

Illustrative IFRS financial statements 2008

Private equity



IFRS technical publications



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Illustrative consolidated financial statements

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Supplement to IFRS Manual of Accounting. Provides guidance on these new and revised standards that will come into force in 2009 and will help you decide whether to early adopt them. Chapters on the previous versions of these standards appear in the IFRS Manual (see above).

Illustrative consolidated financial statements 2008 – Private equity

This publication provides an illustrative set of financial statements, prepared in accordance with International Financial Reporting Standards (IFRS), for a fictitious private equity limited partnership ('ABC Private Equity LP' or the 'Partnership').

ABC Private Equity LP is an existing preparer of IFRS financial statements; IFRS 1, 'First-time adoption of IFRS', is not applicable.

ABC Private Equity LP's investment objectives are to seek medium to long-term growth by investing in private unlisted companies with high growth potential. The Partnership is tax transparent. It classifies all its investments as 'fair value through profit or loss' and does not apply hedge accounting. The investments are mainly denominated in euros, US dollars, and GB pounds. The Partnership's functional and presentation currency is the euro. The resulting foreign currency exposure is reduced by the use of foreign exchange derivatives. Subsidiaries are incorporated for the purpose of holding underlying investments (the so called portfolio companies) on behalf of the Partnership. There are no minorities. No portfolio companies are consolidated, as no control can be exercised over them.

This publication is based on the requirements of IFRS standards and interpretations for financial years beginning on or after 1 January 2008.

The following Amendments and standards have been early adopted:

- IAS 32 (Amendment), 'Financial instruments: Presentation', and IAS 1 (Amendment), 'Presentation of financial statements' – 'Puttable financial instruments and obligations arising on liquidation'.
- IAS 28 (Amendment), 'Investments in associates' (and consequential amendments to IAS 32, 'Financial instruments: Presentation' and IFRS 7, 'Financial instruments: Disclosures').
- IAS 31 (Amendment), 'Interests in joint ventures' (and consequential amendments to IAS 32, 'Financial Instruments: Presentation' and IFRS 7, 'Financial instruments: Disclosures').
- IFRS 8, 'Operating segments'. IFRS 8 replaces IAS 14, 'Segment reporting', and aligns segment reporting with the requirements of the US standard FAS 131, 'Disclosure about segments of an enterprise and related information'.

The adoption of IAS 32 (Amendment), 'Financial Instruments: Presentation' and IAS 1 (Amendment), 'Presentation of Financial Statements' will have differing outcomes for limited life entities due to the strict criteria required in order to classify shares issued by limited life entities as equity. Some limited life entities may be unaffected by the adoption, while others may be affected by changes in the classification of certain qualifying instruments from financial liability to equity instruments. These financial statements present an entity where the adoption has had no effect on this classification.

We have attempted to create a realistic set of financial statements for a private equity limited partnership. Certain types of transaction have not been included, as they are not relevant to the Partnership's operations.

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

These illustrative financial statements are not a substitute for reading the standards and interpretations themselves or for professional judgement as to fairness of presentation. They do not cover all possible disclosures that IFRS requires. Further specific information may be required in order to ensure fair presentation under IFRS. We recommend that readers refer to our publication *IFRS disclosure checklist 2008*. Additional accounting disclosures may be required in order to comply with local laws.

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Format

The references in the left-hand margin of the financial statements represent the paragraph of the standard in which the disclosure appears – for example, '8p40' indicates IAS 8 paragraph 40. The reference to IFRS appears in full – for example 'IFRS2p6' indicates IFRS 2 paragraph 6. 'IE' refers to 'Illustrative Examples' and AG to 'Application Guidance'. The designation 'DV' (disclosure voluntary) indicates that the relevant IAS or IFRS encourages, but does not require, the disclosure. Additional notes and explanations are shown in footnotes.

Certain items may not apply to a particular reporting entity. For example, if the reporting entity does not have material derivative financial instruments, disclosure of the accounting policy for derivative financial instruments does not need to be included (IAS1p108, 110).

Certain items that apply to an entity may have not been included in these illustrative consolidated financial statements.

ABC Private Equity LP
Consolidated financial statements

31 December 2008

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(All amounts in euro thousands unless otherwise stated)

Consolidated balance sheet

	Note	As at 31 December	
		2008	2007
1p51, 68, 69 1p104			
		Assets	
1p57 (d)		Non-current assets	
1p68, IFRS7p8(a)	9	717,574	488,210
		Total non-current assets	717,574 488,210
1p57		Current assets	
1p68(h), IFRS7p8		923	2,196
1p68(i)	8	22,771	69,718
		Total current assets	23,694 71,914
		Total assets	741,268 560,124
		Liabilities	
1p60		Current liabilities	
1p68(j)		4,284	3,315
		Total current liabilities	4,284 3,315
1p60		Non-current liabilities	
1p68(l), IFRS7p8(f)	10	36,849	33,164
1p68(l)	11	30,496	12,778
		Total non-current liabilities excluding net assets attributable to the partners	67,345 45,942
32IE32	12	Net assets attributable to the partners	669,639 510,867

The notes on pages 9 to 30 are an integral part of these consolidated financial statements.

(All amounts in euro thousands unless otherwise stated)

Consolidated income statement¹ – by nature of expense

1p81-83, 91,104		Note	Year ended 31 December	
			2008	2007
1p81(a)	Income			
IFRS7p20(b)	Interest income	5	3,018	2,112
18p35(b)(v)	Dividend income		4,167	4,375
IFRS7p20(a)(i)	Other net changes in fair value of financial assets at fair value through profit or loss	6	190,802	115,582
1p83	Net foreign currency gains or losses on cash and cash equivalents		717	(565)
	Total net income		198,704	121,504
1p83	Expenses			
	Carried interest	11	(17,718)	(895)
IFRS7p20(c)	Management fee	13	(24,816)	(24,816)
	Commissions		(1,407)	(1,193)
	Legal and professional expenses		(1,532)	(1,013)
IFRS7p20(a)	Other operating expenses		(1,400)	(615)
	Total operating expenses		(46,873)	(28,532)
1p83	Operating profit		151,831	92,972
1p81(b)	Finance costs			
IFRS7p20(b)	Interest expense		(2,210)	(1,389)
	Distribution of income to the limited partners		(79,958)	(66,737)
21p52(a)	Net foreign exchange gains / (losses) on borrowings		(2,210)	410
	Total finance costs		(84,378)	(67,716)
1p81(f)	Profit before tax		67,453	25,256
1p81(d)	Withholding tax on dividend income		(718)	(648)
32E33	Increase in net assets attributable to the partners from operations		66,735	24,608

The notes on pages 9 to 30 are an integral part of these financial statements.

¹ Earnings per share information is not disclosed as the partners' capital is not traded in a public market and does not represent equity.

(All amounts in euro thousands unless otherwise stated)

Consolidated statement of changes in net assets attributable to the partners¹

	Note	Year ended 31 December					
		2008			2007		
		General partner	Limited partners	Total	General partner	Limited partners	Total
1p6,69, 72							
Net assets attributable to the partners at 1 January		10,217	500,650	510,867	6,914	338,789	345,703
Capital contributions		2,844	139,380	142,224	3,413	167,255	170,668
Capital distributions		(1,004)	(49,183)	(50,187)	(602)	(29,510)	(30,112)
Increase in net assets attributable to the partners from operations		1,334	65,401	66,735	492	24,116	24,608
Net assets attributable to the partners at 31 December	12	13,391	656,248	669,639	10,217	500,650	510,867

The notes on pages 9 to 30 are an integral part of these financial statements.

¹ This Partnership does not have equity. The presentation of the above reconciliation as a primary statement is not therefore required. However, it is best practice to produce the above reconciliation as a primary statement.

