 months €000	6 months – 1 year €000	1-5 years €000	Non-interest bearing €000	Total €000
As at 31 December 2011						
Assets						
Cash and cash equivalents	2,124	–	–	–	–	2,124
Due from brokers	1,439	–	–	–	231	1,670
Dividends, interest and other receivables	–	–	–	–	287	287
Cash collateral on securities borrowed and reverse repurchase agreements	822	–	–	–	–	822
Financial assets at fair value through profit or loss	1,362	2,180	4,633	19,626	88,898	116,699
Total assets	5,747	2,180	4,633	19,626	89,416	121,602
Liabilities						
Distributions payable	–	–	–	–	550	550
Cash collateral on securities lent and repurchase agreements	2,483	–	–	–	–	2,483
Other liabilities and accrued expenses	–	–	–	–	264	264
Financial liabilities at fair value through profit or loss	2,797	–	–	–	26,803	29,600
Net assets attributable to shareholders	–	–	–	–	88,705	88,705
Total liabilities	5,280	–	–	–	116,322	121,602
Total interest sensitivity gap	467	2,180	4,633	19,626	(26,906)	–

Notes to the financial statements

19. Financial risk management objectives and policies *continued*

IFRS 7.31
IFRS 7.32

As at 31 December 2010	0-3 months €000	3 months – 6 months €000	6 months – 1 year €000	1-5 years €000	Non-interest bearing €000	Total €000
Assets						
Cash and cash equivalents	369	–	–	–	–	369
Due from brokers	1,622	–	–	–	122	1,744
Dividends, interest and other receivables	–	–	–	–	195	195
Cash collateral on securities borrowed and reverse repurchase agreements	725	–	–	–	–	725
Financial assets at fair value through profit or loss	1,186	1,834	3,881	15,050	60,370	82,321
Total assets	3,902	1,834	3,881	15,050	60,687	85,354
Liabilities						
Distributions payable	–	–	–	–	–	–
Cash collateral on securities lent and repurchase agreements	2,185	–	–	–	–	2,185
Other liabilities and accrued expenses	–	–	–	–	196	196
Financial liabilities at fair value through profit or loss	2,082	–	–	–	24,002	26,084
Net assets attributable to shareholders	–	–	–	–	56,889	56,889
Total liabilities	4,267	–	–	–	81,087	85,354
Total interest sensitivity gap	(365)	1,834	3,881	15,050	(20,400)	–

Commentary

IFRS 7.34(a) requires an entity to disclose a summary of quantitative data about its exposure for each type of risk at the reporting date, which should be based on the information provided internally to the management. IFRS 7 does not explicitly specify whether an entity needs to provide disclosure of contractual re-pricing of its interest rate exposures. The above disclosure is voluntarily adopted by the Fund, in addition to the interest rate sensitivity analysis disclosed earlier. It is assumed that the Fund's management reviews and monitors the interest rate risk based on such a table.

Notes to the financial statements

19. Financial risk and management objectives and policies *continued*

IFRS 7.31
IFRS 7.32
IFRS 7.B23

Currency risk

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 euro. Accordingly, the value of the Fund's assets may be affected favourably or unfavourably by fluctuations in currency rates and therefore the Fund will necessarily be subject to foreign exchange risks.

IFRS 7.33

The primary purpose of the Fund's foreign currency economic hedging activities is to protect against the volatility associated with investments and other assets and liabilities denominated in foreign currencies in the normal course of business. The Fund primarily utilises currency swaps, forward exchange contracts and purchased currency options to hedge foreign-currency-denominated financial instruments. Increases or decreases in the fair values of the Fund's foreign-currency-denominated financial assets and liabilities are partially offset by gains and losses on the economic hedging instruments.

The Fund's policy is to limit its exposure to USD to up to 55% of NAV and to GBP to up to 35% of NAV.

The following table indicates the currencies to which the Fund had significant exposure at 31 December on its monetary financial assets and liabilities. The analysis calculates the effect of a reasonably possible movement of the currency rate against the euro on both the net assets attributable to shareholders and the change in net assets attributable to shareholders from operations, with all other variables held constant.

IFRS 7.34
IFRS 7.40(b)
IFRS 7.IG36

Currency	Change in currency rate	Effect on the net assets attributable to shareholders and on the change in net assets attributable to shareholders from operations (relates to monetary financial instruments)	
		2011	2010
		€000	€000
USD	+9	1,073	695
GBP	+8	380	242

IFRS 7.40(a)
IFRS 7.B18(b)
IFRS 7.B24

The following table indicates the currencies to which the Fund had significant exposure at 31 December on both its monetary and non-monetary financial assets and liabilities. The analysis calculates the **total** effect of a reasonably possible movement of the currency rate against the euro on the net assets attributable to shareholders and on the change in net assets attributable to shareholders from operations, with all other variables held constant.

Currency	Change in currency rate	Effect on the net assets attributable to shareholders and on the change in net assets attributable to shareholders from operations (relates to both monetary and non-monetary financial instruments)	
		2011	2010
		€000	€000
USD	+9	3,992	2,592
GBP	+8	1,420	922

An equivalent decrease in each of the aforementioned currencies against the euro would have resulted in an equivalent but opposite impact.

Commentary

Changes in exchange rates might be considered to impact the fair value of the Fund's foreign equity investments. However, as noted in IFRS 7.B23, financial instruments that are non-monetary items do not give rise to foreign currency risk for the purposes of IFRS 7. Essentially, the foreign currency risk is seen as part of the market price risk associated with such instruments.

Therefore, the Fund takes no account of these investments when disclosing its sensitivity to changes in the foreign exchange rate in the first (primary) table.

However, as the information relating to the equity investments (i.e., non-monetary items) is significant, the Fund also provides the total effect of the changes on its financial instruments as an additional disclosure in the second table on a voluntary basis.

Notes to the financial statements

19. Financial risk and management objectives and policies *continued*

IFRS 7.31
IFRS 7.32
IFRS 7.B8(c)

Concentration of foreign currency exposure

The following tables set out the Fund's exposure to foreign currency exchange rates on monetary financial assets and liabilities and total financial assets and liabilities at the reporting date:

	31 December 2011	31 December 2010	<i>IFRS 7.B8(c)</i>
	% of total monetary financial assets		
Monetary financial assets			
USD	37%	41%	
GBP	24%	21%	
Other	1%	1%	
	62%	63%	
	% of total monetary financial liabilities		
Monetary financial liabilities			
USD	32%	37%	
GBP	21%	19%	
	53%	56%	
	% of total financial assets		
Financial assets			
USD	35%	40%	
GBP	23%	22%	
Other	1%	2%	
	59%	64%	
	% of total financial liabilities		
Financial liabilities			
USD	30%	35%	
GBP	19%	20%	
	49%	55%	

Commentary

In accordance with IFRS 7.35, when the quantitative data disclosed as at the reporting date are unrepresentative of the fund's exposure to risk during the period, further information that is representative should be provided. For example, if a fund typically has a large exposure to a foreign currency, but at year-end, unwinds the position, the fund might disclose a graph that shows the exposure at various times during the period, or it might disclose the highest, lowest and average exposures.

Equity price risk

IFRS 7.33

Equity price risk is the risk of unfavourable changes in the fair values of equities or equity-linked derivatives as the result of changes in the levels of equity indices and the value of individual shares. The equity price risk exposure arises from the Fund's investments in equity securities, from equity securities sold short and from equity-linked derivatives. The Fund manages this risk by investing in a variety of stock exchanges and by limiting exposure to a single industry sector to 25% of NAV. The Fund's constitution limits equity investments to a maximum of 5% (and, subject to a special approval of the Board of Directors, up to 10%) of the share capital of a single entity.

Notes to the financial statements

19. Financial risk and management objectives and policies *continued*

IFRS 7.31
IFRS 7.32

Management's best estimate of the effect on the net assets attributable to shareholders and on the change in net assets attributable to shareholders from operations due to a reasonably possible change in equity indices, with all other variables held constant is indicated in the following table. In practice, the actual trading results may differ from the sensitivity analysis below and the difference could be material. An equivalent decrease in each of the indices shown below would have resulted in an equivalent, but opposite, impact.

IFRS 7.34
IFRS 7.40(b)
IFRS 7.IG36

In addition to the change in equity indices, the sensitivity analysis below includes the effect of foreign currency exchange rates.

Market indices	Change in equity price	Effect on the net assets attributable to shareholders and on the change in net assets attributable to shareholders from operations	
		2011	2010
		€000	€000
	%		
FTSE 100	+9	1,939	1,155
Euronext 100	+11	2,845	1,797
Euroland 50	+8	345	233
NYSE	+10	3,017	2,334
NASDAQ 100	+12	517	350

IFRS 7.40

Commentary

For a fund that invests in unlisted entities (e.g., a fund of funds), the equity indices sensitivity table may be replaced with a more relevant sensitivity table, such as sensitivity based on investment or hedge strategies grouped in accordance with IFRS 7.B8 (e.g., long/short equity, relative value, event driven).

