Illustrative IFRS consolidated financial statements 2011

Private equity

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Illustrative consolidated financial statements 2011 – Private equity

This publication provides an illustrative set of financial statements, prepared in accordance with International Financial Reporting Standards (IFRS), for a fictional 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 is not traded in a public market.

ABC Private Equity LP's investment objectives are to seek medium- to long-term growth by investing in non-controlling interests in private unlisted companies with high growth potential. The Partnership is tax transparent. It classifies all of its investments as 'fair value through profit or loss' (FVTPL) and does not apply hedge accounting. The investments are mainly denominated in euros, US dollars and British 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 'SPEs', which are incorporated for the purpose of holding the underlying investments (the so-called portfolio companies) on behalf of the Partnership. The SPEs have no operations other than the investment in portfolio companies and providing a vehicle for the onward sale of a portfolio investment. There are no minorities, as all SPEs are wholly owned. No portfolio companies are consolidated, as they are not controlled due to the investment strategy of holding non-controlling interests. In the case of a 'buy-out' fund, where a fund buys significant or controlling interests in portfolio companies, management should refer to PwC's *Illustrative IFRS corporate consolidated financial statements for 2011 year-ends*, as the underlying companies may need to be consolidated. Other items that management may choose (or, in certain jurisdictions, be required) to include in documents containing financial statements, such as a directors' report or operating and financial review, are not illustrated here. An illustrative operating and financial review is included in the *Illustrative IFRS corporate consolidated financial statements for 2011 year ends*.

This publication is based on the requirements of IFRS standards and interpretations for financial years beginning on or after 1 January 2011, with early adoption of IFRS 13 'Fair value measurement', which is not effective until annual period beginning on or after 1 January 2013.

IAS 1 (amendment), 'Presentation of items of other comprehensive income', effective for annual periods beginning on or after 1 July 2012, IFRS 7 (amendment), 'Disclosures – transfer of financial assets', effective for annual periods beginning on or after 1 July 2011, IFRS 9, 'Financial instruments', effective for annual periods beginning on or after 1 January 2015, IFRS 10, 'Consolidated financial statements' and IFRS 12, 'Disclosures of interests in other entities', both effective for annual periods beginning on or after 1 January 2013, have not been early adopted by the Partnership. The Partnership is currently assessing the impact of the adoption of these standards. .

The main objective of IFRS 13, 'Fair value measurement' (effective for annual periods beginning on or after 1 January 2013) is to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other IFRS standards. If an asset or a liability measured at fair value has a bid price and an ask price, the standard requires valuation to be based on a price within the bid-ask spread that is most representative of fair value and allows the use of mid-market pricing or other pricing conventions that are used by market participants as a practical expedient. This provision will have the effect of eliminating the net asset value (NAV) valuation adjustment on many funds where the trading price of the fund's shares is based on investments valued between the bid-ask spread. These financial statements present a fund where early adoption has eliminated the prior year's NAV valuation adjustment.

In the appendices, the main change resulting from the amendments to IAS 1, 'Presentation of items of other comprehensive income' (effective for annual periods beginning on or after 1 July 2012), is a requirement for entities to Partnership items presented in other comprehensive income based on whether these items can potentially be reclassified to profit or loss subsequently (reclassification adjustments). This would only have an impact on funds with elements of other comprehensive income, such as funds that hold available-for-sale investments. Appendix I illustrates the impact on a fund with available-for-sale investments.

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009; additions to the standard were made in October 2010. IFRS 9 replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments and

requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

For private equity limited partnerships that currently designate non-derivative financial assets at FVTPL on inception, the impact of the revised standard is expected to be minimal. Private equity limited partnerships that have previously designated financial assets as available for sale or that have loans and receivables will be affected. These categories have been restricted, so more assets will need to be measured at FVTPL. Appendix I illustrates the impact on a limited partnership with available-for-sale investments.

In December 2011 the International Accounting Standards Board (IASB) announced amendments to IFRS 9, 'Financial instruments', which defers the mandatory effective date from 1 January 2013 to 1 January 2015 so that all phases of the financial instruments project (that is, classification and measurement, hedging and impairment) have the same mandatory effective date. IFRS 9 can still be applied early.

Previously, the relief from having to restate comparatives was only available to companies that applied IFRS 9 prior to 2012. The amendments also extend this relief to entities applying IFRS 9 prior to 1 January 2013, provided that certain additional disclosures are provided.

IFRS 9 has no major impact on the fictional private equity fund presented in the main body of these illustrative financial statements, as its financial assets are held at FVTPL and borrowings are measured at amortised cost.

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 for some of these additional items and transactions – such as disclosures relevant for private equity fund of funds, and private equity funds with significant leverage – have been included in Appendix I and Appendix II, respectively.

Certain other topics – such as funds without puttable instruments, funds with puttable instruments classified as equity, IFRS 7 for master-feeder structures and segment reporting – have been included in the PwC publication *Illustrative IFRS financial statements 2011 – Investment funds* (see Appendix III for detailed cross-references for topics relevant to private equity funds that have been included in other publications in the 'Illustrative' series).

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. Alternative presentations to those proposed in this publication may be equally acceptable if they comply with the specific disclosure requirements prescribed in IFRS. The entity's management is also responsible for providing disclosures that may be required by the relevant legal and regulatory requirements of the governing jurisdiction in which the entity operates.

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, nor do they take account of any specific legal framework. 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 2011.* Additional accounting disclosures may be required in order to comply with local laws and/or stock exchange regulations.

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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 'IFRS13p6' indicates IFRS 13 paragraph 6. The designation 'DV' (disclosure voluntary) indicates that the relevant IAS or IFRS encourages, but does not require, the disclosure. These financial statements also include disclosures that may represent best practice. Additional notes and explanations are shown in footnotes. The extent of disclosure required depends on the extent of the entity's use of financial instruments and of its exposure to risk.

Commentary boxes have been added, which include discussions on the main updates made from the 2009 *Illustrative IFRS financial statements for private equity* as a result of adoption of new standards and amendments to standards.

All amounts that are shown in brackets are negative amounts.

ABC Private Equity LP consolidated financial statements

31 December 2011

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(All amounts in euro thousands unless otherwise stated)

Consolidated statement of financial position

Reference		Note	As at 31 December 2011	2010
1p54, 38, 113				
	Assets			
1p60	**Non-current assets**			
1p54(d), IFRS7p8(a)	Financial assets at fair value through profit or loss[1]	9	717,164	488,140
	Total non-current assets		**717,164**	**488,140**
1p60, 66	**Current assets**			
1p54(d), IFRS7p8(a)	Financial assets at fair value through profit or loss[1]	9	110	70
1p54(d), IFRS7p8(c)	Carried interest clawback[2]	11, 14	3,426	–
1p54(h), IFRS7p8(c)	Other receivables		923	2,196
	Other assets		300	–
1p54(i), IFRS7p8	Cash and cash equivalents	8	17,093	64,040
	Total current assets		**21,852**	**66,306**
	Total assets		**739,016**	**554,446**
1p60	**Liabilities**			
1p60, 1p69	**Current liabilities**			
1p54(m), IFRS7p8(f)	Carried interest	11, 14	–	7,100
1p54(k), IFRS7p8(f)	Other payables and accrued expenses		4,284	3,315
	Total current liabilities		**4,284**	**10,415**
1p60, 69	**Non-current liabilities**			
1p54(m), IFRS7p8(f)	Borrowings	10	36,849	33,164
	Total non-current liabilities excluding net assets attributable to the partners		**36,849**	**33,164**
32IE32	**Net assets attributable to the partners**	12	**697,883**	**510,867**
	Represented by:			
1p54(m)	Net assets attributable to the partners (recognising non-recourse within legal structure)	13	703,391	510,867
	Adjustment for difference in net assets attributable to partners between consolidated basis and recognition of non-recourse within legal structure	13	(5,508)	–

The notes on pages 5 to 29 are an integral part of these consolidated financial statements.

Commentary – Updates to statement of financial position

The Limited Partnership has early adopted IFRS 13.The main change would result in the valuation method for listed financial assets and liabilities to be changed to last traded prices from IAS 39 requiring bid and ask prices for its listed financial assets and liabilities. The Partnership had no listed financial assets and liabilities at the end of the prior period; the change therefore had no effect on these consolidated financial statements. For changes see *Illustrative IFRS financial statements 2011 – Investment funds.*

IFRS13pC2 requires prospective application of the standard. IFRS13p66 specifies that revisions resulting from a change in the valuation technique or its application should be accounted for as a change in accounting estimate in accordance with IAS 8 (that is, prospectively [8p36]). However, the disclosures in IAS 8 for a change in accounting estimate are not required for revisions resulting from a change in a valuation technique or its application.

The narrative descriptions for the respective net asset lines and adjustment line have been updated because the prior-year fair value measurement basis is different from the current-year basis. The updated narrative descriptions have also been applied consistently to the statement of comprehensive income and statement of changes in net assets. A detailed explanation of the change in basis and reason for the adjustment is included in the notes.

While IFRS 13 requires valuation to be based on a price within the bid-ask spread that is most representative of fair value, the use of bid prices for asset positions and ask prices for liability positions is still permitted but is not required [IFRS13p70].

[1] No investments are accounted for as non-current assets held for sale under IFRS 5, as no controlling interests are held in portfolio companies. For an entity with non-current assets held for sale assets, refer to Illustrative consolidated corporate financial statements for 2011 year ends, 'Non-current assets held for sale and discontinued operations'.

[2] Clawback receivables could be current or non-current, depending on the terms of the Limited Partnership Agreement (the LPA).

(All amounts in euro thousands unless otherwise stated)

Consolidated statement of comprehensive income[1] – by nature of expense

		Notes	Year ended 31 December	
1p81, 82, 83, 85, 102, 113			**2011**	**2010**
1p82(a)	**Income**			
1p85	Interest income	5	3,018	2,112
18p35(b)(v)	Dividend income		4,167	4,375
IFRS7p20(a)(i), 1p35	Other net changes in fair value of financial assets at fair value through profit or loss	6	190,802	115,582
1p85	Net foreign currency gains or losses on cash and cash equivalents[2]		717	(565)
1p85	**Total net income**		**198,704**	**121,504**
1p85, 1p99	**Expenses**			
	Carried interest (expense/recovery)	11, 14	10,526	(895)
	Management fee	14	(22,500)	(22,500)
	Commissions		(1,407)	(1,193)
	Legal and professional expenses		(1,000)	(1,013)
	Transaction costs		(532)	(400)
	Other operating expenses		(3,716)	(2,531)
	Total operating expenses		**(18,629)**	**(28,532)**
1p85	**Operating profit**		180,075	92,972
1p82(b)	**Finance costs**			
	Interest expense		(2,210)	(1,389)
1p85, 32p35	Net foreign exchange gains/(losses) on borrowings		(2,210)	410
	Total finance costs		**(4,420)**	**(979)**
	Profit before tax		**175,655**	**91,993**
1p82(d)	Withholding tax on dividend income		(718)	(648)
32IE32, 1p85,	**Increase in net assets attributable to the partners from operations[3,4,5]**		**174,937**	**91,345**

The notes on pages 5 to 29 are an integral part of these consolidated financial statements.

[1] IAS 1 (revised), 'Presentation of financial statements', allows a choice of presenting all items of income and expense recognised in a period either (a) in a single statement of comprehensive income, or (b) in two statements comprising (i) a separate income statement, which displays components of profit or loss, and (ii) a statement of comprehensive income, which begins with profit or loss and displays components of other comprehensive income. ABC Private Equity LP has elected to use the single statement approach.

[2] Foreign currency gains and losses are only disclosed for cash and cash equivalents because there are no other financial assets and liabilities that are not accounted for at FVTPL, upon which foreign currency gains or losses have arisen during the period. Foreign currency gains and losses on financial instruments designated at FVTPL are included in 'other net changes in fair value of financial assets at fair value through profit or loss'.

[3] 1p82(g) requires the disclosure of each component of 'other comprehensive income'. Other comprehensive income comprises items of income and expense (including reclassification adjustments) that are not recognised in profit or loss as required or permitted by other IFRSs. ABC Private Equity LP has no other comprehensive income. All income and expenses had previously been reported in the consolidated income statement. Other comprehensive income for an investment entity can include available-for-sale valuation adjustments, currency translation differences on consolidation and valuation adjustments on cash flow hedges.

[4] The Partnership's contributed capital from the partners is classified as a financial liability in accordance with IAS 32 and presented as 'Net assets attributable to the partners' in the consolidated statement of financial position (see Note 2.11). 'Increase/(decrease) in net assets attributable to the partners from operations' in this instance represents the Partnership's finance cost related to that liability. Distributions of current period income may be presented separately under finance costs.