(All amounts in euro thousands unless otherwise stated)

Consolidated cash flow statement¹

	Note	Year ended	
		31 December	
1p102,104 7p10		2008	2007
7p18(a)		Cash flow from operating activities	
		(174,500)	(105,294)
		132,295	98,119
7p31		2,200	2,090
7p31		6,258	4,175
		(24,816)	(24,816)
		(2,655)	(3,010)
7p21		(61,218)	(28,736)
		Cash flows from financing activities	
		3,501	4,010
7p31		(2,026)	(1,689)
7p17(c)	12	142,224	170,668
7p34	12	(130,145)	(96,849)
		13,554	76,140
		Net (decrease) / increase in cash and cash equivalents	
		(47,664)	47,404
		Cash and cash equivalents at beginning of the year	
	8	69,718	22,879
7p28		717	(565)
	8	22,771	69,718

The notes on pages 9 to 30 are an integral part of these financial statements.

¹ As the primary activities of the Partnership are investment activities, no separate presentation in the cash flow statement is made for investing activities.

Notes

1 General information

1p126(a) 1p46(a)(b)	ABC Private Equity LP is a limited partnership (the 'Partnership'), established in Eurania by the Limited Partnership Agreement (the 'LPA') dated 1 January 2005, as amended and restated by a deed of adherence dated 1 August 2007. The Partnership commenced operations on 1 January 2005 and will continue in existence until the later of (i) 31 December 2015, or (ii) one year after the date by which all Partnership investments have been liquidated. The Partnership may also be dissolved earlier or its term may be extended for another two years by the General Partner, with the approval of a majority of the limited partners' interests.
1p126(a)	The General Partner of the Partnership is ABC General Partner Limited. The investment activities of the Partnership are managed by ABC Capital Management Limited (the 'Investment Manager'). The General Partner is responsible for the management, operation and administration of the affairs of the Partnership.
1p126(b)	The objectives of the Partnership are to generate significant medium- to long-term capital growth within a rigorous risk management framework. The Partnership aims to deliver these objectives by investing in a diversified investment portfolio of unlisted debt and equity securities of unlisted private companies ('portfolio of private equity investments') operating predominately in the eurozone.
1p124A, B	<p>The Partnership's capital is represented by the net assets attributable to the Partners.</p> <p>Investments are made to help start, develop or transform privately owned companies that demonstrate the potential for significant growth. This comprises investment in companies at various financing stages – seed financing, venture capital, management/leveraged buyouts, mezzanine financing and distressed debt.</p>
1p126(a)	The registered office of the Partnership is Path Way, Walking Go, Eurania.
10p17	The consolidated financial statements were authorised for issue by the General Partner on 27 March 2009.

2 Summary of significant accounting policies

1p108(b) 1p110 8p13	The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.
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1p 103(a)	2.1 Basis of presentation
1p14 1p108(a) 1p103(a) IFRS7p21	The consolidated financial statements of the Partnership have been prepared in accordance with International Financial Reporting Standards (IFRS). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss.
1p116	The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Partnership's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

(All amounts in euro thousands unless otherwise stated)

(a) Standards, amendments and interpretations effective on 1 January 2008 but not relevant

The following interpretations are mandatory for accounting periods beginning on or after 1 January 2008 but are not relevant to the Partnership's operations:

- IFRIC 11, 'IFRS 2 – Group and treasury share transactions';
- IFRIC 12, 'Service concession arrangements'; and
- IFRIC 14, 'IAS 19 - The limit on a defined benefit asset'.

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(b) Amendments to existing standards early adopted by the Partnership

- IAS 28 (Amendment), 'Investments in associates' (and consequential amendments to IAS 32, 'Financial instruments: Presentation' and IFRS 7, 'Financial instruments: Disclosures'). The amendment is part of the IASB's annual improvements project published in May 2008. Where an investment in associate is accounted for in accordance with IAS 39 'Financial instruments: recognition and measurement', only certain rather than all disclosure requirements in IAS 28 need to be made in addition to disclosures required by IAS 32, 'Financial instruments: Presentation' and IFRS 7 'Financial instruments: Disclosures'. The consequential amendments to IAS 32, IFRS 7 have been adopted early accordingly.
- IAS 31 (Amendment), 'Interests in joint ventures' (and consequential amendments to IAS 32, 'Financial Instruments: Presentation' and IFRS 7, 'Financial instruments: Disclosures'). The amendment is part of the IASB's annual improvements project published in May 2008. Where an investment in joint ventures is accounted for in accordance with IAS 39 'Financial instruments: recognition and measurement', only certain rather than all disclosure requirements in IAS 31 need to be made in addition to disclosures required by IAS 32, 'Financial instruments: Presentation' and IFRS 7 'Financial instruments: Disclosures'. The consequential amendments to IAS 32, IFRS 7 have been adopted early accordingly.
- IAS 32 (Amendment), 'Financial instruments: Presentation', and IAS 1 (Amendment), 'Presentation of financial statements', 'Puttable financial instruments and obligations arising on liquidation' was early adopted by the Partnership. The amended standards require entities to classify puttable financial instruments and instruments, or components of instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation as equity, provided the financial instruments have particular features and meet specific conditions. Adoption of this amendment does not impact the classification of net assets attributable to partners.
- IFRS 8, 'Operating segments' was early adopted by the Partnership. IFRS 8 replaces IAS 14, 'Segment reporting', and aligns segment reporting with the requirements of the US standard FAS 131, 'Disclosure about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The segments are reported in a manner that is consistent with the internal reporting provided to the chief operating decision-maker. IFRS 8 is applicable to all entities whose debt or equity instruments are traded in a public market. The Partners' capital is not traded in an active market as investors are invited by a Private Placement Memorandum. IFRS 8 is not therefore applicable to this Partnership.

(c) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Partnership

- IAS 39 (Amendment), 'Financial instruments: Recognition and measurement' (effective from 1 January 2009). The amendment is part of the IASB's annual improvement project published in May 2008. The definition of financial asset or financial liability at fair value through profit or loss as it relates to items that are held for trading is also amended. This clarifies that a financial asset or liability that is part of a portfolio of financial instruments managed together with evidence of an actual recent pattern of short-term profit taking is included in such a portfolio on initial recognition. The Partnership will apply the IAS 39 (Amendment) from 1 January 2009. However, it is not expected to have an impact on the Partnership's income statement.
- IAS 1 (Revised), 'Presentation of financial statements' (effective from 1 January 2009). The revised standard will prohibit the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The Partnership will apply IAS 1 (Revised) from 1 January 2009, and it is likely that both the income statement and statement of comprehensive income will be presented as performance statements.
- IAS 1 (Amendment), 'Presentation of financial statements' (effective from 1 January 2009). The amendment is part of the IASB's annual improvement project published in May 2008. The amendment clarifies that some rather than all financial assets and liabilities classified as held for trading in accordance with IAS 39, 'Financial instruments: Recognition and measurement', are examples of current assets and liabilities respectively. The Partnership will apply the amendments from 1 January 2009. However, it is not expected to have an impact on the Partnership's financial statements
- There are a number of minor amendments to IFRS 7, 'Financial instruments: Disclosures', IAS 8, 'Accounting policies, changes in accounting estimates and errors', IAS 10, 'Events after the reporting period', IAS 18, 'Revenue', IAS 34, 'Interim financial reporting' and IAS 39, 'Financial instruments: Recognition and measurement', which are part of the IASB's annual improvement project published in May 2008 (not addressed above). These amendments are unlikely to have an impact on the Partnership's accounts and have therefore not been analysed in detail.