Concentration of equity price risk

IFRS 7.34(c)

The following table contains an analysis of the Fund's concentration of equity price risk (based on counterparties' place of primary listing or, if not listed, place of domicile) by geographical distribution.

IFRS 7.B8(c)

	31 December 2011	31 December 2010
	% of equity securities and units in managed funds (less equity securities sold short)	
European Union (excluding United Kingdom)	36%	35%
United Kingdom	25%	22%
United States of America	38%	43%
Other	1%	–
Total	100%	100%

Notes to the financial statements

19. Financial risk and management objectives and policies *continued*

IFRS 7.31
IFRS 7.32

The following table contains an analysis of the Fund's concentration of equity price risk by industrial distribution:

	31 December 2011	31 December 2010
	% of equity securities (less equity securities sold short)	
Financial	21%	23%
Insurance	19%	18%
Telecommunication	17%	12%
Energy	12%	10%
Retail	10%	15%
Food and beverages	9%	11%
Software	5%	8%
Auto parts and equipment	5%	3%
Other	2%	0%
Total	100%	100%

Other market risk disclosures

IFRS 7.42

Commentary

Under IFRS 7.42, when the sensitivity analyses disclosed are unrepresentative of a risk inherent in a financial instrument, the fund should disclose that fact and the reason it believes the sensitivity analyses are unrepresentative. This may be the case, for example, when:

- ▶ A financial instrument contains terms and conditions whose effects are not apparent from the sensitivity analysis, e.g., options that remain out of (or in) the money for the chosen change in the risk variable
- ▶ Financial assets are illiquid, e.g., when there is a low volume of transactions in similar assets and the fund finds it difficult to find a counterparty
Or
- ▶ The fund has a large holding of a financial asset that, if sold in its entirety, would be sold at a discount or premium to the quoted market price for a smaller holding

Appendix 3 illustrates such disclosures.

Liquidity risk

IFRS 7.33(a)

Commentary

IFRS 7 (as revised in 2009) permits derivative liabilities to be excluded from the paragraph 39 maturity analysis, unless the "contractual maturities are essential for an understanding of the timing of the cash flows". However, the Basis for Conclusions implies that derivatives should be reported in accordance with paragraph 34(a), based on information provided to management (unless this information is already included within the contractual maturity analysis from paragraph 39).

The application guidance requires entities to explain how liquidity risk data is determined and to provide details of when cash flows could occur significantly earlier than indicated or are for significantly different amounts. The example provided of the latter is whether the cash flows for a derivative are included on a net settlement basis, but where the counterparty has the option to require gross settlement. This implies that entities should also provide quantitative data on gross cash flows for any derivatives which are included on a net basis, but which the entity expects to settle gross. These include instruments such as currency swaps and forward foreign exchange contracts. In practice, it is likely that this will be satisfied by disclosing the notional amount of such derivatives.

The application guidance illustrates other factors that an entity might also consider disclosing, for example, the various sources that the entity has access to, in order to meet its liquidity requirements, such as committed borrowing facilities and instruments subject to master-netting agreements. An entity is also required to disclose the maturities of financial assets held for liquidity purposes, "if that information is necessary to enable users of its financial statements to evaluate the nature and extent of liquidity risk".

Notes to the financial statements

19. Financial risk and management objectives and policies *continued*

IFRS 7.31
IFRS 7.32

Liquidity risk is defined as the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Exposure to liquidity risk arises because of the possibility that the Fund could be required to pay its liabilities or redeem its shares earlier than expected. The Fund is exposed to cash redemptions of its redeemable shares on a regular basis. Shares are redeemable at the holder's option based on the Fund's NAV per share at the time of redemption, calculated in accordance with the Fund's constitution (see Note 13).

The Fund manages its obligation to repurchase the shares when required to do so and its overall liquidity risk by:

- ▶ Allowing for redemptions only during the last 7 business days of each calendar month
- ▶ Requiring a 10-day notice period before redemptions

IFRS 7.33(b)
IFRS 7.39(c)
IAS 1.134
IAS 1.135(a)

The Fund's policy is to satisfy redemption requests by the following means (in decreasing order of priority):

- ▶ Searching for new investors
- ▶ Withdrawal of cash deposits
- ▶ Disposal of highly liquid assets (i.e., short-term, low-risk debt investments)
- ▶ Either disposal of other assets or increase borrowing

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.

IFRS 7.B11E

Commentary

A fund with material illiquid investments should disclose that fact, plus details on the risk associated with the lack of an active market for those investments and the internal control processes and contingency plans for managing this risk. (IFRS 7.B11F(e)).

Fund of funds should provide additional liquidity risk disclosure about the impact of restrictions such as "lock up periods", "side pockets", "exit penalties" and "redemption gates" which prohibit or significantly limit redemptions of units in underlying investment funds during certain periods. As a result of such restrictions, the fund may not be able to meet short-term liquidity needs or respond promptly to adverse changes (either in the market or in the investee). In order to manage its liquidity, the fund will usually tend to impose restrictions on redemption and sale, transfer, or encumbrance of its own units. A hedge 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 halts may be imposed to help avoid having to liquidate the fund. Alternatively, halts may be imposed if the fund's investments become so difficult to value that there would be serious concern that redeeming members would be advantaged to the disadvantage of remaining investors. Restrictions on redemptions through the use of *pro-rata* reductions to investors' redemption amounts due to a high level of overall investor redemption requests are commonly referred to as "gates".

The Fund has committed lines of credit of €20 million (2010: €20 million) that is available for future operating activities and to meet short-term liquidity needs. There are no significant restrictions on the use of these facilities.

IFRS 7.B11F(a)

Trading limits and collateral arrangements limit the extent to which liabilities can be incurred by the Fund. Such trading limits are 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.

Notes to the financial statements

19. Financial risk and management objectives and policies *continued*

IFRS 7.31
IFRS 7.32
IFRS 7.B11F(i)

The Fund enters into master-netting arrangements with major counterparties to derivative contracts. Refer to the Credit risk section below for further discussion.

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

IFRS 7.B11F(e)

Commentary

IFRS 7.B11D requires the amounts disclosed in the "maturity analysis" required by IFRS 7.39 (a) and (b) to be the contractual undiscounted cash flows. IFRS 7.B11D (d) requires contractual amounts to be exchanged in a derivative financial instrument (e.g., a currency swap) for which gross cash flows are exchanged to be shown gross. Although IFRS 7 does not require disclosure of the receive leg of gross-settled derivatives, the Fund has disclosed the gross cash inflows from the receive leg to present a complete analysis.

When the amount payable is not fixed, the amount disclosed should be determined by reference to the conditions existing at the reporting date. For example, if the amount payable varies with changes in an index, the amount disclosed may be based on the level of the index at the reporting date (IFRS 7.B11D). IFRS 7 does not indicate whether the amount should be based on the spot or forward price of the index.

IFRS 7.39(c) requires an entity to describe how it manages the liquidity risk inherent in the items disclosed in the quantitative disclosures required for non-derivative and derivative liabilities. IFRS 7.B11E states that an entity must disclose a maturity analysis of financial assets it holds for managing liquidity risk (e.g., financial assets that are readily saleable or expected to generate cash inflows to meet cash outflows on financial liabilities), if that information is necessary to enable users of its financial statements to evaluate the nature and extent of liquidity risk.

The liability of the Fund to its shareholders is based on IFRS measurement basis (bid/ask prices) rather than the Fund's valuation method. See *commentary to Statement of changes in net assets attributable to shareholders*.

The following table summarises the maturity profile of the Fund's financial liabilities and gross-settled derivatives based on contractual undiscounted cash flows. Balances due within six months equal their carrying amounts, as the impact of discounting is insignificant. The table also analyses the maturity profile of the Fund's financial assets (undiscounted where appropriate) in order to provide a complete view of the Fund's contractual commitments and liquidity. Amounts relating to derivatives are calculated based on the spot price of the index.

IFRS 7.39(a)(b)
IFRS 7.34

Financial liabilities

IFRS 7.B11C

The maturity grouping is based on the remaining period from the end of the reporting period to the contractual maturity date. When a counterparty has a choice of when the amount is paid, the liability is allocated to the earliest period in which the Fund can be required to pay.

Financial assets

IFRS 7.B11E

Analysis of equity and debt securities at fair value through profit or loss into maturity groupings is based on the expected date on which these assets will be realised. For other assets, the analysis into maturity groupings is based on the remaining period from the end of the reporting period to the contractual maturity date or if earlier, the expected date on which the assets will be realised.

Derivatives

IFRS 7.39(b)
IFRS 7.B11B

The Investment Manager considers the contractual maturities of derivatives primarily held for risk management purposes (see Note 8) to be essential for the understanding of the timing of the cash flows. Contractual maturities of derivatives held for trading purposes are also included in order to give a full picture of the liquidity gap.