[5] These illustrative financial statements assume that all the subsidiaries (SPEs) have the same functional currency as the Partnership. If this was not the case, there would be foreign currency changes in and out of the statement, which would net out to give the same figure for 'increase in net assets attributable to the partners from operations' and a balancing figure in the 'consolidated statement of financial position'.

(All amounts in euro thousands unless otherwise stated)

Consolidated statement of changes in net assets attributable to the partners[1]

1p6, 106, 113

		Year ended 31 December					
		2011			2010		
	Notes	**General partner**	**Limited partners**	**Total**	**General partner**	**Limited partners**	**Total**
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
Distributions		(2,603)	(127,542)	(130,145)	(1937)	(94,912)	(96,849)
Net increase in capital transactions		241	11,838	12,079	1,476	72,343	73,819
(Decrease)/increase in net assets attributable to the partners from operations		3,499	171,438	174,937	1,827	89,518	91,345
Net assets (due from)/ attributable to the partners	12	**13,958**	**683,925**	**697,883**	**10,217**	**500,650**	**510,867**

The notes on pages 5 to 29 are an integral part of these consolidated ÿnancial statements.

[1] This consolidated statement of changes in net assets attributable to the partners provides relevant and useful information to the reader corresponding to the requirements of IAS 1 and is therefore considered best practice. We believe this presentation to disclose the movements in the liability being the net assets attributable to partners is an acceptable method of presenting the 'capital' movements. There are no other balances or movements of relating to equity for the period.

(All amounts in euro thousands unless otherwise stated)

Consolidated statement of cash flows

1p113		Notes	Year ended 31 December 2011	2010
7p10, 18(a), 21	**Cash flow from operating activities**			
7p15	Purchase of financial assets		(174,500)	(105,294)
7p15	Proceeds from sale of financial assets		131,995	98,119
7p31	Interest received		2,200	2,090
7p31	Dividends received		3,942	4,175
	Management fees paid		(22,500)	(22,500)
	Carried interest paid	11, 14	0	(5,678)
	Other operating expenses paid		(2,355)	(5,326)
	Net cash outflow from operating activities		**(61,218)**	**(34,414)**
7p10, 21	**Cash flows from financing activities**			
7p17(c)	Proceeds from borrowings		3,685	4,010
7p31	Interest paid		(2,210)	(1,689)
7p17	Capital contributions received from partners	12	142,224	170,668
7p17	Distributions to partners	12	(130,145)	(96,849)
	Net cash inflow from financing activities		**13,554**	**76,140**
	Net (decrease)/increase in cash and cash equivalents		**(47,664)**	**41,726**
	Cash and cash equivalents at beginning of the year	8	64,040	22,879
7p28	Exchange gains/(losses) on cash and cash equivalents		717	(565)
	Cash and cash equivalents at end of the year	**8**	**17,093**	**64,040**

The notes on pages 5 to 29 are an integral part of these consolidated financial statements.

Commentary – Use of direct method

This statement of cash flows has been prepared using the direct method. For an illustrative example of presentation in accordance with the indirect method, refer to the *Illustrative IFRS financial statements 2011 – Investment Funds*.

(All amounts in euro thousands unless otherwise stated)

Notes to the consolidated financial statements

1 General information

1p138(a-b)
1p51(a-b)

ABC Private Equity LP ('the Partnership') is a limited partnership established in Eurania by the Limited Partnership Agreement ('the LPA') dated 1 January 2007, as amended and restated by a deed of adherence dated 1 August 2009. The Partnership commenced operations on 1 January 2007 and will continue in existence until the later of (i) 31 December 2017, or (ii) one year after the date by which all investments of the Partnership have been liquidated. The Partnership may also be dissolved earlier, or its term may be extended for another two years by the general partner ('the General Partner'), with the approval of a majority of the limited partners' interests.

1p138(a)

The registered office of the Partnership is Path Way, Walking Go, Eurania. The General Partner of the Partnership is ABC General Partner Limited. The General Partner is responsible for the management, operation and administration of the affairs of the Partnership. The investment activities of the Partnership are have been delegated by the General Partner to ABC Capital Management Limited ('the Investment Adviser').

1p138(b)

The objectives of the Partnership and its subsidiaries (together '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 operating predominately in Europe. The subsidiaries are incorporated for the purpose of holding the underlying investments (the 'portfolio companies') in which the Partnership has non-controlling interests.

Investments are made to provide financing to help start, develop or transform privately owned companies that demonstrate the potential for significant growth. In addition to providing financing, the General Partner may provide introductions, industry expertise or other assistance to help companies grow their business. This comprises investment in companies at various financing stages – seed financing, venture capital, management/leveraged buyouts, mezzanine financing and distressed debt.

The Partnership's capital is represented by the net assets attributable to the partners. See Note 2.11 'Net assets attributable to the partners' for further details with respect to the treatment of the Partnership's capital as a financial liability.

The Partnership's interest is not traded in a public market, nor does it file its consolidated financial statements with a regulatory organisation for the purpose of issuing any class of instrument in a public market.[1]

10p17

The consolidated financial statements were authorised for issue by the General Partner on 27 March 2012.

2 Summary of significant accounting policies

1p112, 117(b), 119

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 the years presented, unless otherwise stated.

2.1 Basis of presentation

1p116, 117(a)

The consolidated financial statements of ABC Private Equity LP 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.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the General Partner to exercise its judgement in the process of applying the Partnership's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate and that the Partnership's financial statements therefore present the financial position and results fairly. 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.

8p28

(a) Standards and amendments to existing standards effective on or after 1 January 2011 adopted by the Partnership:

- The amendment to IAS 24, 'Related party disclosures', clarifies the definitions of a related party. The new definition clarifies in which circumstances, persons and key management personnel affect related party relationships of an entity. Secondly, the amendment introduces an exemption from the general related-party disclosure requirements for transactions with a 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 Partnership.

[1] If instruments are traded in a public market or when the financial statements are filed with a securities commission or other regulatory organisation for the purpose of issuing any class of instrument in a public market, IFRS 8, 'Operating segments', would be applicable.

- IFRS 7 (amendments), 'Financial instruments: Disclosures' was part of the IASB's annual improvement project published in May 2010. The amendment emphasises the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments. Adoption of this amendment did not have a significant impact on the Partnership's financial statements.
- 'Improvements to IFRS' were issued in May 2010 and contain several amendments to IFRS, which the IASB considers non-urgent but necessary. 'Improvements to IFRS' comprise amendments that result in accounting changes for presentation, recognition or measurement purposes, as well as terminology or editorial amendments relating to a variety of individual standards. Most of the amendments are effective for annual periods beginning on or after 1 January 2011. There are no material changes to accounting policies as result of these amendments.

There are no other standards, interpretations or amendments to existing standards that are effective that had a significant impact on the Partnership.

8p28

(b) Standards, that are effective after 1 January 2011 and have been early adopted by the Partnership

- IFRS 13, 'Fair value measurement', effective for annual periods beginning on or after 1 January 2013, has been early adopted. The standard improves consistency and reduces complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS. If an asset or a liability measured at fair value has a bid price and an ask price the standard requires valuation to be based on a price within the bid-ask spread that is most representative of fair value and allows the use of mid-market pricing or other pricing conventions that are used by market participants as a practical expedient. On adoption of the standard the Partnership has changed its valuation technique for listed financial assets to last traded prices. In the prior year, the Partnership utilised bid prices for its listed financial assets in accordance with IAS 39. The change in valuation technique is considered to be a change in estimate in accordance with IAS 8.[1]

8p30, 8p31

(c) New standards that are not yet effective for the financial year 1 January 2011 and have not been early adopted by the Partnership

- IFRS 9, 'Financial instruments', effective for annual periods beginning on or after 1 January 2015, specifies how an entity should classify and measure financial assets and liabilities, including some hybrid contracts. The standard improves and simplifies the approach for classification and measurement of financial assets compared with the requirements of IAS 39. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged. The standard applies a consistent approach to classifying financial assets and replaces the numerous categories of financial assets in IAS 39, each of which had its own classification criteria. The standard also results in one impairment method, replacing the numerous impairment methods in IAS 39 that arise from the different classification categories. The new standard is not expected to have an impact on the Partnership's financial position or performance, as it is expected that the Partnership will continue to classify its financial assets (both long and short) as being at fair value through profit or loss;
- IFRS 10, 'Consolidated financial statements', effective for annual periods beginning on or after 1 January 2013, builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Partnership is currently assessing the impact of the adoption of this standard;
- IFRS 12, 'Disclosures of interests in other entities', effective for annual periods beginning on or after 1 January 2013, includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Partnership is currently assessing the impact of the adoption of this standard.[2]

There are no other standards, interpretations or amendments to existing standards that are not yet effective that would be expected to have a significant impact on the Partnership.

1p119

2.2 Consolidation[3]

27p10, 12

(a) Subsidiaries

27p14
27p30

Subsidiaries are all entities including 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 (SPEs) are incorporated for the purpose of holding underlying investments (the 'portfolio companies') on

[1] IFRS13p66 specifies revisions resulting from a change in the valuation technique or its application shall be accounted for as a change in accounting estimate in accordance with IAS 8. However, the disclosures in IAS 8 for a change in accounting estimate are not required for revisions resulting from a change in a valuation technique or its application.
[2] In particular this partnership will have to assess whether additional disclosures may be required for interests in associates.
[3] At the time of going to print, the IASB had published an exposure draft (ED) on investment entities. The ED requires entities that meet the definition of an investment entity to record, with very limited exemptions, all investments at F VTPL. This includes investment in subsidiaries, associates and joint ventures. The comment period ends on 5 January 2012.

behalf of the Partnership; as new SPEs are incorporated for each investment, there are no business combinations. The SPEs have no operations other than the investment in portfolio companies and providing a vehicle for the onward sale of a portfolio investment. No portfolio companies are consolidated, as they are not controlled. The existence and effect of potential voting rights that are currently 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. They are de-consolidated from the date that control ceases. The inclusion of the subsidiaries into the consolidated financial statements is based on consistent accounting and valuation methods for similar transactions and other occurrences under similar circumstances.

27p20 Inter-company transactions, balances and unrealised gains on transactions between partnership companies are eliminated. Unrealised losses are also eliminated.

27p24 Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Partnership.

1p119 *(b) Associates*

28p13, 11 An associate is an entity, including an unincorporated entity such as a partnership, over which the Partnership has significant influence and that is neither a subsidiary nor an interest in a joint venture.

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 allows 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 consolidated statement of comprehensive income in the period of the change.

Commentary – Joint venture arrangements

For private equity funds or partnerships with joint venture arrangement, the scope exclusion under IAS 31 needs to be considered. Relevant disclosures regarding accounting treatment for joint ventures should also be considered.

1p119

2.3 Foreign currency translation

21p17, 9, 18 *(a) Functional and presentation currency*

1p51(d) The partners are mainly from Europe, 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 Europe. 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.

The presentation currency of the Partnership and the functional currency of each subsidiary is the same as the functional currency of the Partnership.

21p21, 28, 52(a) *(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 currency assets and liabilities are translated into the functional currency using the exchange rate prevailing at the balance sheet date.

Foreign exchange gains and losses arising from translation are included in the consolidated statement of comprehensive income.

21p28 Foreign exchange gains and losses relating to cash and cash equivalents are presented in the consolidated statement of comprehensive income within 'net foreign currency gains or losses on cash and cash equivalents'.

21p30 Foreign exchange gains and losses relating to the financial assets and liabilities carried at fair value through profit or loss are presented in the consolidated statement of comprehensive income within 'other net changes in fair value of financial assets and financial liabilities at fair value through profit or loss'.

(All amounts in euro thousands unless otherwise stated)

1p119

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

39p9, IFRS7p21

(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 FVTPL at inception.

This category has two sub-categories: financial assets and financial liabilities held for trading; and those designated at fair value through profit or loss at inception.

39p9

(i) Financial assets and liabilities held for trading
A financial asset or financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the short term; or if, on initial recognition, it is part of a portfolio of identifiable financial investments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking. Derivatives are also categorised as held for trading. The Partnership does not classify any derivatives as hedges in a hedging relationship.

39p9, IFRS7B5(a)

(ii) Financial assets and liabilities designated at fair value through profit or loss at inception
Financial assets and liabilities designated at fair value through profit or loss at inception are financial instruments that are not classified as held for trading but are managed; their performance is evaluated on a fair value basis in accordance with the Partnership's documented investment strategy.

The Partnership's policy requires the Investment Adviser and the General Partner to evaluate the information about these financial assets and liabilities on a fair value basis together with other related financial information. Assets and liabilities in this category are classified as current assets and current liabilities if they are expected to be realised within 12 months of the balance sheet date. Those not expected to be realised within 12 months of the balance sheet date will be classified as non-current.