(All amounts in euro thousands unless otherwise stated)

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(d) Standards, amendments and interpretations that are not yet effective and not relevant for the Partnership's operations

The following interpretations are mandatory for the Partnership's accounting periods beginning on or after 1 March 2009 or later periods but are not relevant for the Partnership's operations:

- IFRS 1 (Amendment), 'First-time adoption of IFRS', and IAS 27, 'Consolidated and separate financial statements' (effective from 1 January 2009);
- IFRS 2 (Amendment), 'Share-based payment' (effective from 1 January 2009);
- IFRS 3 (Revised), 'Business combinations' (effective from 1 July 2009);
- IAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009);
- IAS 27 (Revised), 'Consolidated and separate financial statements' (effective from 1 July 2009);
- IFRIC 13, 'Customer loyalty programmes'; (effective from 1 July 2008);
- IFRIC 15, 'Agreements for construction of real estates' (effective from 1 January 2009);
- IFRIC 16, 'Hedges of a net investment in a foreign operation' (effective from 1 October 2008);
- Amendments that are part of the IASB's annual improvement project published in May 2008 (not addressed above): IFRS 5 (Amendment), 'Non-current assets held for sale and discontinued operations' (and consequential amendment to IFRS 1, 'First-time adoption'); IAS 16 (Amendment), 'Property, plant and equipment' (and consequential amendments to IAS 7 'Statement of cash flows'); IAS 19 (Amendment), 'Employee benefits'; IAS 20 (Amendment), 'Accounting for government grants and disclosure of government assistance'; IAS 23 (Amendment), 'Borrowing costs'; IAS 27 (Revised), 'Consolidated and separate financial statements'; IAS 29 (Amendment), 'Financial reporting in hyperinflationary economies'; IAS 34, 'Interim financial reporting'; IAS 36 (Amendment), 'Impairment of assets'; IAS 38 (Amendment), 'Intangible assets'; IAS 40 (Amendment), 'Intangible assets' (and consequential amendments to IAS 16, 'Property, plant and equipment'); IAS 41 (Amendment), 'Agriculture' (all effective 1 January 2009).

2.2 Consolidation

(a) Subsidiaries

Subsidiaries are the special purpose entities (SPEs) over which the Partnership has the power to govern the financial and operating policies generally accompanying a shareholding of an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies, and are consolidated. Subsidiaries are incorporated for the purpose of holding underlying investments (the 'portfolio companies') on behalf of the Partnership. No portfolio companies are consolidated, as no control can be exercised over them.

The existence and effect of potential voting rights that are presently exercisable are considered when assessing whether the Partnership controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Partnership and are no longer consolidated from the date that control ceases. Inter-company transactions and balances among the partnership and its subsidiaries are eliminated upon consolidation.

(All amounts in euro thousands unless otherwise stated)

- 28p1 (b) *Associates*
- Associates are those entities in which the Partnership has significant influence, but not control, over the financial and operating policies. Investments that are held as part of the Partnership's investment portfolio are carried in the balance sheet at fair value even though the Partnership may have significant influence over those companies. This treatment is permitted by IAS 28, 'Investment in associates', which requires investments held by venture capital organisations to be excluded from its scope where those investments are designated, upon initial recognition, as at fair value through profit or loss and accounted for in accordance with IAS 39, with changes in fair value recognised in the income statement in the period of the change.
- 31p1 (c) *Joint ventures*
- Interests in joint ventures that are held as part of the Partnership's investment portfolio are carried in the balance sheet at fair value. This treatment is permitted by IAS 31, 'Interests in joint ventures', which requires venturer's interests held by venture capital organisations to be excluded from its scope where those investments are designated, upon initial recognition, as at fair value through profit or loss and accounted for in accordance with IAS 39, with changes in fair value recognised in the income statement in the period of the change.
- 1p110, IFRS7p21 **2.3 Foreign currency translation**
- 21p17 (a) *Functional and presentation currency*
- 21p9 The partners are mainly from the eurozone and the contributions received and distributions paid to partners are denominated in euros. The primary activity of the Partnership is to invest in a portfolio of unlisted debt and equity securities of unlisted private companies operating predominately in the eurozone. The performance of the Partnership is measured and reported to the investors in euros. The General Partner considers the euro as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The consolidated financial statements are presented in euros, which is also the Partnership's functional currency.
- 1p46(d) The presentation currency of the group and the functional currency of each subsidiary is the same as the functional currency of the Partnership.
- 21p21, 28 (b) *Transactions and balances*
- Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.
- 21p52(a) Translation differences on financial assets and liabilities at fair value through profit or loss are recognised in the income statement within the fair value net gain or loss. Translation differences on financial assets and liabilities at amortised cost are shown separately.
- 21p28 Foreign exchange gains and losses relating to cash and cash equivalents are presented in the income statement within 'net foreign currency gains or losses on cash and cash equivalents'.

(All amounts in euro thousands unless otherwise stated)

1p110, IFRS7p21 2.4 Financial assets and financial liabilities at fair value through profit or loss

39p9 (a) Classification

The Partnership classifies its investments in debt and equity securities, and related derivatives, as financial assets or financial liabilities at fair value through profit or loss. These financial assets and financial liabilities are classified as held for trading or designated by the General Partner at fair value through profit or loss at inception.

Derivatives are categorised as financial assets or financial liabilities held for trading. The Partnership does not designate any derivatives as hedges in a hedging relationship.

39p9 The portfolio of private equity investments is categorised as financial assets designated at fair value through profit or loss at inception. The Partnership's policy is for the Investment Manager and the General Partner to evaluate the information about these financial assets on a fair value basis together with other related financial information. Assets in this category are classified as current assets if they are expected to be realised within 12 months of the balance sheet date.

(b) Recognition and derecognition

IFRS7AppxB5(c)
39p16-17 Purchases and sales of unquoted and quoted investments are recognised on trade date – the date on which the Partnership commits to purchase or sell the asset. Investments are derecognised when the rights to receive cash flows from the investments have expired or the Partnership has transferred substantially all risks and rewards of ownership.

(c) Measurement

39p43
39p55 Financial assets and financial liabilities at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed in the income statement. Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial assets or financial liabilities at fair value through profit or loss' category are presented in the income statement in the period in which they arise.

IFRS7AppxB5(e) Dividend income from financial assets at fair value through profit or loss is recognised in the income statement within dividend income when the Partnership's right to receive payments is established. Interest income on the debt instruments is recognised as part of the fair value gain in other net changes in fair value of financial assets at fair value through profit or loss.

2.5 Receivables

1p110
39p43,46 Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables are recognised initially at fair value, and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment.

39p63
IFRS7
Appx B5(f)
39AG93 A provision for impairment is established when there is objective evidence that the Partnership will not be able to collect all amounts to be received. Significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganisation, and default in payments are considered indicators that the amount to be received is impaired. Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

(All amounts in euro thousands unless otherwise stated)

39p9 The effective interest rate method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the General Partner estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

1p110 **2.6 Offsetting financial instruments**
IFRS7p21, 32p42

Financial instruments are offset and the net amount reported in the balance sheet when there is legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

1p110 **2.7 Cash and cash equivalents**
IFRS7p21
7p45, 7p46

Cash and cash equivalents include cash in hand, demand deposits, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

1p110 **2.8 Borrowings**

39p43 Borrowings are recognised initially at fair value, net of transaction costs incurred.
39p47 Borrowings are subsequently stated at amortised cost; any difference between
IFRS7p21 the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowing using the effective interest method.

1p60 Borrowings are shown as current liabilities unless the Partnership has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

1p110 **2.9 Payables and accrued expenses**

Payables and accrued expenses are recognised initially at fair value and subsequently stated at amortised cost. The difference between the proceeds and the amount payable is recognised over the period of the payable using the effective interest method.