Notes to the financial statements

19. Financial risk and management objectives and policies *continued*

IFRS 7.31
IFRS 7.32

Commentary

The Fund provides a full maturity analysis for all financial assets and liabilities in order to provide a full picture of the liquidity gap. A maturity analysis should include the following (required unless noted):

- ▶ Non-derivative financial liabilities (IFRS 7.39(a))
- ▶ Derivative financial liabilities for which contractual maturities are essential for an understanding of the timing of the cash flows (IFRS 7.39(b))
- ▶ Other derivatives, disclosure is optional (e.g., in order to present the full liquidity gap)
- ▶ Financial assets held for managing liquidity risk. (Required per IFRS 7.B11E if that information is necessary to enable users of its financial statements to evaluate the nature and extent of liquidity risk)
- ▶ Loan commitments and financial guarantees (IFRS 7.B11B(b) and IFRS 7.39(a))

Except for the investments in asset-backed securities in the amount of €648,000 (2010: €474,000), all assets and liabilities (excluding net assets attributable to shareholders) are expected to be either realised or settled, within no more than 12 months after the reporting date. Based on historical information, between 10%-40% of the Fund's issued shares are redeemed annually at their net asset value, which is calculated in accordance with redemption requirements.

IAS 1.61

As at 31 December 2011	Less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Total
	€000	€000	€000	€000	€000	€000
Financial assets						
Cash and cash equivalents	2,124	–	–	–	–	2,124
Due from brokers	1,670	–	–	–	–	1,670
Dividends receivable	115	27	–	–	–	142
Interest receivable	87	43	–	–	–	130
Cash collateral on securities borrowed and reverse repurchase agreements	567	255	–	–	–	822
Other receivables and prepayments	4	11	–	–	–	15
Financial assets at fair value through profit or loss (excluding derivatives)	34,169	22,329	45,559	11,675	648	114,380
Derivatives held for trading purposes	–	451	–	–	–	451
Total undiscounted financial assets (excluding gross settled derivatives)	<u>38,736</u>	<u>23,116</u>	<u>45,559</u>	<u>11,675</u>	<u>648</u>	<u>119,734</u>

IFRS 7.B11

Notes to the financial statements

19. Financial risk and management objectives and policies *continued*

IFRS 7.31
IFRS 7.32

As at 31 December 2011	Less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Total
	€000	€000	€000	€000	€000	€000
Financial liabilities						
Due to brokers	73	–	–	–	–	73
Management and performance fees payable	111	–	–	–	–	111
Custodian and administration fees payable	16	–	–	–	–	16
Directors' fees payable	17	–	–	–	–	17
Dividends payable on securities sold not yet purchased	36	–	–	–	–	36
Distributions payable	–	550	–	–	–	550
Cash collateral on securities lent and repurchase agreements	498	1,985	–	–	–	2,483
Other payables and accrued expenses	2	9	–	–	–	11
Financial liabilities at fair value through profit or loss (excluding derivatives)	2,260	3,636	8,275	10,966	–	25,137
Interest rate swaps	–	–	2,797	–	–	2,797
Derivatives held for trading purposes	–	1,638	51	–	–	1,689
Net assets attributable to shareholders	88,705	–	–	–	–	88,705
Total undiscounted financial liabilities (excluding gross settled derivatives)	91,718	7,818	11,123	10,966	–	121,625
Gross settled derivatives						
Currency swap						
Gross cash inflow	–	11,155	3,332	–	–	14,487
Gross cash outflow	–	(9,929)	(2,966)	–	–	(12,895)
Forward currency contracts						
Gross cash inflow	6,373	–	–	–	–	6,373
Gross cash outflow	(5,716)	–	–	–	–	(5,716)
Total undiscounted gross settled derivatives inflow/(outflow)	657	1,226	366	–	–	2,249
Liquidity gap	(52,325)	16,524	34,802	709	648	358

IFRS 7.B11

IFRS 7.39(b)

IFRS 7.B11D(d)
IFRS 7.39(b)

Notes to the financial statements

19. Financial risk and management objectives and policies *continued*

IFRS 7.31
IFRS 7.32

As at 31 December 2010	Less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Total
	€000	€000	€000	€000	€000	€000
Financial assets						
Cash and cash equivalents	369	–	–	–	–	369
Due from brokers	1,744	–	–	–	–	1,744
Dividends receivable	64	15	–	–	–	79
Interest receivable	72	35	–	–	–	107
Cash collateral on securities borrowed and reverse repurchase agreements	500	225	–	–	–	725
Other receivables and prepayments	7	2	–	–	–	9
Financial assets at fair value through profit or loss (excluding derivatives)	16,064	27,704	32,128	4,116	474	80,486
Derivatives held for trading purposes	–	408	–	–	–	408
Total undiscounted financial assets (excluding gross settled derivatives)	18,820	28,389	32,128	4,116	474	83,927
Financial liabilities						
Due to brokers	69	–	–	–	–	69
Management and performance fees payable	72	–	–	–	–	72
Custodian and administration fees payable	10	–	–	–	–	10
Directors' fees payable	15	–	–	–	–	15
Dividends payable on securities sold not yet purchased	21	–	–	–	–	21
Distributions payable	–	–	–	–	–	–
Cash collateral on securities lent and repurchase agreements	438	1,747	–	–	–	2,185
Other payables and accrued expenses	3	6	–	–	–	9
Financial liabilities at fair value through profit or loss (excluding derivatives)	1,926	2,802	7,735	9,718	–	22,181
Interest rate swaps	–	–	2,082	–	–	2,082
Derivatives held for trading purposes	63	1,839	–	–	–	1,902
Net assets attributable to shareholders	56,889	–	–	–	–	56,889
Total undiscounted financial liabilities (excluding gross settled derivatives)	59,506	6,394	9,817	9,718	–	85,435

IFRS 7.39(a)

IFRS 7.39(b)

Notes to the financial statements

19. Financial risk and management objectives and policies *continued*

IFRS 7.31
IFRS 7.32

As at 31 December 2010	Less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Total
	€000	€000	€000	€000	€000	€000
Gross settled derivatives						
Currency swap						
Gross cash inflow	–	7,932	4,271	–	–	12,203
Gross cash outflow	–	(7,114)	(3,831)	–	–	(10,945)
Forward currency contracts						
Gross cash inflow	2,932	643	–	–	–	3,575
Gross cash outflow	(2,642)	(579)	–	–	–	(3,221)
Total undiscounted gross settled derivatives inflow/(outflow)	290	882	440	–	–	1,612
Liquidity gap	(40,396)	22,877	22,751	(5,602)	474	104

IFRS 7.B11

IFRS 7.B11D(d)
IFRS 7.39(b)

Credit risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss for the Fund by failing to discharge an obligation.

The Fund is exposed to the risk of credit-related losses that can occur as a result of a counterparty or issuer being unable or unwilling to honour its contractual obligations. These credit exposures exist within financing relationships, derivatives and other transactions.

It is the Fund's policy to enter into financial instruments with reputable counterparties.

The Investment Manager closely monitors the creditworthiness of the Fund's counterparties (e.g., brokers, custodian and banks) by reviewing their credit ratings, financial statements and press releases on a regular basis.

Commentary

This disclosure is not required for financial instruments whose carrying amount best represents the maximum exposure to credit risk. The Fund provides information on all financial assets as optional additional disclosure.

Notes to the financial statements

19. Financial risk and management objectives and policies *continued*

IFRS 7.31
IFRS 7.32
IFRS 7.36

The following table contains an analysis of the Fund's maximum exposure to credit risk, which is the instruments carrying amount in the financial statements. The maximum exposure is shown gross, before the effect of mitigation through the use of master-netting and collateral agreements at the reporting date. The effect of the master-netting and collateral agreements is described where applicable.

	<u>31 December 2011</u>	<u>31 December 2010</u>	
	€000	€000	
Cash and cash equivalents	2,124	369	
Due from brokers	1,670	1,744	
Dividends receivable	142	79	
Interest receivable	130	107	
Cash collateral on securities borrowed and reverse repurchase agreements*	822	725	
Other receivables and prepayments	15	9	
Interest bearing securities held for trading	13,913	8,851	
Debt securities designated at fair value through profit or loss	13,888	13,100	
Derivative financial assets**	<u>2,700</u>	<u>2,020</u>	
Total credit risk exposure	<u>35,404</u>	<u>27,004</u>	IFRS 7.36 (a)

* Securities borrowing and reverse repurchase transactions

In securities borrowing and reverse repurchase transactions, the Fund receives cash or securities as collateral. Financial collaterals often involve discounts ("haircuts") to the market value, reflecting the quality, liquidity and volatility of the individual instruments. It is the Fund's policy that the Investment Manager closely monitors the counterparty's creditworthiness as well as the fair value of the collateral held. In the event of an unfavourable change, the Investment Manager will seek to terminate the agreement or to obtain additional collateral. Credit risk relating to unsettled transactions in listed securities is considered to be minimal as the Fund only uses brokers with high creditworthiness and the transactions are settled or paid for only upon delivery. Payments on securities acquired are only made after the broker has received the securities. Securities sold are only delivered after the broker has received the payment.