Unfunded capital commitments to purchase further equity in portfolio investments are classified as derivative financial instruments and disclosed within Note 3.1.3 and Note 9.

(b) Recognition, derecognition and measurement

IFRS7p21, B5(c), 39p14, 16, 38, 43

Regular purchases and sales of investments are recognised on the trade date – the date on which the Partnership commits to purchase or sell the investment. Financial assets at FVTPL are initially recognised at fair value. Transaction costs are expensed as incurred in the consolidated statement of comprehensive income and are discussed further in Note 2.14.

39p17

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Partnership has transferred substantially all risks and rewards of ownership.

39p39

Financial liabilities are derecognised when they are extinguished – that is, when the obligation specified in the contract is discharged or cancelled or expires.

39p46, 55

Subsequent to initial recognition, all financial assets at FVTPL are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the consolidated statement of comprehensive income within 'other net changes in fair value of financial assets at fair value through profit or loss' in the period in which they arise.

IFRS7 AppxB5(e)

Dividend income from financial assets at FVTPL is recognised in the statement of comprehensive income within dividend income when the Partnership's right to receive payments is established. Interest income on debt securities at FVTPL is recognised in the consolidated statement of comprehensive income within interest income based on the effective interest rate.

(c) Fair value estimation

IFRS13p9, 15, 22, 24, 70

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial assets traded in active markets[1] (such as publicly traded derivatives and equity securities publicly traded on a stock exchange) are based on quoted market prices at the close of trading on the reporting date[2]. Prior to 1 January 2011, the quoted market price used for financial assets held by the Partnership was the current bid price. The Partnership early adopted IFRS 13, 'Fair value

[1] The existence of published price quotations in an active market is the best evidence of fair value and, when they are available, they are used to measure fair value. The phrase 'quoted in an active market' means that quoted prices are readily and regularly available from an exchange, dealer, broker, industry Partnership, pricing service or regulatory agency. Those prices represent actual and regularly occurring market transactions on an arm's length basis that are not distressed sales. The price can be taken from the principal market or, in the absence of a principal market, the most advantageous market [IFRS13p16]. The quoted market price cannot be adjusted for transaction costs [IFRS13p25]. The quoted market price cannot be adjusted for 'blockage' factors [IFRS13p69].
[2] If investments are restricted, i.e. they are a particular class of instrument with a restriction in the terms of that class or issued with a restriction, that restriction is relevant in determining the fair value of investments. However, if the restriction is part of a separate agreement between the buyer and seller and the shares are identical to other shares with no such restriction that restriction is not relevant to the valuation of the securities.

measurement', from 1 January 2011 and changed its fair valuation technique to utilise the last traded market price for financial assets where the last traded price falls within the bid-ask spread, as the General Partner believes that this price is the most representative of fair value of the financial instruments of the Partnership. On the behalf of the General Partner, the Investment Adviser monitors trade prices and volumes taking place a few days before and after the year-end date, in order to assess whether the trade prices used at each valuation date are representative of fair value. If a significant movement in fair value occurs subsequent to the close of trading up to midnight in a particular stock exchange on the year end date, valuation techniques will be applied to determine the fair value. A significant event is any event that occurs after the last market price for a security, close of market or close of the foreign stock exchange, but before the Partnership's valuation time, that materially affects the integrity of the closing prices for any security, instrument, currency or securities affected by that event so that they cannot be considered 'readily available' market quotations[1].

IFRS13p61-62 Fair values for unlisted equity securities are determined by the General Partner using valuation techniques. Such valuation techniques may include earnings multiples (based on the budget earnings or historical earnings of the issuer and earnings multiples of comparable listed companies) and discounted cash flows. The Partnership adjusts the valuation model as deemed necessary for factors such as non-maintainable earnings, tax risk, growth stage and cash traps. The valuation techniques also consider the original transaction price and take into account the relevant developments since the acquisition of the investments and other factors pertinent to the valuation of the investments, with reference to such rights in connection with realisation, recent third-party transactions of comparable types of instruments, and reliable indicative offers from potential buyers. In determining fair valuation, the General Partner in many instances relies on the financial data of investees and on estimates by the management of the investee companies as to the effect of future developments. Although the General Partner uses its best judgement, and cross-references results of primary valuation models against secondary models in estimating the fair value of investments, there are inherent limitations in any estimation techniques. The fair value estimates presented herein are not necessarily indicative of an amount the Partnership could realise in a current transaction. Future confirming events will also affect the estimates of fair value. The effect of such events on the estimates of fair value, including the ultimate liquidation of investments, could be material to the financial statements.

IFRS13p11 The Partnership's valuation technique for unlisted debt instruments is the net present value of estimated future cash flows based on a discounted cash flow model. The discount rate used by the Partnership is based on the risk-free rate of the economic environment in which portfolio companies operate and is adjusted with other factors such as liquidity, credit and market risk factors. Similar to the earning multiples model, cash flow used in the discount cash flow model is based on projected cash flows or earnings of the portfolio companies.

Forward contracts are contractual obligations to buy or sell financial instruments on a future date at a specified price established over the counter. Forward contracts are valued based on the difference between agreed price of selling or buying the financial instruments on a future date and the price quoted on the year end date for selling or buying the same or similar financial instruments.

1p119

2.5 Receivables

IFRS7p21, 39p9, 43, 46(a), 58, 59, IFRS7 Appx B5(f) 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. They are subsequently measured at amortised cost using the effective interest rate method, less provision for impairment.

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 Partnership 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.

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.

1p119

2.6 Offsetting financial instruments

IFRS7p21 32p42 Financial instruments are offset and the net amount reported in the balance sheet only when there is currently a 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.

[1] If a 'significant event' (for example, corporate action, corporate or regulatory news, suspension of trading, natural disaster, market fluctuations) occurs, the General Partners should consider whether the valuation model would reflect a more current value of the securities held by the Partnership.

1p119
IFRS7p21
7p45, 46

2.7 Cash and cash equivalents

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[1].

1p119

2.8 Borrowings

39p43, 47
IFRS7p21

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

1p60, 61

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.

1p119

2.9 Payables and accrued expenses

IFRS7p21
39p43, 47

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.

1p119

2.10 Carried interest expense/recovery and carried interest clawback

39p9

In accordance with the LPA, the General Partner is entitled to receive a share of the realised profits of the Partnership, otherwise referred to as the General Partner's carried interest. The General Partner may receive its share of realised investment gains on a deal-by-deal basis throughout the life of the Partnership. In accordance with the terms and conditions of the LPA, the carried interest due to or from the General Partner is calculated annually at the reporting date, taking into account the required performance conditions and distribution arrangements of the Partnership as a whole, as explained in Note 2.15. The change in carried interest due to the General Partner during the year is included as 'Carried interest (expense)/recovery' in the consolidated statement of comprehensive income and is further described in Note 2.15. An expense results from increase in carried interest due to the General Partner, and a recovery of previously expensed carried interest results from decrease in carried interest due to the General Partner at the reporting date.

Carried interest is measured at amortised cost and calculated based on the fair value of the investments of the Partnership as measured at the reporting date. Where the calculation indicates that the performance conditions would have been achieved and distribution arrangements have been met were the investments realised at their fair values, carried interest is accrued. Carried interest is equal to the General Partner's hypothetical share of profits, taking into account the cash already distributed from the Partnership and amount of divestment proceeds receivable. Therefore, based on the calculation described above, the Partnership recognises a financial liability based on the estimated fair value of its assets at the balance sheet date. Carried interest is paid when the particular payment distribution arrangements as set out in the LPA are met. The performance conditions are further explained in Note 2.15.

Carried interest clawback represents the amount of carried interest already paid to the General Partner that would be due back to the Partnership from the General Partner should the investments be realised at their fair values as presented at the reporting date. The clawback receivable is measured at amortised cost and is calculated as the (i) the cumulative amount of carried interest that would be due to the General Partner, applying the Partnership's capital calls and distributions to date and the fair value of investments at the year end (as described above) as the theoretical total carried interest distribution at that date, less (ii) cumulative amount of carried interest previously distributed to the General Partner, only to the extent of the amount by which (ii) is greater than (i). This clawback amount may be recovered by the Partnership by (i) offsetting this amount against future realised gains attributed to the General Partner as additional carried interest, or by (ii) repayment of any distributed carried interest from the General Partner back to the Partnership, in accordance with the terms of the LPA.

1p119

2.11 Net assets attributable to the partners

IFRS7p21,
32p18

The Partnership's contributed capital consists of two different classes. Net assets attributable to the partners are classified as a financial liability, due to a finite life and contractual payment provisions to each of the partners within the LPA.

Net assets attributable to partners' capital are carried at amortised cost consistent with other amounts classified as borrowings.

IFRS7p21,
1p119
18p30(a)

2.12 Interest income and dividend income

Interest income is recognised on a time-proportion basis using the effective interest method. It includes interest income from cash and cash equivalents and on debt securities at FVTPL.

[1] Only non-restricted margin accounts should be included as part of cash and cash equivalents.

(All amounts in euro thousands unless otherwise stated)

18p30(c) Dividend income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income statement within dividend income when the Partnership's right to receive payments is established.

1p119 **2.13 Legal and professional expenses**

IFRS7p21 Legal and professional expenses are costs incurred on a regular basis for fees paid for regulatory bodies and fees paid to agents for carrying out the duties on behalf of the Partnership for regulatory and compliance purpose. These costs are immediately recognised in profit or loss as an expense.

1p119 **2.14 Transactions costs**

IFRS7p21 Transaction costs are legal and professional fees incurred to structure a deal to acquire the Partnership's investments designated as financial assets at FVTPL. They include the upfront fees and commissions paid to agents, advisers, brokers and dealers and due diligence fees. Transaction costs, when incurred, are immediately recognised in profit or loss as an expense.

1p119 **2.15 Distributions**

IFRS7p21 Distribution of net assets attributable to the partners and repayment of funded committed capital is shown in the consolidated statement of changes in net assets attributable to the partners.

32p35, 40 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.

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').

All remaining distributions above the catch-up amount will be allocated (i) 20% to the General Partner, and (ii) 80% to the Limited Partners pro-rata in accordance with each partner's capital commitment. The 20% payable to the General Partner represents their carried interest. This carried interest amount is contractually agreed in the LPA; in substance, it represents compensation to the General Partner for portfolio management services provided to the Partnership. It is therefore deemed an expense to the fund charged through 'Carried interest (expense)/recovery' in the consolidated statement of comprehensive income.

Losses will be allocated in a manner designed appropriately to reverse on a cumulative basis payments previously made as carried interest. Such reversals are disclosed as carried interest clawback, as detailed in Note 2.10.

1p119 **2.16 Taxation**

IFRS7p21 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.

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.

1p119 **2.17 Unfunded committed capital**

39IN5 Unfunded committed capital from the partners is not shown on the balance sheet, as unfunded committed capital represents a loan commitment that is scoped out of IAS 39.

3 Financial risk management

3.1 Financial risk factors

IFRS7p31, 33 The objective of the Partnership is to achieve medium to long-term capital growth through investing in a selection of unlisted private companies operating mainly in the Europe.

The Partnership's activities expose it to a variety of financial risks: market risk (including foreign exchange 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

3.1.1 Market risk

IFRS7p33(a-b)

(a) Price 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 Adviser provides the Partnership with investment recommendations. The Investment Adviser's recommendations are reviewed and approved by the General Partner before the investment decisions are implemented. To manage the market price risk, the General Partner reviews the performance of the portfolio companies on a monthly basis and is in regular contact with the management of the portfolio companies for business and operational matters.

IFRS7p34(c)

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

The Partnership's investment restrictions prohibit it from investing more than 10% of its committed contributions in any one company.

At 31 December, the fair value of financial assets exposed to price risk were as follows:

IFRS7p8(a), 34

Financial assets designated at fair value through profit or loss	Fair value 2011	2010
Equity securities traded in an active market	14,492	–
Equity securities not traded in an active market designated at fair value through profit or loss	302,131	361,205
Total financial assets at fair value through profit or loss subject to other price risk	**316,623**	**361,205**

The following instruments are not subject to direct price risk:

Financial assets held for trading subject to foreign currency risk	Fair value 2011	2010
Forward foreign exchange contracts	110	70
Financial assets designated at fair value through profit or loss subject to interest rate risk		
Debt securities not traded in an active market designated at fair value through profit or loss	400,541	126,935
Total financial assets at fair value through profit or loss	**717,274**	**488,210**
Other assets – cash held on escrow account (Note (a))	**300**	–

Note: As part of the disposal terms of K Limited, 20% of the sale price was deposited into an escrow account, held in trust by a third party, and will be released, subject to certain conditions being met, on 31 July 2012. This cash in escrow has been recognised during the year by the Partnership and no impairment provision has been made, as it is the opinion of the General Partner that the full amount will be received as all restriction conditions have been fulfilled.