1p110 **2.10 Carried interest**

39p9 The General Partner is entitled to receive a share of the realised profits of the Partnership. The Partnership recognises a financial liability based on the unrealised fair value of its assets at the balance sheet date. Carried interest payable is accrued on those investments on which performance conditions, measured at the balance sheet date, would be achieved if the investments were realised at fair values. Carried interest is equal to the hypothetical share of profits taking into account the cash already distributed from the Partnership and amount of divestment proceeds receivable. Carried interest is paid when the performance conditions are met. The performance conditions are explained in Note 2.14.

(All amounts in euro thousands unless otherwise stated)

1p110 32p16C, 18 IFRS7p21	2.11 Net assets attributable to the partners	<p>The partnership's contributed capital consists of two different classes. Each class has different features and therefore partners' capital classifies as a financial liability.</p> <p>Partners' capital is carried at the amount that would be payable at the balance sheet date had the partnership been liquidated on that date, with other net assets liquidated at their carrying amounts.</p>
1p110 IFRS7p21 18p30(a)	2.12 Interest income and dividend income	<p>Interest income is recognised on a time-proportion basis using the effective interest method. Dividend income is recognised when the right to receive payment is established.</p>
1p110	2.13 Legal and professional expenses	<p>Legal and professional expenses are costs incurred to structure a deal to acquire the financial assets as at fair value through profit or loss (also called the 'portfolio companies'). These costs are immediately recognised in profit or loss as an expense.</p>
1p110 32IE32 32p35,40	2.14 Distribution	<p>Dividend payments are recognised as finance costs as the partners' capital does represent a financial liability. Repayment of funded committed capital is shown in the statement of changes in net assets attributable the partners.</p> <p>Distributions are allocated pro rata in accordance with each partner's capital commitment until the partners have received aggregate distributions equalling the sum of (i) contributed capital and (ii) preferred return of 8% per annum, compounded annually on unreturned contributed capital.</p> <p>Subsequent distributions are allocated 80% to the General Partner and 20% to the Limited Partners until the General Partner has received aggregate distributions equalling 20% of net cash flow from partnership investments (the 'catch-up amount').</p> <p>All remaining distributions above the catch-up amount will be allocated (a) 20% to the General Partner ,and (b) 80% to the Limited Partners pro rata in accordance with each partner's capital commitment.</p> <p>Losses will be allocated in a manner designed appropriately to reverse, on a cumulative basis, allocations previously made.</p>
1p110 1p99 12p2	2.15 Taxation	<p>The Partnership is domiciled in Eurania. Under the current laws of Eurania, there is no income, estate, corporation, capital gains or other taxes payable by the Partnership. Any other tax liability arising on the activities of the Partnership will be borne by the individual partners.</p> <p>The Partnership currently incurs only withholding tax imposed by certain countries on dividend income, which is recorded gross of withholding tax in the income statement.</p>

(All amounts in euro thousands unless otherwise stated)

1p110 **2.16 Unfunded committed capital**

Unfunded committed capital is not shown on the balance sheet as the partnership has no unconditional right to receive cash as long as it has not identified an investment to invest in.

3 Financial risk management

IFRS7p33 **3.1 Strategy in using financial instruments**

IFRS7p31

The objective of the Partnership is to achieve medium to long-term capital growth through investing in a selection of unlisted private companies trading mainly in the eurozone.

The Partnership's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The Partnership uses derivative financial instruments to moderate certain risk exposures.

IFRS7p33

3.2 Market risk

The Partnership's investments and derivative financial instruments are susceptible to market price risk arising from uncertainties about future values of the instruments. The Partnership's Investment Manager, ABC Capital Management Limited, provides the Partnership with investment recommendations. The Investment Manager's recommendations are reviewed by the General Partner before the investment decisions are implemented.

The performance of investments held by the Partnership is monitored by the Partnership's Investment Manager on a monthly basis and reviewed by the General Partner on a quarterly basis.

The Partnership's investment restrictions prohibit it from investing more than 5% of its committed contributions in any one company.

IFRS7p34

	Fair value	
	2008	2007
Forward foreign exchange contracts	110	70
Total financial assets held for trading	110	70
Equity securities traded in an active market	14,492	582
Cash held on escrow account ¹	300	–
IFRS7p8(a), 27(b) Equity securities not traded in an active market designated as at fair value through profit or loss	302,131	360,623
Debt securities not traded in an active market designated as at fair value through profit or loss	400,541	126,935
Total financial assets designated as at fair value through profit or loss	717,464	488,140
Total financial assets as at fair value through profit or loss	717,574	488,210

¹ As part of the disposal terms of K Limited, 20% of the sale price was deposited into an escrow account and will be released, subject to certain conditions being met, on 31 July 2010. No provision has been made, as it is the opinion of the General Partner that the full amount will be received.

(All amounts in euro thousands unless otherwise stated)

At 31 December 2008, the Partnership's market risk is affected by changes in the level or volatility of market rates or prices, such as equity prices, interest rates and foreign exchange rates. Interest rate and foreign currency movements are covered in Notes 3.3 and 3.6.

Other price risk

If the prices of equity securities traded in an active market were increased/decreased by 8%, with all other variables held constant, the impact on net assets attributable to partners would be €1,175 (2007: €47).

If the price of equity securities not traded in an active market were increased/decreased based on the market risk variable as shown below, the impact on net assets attributable to partners would be €15,116 (2007: €10,648).

IFRS7p27 (c), 40	Industry	Valuation methodology	Market risk variable	Number of investee companies	Reasonable possible change (%)	Impact on post-tax profit
As at 31 December 2008						
	Consumer goods	Earnings multiple	Price earnings multiple	6	2	8,752
	Transportation	Earnings multiple	Price earnings multiple	2	1.5	2,454
	Technology	Earnings multiple	Price earnings multiple	1	3	914
	Healthcare	Recent comparable transaction	Recent comparable transaction	1	4	2,226
	Financial services	Discounted cash flow based	Interest rate	1	1	770
	Total					<u>15,116</u>

	Industry	Valuation methodology	Market risk variable	Number of investee companies	Reasonable possible change (%)	Impact on post-tax profit
As at 31 December 2007						
	Consumer goods	Earnings multiple	Price earnings multiple	7	2	6,843
	Transportation	Earnings multiple	Price earnings multiple	2	1.5	1,145
	Technology	Earnings multiple	Price earnings multiple	1	3	622
	Healthcare	Recent comparable transaction	Recent comparable transaction	1	4	1,514
	Financial services	Discounted cash flow based	Interest rate	1	1	524
	Total					<u>10,648</u>

(All amounts in euro thousands unless otherwise stated)

Earnings multiple-based valuation

These investments are valued as at 31 December 2008 against comparable companies' earning multiples ranging from 6 to 9 (2007: 5 to 8.5).

Discounted cash flow based valuation

These investments are valued based on cash flows discounted using a range of rates based on the market interest rate and the risk premium specific to these unlisted securities of 8% to 10% (2007: 6% to 8%).

IFRS7p27(d)

Fair value changes in the amount of € 175,800 (2007: € 95,756) were calculated based on valuation techniques which included unobservable data.

IFRS7p33

3.3 Interest rate risk

The Partnership is subject to cash flow interest rate risk due to fluctuations in the prevailing levels of market interest rates. All debt instruments included in the category financial assets at fair value through profit or loss and all borrowings have floating interest rates.

The table below summarises the Partnership's exposure to interest rate risks. It includes the Partnership's assets and liabilities at fair values, categorised by the earlier of contractual re-pricing or maturity dates.