IFRS 7.36(b),
IFRS 7.IG22(a)

At 31 December 2011, the Fund held collateral, comprising cash or securities, with a fair value of €812,000 (31 December 2010: €703,000).

**Derivative financial assets

The Fund restricts the exposure to credit losses on derivative instruments it holds by entering into master-netting arrangements with major counterparties with whom a significant volume of transactions are undertaken. Such an arrangement provides for a single net settlement of all financial instruments covered by the agreement in the event of default on any one contract. Master-netting arrangements do not result in the offset of assets and liabilities in the statement of financial position unless certain conditions for offsetting under IAS 32 apply.

IFRS 7.IG22(b)
IAS 32.50
IFRS 7.B11F(i)

Although master-netting arrangements may significantly reduce credit risk, it should be noted that:

IFRS 7.36(b)

- ▶ Credit risk is eliminated only to the extent that amounts due to the same counterparty will be settled after the assets are realised

And

- ▶ The extent to which overall credit risk is reduced may change substantially within a short period because the exposure is affected by each transaction subject to the arrangement

At 31 December 2011, master-netting arrangements reduced the credit risk on derivative assets with a fair value of €147,000 (31 December 2010: €151,000).

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. During the year, 77% (2010: 65%) of the transaction volume was settled in this way.

IAS 32.48

Notes to the financial statements

19. Financial risk and management objectives and policies *continued*

IFRS 7.31
IFRS 7.32
IFRS
7.IG15(b),(c)

Credit quality of financial assets

The Fund invests only in debt securities with at least investment grade credit rating as rated by S&P, Moody's or Fitch.

IFRS 7.36(c)
IFRS 7.IG23(a)
IFRS 7.IG18(b)

The following table contains an analysis of the Fund's Portfolio of debt securities by rating agency category.

Credit rating	31 December 2011	31 December 2010
	% of debt securities	
AAA/Aaa	48%	42%
AA/aa	33%	43%
A/A	15%	13%
BBB/Baa	4%	2%
	100%	100%

IFRS 7.IG18(b)

Risk concentrations of the maximum exposure to credit risk

Concentration of credit risk is managed by client/counterparty, geographical region and industry sector.

IFRS 7.B8

The Fund has one major counterparty with AA rating at 31 December 2011 and 2010. A major counterparty is defined as any counterparty that holds portfolio positions and cash that, in the aggregate, are greater than 10% of net assets.

IFRS 7.IG18(d)

The following table contains an analysis of the concentration of credit risk in the Fund's debt portfolio by geographical distribution (based on counterparties' country of domicile):

IFRS 7.IG18(c)

	31 December 2011	31 December 2010
	% of debt securities	
European Union (excluding United Kingdom)	47%	39%
United Kingdom	10%	12%
United States of America	42%	47%
Others	1%	2%
	100%	100%

IFRS 7.IG18(b)

The following table contains an analysis of the concentration of credit risk in the Fund's debt portfolio by industrial distribution.

IFRS 7.IG18(a)

	31 December 2011	31 December 2010
	% of debt securities	
Financial	42%	44%
Insurance	16%	10%
Telecommunication	11%	15%
Software	11%	13%
Energy	10%	8%
Government	5%	5%
Retail	5%	5%
	100%	100%

None of the Fund's financial assets were considered to be past due or impaired in both 2011 and 2010.

IFRS 7.36(c)

Commentary

A fund with financial assets that are either past due or impaired should disclose by class of financial asset (IFRS 7.37):

- (a) An analysis of the age of financial assets that are past due as at the reporting date, but not impaired
- (b) An analysis of financial assets that are individually determined to be impaired as at the reporting date, including the factors the fund considered in determining that they are impaired

Notes to the financial statements

20. Personnel

The Fund did not employ any personnel during the year (2010: nil).

21. Commitments and contingencies

Other than the commitments disclosed in Note 22 Related party disclosures, there are no other commitments or contingencies at the reporting date (2010: nil). *IAS 37.86*

Commentary

If applicable, the fund should disclose investment expenditure commitments and the possible consequences of not meeting those commitments.

22. Related party disclosures

The following parties are considered related parties of the Fund:

IAS 24.9
IAS 24.17

Commentary

The definition of 'key management personnel' (KMP) is not only limited to individuals, but may also include a body corporate. In the case of a trust or investment fund, a fund manager or responsible entity can be a KMP of that entity when that body corporate otherwise meets the definition of KMP in IAS 24.

When a body corporate is considered to be KMP all other funds it controls, jointly controls or has significant influence over would also be considered related parties.

Investment manager – Good Asset Management Limited

IAS 24.17
IFRS 7.20(c)(ii)

Good Asset Management Limited (the Investment Manager) is entitled to receive a management and advisory fee for its respective services in terms of the agreement dated 17 February 2003. These fees amount to an aggregate of 1.6% per annum of the net assets of the Fund, subject to a minimum of 0.3% and a maximum of 1% of the total assets of the Fund (calculated in accordance with the Fund's constitution). Management fees are payable monthly in arrears. Total management fees for the year amounted to €1,216,000 (2010: €854,000).

The Investment Manager is also entitled to a performance fee amounting to 0.74% of the Fund's operating profit for the year (before deduction of management and performance fees) under the terms of the Fund's constitution. Performance fees are payable annually. The performance fees for the year amounted to €115,000 (2010: €nil).

The management and performance fees payable as at 31 December 2011 are €111,000 (31 December 2010: €72,000).

In accordance with the Fund's constitution and subject to the adequate performance of its duties, the Investment Manager would be entitled to compensation of €2 million (2010: €2 million) if it is removed as the Investment Manager of the Fund. *IAS 37.86*

Commentary

The investment manager (or general partner) is usually compensated with a management fee and a performance fee. The management fee is generally charged as a percentage of either the assets under management or of net assets while the performance fee is based on a percentage of a fund's profits, as defined by the fund's governing documents. Specific fee structures and percentages vary among funds (based on factors such as location, size, specialism, nature of investments, and manager's reputation, etc.). The fee structure and percentage employed by the Fund are for illustrative purposes only.

Custodian – Good Administration Fund Services Limited

Good Administration Fund Services Limited (the Custodian), a 100% subsidiary of Good Asset Management Limited, is the custodian of the Fund in terms of an agreement dated 17 February 2003. The Custodian carries out the usual duties regarding custody, cash and securities deposits, without any restriction. This means that the custodian is, in particular, responsible for the collection of dividends, interest and proceeds of matured securities, the exercise of options and, in general, for any other operation concerning the day-to-day administration of the securities and other assets and liabilities of the Fund. The Custodian is entitled to receive from the Fund fees, payable quarterly, equal to 0.07% of the average net asset value of the Fund subject to a minimum annual charge of €35,000 (2010: €34,000). The total custodian and administration fee for the year amounted to €62,000 (2010: €40,000), the custodian and administration fee payable as at 31 December 2011 is €16,000 (31 December 2010: €10,000).

Notes to the financial statements

22. Related party disclosures *continued*

Commentary

A custodian is not, by definition, a related party of the fund. In addition, the provision of financing by a prime broker/custodian would not normally cause a related party relationship with the fund solely on that basis, unless other relationships considered together are of a related party nature. The Fund presents this information on a voluntary basis as additional information.

Board of Directors

The Directors are entitled to remuneration for their services at rates determined by the Annual General Meeting of Shareholders. In addition, Directors are reimbursed for reasonable travelling, hotel and other incidental expenses in respect of attending meetings of the Directors or Meetings of the Fund. Director's fees are currently €2,000 per meeting up to a maximum of €15,000 per annum per director. The directors received total remuneration of €66,000 during the year ended 31 December 2011 (31 December 2010: €60,000), the directors' fee payable is €17,000 (2010: €15,000).

On 30 November 2011, the Fund transacted an interest rate swap (pay 5% receive 6-month Euribor) with QPR Insurance Ltd. Mr S Cremen, the chairman of the Fund's Board of Directors, is also the controlling shareholder of QPR Insurance. The swap was entered into at zero cost and its notional is €3,500,000. The swap will mature on 31 May 2011. At the end of the reporting period, the swap's fair value is €550,000 (2010: nil) and is included within Financial liabilities at fair value through profit or loss. There are no other significant terms and conditions associated with the swap.

Details of investments in the Fund by the Investment Manager are set out below:

IAS 24.17

	Number of shares held at 1 January	% interest held at 1 January	Number of shares acquired during the year	Number of shares disposed during the year	Number of shares held at 31 December	% interest held at 31 December	Income from distributions declared during the year (€)	Distribution receivable at 31 December (€)
2010	94,286	1.50%	14,662	(45,281)	63,667	1.30%	115,980	–
2011	63,667	1.30%	8,303	(870)	71,100	1.10%	47,775	6,050

All related party transactions were made at arm's length on normal commercial terms and conditions. There have been no other transactions between the Fund and its related parties during the reporting period (2010: the same).