At 31 December 2011, the Partnership's market risk is affected by changes in the level or volatility of market rates, such as foreign exchange rates and interest rates, or prices, such as equity prices. Movements in foreign currency rates and interest rates are covered in paragraph (b) and (c) respectively.

IFRS7p40

At 31 December 2011, the impact on the net assets attributable to the partners due to an 8% change in the Partnership's benchmark used to measure the performance of the Partnership's listed equity securities including the effect of movements in foreign currency exchange rates on equity prices, using historical correlation between the return of the Partnership's portfolio of listed equities compared to the return of the Partnership's benchmark, with all other variables held constant, would be €1,175 (2010: nil). Regression analysis has been used to estimate the historical correlation; it uses historical information consisting of 60 monthly data points. The historical correlation may not be representative of the future correlation, and the impact of actual performance may be materially different than the one presented above.

If the comparable multiples used in the Partnership's valuation of equity securities not traded in active markets were increased/decreased based on the market risk variables as shown in the tables below, the impact on net assets attributable to the partners would be €20,142 (2010: €37,375).

(All amounts in euro thousands unless otherwise stated)

Industry	Valuation methodology	Market risk variable	Number of investee companies	Weighted average EBITDA multiple	Reasonable possible change	Impact on net assets attributable to the partners
As at 31 December 2011						
Consumer goods	Earnings multiple	EBITDA multiple	6	6.2	0.5	12,841
Transportation	Earnings multiple	EBITDA multiple	2	6.8	0.5	2,338
Technology	Earnings multiple	EBITDA multiple	1	7.3	0.5	1,103
Healthcare	Earnings multiple	EBITDA multiple from recent comparable transaction	1	9.1	0.5	2,864
Financial services	Earnings multiple	EBITDA multiple	1	8.0	0.5	996
Total						**20,142**
As at 31 December 2010						
Consumer goods	Earnings multiple	EBITDA multiple	8	6.3	0.7	25,270
Transportation	Earnings multiple	EBITDA multiple	2	6.4	0.7	4,145
Technology	Earnings multiple	EBITDA multiple	1	7.3	0.7	1,822
Healthcare	Earnings multiple	EBITDA multiple	1	8.6	0.7	4,514
Financial services	Earnings multiple	EBITDA multiple from recent comparable transaction	1	7.5	0.7	1,624
Total						**37,375**

Earnings multiple-based valuation

These investments are valued as at 31 December 2011 against comparable companies' earning multiples ranging from 6 to 9 (2010: 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% (2010: 6% to 8%).

IFRS7p33(a-b) *(b) Foreign exchange risk*

The Partnership hold assets (both monetary and non-monetary) denominated in currencies other than the functional currency (the euro). 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. On behalf of the General Partner, the Investment Adviser managers the net position of the monetary and non-monetary positions in each foreign currency by using external forward currency contracts.

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

DV The following table presents the foreign currency exchange rates applied at the respective reporting date:

	31 December 2011	31 December 2010
US dollar	1.143	1.338
British pound	1.169	1.166

Foreign currency risk, as defined in IFRS 7, arises as the value of 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. However, the General Partner 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.

The Partnership's policy is to manage the Partnership's exposure to foreign exchange movements (both monetary and non-monetary) by using forward foreign exchange contracts; however, the Partnership does not adopt any hedge accounting policies.

IFRS7p34

	Amounts presented in equivalent amounts of euro thousands with the original currency as:			
	USD'000 2011	**USD'000 2010**	**GBP'000 2011**	**GBP'000 2010**
As at 31 December				
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)	8,863	6,719	40,670	37,670
Financial assets at fair value through profit or loss – debt instruments (monetary)	6,250	3,699	45,493	20,915
Other assets (monetary)	138	–	55	–
Liabilities				
Other liabilities (monetary)	605	410	729	533
Net consolidated statement of financial position exposure	55,524	49,257	91,333	54,226
Less forward exchange contract (monetary)			(42,356)	(18,954)
Net currency exposure	**55,524**	**49,257**	**30,053**	**22,110**

IFRS7p40, IG36

At 31 December 2011, had the exchange rate between the US dollar and the euro increased or decreased by 15% compared to actual rate of 1.143 as of 31 December 2011 (2010: 1.338) with all other variables held constant, the increase or decrease respectively in net assets attributable to the partners from operations would amount to approximately €8,329 (2010: €7,389), of which €6,809 (2010: €4,380) are attributable to monetary items. This would have been mainly as a result of foreign exchange gains/losses on translation of US dollar-denominated financial assets at fair value through profit or loss.

At 31 December 2011, had the exchange rate between the British pound and the euro increased or decreased by 5% compare to actual rate of 1.169 as of 31 December 2011 (2010: 1.166) with all other variables held constant, the increase or decrease respectively in net assets attributable to the partners from operations would amount to approximately €1,503 (2010: €1,106), of which €344 (2010: €88) are attributable to monetary items. This would have been mainly as a result of foreign exchange gains/losses on translation of British pound-denominated financial assets at fair value through profit or loss.

IFRS7p33(a-b) *(c) 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.

(All amounts in euro thousands unless otherwise stated)

IFRS7p34

	Up to 1 month	1 -3 months	3 months to 1 year	Non-interest bearing	Total
At 31 December 2011					
Assets					
Financial assets at fair value through profit or loss	–	20,400	380,141	316,733	717,274
Carried interest clawback	–	–	–	3,426	3,426
Other receivables and prepayments	923	–	–	–	923
Other assets	–	–	–	300	300
Cash and cash equivalents	17,093	–	–	–	17,093
Total assets	**18,016**	**20,400**	**380,141**	**320,492**	**739,016**
Liabilities					
Borrowings	–	–	36,849	–	36,849
Other payable and accrued expenses	–	–	–	4,284	4,284
Net assets attributable to the partners	–	–	–	697,883	697,883
Total liabilities	**–**	**–**	**36,849**	**702,167**	**739,016**
At 31 December 2010					
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	64,040	–	–	–	64,040
Total assets	**66,236**	**12,500**	**114,435**	**361,275**	**554,446**
Liabilities					
Borrowings	–	–	33,164	–	33,164
Carried interest	–	–	–	7,100	7,100
Other payable and accrued expenses	–	–	–	3,315	3,315
Net assets attributable to the partners		–	–	510,867	510,867
Total liabilities	**–**	**–**	**33,164**	**521,282**	**554,446**

IFRS7p40, IG36

At 31 December 2011, should interest rates change by 25 basis points (2010: 30) with all other variables remaining constant, the increase/decrease in net assets attributable to the partners from operations for the year would amount to approximately €955 (2010: €480). The sensitivity of net assets attributable to the partners to movements in interest rates is higher in 2011 than in 2010 because of a drawdown of the loan.

IFRS7p33(b)

In accordance with the Partnership's policy, the Investment Adviser monitors the Partnership's overall interest sensitivity on a monthly basis, and the General Partner reviews it on a quarterly basis with reference to market interest rates of 3-month US T-bills and LIBOR.

The Partnership has direct exposure to interest rate changes on the valuation and cash flows of its interest bearing assets and liabilities. However, it may also be indirectly affected by the impact of interest rate changes on the earnings of certain companies in which the Partnership invests, and the impact on the valuation that use interest rates as an input in the valuation model, such as the discounted cash flow models used in the valuation of unlisted investments. Therefore, the above sensitivity analysis may not indicate the total effect on the Partnership's net assets attributable to the partners of future movements in interest rates.

IFRS7p33

3.1.2 Credit risk

IFRS7p33(a)

The Partnership takes on exposure to credit risk, which is the risk that one party will cause a financial loss for the other party by failing to discharge an obligation. The Partnership is exposed to the risk of non-payment of debt instrument or the interest due on loans given to portfolio companies.

IFRS7p34(c)

The Partnership has no significant concentration of credit risk. Cash transactions are limited to financial institutions with credit rating of AA/Aa or higher, as rated by the rating agency Ratings Plc. All debt investments represent private equity investments.

IFRS7p36(b-c)

The Partnership assesses all counterparties, including its investors (partners), for credit risk before contracting with them. The Partnership's maximum exposure to credit risk is detailed in the table below. The Partnership does not include any collateral or other credit risk enhancers, which may reduce the Partnership's exposure.

The maximum exposure to credit risk at 31 December is the carrying amount of the financial assets set out below.[1]

IFRS7p36(a), 34

	2011	**2010**
Carried interest clawback	3,426	–
Other receivables	900	2,000
Forward foreign exchange contracts	110	70
Cash and cash equivalents	17,093	64,040
Debt investments	400,541	126,935
Other assets	300	–
Total	**427,868**	**193,045**

IFRS7p36(c) 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 low, and the capital repayments and interest payments will be made in accordance with the agreed terms and conditions. No terms or conditions have been renegotiated.

DV As at 31 December 2011, the assets held by the Partnership are not past due or impaired. (2010: nil).

IFRS7p9(c) The change of the credit quality is reflected in the fair value of the instrument. For the year ended 31 December 2011, unrealised losses of €7,896 (2010: €31,417) are attributable to changes in credit risk of these debt instruments. As at 31 December 2011, total accumulated unrealised losses amounting to €67,600 are recognised for debt instruments (2010: €48,600).

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

3.1.3 Liquidity risk

IFRS7p33(a-b) Liquidity risk is the risk that the Partnership may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

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 will 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.

The Partnership may periodically invest in derivative contracts and debt securities traded over the counter and unlisted equity investments that are not traded in an organised market and may be illiquid. As a result, the Partnership may not be able to liquidate quickly its investments in these instruments at an amount close to their fair value to meet its liquidity requirements, or be able to respond to specific events such as deterioration in the creditworthiness of any particular issuer. At 31 December 2011, the Partnership held €717,464 in investments that it considered to be illiquid (2010: €488,210).

IFRS7B11(E) The Partnership manages its liquidity risk by a combination of (i) contractual uncalled committed capital, which can be called with 14 days notice and used to fund investments and pay management fees, and (ii) maintaining cash levels to fund short-term operating expenses. The following table illustrates the expected liquidity of assets held and undrawn capital commitments[2]:

At 31 December 2011	**Undrawn capital commitments**	**Less than 1 month**	**1-12 months**	**More than 12 months**
Total assets and undrawn capital commitments	702,345	23,671	3,426	717,574
At 31 December 2010				
Total assets and undrawn capital commitments	746,424	66,236	–	488,210

The amounts in the table are the contractual undiscounted cash flows.

[1] The IFRS 7 amendment, 'Financial instruments: Disclosures', contained in the IASB's annual improvement project published in May 2010, states that disclosure of the amount that best represents the maximum exposure to credit risk is not required for financial instruments whose carrying amount best represents the maximum exposure to credit risk.

[2] IFRS 7 pB11E states that an entity should disclose a maturity analysis of financial assets it holds for managing liquidity risk if that information is necessary to enable users of its financial statements to evaluate the nature and extent of liquidity risk. It is acceptable to present this analysis in narrative format or tabular format.

(All amounts in euro thousands unless otherwise stated)

IFRS7p39(a-b) The table below analyses the Partnership's financial liabilities into relevant maturity Partnerships based on the remaining period at the statement of financial position date to the contractual maturity date. Unfunded capital commitments to investee companies represent the maximum amount and can be called on demand. The amounts in the table are the contractual undiscounted cash flows.

	On demand	Less than 1 year	Between 1 and 2 years	More than 2 years	Total
At 31 December 2011					
Liabilities					
Borrowings	–	2,000	34,849	–	36,849
Other payable and accrued expenses	–	4,084	–	–	4,084
Net assets attributable to the partners	–	–	–	697,883	697,883
Total liabilities		**6,084**	**34,849**	**697,883**	**738,641**
Total unfunded capital commitments to investee companies	**280,641**	**–**	**–**	**–**	**280,641**
At 31 December 2010					
Liabilities					
Borrowings	–	1,958	31,206	–	33,164
Carried interest	–	7,100	–		7,100
Other payable and accrued expenses	–	3,015	–	–	3,015
Net assets attributable to the partners	–	–	–	510,867	510,867
Total liabilities	**–**	**12,073**	**31,206**	**510,867**	**554,146**
Total unfunded capital commitments to investee companies	**240,030**	**–**	**–**	**–**	**240,030**

1p134, 135

3.2 Capital risk management

The capital of the Partnership is represented by the net assets attributable to the partners. The Partnership's 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. In order to maintain or adjust the capital structure, the General Partner may call unfunded commitment from the limited partners or distribute funds to the limited partners.