IFRS7p34

	Less than 1 month	1-3 months	3 months – 1 year	Non- interest bearing	Total
At 31 December 2008					
Assets					
Financial assets at fair value through profit or loss	–	20,400	380,141	317,033	717,574
Other receivables and prepayments	–	–	–	923	923
Cash at bank	22,771	–	–	–	22,771
Total assets	22,771	20,400	380,141	317,956	741,268
Liabilities					
Borrowings	–	–	36,849	–	36,849
Carried interest payable	–	–	–	30,496	30,496
Other payable and accrued expenses	–	–	–	4,284	4,284
Net assets attributable to the partners	–	–	–	669,639	669,639
Total liabilities	–	–	36,849	704,419	741,268
Total interest sensitivity gap	22,771	20,400	343,292	–	–

(All amounts in euro thousands unless otherwise stated)

IFRS7p34	Less than 1 month	1-3 months	3 months – 1 year	Non- interest bearing	Total
At 31 December 2007					
Assets					
Financial assets at fair value through profit or loss	–	12,500	114,435	361,275	488,210
Other receivables and prepayments	–	–	–	2,196	2,196
Cash at bank	69,718	–	–	–	69,718
Total assets	69,718	12,500	114,435	363,472	560,124
Liabilities					
Borrowings	–	–	33,164	–	33,164
Carried interest payable	–	–	–	12,778	12,778
Other payable and accrued expenses	–	–	–	3,315	3,315
Net assets attributable to the partners	–	–	–	510,867	510,867
Total liabilities	–	–	33,164	526,960	560,124
Total interest sensitivity gap	69,718	12,500	81,271	–	–

IFRS7p40, IG36 At 31 December 2008, should interest rates change by 25 (2007: 30) basis points with all other variables remaining constant, the increase in net assets attributable to partners for the year would amount to approximately €1,004 (2007: €393). The sensitivity of net assets attributable to the partners to movements in interest rates is higher in 2008 than in 2007 because of a drawdown of the loan.

IFRS7p33 In accordance with the Partnership's policy, the Investment Manager monitors the Partnership's overall interest sensitivity on a monthly basis, and the General Partner reviews it on a quarterly basis.

(All amounts in euro thousands unless otherwise stated)

3.4 Credit risk

IFRS7p33(a) The Partnership takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. The Partnership is exposed to risk of non-payment of loan or the interest due on a loan given to investee company.

IFRS7p34(c) The Partnership has no significant concentration of credit risk. Cash transactions are limited to high-credit-quality financial institutions. All debt investments are representing private equity investments. The Partnership assesses all counterparties, including its customers, for credit risk before contracting with them. IFRS7p36 The Partnership's maximum exposure to credit risk is detailed in the table below. It does not include any collateral or other credit risk mitigants, which reduce the Partnership's exposure.

	2008	2007
Forward foreign exchange contracts	110	70
Cash at bank	22,771	69,718
Debt investments	400,541	126,935
Total	<u>423,423</u>	<u>196,723</u>

IFRS7p9, 36, 37 The Partnership provides loans to private companies which are represented as debt instruments. No collateral is received from the underlying companies. The credit quality of these investments is based on the financial performance of the individual portfolio company. For those assets that are not past due it is believed that the risk of default is small and the capital repayments and interest payments will be made in accordance with the agreed terms and conditions. No terms or conditions are renegotiated.

	Not past due	Past due less than 1 year	Past due more than 1 year
2008			
Forward foreign exchange contracts	110	–	–
Cash at bank	22,771	–	–
Debt investments	297,092	65,489	37,960
2007			
Forward foreign exchange contracts	70	–	–
Cash at bank	69,718	–	–
Debt investments	91,257	35,678	–

IFRS7p9(c) The change of the credit quality is reflected in the fair value of the instrument. Unrealised losses of € 12,376 (2007: 31,417) are attributable to these debt instruments. In total, unrealised losses in the amount of € 67,600 are recognised for debt instruments.

IFRS7p33(b) In accordance with the Partnership's policy, the Investment Manager monitors the Partnership's credit position on a monthly basis, and the General Partner reviews it on a quarterly basis.

(All amounts in euro thousands unless otherwise stated)

3.5 Liquidity risk

IFRS7p33(a)(b) The Partnership has the ability to borrow in the short term to ensure settlement of investment transactions. This serves as a bridging facility until capital contributions have been received from the limited partners. The Partnership's ability to borrow will be subject to certain limitations, including that the total amount of all borrowings outstanding at any time shall not exceed the level of i) 20% of the total commitments or ii) the amount of the undrawn commitments at such time. The Partnership's exposure to liquidity risk is detailed in the table below.

IFRS7p39(a)(b)

Commitments that are given are also included in the table. They can be drawn down at any time. The amounts in the table are the contractual undiscounted cash flows.

IFRS7p34	On demand	Less than 1 year	Between 1 and 2 years	No maturity ¹	Total
At 31 December 2008					
Liabilities					
Borrowings	–	1,800	36,600	–	38,400
Carried interest payable	–	–	–	30,496	30,496
Other payable and accrued expenses	–	4,284	–	–	4,284
Net assets attributable to the partners	–	–	–	669,639	669,639
Total liabilities		6,084	36,600	700,135	742,819
Total Commitments	280,641	–	–	–	280,641

IFRS7p34	On demand	Less than 1 year	Between 1 and 2 years	No maturity ¹	Total
At 31 December 2008					
Liabilities					
Borrowings	–	1,658	32,506	–	34,164
Carried interest payable	–	–	–	12,778	12,778
Other payable and accrued expenses	–	3,315	–	–	3,315
Net assets attributable to the partners	–	–	–	510,867	510,867
Total liabilities	–	4,973	32,506	523,645	561,124
Total commitments	240,030	–	–	–	240,030

¹ 'Carried interest' and 'Net assets attributable to the partners' do not have a maturity. They need to be paid when the performance conditions outlined in Note 2.14 are met.

(All amounts in euro thousands unless otherwise stated)

3.6 Currency risk

IFRS7p33(a)(b)

The Partnership holds assets (both monetary and non-monetary) denominated in currencies other than the euro, the functional currency. It is therefore exposed to currency risk as the value of the financial instruments denominated in other currencies will fluctuate due to the changes in exchange rates. The Investment Manager is responsible for managing the net position of the monetary and non-monetary positions in each foreign currency by using external forward currency contracts.

Foreign currency risk, as defined in IFRS 7, arises as the value of future transactions, recognised monetary assets and monetary liabilities denominated in other currencies fluctuate due to changes in foreign exchange rates. IFRS 7 considers the foreign exchange exposure relating to non-monetary assets and liabilities to be a component of market price risk not foreign currency risk. Management, however, monitors the exposure on all foreign currency denominated assets and liabilities. The table below has therefore been analysed between monetary and non-monetary items to meet the requirements of IFRS 7.

IFRS7p34(a)(c)

Concentration of assets and liabilities

	USD 2008	USD 2007	GBP 2008	GBP 2007
At 31 December 2008				
Assets				
Cash at bank (monetary)	5,761	10,611	5,898	10,821
Financial assets at fair value through profit or loss – equity instruments (non-monetary)	10,130	20,055	42,100	33,515
Financial assets at fair value through profit or loss – debt instruments (monetary)	40,100	19,001	44,009	10,423
Other assets (monetary)	138	–	55	–
Liabilities				
Other liabilities (monetary)	605	410	729	533
Net balance sheet exposure	55,524	49,257	91,333	54,226
Less forward exchange contract (monetary)			(61,280)	(32,116)
Net currency exposure	55,524	49,257	30,053	22,110

IFRS7p40, IG36

At 31 December 2008, had the exchange rate between the US dollar and the euro increased or decreased by 5% with all other variables held constant, the increase or decrease respectively in net assets attributable to the partners from operations would amount to approximately €2,776 (2007: €2,463), of which €2,270 (2007: €1,460) are attributable to monetary items. This would have been mainly as a result of foreign exchange gains on translation of US dollar-denominated financial assets at fair value through profit or loss.

At 31 December 2008, had the exchange rate for monetary items between the GB pound and the euro increased or decreased by 4% with all other market variables held constant, the increase or decrease respectively in net assets attributable to the partners would amount to approximately €482 (2007: €456). Had the exchange rate for non-monetary items changed accordingly, the impact would be €1,684 (2007: €1,341).