IAS 24.21
IAS 24.17

Commentary

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.

23. Events after the reporting date

During the period between the end of the reporting period and the date of authorisation of these financial statements, the Fund has repurchased 88,210 and issued 257,480 shares. The share transactions after the reporting period were not characterised by unusual size or frequency.

IAS 10.21

There were no other material events after the reporting period.

Commentary

It should be noted that, in the case where the management determines after the reporting period, either that it intends to liquidate the fund, or to cease trading, or it has no realistic alternative but to do so, the financial statements should not be prepared on a going concern basis, as per IAS 10.14.

Appendix 1 – Statement of cash flows (indirect method)

for the year ended 31 December 2011

		2011	2010	
	Notes	€000	€000	
Cash flows from operating activities				
Increase/(decrease) in net assets attributable to shareholders from operations		10,373	(8,890)	
Adjustments to reconcile increase/(decrease) in net assets attributable to shareholders to net cash from operating activities				
Distributions to shareholders	18	3,675	7,732	IAS 7.20(a)
Effect of exchange rate changes on cash and cash equivalents		(11)	(21)	
Net changes in operating assets and liabilities				
Decrease in due from brokers		74	761	
(Increase)/decrease in dividend receivable		(63)	34	
(Increase)/decrease in interest receivable		(23)	46	
(Increase)/decrease in reverse repurchase agreements and cash collateral on securities borrowed		(97)	316	
(Increase)/decrease in other receivables		(6)	3	
(Increase)/decrease in financial assets held for trading		(19,951)	16,323	IAS 7.15
(Increase)/decrease in financial assets designated as at fair value through profit or loss		(14,427)	19,610	IAS 7.15
Increase/(decrease) in due to brokers		4	(30)	
Increase/(decrease) in management and performance fees payable		39	(32)	
Increase/(decrease) in custodian and administration fees payable		6	(4)	
Increase/(decrease) in directors' fees payable		2	(7)	
Increase/(decrease) in dividends payable on securities sold not yet purchased		15	(9)	
Increase/(decrease) in payables under repurchase agreements and cash collateral on securities lent		298	(953)	
Increase/(decrease) in other payables		2	(1)	
Increase/(decrease) in financial liabilities held for trading		3,516	(11,386)	
Net cash (utilised in)/generated by operating activities		(16,574)	23,492	IAS 7.10, IAS 7.13-14
Cash flows from financing activities				
Proceeds from issue of redeemable shares		27,270	12,368	IAS 7.21
Payments on redemption of redeemable shares		(5,827)	(28,520)	IAS 7.17(a)
Distributions paid to shareholders	18	(3,125)	(7,732)	IAS 7.17(b)
Net cash flows provided/by (utilised in) financing activities		18,318	(23,884)	IAS 7.31, IAS 7.34
Net increase/(decrease) in cash and cash equivalents		1,744	(392)	
Cash and cash equivalents at 1 January		369	740	
Effect of exchange rate changes on cash and cash equivalents		11	21	IAS 7.28
Cash and cash equivalents at 31 December	11	2,124	369	IAS 7.45
Net cash (utilised in)/generated by operating activities includes:				
Interest received		1,144	1,007	IAS 7.31
Dividend received net of withholding tax		1,036	778	IAS 7.31
Interest paid		(141)	(103)	IAS 7.31
Dividend paid on securities sold not yet purchased		(286)	(274)	

Appendix 1 – Statement of cash flows (indirect method)

Commentary

IAS 7 does not specify which profit or loss figure should be used in the indirect method. The Fund has reconciled the increase or decrease in net assets attributable to shareholders from operations to net cash flow from operating activities.

Our view is that an investment fund should classify its held-for-trading investment movements as operating activities, since the investment activities of an investment fund are the principal revenue-producing activities of the entity and the turnover of such investments is high.

For investments designated at fair value through profit or loss, the fund should assess whether the investments are held for the primary purpose of generating future income and cash flows over the long term. If the fund believes that the transactions in investments designated at fair value through profit or loss are the principal revenue-producing activities of the fund, then these cash flows should be classified as from operating activities (IAS 7.15). Otherwise, they should be classified as cash flows from investing activities (IAS 7.16). The classification adopted should be applied consistently.

If a fund has financial assets classified as available-for-sale (AFS), it should present the cash flows associated with them (i.e., purchases of AFS assets and proceeds from sale of AFS assets, other than payments/receipts for those instruments considered to be cash equivalents), as cash flows from investing activities in accordance with IAS 7.16(c)-(d).

In accordance with IAS 7.22(b), cash receipts and payments for items in which the turnover is quick, the amounts are large, and the maturities are short are reported on a net basis.

Our view is that an investment fund may choose whether to present its purchases and sales of investments held for trading gross or net. Once a presentation policy is selected, it must be applied consistently. If a fund elects to present the net cash flows from purchases and sales of investments, consideration needs to be given to the adequacy of disclosures in the notes to the financial statements regarding the risks associated with the financial instruments of the entity in accordance with IAS 32 *Financial Instruments: Presentation* and IFRS 7 *Financial instruments: Disclosure*.

IAS 7.31 requires cash flows from interest and dividend received and paid to be disclosed separately. These disclosures are included in a separate table because, for an open-ended fund, reporting its statement of cash flows using the indirect method (whereby the profit or loss is adjusted to derive the cash flow from operating activities), these cash flows are part of the cash flows from operating activities. Our view is that IAS 7.31 does not apply to dividends paid on short positions.

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

IAS 7.35 requires a separate disclosure of cash flows arising from income taxes. The Fund does not provide such a disclosure as its tax expenses relate to withholding taxes which are deducted at source and do not involve cash outflows.

Appendix 2 – Value at risk disclosure

Commentary

The main illustrative financial statements are of a fund which elects to present a sensitivity analysis in accordance with IFRS 7.40. In accordance with IFRS 7.41, a fund that prepares a sensitivity analysis, such as Value-at-Risk (VaR), that reflects interdependencies between risk variables and uses it to manage financial risks, may use that sensitivity analysis in place of the analysis required by IFRS 7.40.

- ▶ The fund should then also disclose:
 - An explanation of the method used in preparing such a sensitivity analysis, and 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 the assets and liabilities involved.

The following example illustrates the disclosure a fund might make in accordance with paragraph 41 of IFRS 7:

Market risk

IFRS 7.33(a)

The Board of Directors has set limits on the level of risk that may be accepted. The Fund applies a VaR methodology to assess the market risk positions held and to estimate the potential economic loss based upon a number of parameters and assumptions for various changes in market conditions. VaR is a method used in measuring financial risk by estimating the potential negative change in the market value of a portfolio at a given confidence level and over a specified time horizon. The Fund uses a full non-linear VaR model for interest rate, spread, equity index and volatility risk. These calculations are based on Monte-Carlo simulations derived from a variance/covariance matrix. For the VaR in relation to foreign exchange rates, the Fund uses a variance/covariance model.

IFRS 7.41(a)

IFRS 7.B17(a)

The equity-specific risk is captured by using a single factor model.

Objectives and limitations of the VaR methodology

The Fund uses simulation models to assess possible changes in the market value of the trading portfolio based on historical data from the past five years.

IFRS 7.41(b)

The VaR models are designed to measure market risk in a normal market environment. The models assume that any changes occurring in the risk factors affecting the normal market environment will follow a normal distribution. The distribution is calculated by using exponentially weighted historical data.

The use of VaR has limitations because it is based on historical correlations and volatilities in market prices and assumes that future price movements will follow a statistical distribution. Due to the fact that VaR relies significantly on historical data to provide information and may not clearly predict the future changes and modifications of the risk factors, the probability of large market moves may be underestimated if changes in risk factors fail to align with the normal distribution assumption. VaR may also be under- or over-estimated due to the assumptions placed on risk factors and the relationship between such factors for specific instruments. Even though positions may change throughout the day, the VaR only represents the risk of the portfolios at the close of each business day, and it does not account for any losses that may occur beyond the 99% confidence level.

In practice, the actual trading results will differ from the VaR calculation and, in particular, the calculation does not provide a meaningful indication of profits and losses in stressed market conditions. To determine the reliability of the VaR models, actual outcomes are monitored regularly to test the validity of the assumptions and the parameters used in the VaR calculation. Market risk positions are also subject to regular stress tests to ensure that the Fund would withstand an extreme market event.

VaR assumptions

The VaR that the Fund measures is an estimate, using a confidence level of 99%, of the potential loss that is not expected to be exceeded if the current market risk positions were to be held unchanged for one day. The use of a 99% confidence level means that, within a one-day horizon, losses exceeding the VaR figure should occur, on average, not more than once every hundred days.

IFRS 7.41(a)

Since VaR is an integral part of the Fund's market risk management, VaR limits have been established for all trading operations. The Fund's policy is to review exposures daily against the limits by management.