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

IFRS13p91, 93

3.3 Fair value estimation

Effective 1 January 2011, the Partnership adopted IFRS 13 in respect of disclosures about the degree of reliability of fair value measurements. This requires the Partnership to classify for disclosure purposes fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

Commentary – Adoption of IFRS 13

A significant portion of the disclosure requirements contained in IFRS13 were taken from IFRS7 however there are some new requirements as well as clarifications on previously existing requirements.

The overall disclosure objective of IFRS13 is for an entity to disclose information that helps users of its financial statements assess both of the following:

(a) For assets and liabilities that are measured at fair value on a recurring or non-recurring basis in the statement of financial position after initial recognition, the valuation techniques and inputs used to develop those measurements; and

(b) For recurring fair value measurements using significant unobservable inputs (Level 3), the effect of the measurements on profit or loss or other comprehensive income for the period.

Recurring fair value measurements of assets or liabilities are those that other IFRSs require or permit in the statement of financial position at the end of each reporting period. Non-recurring fair value measurements of assets or liabilities are those that other IFRSs require or permit in the statement of financial position in particular circumstances.

In the vast majority of cases it can be expected that a partnership would only have recurring fair value measurements on its statement of financial position.

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety should be 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 adjustment based on unobservable inputs, 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.

For details of the fair value estimation, see Note 2.4(c).

IFRS13p93 The determination of what constitutes ‘observable’ requires significant judgement by the Partnership. The Partnership considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary and provided by independent sources that are actively involved in the relevant market.

The following table analyses within the fair value hierarchy the Partnership’s financial assets (by class) measured at fair value at 31 December 2011[1]. All fair value measurements disclosed are recurring fair value measurements.[2]

	Level 1	Level 2	Level 3	Total
Assets				
Financial assets held for trading:				
– Derivatives	–	110	–	110
Financial assets designated at fair value through profit or loss at inception:				
– Equity securities	14,492	–	302,131	316,623
– Debt securities	–	–	400,541	400,541
– Unfunded committed capital to investee companies[3]	–	–	–	–
Total assets measured at fair value	**14,492**	**110**	**702,762**	**717,274**

The following table analyses within the fair value hierarchy the Partnership’s financial assets (by class) measured at fair value at 31 December 2010:

	Level 1	Level 2	Level 3	Total
Assets				
Financial assets held for trading:				
– Derivatives	–	70	–	70
Financial assets designated at fair value through profit or loss at inception:				
– Equity securities	–	–	360,404	360,404
– Debt securities	–	–	127,736	127,736
– Unfunded committed capital to investee companies	–	–	–	-
Total assets measured at fair value	**–**	**70**	**488,140**	**488,210**

IFRS13p76 Investments whose values are based on quoted market prices in active markets, and are therefore classified within Level 1, include active listed equities. The Partnership does not adjust the quoted price for these instruments.

IFRS13p77 Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources[4] supported by observable inputs are classified within Level 2. These include over-the-counter derivatives. As Level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

IFRS13p78 Investments classified within Level 3 have significant unobservable inputs, as they trade infrequently. Level 3 instruments include private equity and corporate debt securities. As observable prices are not available for these securities, the Partnership has used valuation techniques to derive the fair value. Level 3 instruments also include

[1] Valuation hierarchy disclosures must be given by class of asset and liability measured at fair value [IFR13p93]. The concept of disclosure by ‘class’ existed prior to IFRS13; however, the standard provides further clarification on what should be considered in determining appropriate classes of assets and liabilities. Factors to consider would be the nature, characteristics and risks of the asset of liability, as well as the level of the fair value hierarchy in which the measurement is categorised. Greater disaggregation of classes may be needed for Level 3 due to the degree of uncertainty and subjectivity [IFRS13p94].
[2] This table follows the illustrative guidance in IFRS13pIE60.
[3] The unfunded capital commitments to purchase further equity in portfolio investments are classified as derivative financial instruments.
[4] In cases where funds utilise broker quotes to assess valuation, it is important to identify whether the quotes are binding and executable or indicative and not executable. Binding quotes would support a Level 2 classification; however, if a quote is just indicative, this may result in level 3.

investments in other private equity funds, as they cannot be redeemed at the year end date at the underlying fund's quoted NAV.

IFRS13p61, 67

The Level 3 investments consist of private equity and debt positions. The main inputs into the Partnership's valuation models for these private equity and debt investments include: EBITDA multiples (based on the budgeted EBITDA or historical EBITDA of the issuer over the past decade and EBITDA multiples of comparable listed companies), marketability discount, cost of capital and probability of default. The Partnership also considers original transaction price, recent transactions in the same or similar instruments and completed third-party transactions in comparable instruments and adjusts the model as deemed necessary.

In order to assess Level 3 valuations per the Partnership's policy the Investment Adviser reviews the performance of the portfolio companies on a monthly basis and is regularly in contact with the management of the portfolio companies for business and operational matters. The valuations are reviewed on a monthly basis by the Investment Adviser's valuation committee who report to the General Partner on a quarterly basis. The committee considers the appropriateness of the valuation model inputs as well as the valuation result using various valuation methods and techniques generally recognised as standard within the industry. In selecting the most appropriate valuation model, the committee performs back testing and considers which model's results have historically aligned most closely to actual market transactions.

Commentary – Level 3 valuation process

For valuation measurements categorised within Level 3 of the fair value hierarchy, an entity is required to disclose a description of the valuation process used by the entity (including, for example, how an entity decides its valuation policies and procedures and analyses changes in fair value measurements from period to period) [IFRS13p93(g)]. To satisfy this new requirement, the illustrative example provided in IFRS 13 states that an entity might disclose information, such as the group within the entity that decides the entity's valuation policies and procedures, to whom that group reports, the frequency and methods for calibration, back testing and other testing procedures of pricing models, etc [IFRS13pIE65].

IFRS13p93(d), (h)

The Partnership utilises comparable trading multiples in arriving at the valuation for the private equity. In accordance with the Partnership's policy, the Investment Adviser determines comparable public companies (peers) based on industry, size, developmental stage, strategy, etc, and calculates a trading multiple for each comparable company identified by dividing the enterprise value of the comparable company by its earnings before interest, taxes, depreciation and amortisation (EBITDA). The trading multiple is then adjusted for considerations such as illiquidity and differences between the comparable companies based on company specific facts and circumstances.

The Partnership's valuation model for debt instrument is the net present value of estimated future cash flows based on a discount cash flow model. For the discount rates used, the Partnership would first base them on the risk-free rate of the economic environment in which the portfolio companies operate and adjust them for other factors such as liquidity, credit and market risk factors. Similar to the earning multiples model, cash flows used in the discount cash flow model are based on projected cash flows or earnings of the portfolio companies.

The tables below present the investments whose fair values are recognised in whole or in part using valuation techniques based on assumptions that are not supported by prices or other inputs from observable current market transactions in the same instrument and the effect of changing one or more those assumptions behind the valuation techniques adopted based on reasonable possible alternative assumptions. A more detailed analysis on the market price risk based on EBITDA multiple is disclosed in the tables in Note 3.1.1.

Description	Fair value at 31 Dec 2011	Valuation technique	Unobservable inputs	Weighted average input*	Reasonable possible shift +/- (absolute value)	Change in valuation
Equity securities not traded in an active market designated at fair value through profit or loss	302,131	Comparable trading multiples	EBITDA multiple	7.5	0.5	20,142/(20,142)
			Marketability discount	10%	5%	(1,511)/1,511
Debt securities not traded in an active market designated at fair value through profit or loss	400,541	Discounted cash flows	Cost of capital	11%	2%	881/(881)
			Probability of default	5%	10%	2,003/(2,003)

Description	Fair value at 31 Dec 2011	Valuation technique	Unobservable inputs	Weighted average input*	Reasonable possible shift +/- (absolute value)	Change in valuation
Equity securities not traded in an active market designated at fair value through profit or loss	360,404	Comparable trading multiples	EBITDA multiple	6.75	0.7	37,375/(37,375)
			Marketability discount	10%	5%	(1,802)/1,802
Debt securities not traded in an active market designated at fair value through profit or loss	127,736	Discounted cash flows	Cost of capital	9%	3%	345/(345)
			Probability of default	2%	10%	(255/(255)

IFRS 13p93(h), (i)

The change in valuation disclosed in the above table shows the direction an increase or decrease in the respective input variables would have on the valuation result. For equity securities, increases in the EBITDA multiple and control premium inputs would each lead to an increase in estimated value. However an increase in the discount for lack of marketability would lead to a decrease in value. For debt securities, increases in cost of capital and probability of default would both lead to a decrease in estimated value**.

No interrelationships between unobservable inputs used in the Fund's valuation of its level 3 equity investments have been identified. However for Level 3 debt securities a change in the assumption used for the probability of default is expected to be accompanied by a directionally similar change in the cost of capital***.

Commentary – Level 3 disclosure

In addition to the existing requirements taken from IFRS 7, the following are new requirements and clarifications of existing requirements contained in IFRS 13:

***For fair value measurements categorised within Level 3 of the fair value hierarchy, an entity provides quantitative information about the significant unobservable inputs used in the fair value measurement.**

An entity is not required to create quantitative information to comply with this disclosure requirement if quantitative unobservable inputs are not developed by the entity when measuring fair value (for example, when an entity uses prices from prior transactions or third-party pricing information without adjustment). However, when providing this disclosure, an entity cannot ignore quantitative unobservable inputs that are significant to the fair value measurement and are reasonably available to the entity [IFRS13p93(d)].

IFRS pBC191 considers this to be a clarification to the pre existing requirements. While IFRS7 required a quantitative sensitivity analysis, there was previously no specific language which stated that quantitative data on unobservable inputs was needed [IFRS7p27B 9(e)].

****A narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs if a change in those inputs to a different amount might result in a significantly higher or lower fair value measurement [IFRS13p93(h)(i)].**

This is a new requirement and needs to be presented in addition to the sensitivity analysis.

*****If there are interrelationships between those inputs and other unobservable inputs used in the fair value measurement, an entity should also provide a description of those interrelationships and of how they might magnify or mitigate the effect of changes in the unobservable inputs on the fair value measurement ([IFRS13p93(h)(i)].**

This is a new requirement.

The following table presents the transfers between levels for the year ended 31 December 2011:

	Level 1	Level 2	Level 3	Total
Transfers between level 1 and 3				
– Equity securities	843		(843)	

The equity securities transferred out of Level 3 relate to ordinary shares of BB Limited. BB Limited has completed its initial public offering (IPO) and is traded since 22 February 2011. The ordinary shares are not subject to lock-up or any other sale restriction and their fair value is determined based on quoted market prices as described in Note 2.4.

There were no transfers between levels for the year ended 31 December 2010.

(All amounts in euro thousands unless otherwise stated)

IFRS13p95 Transfers between levels of the fair value hierarchy, for the purpose of preparing the above table, are deemed to have occurred at the beginning of the reporting period.*

Commentary – Transfers

The requirement to disclose transfers between levels existed in IFRS 7; however, IFRS 13 includes some additional requirements. An entity should disclose the amounts of any transfers between levels 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 should be disclosed and discussed separately from transfers out of each level [IFRS13p93(c), 93(e)(iv) and IFRS13p95].

The requirement for disclosure of transfers in IFRS 7 was applied only to 'significant' transfers. IFRS13 removes the 'significant' threshold and adds a new requirement to disclose the entities policy for determining when transfers between levels are deemed to have occurred.

* The policy with regard to the timing of the recognition of transfers should be the same for transfers into the levels as for transfers out of the levels. Examples of policies for determining the timing of transfers include the following [IFRS13p95]:

(a) The date of the event or change in circumstances that caused the transfer.

(b) The beginning of the reporting period.

(c) The end of the reporting period.

IFRS13p93(e)(i) Gains or losses included in other net changes in fair value of financial assets at fair value through profit or loss for the year end 31 December 2011 are presented in 'other net changes in fair value of financial assets at fair value through profit or loss'.