(All amounts in euro thousands unless otherwise stated)

In accordance with the Partnership's policy, the Investment Manager monitors the Partnership's currency position including monetary and non-monetary items on a monthly basis, and the General Partner reviews it on a quarterly basis.

1p124A,B **3.7 Capital risk management**

The capital of the Partnership is represented by the net assets attributable to the partners. The Partnerships objective when managing the capital is to safeguard the ability to continue as a going concern in order to provide returns for partners and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Partnership.

The General Partner monitors capital on the basis of the value of net assets attributable to partners.

IFRS7p27
39AG72,73 **3.8 Fair value estimation**

The fair value of financial instruments quoted in an active markets (such as publicly traded derivatives and trading securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Partnership is the current bid price.

39AG74 The fair value of financial instruments that are not quoted in an active market (for example, unlisted securities) is determined by using valuation techniques. The Partnership uses a variety of methods and makes assumptions based on market conditions current at each balance sheet date. Valuation techniques include comparable recent arm's length transactions, earnings multiples, discounted cash flow analysis and other valuation techniques commonly used by market participants. Due to inherent uncertainty of valuations, however, estimated fair values may differ significantly from the values that would have been used had a readily available market for the securities existed and the differences could be material.

IFRS7p29(a), 27(a) In cases where the carrying amount is a reasonable approximation of fair value – for example, for financial instruments such as short-term receivables and payables – no additional fair value is disclosed. All current assets and current liabilities are short-term.

IFRS7p6,8 **3.9 Financial instruments by category**

	Loans and receivables	Assets at fair value through the profit and loss	Total
At 31 December 2008			
Assets as per balance sheet			
Financial assets at fair value through profit or loss	–	717,574	717,574
Other receivables and prepayments	923	–	923
Cash and cash equivalents	22,771	–	22,771
Total	23,694	717,574	741,268

(All amounts in euro thousands unless otherwise stated)

	Loans and receivables	Assets at fair value through the profit and loss	Total
At 31 December 2007			
Assets as per balance sheet			
Financial assets at fair value through profit or loss	–	488,210	488,210
Other receivables and prepayments	2,196	–	2,196
Cash and cash equivalents	69,718	–	69,718
Total	<u>71,914</u>	<u>488,210</u>	<u>560,124</u>

IFRS7p6,8 No table is shown for the liabilities, as there are no different categories. They are all in the category 'Other financial liabilities'.

4 Critical accounting estimates and judgements

4.1 Critical accounting estimates and judgements

1p113,116 The Partnership makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

IFRS7p27 (a) 4.2 Fair value of securities not quoted in an active market

IFRS7p27 (b) The fair value of securities that are not quoted in an active market is determined by using valuation techniques, primarily earning multiples and discounted cash flows. The models used to determine fair values are validated and periodically reviewed by experienced personnel independent of the area that created them. The models are based on company-generated cash flows and observable market data on interest rates and equity returns. The discount rates used for valuing equity securities are determined based on historic equity returns for other entities operating in the same industry for which market returns are observable. Management uses models to adjust the observed equity returns to reflect the actual debt/equity financing structure of the valued equity investment.

IFRS7p27 4.3 Fair value of derivative financial instruments

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

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

(All amounts in euro thousands unless otherwise stated)

4.4 Functional currency

The General Partner considers the euro the currency that most faithfully represents the economic effect of the underlying transactions, events and conditions. The euro is the currency in which the Partnership measures its performance and reports its results, as well as the currency in which it receives subscriptions from its investors. This determination also considers the competitive environment in which the Partnership is compared to other European private equity funds.

5 Interest income

		2008	2007
18p35(b)	Cash at bank	3,018	2,112
IFRS7p20(b)	Total interest income	<u>3,018</u>	<u>2,112</u>

6 Other net changes in fair value on financial assets

		2008	2007
IFRS7p20 (b)	Designated at fair value through profit or loss	190,802	115,582
	Total change in fair value of financial assets	<u>190,802</u>	<u>115,582</u>
	Realised gains on investments	99,874	90,639
	Realised loss on investments	(1,077)	(2,054)
	Unrealised gains on investments	124,796	61,006
	Unrealised losses on investments	(36,205)	(38,286)
	Forward foreign exchange contracts	180	310
	Other income	3,234	3,967
	Total change in fair value of financial assets	<u>190,802</u>	<u>115,582</u>

7 Derivative financial instruments

IFRS7p34 (a) In order to mitigate the currency risk, the Partnership holds forward foreign exchange contracts. The notional principal amounts of the outstanding forward foreign exchange contracts at 31 December 2008 were €61,280 (2007 €32,116).

8 Cash and cash equivalents

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

		2008	2007
7p45	Cash at bank	22,771	69,718

(All amounts in euro thousands unless otherwise stated)

9 Financial assets at fair value through profit or loss account¹

IFRS7p7, 34

Description	2008				2007			
	% of ownership	No. of shares/face value	Cost	Fair value	% of ownership	No. of shares/face value	Cost	Fair value
Belgium								
A limited								
Shares	23	41,000	33,717	40,353	19	36,000	7,963	18,088
Loan notes		14,500	14,500	15,093		6,150	6,150	6,765
Total Belgium			48,217	55,446			14,113	24,853
France								
BB Limited								
Ordinary shares	31	2,500	27,068	14,492	23	1,220	450	582
CC Limited								
Shares	15	3,300	12,620	15,857	11	2,500	74,454	88,011
B Limited								
Shares	22	25,220	14,250	55,446	37	44,200	30,610	37,724
Shareholder loans		51,250	51,250	54,235		14,500	14,500	16,899
Total			65,500	109,681			45,110	54,623
Total France			105,188	140,030			120,014	143,216
Germany								
C limited								
Shares	5	660	15,540	40,804	41	14,000	24,100	37,487
Loan notes		27,900	27,900	30,015		10,010	10,010	10,695
Total			43,440	70,819			34,110	48,182
D limited								
Shares	44	44,000	53,177	53,277	46	46,000	57,316	56,180
Loan notes		91,622	91,622	91,522		41,200	41,200	42,336
Total			144,799	144,799			98,516	98,516
Total Germany			188,239	215,618			132,626	146,698
Ireland								
E Limited								
Shares	14	21,000	3,115	10,094	16	22,110	3,320	16,868
Loan notes		29,000	29,000	31,119		10,890	10,890	11,172
Total			32,115	41,213			14,210	28,040
F limited								
Shares	11	12,000	5,890	5,890	35	28,150	34,461	34,007
Loan notes		65,338	65,338	65,338		14,000	14,000	14,453
Total			71,228	71,228			48,461	48,460
Total Ireland			103,343	112,441			62,671	76,500

¹ The presentation of a portfolio statement is not required under IFRS. The information can be presented in a different way (for example, on an aggregated level by class) as per the circumstances of the Partnership. Further, IFRS does not require disclosure of the cost or percentage of ownership of the portfolio companies.