Appendix 2 – Value at risk disclosure

	Foreign exchange	Interest rate	Equity	Effects of correlation	Total
	€000	€000	€000	€000	€000
2011 – 31 December	8	10	3	(3)	18
2011 – Average daily	7	9	3	(4)	15
2011 – Highest	9	12	4	(4)	21
2011 – Lowest	4	6	2	(3)	9
2010 – 31 December	7	8	2	(3)	14
2010 – Average daily	6	8	2	(4)	12
2010 – Highest	7	10	3	(4)	16
2010 – Lowest	4	6	1	(4)	7

Back-testing

Back-testing is performed in order to verify the predicative power of the value-at-risk calculations. The Fund compares daily profits and losses with the estimates derived from the Fund's VaR model. The Board discusses the back-testing results of the Fund on a quarterly basis.

During 2011, the Fund recorded five back-testing exceptions (2010: four exceptions), when actual losses exceeded daily VaR limits.

Appendix 3 – Examples of other market risk disclosures

Commentary

Under IFRS 7.42, when the sensitivity analyses disclosed are unrepresentative of a risk inherent in a financial instrument, the Fund should disclose that fact and the reason it believes the sensitivity analyses are unrepresentative. This may be the case, for example, when:

- ▶ A financial instrument contains terms and conditions whose effects are not apparent from the sensitivity analysis, e.g., options that remain out of (or in) the money for the chosen change in the risk variable
 - ▶ Financial assets are illiquid, e.g., when there is a low volume of transactions in similar assets and the fund finds it difficult to find a counterparty
- Or
- ▶ The fund has a large holding of a financial asset that, if sold in its entirety, would be sold at a discount or premium to the quoted market price for a smaller holding

On 29 December 2011, the Fund purchased an interest rate cap to serve as an economic hedge against the effect of a reasonably possible increase in the interest rates on the fair value of several euro-denominated fixed income securities.

*IFRS 7.42
IFRS 7.IG37(a)
IFRS 7.IG38*

The cap has a notional value of €5 million and a strike rate of 5.5%.

In order to save the costs of the cap, the Fund has simultaneously written a leveraged floor to the same counterparty with the same notional and a strike rate of 2.5%, achieving a zero-cost interest rate collar. Under the terms of the collar, the Fund will receive the difference between 9-month Euribor and the cap (applied to the notional) whenever 9-month Euribor exceeds the cap, but will have to pay seven times the difference between the floor and 9-month Euribor (applied to the notional) whenever 9-month Euribor drops below the floor. The termination date of the collar is 29 September 2011.

On the reporting date, the fair value of the collar is nil and it is out of the money.

Based on statistical data and financial forecasts, the Board of Directors estimates the likelihood of 9-month Euribor decreasing below the floor as remote. However, an unexpectedly large decrease in the 9-month Euribor may trigger payments under the written floor that, because of the leverage, may be significantly larger than the benefit of lower interest rates. Neither the fair value of the collar nor the interest sensitivity analysis (which is based on reasonably possible changes) indicates this exposure.

The Investment Manager is instructed to closely monitor this position and, upon adverse changes, either to seek a balancing position or to terminate the contract as soon as practical. In addition, it is expected that the Fund's total fair value gains upon a large decrease in the market interest rate would negate the effect of any possible losses from the floor.

The Fund has several investments in senior tranches of Dutch residential mortgage-backed securitisation vehicles with a total fair value of €552,000 (2010: €388,000) and a credit rating ranging from AAA to A. The investments are classified as held for trading.

*IFRS 7.42
IFRS 7.IG37(b)
IFRS 7.IG39
IAS 39.AG69*

Due to the lack of liquidity in the ABS market (characterised by a low volume of transactions in similar assets), the Fund may not be able to realise those investments, in response to short-term liquidity needs, at amounts approximating their fair values. The effects of a 'liquidity discount' (up to 30% of the fair value), that may be incurred in a forced sale, are not reflected in the fair value of those investments or in any sensitivity analysis.

Considering the Fund's overall liquidity position, the Board of Directors does not expect that the Fund will need to realise those investments in the short-term and instructed the Investment Manager to hold them until their contractual maturities in 2014.

Appendix 3 – Examples of other market risk disclosures

The Fund has a 9.2% (2010: 0%) interest in GEK N.V. a Dutch telecommunication company listed on Euronext. The investment's fair value is €6,250,000 (2010: nil) and is included within equity securities designated at fair value through profit or loss.

*IFRS 7.42
IFRS 7.IG37(c)
IFRS 7.IG40
IAS 39.IG E.2.2*

At the end of the reporting period, the Board of Directors estimated a 'block discount' effect of 5%-7% to the quoted market price, if the investment were to be sold in its entirety. However, in accordance with IFRS measurement requirements, the fair value of the investment is based on quoted market price, with no adjustment for the effect of the size of the position held by the Fund. Hence, neither the fair value of the investment nor the equity price sensitivity analysis reflects the possible effects of the 'block discount'.

The Board of Directors has established a plan with defined timelines to gradually dispose of the investment without triggering the effect of the discount.

At the reporting date, the Fund held 9.5% (2010: 0%) of the share capital in QPR Bank, Inc. an American financial institution listed on the New York Stock Exchange. The investment's fair value is €5,355,000 (2010: nil) and is included within equity securities held for trading. Considering the size of the portfolio and the interests of other shareholders in the investee, the Board of Directors estimated that, at the end of the reporting period, the Fund would be able to obtain a price of €5,730,000, a 7% premium above the quoted market price, if the investment were to be sold in its entirety. However, in accordance with IFRS measurement requirements, the fair value of the investment is based on quoted market price with no adjustment for the effect of the size of the position held by the Fund. Hence, neither the fair value of the investment nor the equity price sensitivity analysis reflects the possible effects of the premium.

*IFRS 7.42
IFRS 7.IG37(c)
IFRS 7.IG40
IAS 39.IG E.2.2*

Appendix 4 - Fund with available-for-sale investments

Commentary

An investment fund may hold financial assets which it classifies as available-for-sale or it may have cash flow hedges that qualify for hedge accounting, or it may have a subsidiary with a different functional currency from that of the parent. IFRS requires these items of income and expense and/or exchange differences to be recognised in other comprehensive income.

As the Fund's shares are puttable at their share of the net asset value of the Fund and classified as financial liabilities, the liability in respect of the shares will encompass any unrealised gains and losses on available-for-sale securities, cash flow hedges and currency translation.

An example presentation for an investment fund, the securities of which are classified as available-for-sale, which includes a statement of comprehensive income and a statement of changes in equity (which are required by IAS 1), and the optional statement of changes in net assets attributable to shareholders, is set out in the Appendix below.

Appendix 4 – Fund with available-for-sale investments

Statement of comprehensive income

for the year ended 31 December 2011

		2011	2010	
	Notes	€000	€000	
<i>IAS 1.10(b), IAS 1.81(a), IAS 1.82-86, IAS 1.102, IAS 1.113, IAS 1.51(c)</i>				
<i>IAS 1.38</i>				
<i>IAS 1.51(d),(e)</i>				
<i>IAS 1.82(a)</i>				
Income				
Interest revenue	14	1,167	961	
Dividend revenue	15	1,293	875	<i>IFRS 7.20(b), IAS 18.35(b)(iii) IAS 18.35(b)(v), IFRS 7.20(a)(i)</i>
Net gain/(loss) on financial assets and liabilities at fair value through profit or loss	6	7,810	3,816	<i>IFRS 7.20(a)(i)</i>
Net gain/(loss) on disposal of available-for-sale investments		143	205	<i>IFRS 7.20(a)(ii)</i>
Net foreign exchange gains		101	23	<i>IAS 21.52(a), IAS 1.35</i>
		10,514	5,880	<i>IAS 1.85</i>
<i>IAS 1.85</i>				
Expense				
Interest expense	14	(146)	(98)	<i>IFRS 7.20(b)</i>
Dividend expense on securities sold not yet purchased	15	(301)	(265)	<i>IFRS 7.20(a)(i)</i>
Management and performance fees	22	(1,331)	(854)	<i>IFRS 7.20(c)(ii)</i>
Custodian and administration fees	22	(62)	(40)	<i>IFRS 7.20(c)(ii)</i>
Directors' fees	22	(66)	(60)	
Brokerage fees and other transaction costs		(215)	(190)	<i>IAS 1.102</i>
Other general expenses		(12)	(21)	<i>IAS 1.102</i>
		(2,133)	(1,528)	<i>IAS 1.85</i>
Operating profit		8,381	4,352	<i>IAS 1.85</i>
<i>IAS 1.82(b)</i>				
Finance costs				
Distributions to shareholders		(3,675)	(7,732)	<i>IAS 32.40</i>
(Increase)/decrease in net assets attributable to the Fund's shareholders from operations		(10,373)	8,890	<i>IAS 32.35-36</i>
Total finance costs		(14,048)	1,158	
(Loss)/profit for the year before tax		(5,667)	5,510	
Withholding taxes	16	(194)	(131)	<i>IAS 1.82(d), IAS 12.77</i>
(Loss)/profit for the year		(5,861)	5,379	<i>IAS 1.82(f)</i>
<i>IAS 1.82(g)</i>				
Other comprehensive income				
Net gain/(loss) on available-for-sale investments		5,861	(5,379)	<i>IAS 1.82(g)</i>
Total comprehensive income for the year		–	–	<i>IAS 1.82(i)</i>

Commentary

IAS 1 (Revised 2007) introduces the statement of comprehensive income that combines all items of income and expense recognised in profit or loss together with 'other comprehensive income'. When there are items of other comprehensive income (e.g., from available-for-sale instruments) the liability due to the Fund's shareholders includes such items if they are also attributed to the shareholders in terms of the fund agreements. Total comprehensive income in this appendix is nil as all items of other comprehensive income are attributed to the shareholders.