	Other net changes in fair value of financial assets at fair value through profit or loss
Total gains/(losses) in other net changes in fair value of financial assets at fair value through profit or loss for the year	172,609
Total gains/(losses) for the period included in other net changes in fair value of financial assets at fair value through profit or loss held at the end of the year	166,222

Gains or losses included in other net changes in fair value of financial assets at fair value through profit or loss for the year end 31 December 2010 are presented in other net changes in fair value of financial assets at fair value through profit or loss :

	Other net changes in fair value of financial assets at fair value through profit or loss
Total gains/(losses) in other net changes in fair value of financial assets at fair value through profit or loss for the year	41,514
Total gains/(losses) for the period included in other net changes in fair value of financial assets at fair value through profit or loss held at the end of the year	66,222

IFRS13p93(e) The following table presents the movement in level 3 instruments for the year ended 31 December 2011 by class of financial instrument:

	Unfunded capital commitments to investee companies	Equity securities	Debt securities	Total
Opening balance	–	360,623	126,935	487,558
Purchase/addition	–	9,190	165,310	174,500
Sales/reduction	–	(86,071)	(45,924)	(131,995)
Gains/(losses) recognised in consolidated statement of comprehensive income:				
– Other net changes in fair value of financial assets at fair value through profit or loss	–	18,389	154,220	172,609
Closing balance	**–**	**302,131**	**400,541**	**702,672**

Gains or losses included in profit or loss for the year end 31 December 2010 are presented in trading income and in other income as follows:

(All amounts in euro thousands unless otherwise stated)

	Unfunded capital commitments to investee companies	Equity securities	Debt securities	Total
Opening balance	–	290,962	74,149	365,111
Purchase/addition	–	43,410	61,884	105,294
Sales/reduction	–	(76,898)	(21,221)	(98,119)
Gains/(losses) recognised in consolidated statement of comprehensive income: – Other net changes in fair value of financial assets at fair value through profit or loss	–	103,149	12,123	115,272
Closing balance	**–**	**360,623**	**126,935**	**487,558**

Commentary – Level 3 assets and liabilities held at year end

IFRS 13 clarifies that for Level 3 positions, the amount of the total gains or losses for the period included in profit or loss that is attributable to the change in unrealised gains or losses relating to those assets and liabilities held at the end of the reporting period, and the line item(s) in profit or loss in which those unrealised gains or losses are recognised, should be disclosed [IFRS13p93(f)].

IFRS13p97 *Assets and liabilities not carried at fair value but for which fair value is disclosed*

The following table analyses within the fair value hierarchy the Partnership's assets and liabilities (by class) not measured at fair value at 31 December 2011 but for which fair value is disclosed[1].

Assets	**Level 1**	**Level 2**	**Level 3**	**Total balance**
Carried interest clawback	–	–	3,426	3,426
Other receivables	–	923	–	923
Other assets	–	300	–	300
Cash and cash equivalents	17,093	–	–	17,093
Total	**17,093**	**1,223**	3,426	**21,732**
Liabilities				
Other payables and accrued expenses	–	4,284	–	4,284
Borrowings		–	31,451	31,451
Net assets attributable to partners	–	–	697,883	697,883
Total	–	**4,284**	729,334	**733,618**

The assets and liabilities included in the above table are carried at amortised cost, and their carrying values are a reasonable approximation of fair value except for the borrowings as discussed below.

Cash and cash equivalents include cash in hand, deposits held with banks and other short-term instruments maturing within 90 days.

Receivables and other assets include the contractual amounts and obligations due to the Partnership for settlement of trades and consideration for advance payments made by the Partnership. Other payables and accrued expenses represent the contractual amounts and obligations due to the Partnership for settlement of trades and other contractual payments.

As at 31 December 2011, the fair values of the drawdown on the loan facility and the borrowings on BB Limited were €16,959 and €14,492 respectively (2010: €33,500 and € nil). The main adjustment for difference in the fair value results from non-recourse on BB Limited within legal structure. Level 3 is deemed to be the most appropriate categorisation for borrowings.

The fair value of net assets attributable to the partners is calculated based on the net difference between total assets and all other liabilities of the Partnership. The net assets attributable to the partners disclosed on the consolidated statement of financial position represent net assets that would be distributed in accordance with the LPA in a theoretical liquidation scenario, at values reflected in the financial statements (Note 12). Level 3 is deemed to be the most appropriate categorization for net assets attributable to partners considering that the partnership is a closed ended fund for which no trading activity takes place.

[1] For each class of assets and liabilities not measured at fair value in the statement of financial position but for which the fair value is disclosed, IFRS13p97 requires the entity to disclose the level within the fair value hierarchy which the fair value measurement would be categorised and a description of the valuation technique and the inputs used in the technique. As this is a new requirement of IFRS13 no comparative disclosure is required in the year of initial application.

(All amounts in euro thousands unless otherwise stated)

Commentary – Assets and liabilities not carried at fair value but for which fair value is disclosed

For each class of assets and liabilities not measured at fair value in the statement of financial position but for which the fair value is disclosed, an entity should disclose the level within the fair value hierarchy within which the fair value measurement would be categorised and a description of the valuation technique and the inputs used in the technique [IFRS13p97]. This is a new requirement.

The example the IASB used for this requirement is the case in which a financial instrument that is measured at amortised cost in the statement of financial position is required to disclose its fair value per IFRS 7. In giving this example, no clarification was issued by the IASB in consideration of the fact that IFRS 7 specifically excludes assets and liabilities whose carrying amounts are a reasonable approximation of fair value (for example, for financial instruments such as short-term trade receivables and payables) from this requirement. In the absence of this clarification, the presumption is that assets and liabilities caught by the IFRS 7 exception would still be required to be presented in the fair value hierarchy.

IFRS7p6, 8

3.4 Financial instruments by category

	Loans and receivables	Assets at fair value through profit or loss	Total
Assets as per statement of financial position			
31 December 2011			
Financial assets at fair value through profit or loss	–	717,274	717,274
Carried interest clawback	3,426	–	3,426
Other assets	300	–	300
Other receivables	900	–	900
Cash at bank	17,093	–	17,093
Total	**21,719**	**717,274**	**738,993**
31 December 2010			
Financial assets at fair value through profit or loss	–	488,210	488,210
Other receivables and prepayments	2,196	–	2,196
Cash at bank	64,040	–	64,040
Total	**66,236**	**488,210**	**554,446**
Liabilities as per statement of financial position			
31 December 2011			
Other payables and accrued expenses	4,284	–	4,284
Borrowings	36,849	–	36,849
Net assets attributable to partners	697,883	--	697,883
Total	**739,016**	**–**	**739,016**
31 December 2010			
Carried interest	7,100	–	7,100
Other payables and accrued expenses	3,315	–	3,315
Borrowings	33,164	–	33,164
Net assets attributable to partners	510,867	–	510,867
Total	**554,446**	**–**	**554,446**

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

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.

(All amounts in euro thousands unless otherwise stated)

4 Critical accounting estimates and judgements

4.1 Critical accounting estimates and judgements

1p122, 125

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.

4.2 Fair value of investments not quoted in an active market

The fair values of securities that are not quoted in an active market are determined by using valuation techniques, primarily earning multiples, discounted cash flows and recent comparable transactions. The models used to determine fair values are validated and periodically reviewed by the General Partner. The inputs in the earning multiples models include observable data, such as earning multiples of comparable companies to the relevant portfolio company, and unobservable data, such as forecast earnings for the portfolio company. In discounted cash flow models, unobservable inputs are the projected cash flows of the relevant portfolio company and the risk premium for liquidity and credit risk that are incorporated into the discount rate. However, 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.

Models are calibrated by back-testing to actual results to ensure that outputs are reliable.

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 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.

4.4 Functional currency

The General Partner considers the Euro to be 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.

4.5 Carried interest and clawback

Carried interest and carried interest clawback are calculated based on the General Partner’s hypothetical share of profits taking into account the cash already distributed from the Partnership and the amount of divestment proceeds receivable or to be received upon disposal (indicated by the fair value of the investments at the year-end date) as estimated by the General Partner. The total carried interest eventually distributed to the General Partner over the life of the Partnership may be significantly different from the carried interest reported at the balance sheet date.

5 Interest income

		2011	2010
IFRS7p20(b)	Cash and cash equivalents	3,018	2,112
	Total interest income	**3,018**	**2,112**

(All amounts in euro thousands unless otherwise stated)

6 Other net changes in fair value on financial assets at fair value through profit or loss

		2011	2010
IFRS7p20(a)(i)	Designated at fair value through profit or loss	190,762	115,567
	Held for trading at fair value through profit or loss	40	15
	Total change in fair value of financial assets	**190,802**	**115,582**
	Realised gains on investments	99,874	90,639
	Realised losses on investments	(1,077)	(2,054)
	Unrealised gains on investments	124,796	61,006
	Unrealised losses on investments	(36,205)	(38,286)
	Unrealised gains on forward foreign exchange contracts	180	310
	Other income	3,234	3,967
	Total change in fair value of financial assets	**190,802**	**115,582**

7 Derivative financial instruments

IFRS7p31

In order to mitigate the currency risk, the Partnership holds forward foreign exchange contracts. The notional principal amounts of the outstanding forward foreign currency contracts at 31 December 2011 were €42,356 (2010: €18,954).

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:

7p45		2011	2010
	Cash at bank	17,093	64,040

9 Financial assets at fair value through profit or loss[1]

IFRS7p6, 7, 8(a)
34, 1p77, 112(c)

	2011				2010			
Description	**% of ownership**	**No. of shares/ face value**	**Cost**	**Fair value**	**% of ownership**	**No. of shares/ face value**	**Cost**	**Fair value**
Belgium								
A limited								
Shares	15	41,000	33,717	40,353	10	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(Note (a))	2,500	27,068	14,492	23	1,220	450	582
CC Limited								
Shares	15 (Note (a))	3,300	12,620	15,857	11 (Note (a))	2,500	74,454	88,011
B Limited								
Shares	3	25,220	14,250	55,446	5	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**

[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)

	2011				2010			
Description	**% of ownership**	**No. of shares/ face value**	**Cost**	**Fair value**	**% of ownership**	**No. of shares/ face value**	**Cost**	**Fair value**
Germany								
C limited								
Shares	3	660	15,540	40,804	7	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	5	44,000	53,177	53,277	6	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	18	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**
Italy								
G limited								
Shares	14	4,340	6,156	30,877	16	6,560	59,287	27,870
Loan notes		58,000	58,000	61,530				
Total Italy			**64,156**	**92,407**			**59,287**	**27,870**
UK								
H Limited								
Shares	2	1,180	3,600	15,479	4	2,210	4,310	10,531
Loan notes		11,000	14,510	14,980		7,000	9,800	10,192
Total			**18,110**	**30,459**			**14,110**	**20,723**
I Limited								
A ordinary shares	10	2,180	3,496	25,191	18	3,200	5,600	27,139
Loan notes		16,500	22,154	30,459		7,200	9,500	10,723
Total			**25,650**	**55,650**			**15,100**	**37,862**
Total UK			**43,760**	**86,109**			**29,210**	**58,585**
US								
J Limited								
Shares	33 (Note (b))	6,333	7,382	8,863	25 (Note (b))	4,300	2,300	5,287
Loan notes		2,800	4,828	6,250		1,800	3,100	3,699
Total			**12,210**	**15,113**			**5,400**	**8,986**
K Limited								
Shares		–	–	–	10	100	1,000	1,432
Total US			**12,210**	**15,113**			**6,400**	**10,418**
Total investments			**565,113**	**717,164**			**424,321**	**488,140**
Forward foreign exchange contract (Note 7)				110				70
Unfunded capital commitments to investee companies			–	–			–	–
Total			**565,113**	**717,274**			**424,321**	**488,210**

(All amounts in euro thousands unless otherwise stated)

28p37(f) Note (a): Investments with board seats are deemed to be associates but are accounted for as financial assets at fair value through profit or loss, with the application of the scope exclusion in IAS 28. For the year ended 31 December 2011, there were no restrictions on the ability of BB Limited and CC Limited to transfers funds to the Partnership in the form of cash dividends, or repayment of loans or advances.

Note (b): Investments without board seats are accounted for as financial assets at fair value through profit or loss, as the Partnership does not have significant influence.

10 Borrowings

	2011	2010
Drawdown on loan facility	16,849	33,164
Borrowing on BB Limited	20,000	–
Borrowings as at 31 December	**36,849**	**33,164**

IFRS7p31 The Partnership obtained a €50 million loan facility from DEF Bank in February 2008. The loan facility expires in December 2014. As at 31 December 2011, the loan facility has been drawn down to €16.849 million (2010: €33.164 million). The agreed interest rate is LIBOR +5 basis points.

IFRS7p14 As at 31 December 2011, the Partnership had borrowings of €20,000 to finance the purchase of the additional Ordinary Shares of BB Limited. Shares have been pledged as a security until repayment of the loan facility.

As at 31 December 2011, the fair values of the drawdown on the loan facility and the borrowings were €16,959 and €14,492 respectively (2010: €33,500 and € nil).

IFRS7p18, 1

Commentary – Disclosures on borrowings

Disclosures on borrowings should include details of collateral pledged and financial covenants, details of any defaults during the period of principal, interest, sinking fund, or redemption terms of those loans payable, the carrying amount of the loans payable in default at the reporting date, and whether the default was remedied or the terms of the loans payable were renegotiated before the financial statements were authorised for issue.