(All amounts in euro thousands unless otherwise stated)

IFRS7p7, 34

Description	2008				2007			
	% of ownership	No. of shares/face value	Cost	Fair value	% of ownership	No. of shares/face value	Cost	Fair value
Italy								
G limited								
Shares	14	4,340	6,156	30,877	22	6,560	59,287	27,870
Loan notes		58,000	58,000	61,530				
Total Italy			<u>64,156</u>	<u>92,407</u>			<u>59,287</u>	<u>27,870</u>
UK								
H Limited								
Shares	14	1,180	3,600	15,479	22	2,210	4,310	10,531
Loan notes		11,000	14,510	14,980		7,000	9,800	10,192
Total			<u>18,110</u>	<u>30,459</u>			<u>14,110</u>	<u>20,723</u>
I Limited								
Ordinary shares	18	2,180	3,496	25,191	22	3,200	5,600	27,139
Loan notes		16,500	22,154	30,459		7,200	9,500	10,723
Total			<u>25,650</u>	<u>55,650</u>			<u>15,100</u>	<u>37,862</u>
Total UK			<u>43,760</u>	<u>86,109</u>			<u>29,210</u>	<u>58,585</u>
US								
J Limited								
Shares	33	6,333	7,382	8,863	25	4,300	2,300	5,287
Loan notes		2,800	4,828	6,250		1,800	3,100	3,699
Total			<u>12,210</u>	<u>15,113</u>			<u>5,400</u>	<u>8,986</u>
K Limited								
Shares		-	-	300	10	100	1,000	1,432
Total US			<u>12,210</u>	<u>15,413</u>			<u>6,400</u>	<u>10,418</u>
Total investments			<u>565,113</u>	<u>717,464</u>			<u>424,321</u>	<u>488,140</u>
Forward foreign exchange contract (note 7)								
				110				70
Total			<u>565,113</u>	<u>717,574</u>			<u>424,321</u>	<u>488,210</u>

(All amounts in euro thousands unless otherwise stated)

10 Borrowings

IFRS7p39b

The Partnership obtained a €50 million loan facility from DEF Bank in February 2007. The loan facility expires in December 2010. As at 31 December 2008, the loan facility has been drawn down to €36.849 million (2007: €33.164 million). The agreed interest rate is LIBOR +5%.

11 Carried interest

	2008	2007
Carried interest as at 1 January	12,778	11,883
Increase in carried interest	17,718	895
Carried interest as at 31 December	30,496	12,778

The General Partner is entitled to receive a share of the realised profits of the Partnership. The Partnership recognises a financial liability based on the unrealised fair value of its assets at the balance sheet date. Carried interest payable is accrued on those investments on which performance conditions as explained in Note 2.14, measured at the balance sheet date, would be achieved if the investments were realised at fair values. Carried interest is equal to the hypothetical share of profits taking into account the cash already distributed from the Partnership and amount of divestment proceeds receivable. Carried interest is paid when the performance conditions are met. If applicable - carried interest is credited back to the income statement for any hypothetical claw back of previously paid carried interest, if the investments were realised at their fair values.

12 Net assets attributable to partners¹

	General Partner	Limited Partners	Total
2008			
Committed capital	30,000	1,470,000	1,500,000
Cumulative capital contributions	22,200	1,087,800	1,110,000
Cumulative capital repayment	(15,165)	(743,086)	(758,251)
Cumulative net capital contributions	7,035	344,714	351,749
Cumulative net unrealised gains	3,050	149,430	152,480
Cumulative net realised gains	6,010	294,513	300,523
Cumulative other net expense	(2,074)	(132,409)	(135,113)
Total net assets attributable to partners	13,391	656,248	669,639

¹ IFRS does not require management to disclose these details. However, it is best practice to give this information.

(All amounts in euro thousands unless otherwise stated)

	General Partner	Limited Partners	Total
2007			
Committed capital	30,000	1,470,000	1,500,000
Cumulative capital contributions	19,356	948,420	967,776
Cumulative capital repayment	(14,161)	(693,903)	(708,064)
Cumulative net capital contributions	5,195	254,517	259,712
Cumulative net unrealised gains	1,278	62,611	63,889
Cumulative net realised gains	4,035	197,701	201,736
Cumulative other net expenses	(291)	(14,179)	(14,470)
Total net assets attributable to partners	10,217	500,650	510,867

13 Related parties

24p17
24p22

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

ABC General Partner Limited, the General Partner, is a related party of the Partnership, being responsible for the financial and operating decisions of the Partnership.

The General Partner is entitled to receive a management fee equal to 1.5 % of the aggregate of commitments reduced to the extent that the General Partner or any respective related party are in receipt of any fees whatsoever related to the Partnership's activities. After the investment period expiry date (five years since the date of establishment of the Partnership), the management fee will be reduced to 2% of aggregate acquisition cost of investments as determined at the investment period expiry date, as reduced by the acquisition cost of investments that have been realised or permanently written off as at the beginning of the relevant accounting period. For its services as General Partner, ABC General Partner Limited received a management fee of € 24,816 (2007: € 24,816). The balance due to the General Partner as at 31 December 2008 is nil (2007: nil). The carried interest due to the General Partner is disclosed in Note 11. There was no carried interest paid to the General Partner in 2008 and 2007.

A. Director is a director of the General Partner, ABC General Partner Limited.

A. Director is a board member and a shareholder of JKL Limited. Affiliates of JKL Limited provide ongoing administrative services and tax advice to the Partnership. In 2008, € 2,300 (2007: € 1,550) was charged. The balance due to the JKL Limited as at 31 December 2008 is nil (2007: nil).

14 Subsequent events

10p10

On 13 January 2009, equity securities of C Limited were listed on the Country A Stock Exchange. The carrying amount as at 31 December 2008 was €39 per share. The offering price that was achieved at the IPO when selling the shares to new investors amounted to €43 per share. ABC Private Equity LP sold 30% of its holding on the first day of listing. The remaining stake in C Limited is subject to a lock-up period of 24 months.

To the partners of ABC Private Equity LP

Report on the financial statements

We have audited the consolidated financial statements of ABC Private Equity LP (the 'Partnership') which comprise the consolidated balance sheet as of 31 December 2008 and the consolidated income statement, consolidated statement of changes in net assets attributable to partners and consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 consolidated financial statements give a true and fair view¹ of the financial position of group as of 31 December 2008, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements

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

Signature

Date

Address

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

¹ The term 'give a true and fair view' can be changed to 'present fairly, in all material respects'

Appendix I – Operating segments

(All amounts in euro thousands unless otherwise stated)

Operating segments

IFRS 8 has to be applied in all financial statements of an entity whose debt or equity instruments are traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets). Some private equity companies are listed or traded in a secondary market and therefore IFRS 8 would have to be applied.

1 General information

1p126(a) 1p46(a)(b)	ABC Private Equity LP is a company established in Eurania and listed on the Euromoney stock exchange.
1p126(a)	The investment activities of the company are managed by ABC Capital Management Limited (the 'Investment Manager'). The Investment Manager is responsible for the management, operation and administration of the affairs of the Limited Partnership in accordance with the investment guidelines published by the company.
1p126(b)	<p>The objectives of the partnership are to generate significant medium to long-term capital growth. The Partnership aims to deliver these objectives by investing in a diversified investment portfolio of unlisted debt and equity securities of unlisted private companies ('portfolio of private equity investments').</p> <p>Investments are made to help start, develop or transform privately owned companies that demonstrate the potential for significant growth.</p>
1p126(a)	The registered office of the Partnership is Path Way, Walking Go, Eurania.
10p17	The financial statements were authorised for issue by the Board of Director on 27 March 2009.

2.3 Segment reporting

IFRS 8p5(b)	Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, which is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Director that makes strategic decisions.
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5 Segment information

IFRS 8p22(a)	Management has determined the operating segments based on the reports reviewed by the Board of Directors (BoD) that are used to make strategic decisions.
IFRS 8p22(a)	<p>The BoD considers the business from an activity perspective. These activities cover:</p> <ul style="list-style-type: none">• Buyouts. This involves the purchase of an existing independent business or a subsidiary or division of a corporate group from its current owners. This category of investment includes management buyouts, management buy-ins and institutional buyouts. Here, the equity in the post-buyout business is usually shared between the management team and the private equity investor ('PE investor'), with the PE investor usually holding a majority stake. The financing for the buyout would generally comprise around 50% of senior and mezzanine debt

Appendix I – Operating segments (continued)

(All amounts in euro thousands unless otherwise stated)

(usually provided by banks and mezzanine providers), with substantially all of the balance of the purchase price coming from the PE investor and a relatively small amount coming from the management team. A large part of the PE investor's finance is generally provided in the form of redeemable preference shares or shareholder loans. This is to reflect the mismatch between the equity finance provided by the PE investor and that of the management team, as well as to provide a significant equity incentive for management.