Appendix 4 - Fund with available-for-sale investments

Statement of changes in net assets attributable to shareholders

for the year ended 31 December 2011

		Numbers of shares	Net assets attributable to shareholders (calculated in accordance with redemption requirements)	Adjustment from mid-market prices to bid/ask-market prices	Net assets attributable to shareholders (calculated in accordance with IFRS)	
	Notes		€000	€000	€000	
As at 1 January 2010		6,285,714	81,986	(55)	81,931	IAS 1.6, IAS 1.51(a),(c)
Issue of redeemable shares	13	1,047,294	12,368	–	12,368	
Redemption of redeemable shares	13	(2,435,567)	(28,520)	–	(28,520)	
Decrease in net assets attributable to shareholders from transactions in shares		(1,388,273)	(16,152)	–	(16,152)	
<i>Decrease in net assets attributable to shareholders</i>		–	(8,907)	17	(8,890)	IAS 1.80 IAS 1.135(b)-(c) IAS 1.79(a)(iv) IAS 1.51(d),(e)
Composed of:						
Operating loss for the year net of tax and distributions to shareholders		–	(3,517)	6	(3,511)	
Other comprehensive income – available-for-sale investments		–	(5,390)	11	(5,379)	
At 31 December 2010		4,897,441	56,927	(38)	56,889	
Issue of redeemable shares	13	2,009,041	27,270	–	27,270	
Redemption of redeemable shares	13	(441,922)	(5,827)	–	(5,827)	
Increase in net assets attributable to shareholders from transactions in shares		1,567,119	21,443	–	21,443	
<i>Increase in net assets attributable to shareholders</i>		–	10,394	(21)	10,373	
Composed of:						
Operating profit for the year net of tax and distributions to shareholders		–	4,521	(9)	4,512	
Other comprehensive income – available-for-sale investments		–	5,873	(12)	5,861	
At 31 December 2011		6,464,560	88,764	(59)	88,705	

Appendix 4 – Fund with available-for-sale investments

Statement of changes in equity

for the year ended 31 December 2011

	Available-for-sale reserve	Retained earnings	Total equity	
	€000	€000	€000	
As at 1 January 2010	(5,102)	5,102	–	IAS 1.10(c), IAS 1.106 IAS 1.106A IAS 1.51(c) IAS 1.106(d) IAS 1.51(d),(e)
Changes in equity for 2010				
Profit for the year	–	5,379	5,379	IAS 1.106(d)(i)
Other comprehensive income	(5,379)	–	(5,379)	IAS 1.106(d)(ii)
Total comprehensive income for the year	(5,379)	5,379	–	IAS 1.106(a)
At 31 December 2010	(10,481)	10,481	–	
Changes in equity for 2011				
Loss for the year	–	(5,861)	(5,861)	IAS 1.106(d)(i)
Other comprehensive income	5,861	–	5,861	IAS 1.106(d)(ii)
Total comprehensive income for the year	5,861	(5,861)	–	IAS 1.106(a)
At 31 December 2011	(4,620)	4,620	–	

Commentary

As the Fund has both items of 'profit or loss' and 'other comprehensive income', a Statement of changes in equity is presented. As the items of other comprehensive income (e.g., from available-for-sale instruments) are due to the Fund's shareholders the total comprehensive income and total equity in this appendix are nil. All items of other comprehensive income are attributed to the net assets attributable to the Fund's shareholders.

In certain jurisdictions, a statement of changes in equity with a nil balance may be considered to contain immaterial information for users. In such jurisdictions, regulators may allow reporting entities to omit the statement of changes in equity and deal with the disclosure in some other manner. However, these would generally contain movements and balances of the different equity reserves and entities may find it easier to present this as a statement of changes in equity in a tabular format.

2. Accounting policies

2.2 Summary of significant accounting policies

Available-for-sale financial investments

Available-for-sale investments include equity and debt securities. Equity investments classified as available-for-sale are those which are neither classified as held-for-trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or changes in market conditions.

The Fund has not designated any loans or receivables as available-for-sale.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the available-for-sale reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in profit or loss in the statement of comprehensive income in 'Net gain/(loss) on disposal of available-for-sale investments', or determined to be impaired, at which time the cumulative loss is recognised in profit or loss in the statement of comprehensive income in 'Impairment losses of financial investments' and removed from the available-for-sale reserve. Where the Fund holds more than one investment in the same security, they are deemed to be disposed of on a first-in first-out basis. Interest earned whilst holding available-for-sale financial investments is reported as interest revenue using the effective interest rate. Dividends earned whilst holding available-for-sale financial investments are recognised in profit or loss in the statement of comprehensive income as dividend revenue when the right of the payment has been established.

IAS 1.10(e)

IAS 39.9

IAS 39.45(d)

IFRS 7.20(a)(ii)

IFRS 7.B5(b)

IAS 39.46

IAS 39.55(b)

IAS 39.AG5-8

IAS 18.30(a),(c)

Appendix 4 - Fund with available-for-sale investments

Impairment of available-for-sale financial investments

For available-for-sale financial investments, the Fund assess at each reporting date whether there is objective evidence that an investment is impaired. *IAS 39.58*

In the case of debt instruments classified as available-for-sale, the Fund assesses individually whether there is objective evidence of impairment based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss. Future interest income is based on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. *IAS 39.AG93*
IAS 39.70

The interest income is recorded as part of 'Interest revenue'. If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to credit event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss in the statement of comprehensive income. *IAS 39.61*
IAS 39.67
IAS 39.68

In the case of equity investments classified as available-for-sale, objective evidence would also include a 'significant' or 'prolonged' decline in the fair value of the investment below its cost.. Where there is evidence of impairment, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss) is removed from equity and recognised in profit or loss in the statement of comprehensive income. Impairment losses on equity investments are not reversed through profit or loss; increases in the fair value after impairment are recognised in other comprehensive income. *IAS 39.69*

Appendix 5 - Fund which has more than one segment

Commentary

The main illustrative financial statements assume the Fund is organised into one main operating segment. All of the Fund's activities are interrelated, and each activity is dependent on the others. Accordingly, all significant operating decisions are based upon analysis of the Fund as one segment.

The purpose of this Appendix is to illustrate additional relevant disclosures in a situation when a fund has more than one operating segment, i.e., a fund with well-defined lines of business and operating units for which discrete financial information is available and used by the Chief Operating Decision Maker (CODM). It should be noted that the information presented in this appendix is in addition to the entity-wide disclosure shown in the main body of this publication (i.e., disclosure about products and services, geographical areas and information about major customers is not repeated in this appendix).

In this appendix we assume the following fact pattern:

- ▶ The CODM is an appointed Investment Committee
- ▶ The fund has two separate portfolios (as detailed in the note)
- ▶ The performance of each portfolio is evaluated separately

2.1 Basis of preparation

IAS 1.10(e)

Changes in accounting policy and disclosures

IAS 8.28

The accounting policies adopted are consistent with those of the previous financial year except as follows:

Improvements to IFRS (April 2010)

IFRS 8 *Operating Segments*: clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker. As the Fund's chief operating decision maker does review segment assets and liabilities, the Fund has continued to disclose this information in Note 5.

2.2 Summary of significant accounting policies

IAS 1.10(e)

Segment information

For management purposes, the Fund is organised into two main operating segments, which invest in: 1) equity securities, equity securities sold short and equity derivatives; and 2) debt instruments, cash instruments and related derivatives. Each segment engages in separate business activities and the operating results are regularly reviewed by the Investment Committee, which assumes the role of chief operating decision maker, for performance assessment purposes and to make decisions about resources allocated to each segment.

IFRS 8.5

IFRS 8.7

5. Segment information

IFRS 8.20,

IFRS 8.21

IFRS 8.22 (a)

The Investment Committee of the Investment Manager is responsible for allocating resources available to the Fund in accordance with the overall business strategies as set out in the Investment Guidelines of the Fund. The Fund has been organised into two segments:

1. A portfolio of equity instruments, equity securities sold short and related derivatives
2. A portfolio of debt instruments, cash instruments and related derivatives

Each segment is managed by a separate team of the Investment Manager.