11 Carried interest

	2011	2010
Carried interest net at 1 January	7,100	11,883
Carried interest paid to the GP	–	(5,678)
Carried interest repaid by the GP	–	–
Carried interest expense/(recovery)	(10,526)	895
(Clawback receivable)/Carried interest net at 31 December	**(3,426)**	**7,100**

	2011	2010
Total accumulated carried interest at 31 December	8,777	19,303
Total accumulated carried interest paid at 31 December*	(12,203)	(12,203)
(Clawback receivable)/Carried interest at 31 December	**(3,426)**	**7,100**

*Carried interest of 6,525 has been paid to the GP prior to 31 December 2009.

Carried interest is the General Partner's share of the realised profits of the Partnership. As the Partnership has met the performance condition set out in the LPA, the Partnership recognises a financial liability based on the fair value of its assets at the balance sheet date, as if the investments were realisable at these fair values. The General Partner's 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 in accordance with the distribution arrangements set out in the LPA. If applicable, carried interest is credited back to the consolidated statement of comprehensive income for any potential clawback of previously paid carried interest, based on the investments as if they were realised at their fair values.

12 Net assets attributable to partners[1]

1p79, 80
1p135(b)(c)

The table below gives details about the partners' capital since inception.

	General Partner	Limited Partners	Total
2011			
Committed capital	30,000	1,470,000	1,500,000
Cumulative capital contributions	22,200	1,087,800	1,110,000
Cumulative capital repayments[2]	(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	(24,231)	(82,638)	(106,869)
Total net assets attributable to partners	**(8,136)**	**706,019**	**697,883**
2010			
Committed capital	30,000	1,470,000	1,500,000
Cumulative capital contributions	19,356	948,420	967,776
Cumulative capital repayments[3]	(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 Net assets attributable to the partners (recognising non-recourse within legal structure)

Where the Partnership leverages investments, borrowings are carried at amortised cost by the Partnership. Where contractual arrangements and/or the use of SPEs give lenders of such borrowings no recourse to the assets of the Partnership, and the borrowings are of an amount more than the fair value of the assets leveraged, there maybe a difference between the net assets attributable to the partners disclosed on the consolidated statement of financial position and net assets that would be distributed in accordance with the LPA in a theoretical liquidation scenario (due to the assumption that the SPE would be liquidated for € nil instead of for its negative net assets).

As disclosed in Notes 10 and 9 respectively, the borrowings on BB Limited are €20,000, while the fair value of the investment in BB Limited is €14,492. Due to the lenders having no recourse to the assets of the Partnership, the General Partner has assessed that the fair value of the borrowing is the amount of collateral to which the lenders have recourse (that is, €14,492). The adjustment between net assets attributable to partners under IFRS and the net assets attributable to partners recognising the non-recourse nature of lending under the legal structure of the Partnership is €5,508.

14 Related parties

24p9, 17, 18, 19

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 has no holding company.

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 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 at the beginning of the relevant accounting period. For its services as General Partner, ABC General Partner Limited received a management fee of €22, 500 (2010: €22,500). The balance due to the General Partner as at 31 December 2011 is nil (2010: 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 2011 (2010: €5,678). As at 31 December 2011, the Partnership had a receivable balance of €3,426 (2010: payable balance of €7,100).

[1] IFRS does not require management to disclose these details. However, it is best practice to give this information.
[2] €312,345 of capital repayments is recallable.
[3] € 214,200 of capital repayments is recallable.

(All amounts in euro thousands unless otherwise stated)

A director of the General Partner, ABC General Partner Limited, is also the board member and a shareholder of JKL Limited. Affiliates of JKL Limited provide ongoing administrative services and tax advice to the Partnership. For the year ended 31 December 2011, €230 (2010: €155) was charged. The balance due to the JKL Limited as at 31 December 2011 is nil (2010: nil).

As disclosed in Note 9, BB Limited and CC Limited are associates of the Partnership and are therefore related parties. There were no transactions between the Partnership and BB Limited or CC Limited other than the transactions in the shares of BB Limited and CC Limited to unconnected third parties.

15 Subsequent events

10p21 On 13 January 2012, equity securities of C Limited were listed on the Country A Stock Exchange. The carrying amount as at 31 December 2011 was €62 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.

Independent auditor's report

To the partners of ABC Private Equity LP

Independent auditor's report to the shareholders of ABC Private Equity LP

Report on the consolidated financial statements[1]

We have audited the accompanying consolidated financial statements of ABC Private Equity LP, which comprise the consolidated balance sheet as at 31 December 2011 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRSs)[2], and for such internal control as management determines is necessary to enable the preparation of consolidated 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 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 about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view[3] 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 consolidated 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 ÿnancial statements present fairly in all material respects[4] of the financial position of ABC Private Equity LP and its subsidiaries as at 31 December 2011 and [of [5]] their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

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.]

Auditor's signature
Date of the auditor's report
Auditor's 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] This subheading is only required when a report on other legal and regulatory requirements paragraph is included in the audit report.
[2] Can be replaced with 'of consolidated ÿnancial statements that give a true and fair view'.
[3] Should be replaced with 'of consolidated financial statements that give a true and fair view' if 'true and fair' anguage was used in the management s responsibility paragraph.
[4] Should be replaced with 'give a true and fair view' if 'true and fair' language was used in the previous paragraphs.
[5] Should be included if 'true and fair' language was used in the previous paragraphs.

(All amounts in euro thousands unless otherwise stated)

Appendix I – Private equity funds that invest in other investment funds

This appendix illustrates some of the additional disclosures that may be provided for private equity funds holding investments in other private equity funds. The amounts used in these disclosures are for illustration purposes only and are not meant to correspond to the amounts used in the primary statements and accompanying note disclosures. For the avoidance of doubt, this appendix has not early-adopted any IFRSs issued but not yet effective as at 31 December 2011.

Financial assets and financial liabilities at FVTPL

IFRS7p27

Valuation of investments in other private equity funds

39AG74

The Partnership's investments in other private equity funds ('Investee Funds') are subject to the terms and conditions of the respective Investee Fund's offering documentation. The investments in Investee Funds are primarily valued based on the latest available financial information provided by their General Partners. The Partnership reviews the details of the reported information obtained from the Investee Funds and considers: (i) the valuation of the Investee Fund's underlying investments; (ii) the value date of the net asset value (NAV) provided; (iii) cash flows (calls/distributions) since the latest value date; and (iv) the basis of accounting and, in instances where the basis of accounting is other than fair value, fair valuation information provided by the Investee Fund's General Partner. If necessary, the Partnership makes adjustments to the NAV of various Investee Funds to obtain the best estimate of fair value. Other net changes in fair value on financial assets and financial liabilities at FVTPL in the consolidated statement of comprehensive income includes the change in fair value of each Investee Fund during the period.

Consolidation[1]

Subsidiaries are all entities (including Investment Funds) over which the Partnership has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible 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. They are de-consolidated from the date that control ceases. During the years ended 31 December 2011 and 2010, the Partnership held no positions in underlying investment funds that it controlled.

Note – Fair value estimation (extracts)

IFRS7p27

As at 31 December 2011, 100% (2010: 100%) of financial assets at fair value through profit or loss comprise investments in Investee Funds that have been fair valued in accordance with the policies set out above. The Investee Funds are not publicly traded; prior to maturity, an exit can only be made by the Partnership through a sale of its investment and commitment in an Investee Fund through a secondary market. As a result, the carrying values of the Investee Funds may be significantly different from the values ultimately realised on such an exit.

All of the Investee Funds in the investment portfolio are managed by investment managers who are compensated by the respective Investee Funds for their services. Such compensation generally consists of a commitment/investment based management fee and a performance based incentive fee. Such compensation is reflected in the valuation of the Partnership's investment in each of the Investee Funds.

The Investee Funds are not traded on an active market, and their fair value is determined using valuation techniques. The value is primarily based on the latest available financial/capital account statement of the Investee Fund's as reported by the General Partner of the Investee Fund. The Partnership may make adjustments to the value based on considerations such as: the underlying investments of the Investee Funds, the value date of the net asset value provided, cash flows since the last value date, and the basis of accounting.

IFRS7p27A

IFRS 7 requires the Partnership to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

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 adjustment based on unobservable inputs, 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.

[1] A consolidation policy is relevant where a private equity fund is investing in other funds as control may exist. If the Fund were to consolidate an underlying position, additional disclosures would be required in the accounting policy and other notes to the financial statements.

Appendix I – Private equity funds that invest in other investment funds

(All amounts in euro thousands unless otherwise stated)

IFRS7p27B(a) The following table analyses within the fair value hierarchy the Partnership's financial assets measured at fair value at 31 December 2011:

Assets	Level 1	Level 2	Level 3	Total balance
Financial assets at fair value through profit or loss:				
– Investee Funds – equity	–	–	322,567	322,567
– Investee Funds – debt	–	–	325,943	325,943
– Investee Funds – infrastructure	–	–	189,322	189,322
Total	**–**	**–**	**837,832**	**837,832**

The following table analyses within the fair value hierarchy the Partnership's financial assets measured at fair value at 31 December 2010:

Assets	Level 1	Level 2	Level 3	Total balance
Financial assets at fair value through profit or loss:				
– Investee Funds – equity	–	–	233,984	233,984
– Investee Funds – debt			289,351	289,351
– Investee Funds – infrastructure			218,330	218,330
Total	**–**	**–**	**741,665**	**741,665**

Level 3 is comprised of Investee Funds held by the Partnership that are not quoted in active markets[1]. In determining the fair value of its Investee Funds, the Partnership relies on the valuation as reported in the latest available financial statements and/or capital account statements provided by the Investee Fund's General Partner, unless the Partnership is aware of reasons that such a valuation may not be the best approximation of fair value. In such cases, the Partnership reserves the right to assign a fair value to such investments which differs from the one reported by the Investee Fund's General Partner.

The changes in investments measured at fair value for which the Partnership has used Level 3 inputs to determine fair value as of 31 December, 2011 are as follows:

IFRS7p27B

Financial assets at fair value through profit or loss	Investee Funds – equity	Investee Funds – debt	Investee Funds – infrastructure	Total balance
Beginning balance	233,984	289,351	218,330	741,665
Purchases/capital calls	129,435	49,065	29,043	207,543
Sales/distributions	(41,741)	(13,449)	(57,439)	(112,629)
Total gains/(losses) recognised in other changes in fair value on financial assets at fair value through profit or loss	889	976	(612)	1,865
Total	**322,567**	**325,943**	**189,322**	**837,832**
Total gains or (losses) for Level 3 assets held at the end of the reporting period and included in other net changes in fair value on financial assets at fair value through profit or loss	**882**	**926**	**(581)**	**1,227**

The changes in investments measured at fair value for which the Partnership has used Level 3 inputs to determine fair value as of 31 December, 2010 are as follows:

Financial assets at fair value through profit or loss	Investee Funds – equity	Investee Funds – debt	Investee Funds – infrastructure	Total balance
Beginning balance	179,184	245,614	237,399	662,197
Purchases/capital calls	87,990	55,443	17,789	161,222
Sales/distributions	(34,980)	(12,984)	(37,439)	(85,403)
Total gains/(losses) recognised in other changes in fair value on financial assets at fair value through profit or loss	1,790	1,278	581	3,649
Total	**233,984**	**289,351**	**218,330**	**741,665**
Total gains or (losses) for Level 3 assets held at the end of the reporting period and included in other net changes in fair value on financial assets and at fair value through profit or loss	1,682	1,098	552	**3,332**

[1] Investee Funds quoted in an active market would be classified in Level 1. They would consist mostly of daily traded funds for which there is sufficient evidence of transactions taking place on a regular basis and trading prices are readily available.

(All amounts in euro thousands unless otherwise stated)

IFRS7p27B(c) There were no transfers between Level 3 and Levels 1 and 2 during the years ended 31 December 2011 (2010: none).

1p122, 125 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.

IFRS7p33

Note – Market risk – other price risk (extracts)

Other market price risk arises from the Partnership's investments in Investee Funds, whose valuation is based on the valuation of the underlying companies of those Investee Funds. The Partnership invests in such financial assets in order to take advantage of their long-term growth. All investments present a risk of loss of capital. The Investment Advisor moderates this risk through careful selection of Investee Funds within specified limits. All of the Investee Funds and their underlying investments are subject to the risks inherent in their industries. Moreover, established markets do not exist for these holdings, and they are therefore considered illiquid.

(i) Primary commitments

The Partnership makes commitments to a diversified portfolio of private equity funds, managed by managers with a strong track record. The Partnership diversifies its portfolio of Investee Funds across managers, industries, countries and investment stages.

The Investment Adviser follows a rigorous investment due diligence process prior to making an investment. In making investment decisions, it considers both qualitative and quantitative criteria in the areas of financial performance, business strategy, tax and legal compliance, such as financial information obtained through the General Partners of the Investee Funds through on-site visits, interviews and questionnaires together with information gathered from external sources. Prior to entering into an investment agreement, gathered information is confirmed through reference checks or through the Investment Advisers' standing data and experience.