- **Growth capital (or development capital).** This involves the provision of capital to accelerate the growth of established businesses and generally involves the PE investor taking a minority equity position. It is a type of investment suited to a diverse range of growth opportunities, including acquisitions, increasing production capacity, market or product development, turnaround opportunities, shareholder succession and change of ownership situations.
- **Infrastructure assets.** These are investments in asset-intensive businesses that provide essential services such as transport, utilities and social infrastructure under long-term contracts. These include a range of asset maturities, from mature, typically high-yielding assets to early-stage development projects.
- **Quoted private equity ('QPE').** This involves the purchase of influential stakes in smaller quoted companies that have low liquidity in their shares, little analyst coverage and potential to grow significantly. The concept is that through taking a private equity value creation approach to these companies, and working with management their prospects can be significantly improved.
- **Venture capital.** These are typically investments in 'early' and 'late' stage technology and healthcare companies. Here, the investor ('the VC') typically takes a minority equity stake in the business as part of a syndicate of VCs. 'Early-stage' investments typically fund research or development expenditure and costs associated with building an organisation for a company which is not yet generating revenues. 'Late-stage' investments tend to fund the scaling up of a business, once the model is proven, for companies which are either yet to make a profit or in the early stages of profitability. Both early and late-stage investing usually involves a number of 'funding rounds'.

IFRS 8p22(b)

The reportable operating segments derive their revenue primarily by seeking investments to achieve an attractive return in relation with the risk being taken. The return consists of interest, dividends or capital gains.

Appendix I – Operating segments (continued)

(All amounts in euro thousands unless otherwise stated)

The segment information provided to the BoD for the reportable segments for the year ended 31 December 2008 is as follows:

		Buy- outs	Growth capital	Infra- structure	Quoted private equity	Venture capital	Corporate centre	Total
IFRS8p23	Realised gains ¹	39,334	13,113	18,330	12,272	16,825	–	99,874
	Realised losses ¹	(229)	(153)	(285)	(410)	–	–	(1,077)
	Unrealised gains ¹	23,860	28,980	32,008	14,110	25,838	–	124,796
	Unrealised losses ¹	(12,226)	(6,284)	(5,354)	(4,220)	(8,121)	–	36,205
	Other income	1,822	–	–	2,345	–	6,432	10,599
	Management fee ²	14,191	1,104	1,829	512	5,445	1,735	24,816
	Other operating expenses ²	–	–	–	–	–	21,340	21,340
	Operating profit	38,370	34,552	42,870	23,585	29,097	(16,643)	151,831
	Interest expenses ²	1,264	98	163	46	485	154	2,210
	Total profit or loss	37,106	32,654	42,707	22,411	28,612	(96,755)	66,735
	Total assets	423,153	31,919	58,333	20,250	157,450	50,163	741,268
	Total liabilities ³	40,962	3,186	5,279	1,478	15,717	5,007	71,629

IFRS 8p24

Total assets include:

	Buy- outs	Growth capital	Infra- structure	Quoted private equity	Venture capital	Corporate centre	Total
Financial assets at fair value through profit or loss	410,351	31,918	103,050	14,803	157,450	–	717,574
Others	12,801	–	5,446	5,447	–	–	23,694

¹ An entity reports gains separately from losses for each reportable segment unless the chief operating decision-maker relies primarily on net gains/losses to assess the performance of the segment and makes decisions about resources to be allocated to the segment. In this situation, net gains/losses should be reported.

² If the fees or expenses are not reported to the chief operating decision-maker, they do not have to be disclosed in the operating segments. If they are not allocated to the different segments, they can be shown in the 'corporate centre', which represents unallocated costs/revenues.

³ The measure of liabilities has been disclosed for each reportable segment, as it is regularly provided to the chief operating decision-maker.

Appendix I – Operating segments (continued)

(All amounts in euro thousands unless otherwise stated)

Segment information for the year ended 31 December 2007 is as follows:

IFRS8p23	Buy- outs	Growth capital	Infra- structure	Quoted private equity	Venture capital	Corporate centre	Total
Realised gains ¹	32,058	12,021	16,257	18,378	11,924	–	90,639
Realised losses ¹	(336)	(292)	(393)	(932)	(101)	–	(2,054)
Unrealised gains ¹	11,226	15,231	20,133	6,717	7,699	–	61,006
Unrealised losses ¹	(8,272)	(6,318)	(10,217)	(9,268)	(4,211)	–	(38,285)
Other income	1,832	–	–	2,543	–	6,389	10,764
Management fee ²	14,191	1,104	1,829	512	5,445	1,735	24,816
Other operating expenses ²	–	–	–	–	–	4,281	4,281
Operating profit	22,317	19,538	23,951	16,926	9,867	373	92,972
Interest expenses ²	794	62	102	29	305	97	1,389
Total profit or loss	21,523	19,476	24,259	16,249	9,562	(66,461)	24,608
Total assets	285,266	31,583	66,172	23,886	115,958	37,259	560,124
Total liabilities ³	25,058	2,191	5,631	4,126	8,807	3,443	49,257

IFRS 8p24

Total assets include:

	Buy- outs	Growth capital	Infra- structure	Quoted private equity	Venture capital	Corporate centre	Total
Financial assets at fair value through profit or loss	262,275	21,022	87,876	11,128	105,909	–	488,210
Others	22,991	10,561	11,334	12,759	10,048	4,221	71,914

¹ An entity reports gains separately from losses for each reportable segment unless the chief operating decision-maker relies primarily on net gains/losses to assess the performance of the segment and makes decisions about resources to be allocated to the segment. In this situation, net gains/losses should be reported.

² If the fees or expenses are not reported to the chief operating decision-maker, they do not have to be disclosed in the operating segments. If they are not allocated to the different segments, they can be shown in the 'corporate centre', which represents unallocated costs/revenues.

³ The measure of liabilities has been disclosed for each reportable segment, as it is regularly provided to the chief operating decision-maker.

Appendix I – Operating segments (continued)

(All amounts in euro thousands unless otherwise stated)

IFRS 8p27 The amounts provided to the BoD with respect to total assets are measured in a manner consistent with that of the financial statements. The assessment of the performance of the operating segments is based on measures consistent with IFRS.

IFRS 8p27a There are no transactions between reportable segments.

IFRS 8p27 The amounts provided to the BoD with respect to total liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment or They are not considered to be segment liabilities but rather managed at corporate level.

IFRS8p33(a) The entity is domiciled in Eurania. The result of its revenue from investments in Eurania is €57,787 (2007: €16,214), and the total of revenue from investments whose entity is incorporated in other countries is €140,200 (2007: €105,855).

IFRS8p33(b) The total non-current assets located in Eurania is €113,243 (2007: €57,283), and the total of these non-current assets located in other countries is €604,331 (2007: €430,927).

The breakdown of the major component of the total of revenue and non-current assets from other countries is disclosed below.

For the year ended 31 December 2008 is as follows:

	UK	US	All other countries	Total
Segment net income	51,640	58,110	42,081	151,831
Financial assets at fair value through profit or loss	281,108	244,359	192,107	717,574

For the year ended 31 December 2007 is as follows:

	UK	US	All other countries	Total
Segment net income	30,316	41,008	21,648	92,972
Financial assets at fair value through profit or loss	181,624	187,715	118,871	488,210

IFRS8p34 Revenues of approximately €23,758 (2007: €10,986) are derived from the biggest single investment. These revenues are attributable to the US Buyout segment.

The shareholdings of the company are spread widely in the market.

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