The investment objective of each segment is to achieve consistent medium-term returns from the investments in each segment while safeguarding capital by investing in diversified portfolios.

IFRS 8.22 (b)

There have been no changes in reportable segments during the course of the year.

IFRS 8.29

The segment information provided is presented to the Investment Committee of the Fund.

IFRS 8.5(b)

Appendix 5 - Fund which has more than one segment

	For the year ended			For the year ended			IFRS 8.23
	31 December 2011			31 December 2010			
	Equity portfolio	Debt portfolio	Total	Equity portfolio	Debt portfolio	Total	
	€000	€000	€000	€000	€000	€000	
Interest revenue	–	1,167	1,167	–	961	961	IFRS 8.23(a)
Dividend revenue	1,293	–	1,293	875	–	875	IFRS 8.23(a)
Net gain/(loss) on financial assets and liabilities at fair value through profit or loss	8,790	5,083	13,873	(625)	(695)	(1,320)	IFRS 8.23(f)
Dividend expense on equity securities sold short	(301)	–	(301)	(265)	–	(265)	IFRS 8.23(f)
Interest expense on cash collateral on securities lent and repurchase transactions	(99)	–	(99)	(87)	–	(87)	IFRS 8.23(f)
Brokerage fees and other transaction costs	(132)	(83)	(215)	(97)	(93)	(190)	IFRS 8.23(f)
Withholding taxes	(194)	–	(194)	(131)	–	(131)	IFRS 8.23(h)
Total segment operating profit/(loss)	9,357	6,167	15,524	(330)	173	(157)	

	31 December 2011			31 December 2010			IFRS 8.23(f)
	Equity portfolio	Debt portfolio	Total	Equity portfolio	Debt portfolio	Total	
	€000	€000	€000	€000	€000	€000	
Financial assets held for trading	40,786	16,613	57,399	26,551	10,871	37,422	
Financial assets designated at fair value through profit or loss	45,463	13,888	59,351	31,824	13,100	44,924	
Other	1,195	3,693	4,888	926	2,098	3,024	
Total segment assets	87,444	34,194	121,638	59,301	26,069	85,370	
Financial liabilities at fair value through profit or loss	25,106	4,486	29,592	22,087	3,984	26,071	
Other	556	2,036	2,592	549	1,726	2,275	
Total segment liabilities	25,662	6,522	32,184	22,636	5,710	28,346	IFRS 8.23

Commentary

The Fund has adopted the amendment to IFRS 8 issued as part of the *Improvements to IFRS* issued in April 2010. The Fund has reported the total assets for each reportable segment as this information is provided to the chief operating decision maker. Such disclosure would no longer be required if this information was not presented to the chief operating decision maker. (IFRS 8.23)

During the year, there were no revenues from transactions with other operating segments. IFRS 8.23(b)

The Investment Committee measures the performance of the two portfolios based on mid-market prices of the investments. This is inconsistent with IFRS which requires the use of bid/ask values. IFRS 8.27(b)

Certain income and expenditure is not considered part of the performance of an individual segment. This includes net foreign exchange gains, interest on certain borrowings, management and performance fees, custodian and administration fees, directors' fees and other general expenses.

The Fund's revenues are derived from interest and dividend income, all of which are generated from the reported segments. IFRS 8.28(a)

Appendix 5 - Fund which has more than one segment

Commentary

All of the Fund's revenues are generated from the Fund's reportable segments. If a fund generates any further revenue that was not part of a reportable segment, a reconciliation should be provided between the total reportable segments' revenues and the fund's revenues.

The following table provides a reconciliation between net reportable segment income and operating profits. *IFRS 8.28(b)*

	<u>2011</u>	<u>2010</u>	
	€000	€000	
Net reportable segment income	15,524	(157)	<i>IFRS 8.28(b)</i>
Adjustment from mid-market prices to bid/ask prices	(59)	(38)	
Net foreign exchange gains	101	23	
Other expenses	(1,518)	(986)	
Withholding taxes	<u>194</u>	<u>131</u>	
Operating profit/ (loss)	14,242	(1,027)	
Distributions to shareholders	<u>(3,675)</u>	<u>(7,732)</u>	
Profit/(loss) before taxes	10,567	(8,759)	<i>IFRS 8.28(b)</i>
Withholding taxes	<u>(194)</u>	<u>(131)</u>	
Increase/(decrease) in net assets attributable to shareholders from operations	<u>10,373</u>	<u>(8,890)</u>	

The Investment Committee is provided with information regarding the total assets and total liabilities of the two portfolios based on mid-market prices of the investments. This is inconsistent with IFRS which require the use of bid/ ask values. *IFRS 8.27(c), IFRS 8.27(d)*

In addition, other receivables and prepayments are not considered to be part of individual segment assets.

Certain liabilities are not considered to be part of the net assets an individual segment, these include management and performance fees payable, custodian and administration fees payable, directors' fees payable and other payables and accrued expenses.

The following table provides a reconciliation between net total segment assets and liabilities and total assets and liabilities: *IFRS 8.28(c), IFRS 8.27(d)*

	<u>2011</u>	<u>2010</u>	
	€000	€000	
Total segment assets	121,638	85,370	<i>IFRS 8.28(c)</i>
Adjustment from mid-market prices to bid prices	(51)	(25)	
Other receivables and prepayments	<u>15</u>	<u>9</u>	
Total assets	<u>121,602</u>	<u>85,354</u>	<i>IFRS 8.28(c)</i>
Total segment liabilities	32,184	28,346	<i>IFRS 8.28(d)</i>
Adjustment from mid-market prices to ask prices	8	13	
Other payables and accrued expenses	<u>705</u>	<u>106</u>	
Total liabilities	<u>32,897</u>	<u>28,465</u>	<i>IFRS 8.28(d)</i>

Commentary

IFRS 8.28(e) also requires an additional reconciliation of the total reportable segments' amounts for every other material item of information disclosed to the corresponding amount for the entity.

The Fund's internal reporting systems are set up to report in accordance with IFRS. The segment disclosures could be significantly more extensive if internal reports had been prepared on a basis other than IFRS. In such cases, a reconciliation between the internally reported items and IFRS measurement would need to be prepared (IFRS 8.28).

Appendix 6 - Comparison between different variations of funds

The following table highlights differences between:

- ▶ Fund whose puttable shares are classified as financial liabilities (redemptions at NAV, dividend is either discretionary or non-discretionary)
- ▶ Fund whose puttable shares are classified as equity instruments under IAS 32 (redemptions at NAV, discretionary dividend)
- ▶ Fund whose non-puttable shares are classified as equity instruments (discretionary dividend)

	Puttable shares classified as liability	Puttable shares classified as equity	Non-puttable shares classified as equity
IAS 33 <i>Earnings Per Share</i> applicable?	No	No ¹	Yes (for funds in the scope of IAS 33.2)
IFRS 8 <i>Operating Segments</i> applicable?	Yes (for funds in the scope of IFRS 8.2)	Yes (for funds in the scope of IFRS 8.2)	Yes (for funds in the scope of IFRS 8.2)
IFRS 2 <i>Share-based Payment</i> applicable?	No	No	Yes
Shares in the scope of IFRS 7?	Yes	No	No
Shares considered as equity investment for IFRS 9 purposes (i.e., eligible for FVTOCI by the holder)?	No	No	Yes
Dividend distributions	Finance costs	Deducted from equity	Deducted from equity
Structure of the statement of comprehensive income	Special format illustrated by IAS 32.IE32 or IE33 ('Normal' format may also be used)	'Normal' IAS 1 format	'Normal' IAS 1 format
Statement of changes in equity	No, (unless the fund has other components of equity)	Yes	Yes
Statement of changes in net assets attributable to shareholders	No. However, provided as common practice.	No	No
Disclosure per IAS 1.134-135 (capital management)	Yes	Yes	Yes
Disclosure per IAS 1.136A (puttable financial instruments classified as equity)	No	Yes	No
Effect of issuing or redeeming another class of shares	The 'liability' classification must be reassessed upon redemption of such instrument	The 'equity' classification must be reassessed upon issuance of such instrument	No effect on the classification of the shares as equity
Disclosure per IAS 1.80A (reclassification of puttable shares)	Applicable if the shares were previously classified as equity instruments (upon reclassification of the shares following changes in the features)	Applicable if the shares were previously classified as liabilities (upon reclassification of the shares following changes in the features)	N/A
Derivatives on own shares	Derivatives	Derivatives	Equity instruments if 'fixed for fixed' and gross-settled. Otherwise – a derivative
Classification of non-controlling interests in the consolidated financial statements of the parent	Liabilities	Liabilities	Non-controlling interests within equity (unless there is an obligation or a settlement provision from the group's perspective)

¹ IAS 32.96C restricts the equity classification of a puttable instrument classified as equity under IAS 32 to the accounting for such an instrument under IAS 1, IAS 32, IAS 39 and IFRS 7.

Notes

Notes

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