(ii) Secondary purchases of interests in private equity funds

The Partnership also makes commitments to Investee Funds through secondary market transactions. Where these are new investments, the due diligence process followed is consistent to the one described above. However, in most cases, the Partnership makes such commitments to Investee Funds, in which the Investment Adviser has already made commitments through other products it advises.

The Investment Adviser performs continuous monitoring of the Partnership's investments through an established ongoing monitoring process. The Investment Adviser monitors the performance of its investments using a look-through approach, where possible, to the underlying investments of its Investee Funds. The Investment Adviser monitors price movements in listed underlying investments, as well as company, industry, tax, regulatory and legal developments in countries of the unlisted underlying investments. The Investment Adviser uses such information in order to make estimates of the fair value of such companies, in cases where financial/capital account statements provided by the General Partner of the Investee Funds do not coincide with the reporting date.

The table below shows the exposure of the Partnership to various industry sectors based on the allocation of the Investee Funds primary investment strategies or the strategies of their underlying investments, where such information is available:

IFRS7p34

	31 December			
	2011		2010	
	Fair value	**% of net assets attributable to partners**	**Fair value**	**% of net assets attributable to partners**
Basic Materials	183,002	21	138,068	18
Consumer Goods	88,320	10	98,003	13
Financial	211,933	25	189,003	25
Health	120,330	14	132,002	17
Services	109,982	13	77,003	10
Technology	75,373	9	65,293	9
Utilities	48,892	6	42,293	6
Total	**837,832**	**98**	**741,665**	**97**

IFRS7p33(c) There were no significant changes in the Partnership's exposure to market price risk, or its management and measurement, during the period (2010: none).

IFRS7p33(b) The performance of investments held by the Partnership is monitored by the Partnership's Investment Adviser on a weekly basis and reviewed by the board of directors on a quarterly basis.

(All amounts in euro thousands unless otherwise stated)

IFRS7p34, 40 The Partnership checks its performance against the Listed Private Equity Index (LPX50), which it uses as its benchmark. This index covers the 50 largest private equity companies that fulfil certain liquidity constraints. The index is diversified across regions, investment and financing styles, and vintage years.

The annual volatility of the benchmark is calculated for the period from 1 January 2001 to the relevant period end by using monthly data. The below table shows a sensitivity analysis, where the fair value of the Partnership's financial assets held at fair value through profit or loss would increase or decrease, assuming their fair value fluctuates on the basis of the calculated volatility of the LPX50.

	2011	2010
Financial assets at fair value through profit or loss	837,832	741,665
Annual expected volatility	24%	22%
Potential impact on consolidated statement of financial position and consolidated statement of comprehensive income	201,079	163,166

IFRS7p40 The Partnership is exposed to variety of market risk factors, which may change significantly over time. In addition, the Partnership's investments in private equity funds, which in turn invest also in private equity investments, may not be well represented by listed private equity companies included in the LPX50. Furthermore, historic volatility may not be representative of volatility in the future. As a result, a sensitivity analysis is deemed of limited explanatory value or may be misleading.

IFRS7p33

Note – Liquidity risk (extracts)

The Partnership is committed and invested in other private equity funds that are not traded in an active market and are therefore considered illiquid. On the basis of the Partnership's commitments, the Investee Funds are able to call on such commitments from the Partnership with a notice period of 30 days. The amount of these calls may exceed the available cash and cash equivalents at any point in time. The General Partner manages the capital calls on the Partnership using short- and long-term cash-flow modelling in order to predict working capital shortfalls; it manages these shortfalls by further issuing capital calls to the Partners were necessary. It is the General Partner's intent to exit/liquidate the Partnership's assets in an orderly manner prior to the Partnership reaching its maturity date. However, due to the illiquid nature of the Partnership's investments, there is possibility that management may encounter difficulties liquidating those assets and may only be able to do so at values significantly below their current carrying values.

Based on current short-term and long-term cash flow projections of the Partnership, it expects to be able to honour its capital calls.

Commentary – IFRS 12, 'Disclosure of interests in other entities'

IFRS 12, 'Disclosure of interests in other entities', is effective for annual periods beginning on or after 1 January 2013 and has not been early adopted in this appendix. Upon adoption, if investee funds were considered to be 'structured entities' as defined in IFRS 12, there would be additional disclosure requirements [IFRS12p24-31].

(All amounts in euro thousands unless otherwise stated)

Appendix II – Private Equity 'fund of funds' with significant leverage

Private equity funds may employ significant levels of leverage in order to manage an over-commitment strategy or to increase total returns. The use of leverage may give rise to additional risks for such funds. The additional disclosures that may be provided for private equity funds in these circumstances are illustrated below.

The amounts used in these disclosures are for illustration purposes only and are not meant to correspond to the amounts used in the primary statements and accompanying note disclosures. For the avoidance of doubt, this appendix has not early adopted any IFRSs issued but not yet effective as at 31 December 2011.

Note – Accounting policies (extracts)

1p119

Borrowings

IFRS7p21
39p43
39p47

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

Fees paid on the establishment of credit facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

1p69, 71

Borrowings are classified as current liabilities unless the Partnership has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Collateral

39IGD1, 37

Cash collateral provided by the Partnership is identified in the statement of financial position as 'other receivables' and is not included as a component of 'cash and cash equivalents'. For collateral other than cash, if the party to whom the collateral is provided has the right by contract or custom to sell or re-pledge the collateral, the Partnership classifies that asset in its statement of financial position separately from other assets and identifies the asset as pledged collateral. Where the party to whom the collateral is provided does not have the right to sell or re-pledge, a disclosure of the collateral provided is made in the notes to the financial statements.

Note – Borrowings (extracts)

7p50

The Partnership has a credit facility for investment purposes of up to €100m with Bank DEF.

The credit facility matures in 2014 and bears interest at the one-month GBP LIBOR rate plus 250 basis points.

IFRS7p14

The borrowings are secured by certain financial assets at FVTPL equal to €30,000 (2010: €20,000). These pledged assets are included within 'current financial assets at fair value through profit or loss' in the consolidated statement of financial position.

Note: The Partnership would then be required to disclose the terms and conditions related to this pledge, per IFRS7p14(b).

IFRS7p18,19
DV

There have been no defaults nor breaches related to the credit facility during 2011 (2010: none).

7p50
DV

The undrawn credit facility that may be available for future operating activities and to settle capital commitments is €83,151 as of 31 December, 2011 (2010: €66,836). There are no restrictions on the use of this facility.

IFRS7p25

The carrying value of the credit facility equals its fair value.

Note – Financial risk management (extracts)

Financial risk factors

IFRS7p31

The Partnership may use leverage, such as credit facilities, in order to manage its working capital requirements under an over-commitment strategy or to increase the effect of any investment value changes on capital. While borrowing and leverage present opportunities for increasing working capital as well as total return, they have the effect of potentially increasing losses as well.

If the gains on financial assets made with borrowed funds are less than the costs of the leverage the value of the Partnership's net assets attributable to the partners will decrease. Any event that adversely affects the value of an investment by the Partnership would therefore be magnified to the extent leverage is employed. The cumulative effect of

the use of leverage in a market that moves adversely to a leveraged investment could result in a substantial loss which would be greater than if leverage were not used.

Note – Market risk (extracts)

Cash flow and fair value interest rate risk

IFRS7p33(a) The Partnership uses significant leverage which increases the Partnership's interest costs. There is no guarantee that existing borrowing arrangements or other arrangements for obtaining leverage can be refinanced at rates as favourable to the Partnership as those rates available in the past.

The credit facility employed by the Partnership, incurs interest costs based on market variable rates. Increase in those market interest rates will cause an increase in the interest costs borne by the Partnership.

Note – Liquidity risk (extracts)

IFRS7p33(a), 31 Liquidity risk arises where the Partnership may not be able to meet its obligations as and when they fall due for settlement. The Partnership's liquidity risk is further increased through the over-commitment strategy followed by the Partnership, where the Partnership hopes to fund certain of its commitments to investments through distributions received by the Partnership from its other investments. As unfunded commitments can be drawn at any time, the Partnership's over-commitment strategy could result inadequate liquidity of the Partnership to fund its investments or to pay other amounts payable by the Partnership.

IFRS7p33(b) The Investment Manager monitors the liquidity risk exposure of the Partnership on a quarterly basis, through the use of quantitative models. If through this monitoring a risk of insufficient funding is identified, the Investment Manager may take various measures such as (i) sale of investments on the secondary markets and (ii) drawdown on the credit facility in order to cover the Partnership's obligations.

(i) As majority of the Partnership's investments are not traded regularly in an active market, the liquidation prices generated in such secondary market sales may significantly differ from the carrying value used by those investments.

(ii) Although the Partnership has entered into a credit facility, there is no guarantee that existing arrangements for obtaining leverage will remain in place for the life of the Partnership. The Partnership's credit facilities are subject to a security interest in favour of the relevant creditors and contain various financial and other covenants, including over-collateralisation tests, limitations on restricted payments and limitations on indebtedness. Such over-collateralisation tests limit the amount that can be borrowed by the Partnership to a calculated percentage of the fair value of the pledged financial assets and other collateral. If there were a decline in the fair value of the collateral pledged to the creditors under such facilities, the Partnership might be required to liquidate collateral assets in order to maintain compliance with the applicable financial covenants and might be prevented from making any distributions.

Following an event of default under such facilities, the creditors could direct sales of the collateral assets. The prices obtained in any such liquidation sales may not be sufficient to repay the Partnership's obligations under the facilities, in which case the Partnership would not have any remaining funds to distribute.

Further, as described in the 'borrowings' note to these financial statements, the Partnership has posted certain financial instruments as collateral against the credit facility. A decrease in fair value of such financial assets may result in the lender requiring the Partnership to post additional collateral or otherwise sell assets at a time when it may not be in the Partnership's best interest to do so. A failure of the Partnership to continue to post the required collateral could result in a disposition of Partnership's assets at times and prices that could be disadvantageous to the Partnership and could result in substantial losses having a material adverse effect on the Partnership. To the extent that a creditor has a claim on the Partnership, such claim would be senior to the rights of the partners.

IFRS7p33(c) There are no changes in the risk exposures of the Partnership, nor the Investment Manager's processes related to liquidity risk management compared to 2010.

IFRS7p34 The table below summaries the Partnership's exposure to liquidity risk as a result of its over-commitment strategy and collateral pledged against its credit facility:

	2011	2010
Unfunded commitments of the Partnership	(1,223,992)	(1,254,993)
Financial liabilities	(36,849)	(33,164)
Available, undrawn credit facility	83,151	66,836
Unfunded commitments to the Partnership	422,992	598,336
Financial assets, less assets pledged as collateral	739,016	554,446
Net liquidity surplus (shortfall)	**(15,682)**	**(68,539)**

(All amounts in euro thousands unless otherwise stated)

Appendix III – Appendices with useful information in other illustrative financial statements

AFS Private Equity LP is considered a standard structure for private equity. Therefore, not all topics that might arise in private equity investment structures financial statements are included. The following list references information that is included in other illustrative financial statements:

- ‘Statement of cash flows – indirect method’ is addressed in Appendix I to the *Illustrative financial statements 2011 – Investment funds*.
- ‘Fund without puttable instruments’ is addressed in Appendix II to the *Illustrative financial statements 2011 – Investment funds*.
- ‘Fund with puttable instruments reclassified from liabilities to equity’ is addressed in Appendix III to the *Illustrative financial statements 2011 – Investment funds*.
- ‘Fund that invest in other investment funds’ is addressed in Appendix V to the *Illustrative financial statements 2011 – Investment funds*.
- ‘Segment reporting – multiple segments’ is addressed in Appendix VII to the *Illustrative financial statements 2011 – Investment funds*.
- ‘Segment reporting – single segment’ is addressed in Appendix VIII to *Illustrative financial statements 2011 – Investment funds*.
- ‘An investment fund with tax uncertainty’ is addressed in Appendix IX to the *Illustrative financial statements 2011 – Investment funds*.

Private equity investment structures that control their investments are required to consolidate their investments. In the case of consolidation of investments, the *Illustrative IFRS corporate consolidated financial statements for 2011 year ends* should be considered.

Illustrative IFRS consolidated financial statements 2011 – Private equity is designed for the information of readers. While every effort has been made to ensure accuracy, information contained in this publication may not be comprehensive or some information may have been omitted that may be relevant to a particular reader. This publication is not intended as a study of all aspects of IFRS or as a substitute for reading the actual standards and interpretations when dealing with specific issues. No responsibility for loss to any person acting or refraining from acting as a result of any material in this publication can be accepted by PricewaterhouseCoopers. Recipients should not act on the basis of this publication without seeking professional advice.