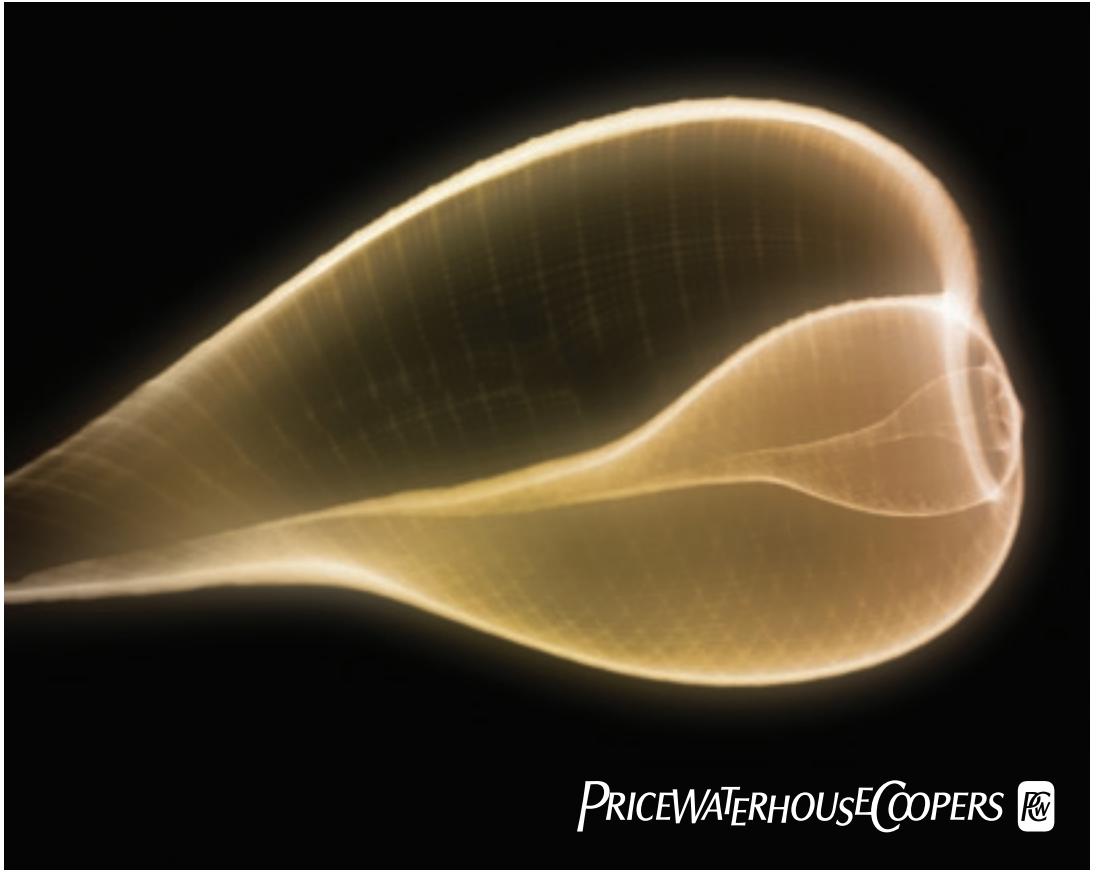


Illustrative IFRS financial statements 2009

Investment funds



IFRS technical publications



Manual of accounting – IFRS 2010
Global guide to IFRS providing comprehensive practical guidance on how to prepare financial statements in accordance with IFRS. Includes hundreds of worked examples and extracts from company reports. The Manual is a three-volume set comprising:

- *Manual of accounting – IFRS 2010*
- *Manual of accounting – Financial instruments 2010*
- *Illustrative IFRS corporate consolidated financial statements for 2009 year ends*



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Guidance in question and answer format addressing the challenges of applying IAS 23R, including how to treat specific versus general borrowings, when to start capitalisation and whether the scope exemptions are mandatory or optional.



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40-page guide providing high-level outline of the key requirements of new IFRSs effective in 2009, in question and answer format.



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High-level summary of IAS 32, IAS 39 and IFRS 7, updated in June 2009. For existing IFRS preparers and first-time adopters.



IAS 39 – Achieving hedge accounting in practice

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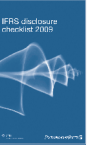
IAS 39 – Derecognition of financial assets in practice

Explains the requirements of IAS 39, providing answers to frequently asked questions and detailed illustrations of how to apply the requirements to traditional and innovative structures.



IFRS 3R: Impact on earnings – the crucial Q&A for decision-makers

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IFRS disclosure checklist 2009

Outlines the disclosures required by all IFRSs published up to October 2009.



IFRS pocket guide 2009

Provides a summary of the IFRS recognition and measurement requirements. Including currencies, assets, liabilities, equity, income, expenses, business combinations and interim financial statements.



IFRS news

Monthly newsletter focusing on the business implications of the IASB's proposals and new standards. Subscribe by emailing corporatereporting@uk.pwc.com.



Illustrative interim financial information for existing preparers

Illustrative information, prepared in accordance with IAS 34, for a fictional existing IFRS preparer. Includes a disclosure checklist and IAS 34 application guidance. Reflects standards issued up to 31 March 2009.



Illustrative IFRS corporate consolidated financial statements for 2009 year ends

Illustrative set of consolidated financial statements for an existing preparer of IFRS. Includes an appendix showing example disclosures under IFRS 3 (revised). Included with *Manual of accounting – IFRS 2010*; also available separately.



Illustrative consolidated financial statements

- Banking, 2009
- Insurance, 2009
- Investment funds, 2009
- Investment property, 2009
- Private equity, 2009

Realistic sets of financial statements – for existing IFRS preparers in the above sectors – illustrating the required disclosure and presentation.



Making sense of a complex world: IFRIC 13 – Customer loyalty programmes

Considers the accounting and practical implications for telecom operators that arise from the guidance in IFRIC 13, 'Customer loyalty programmes'. Contact global.ifrs.publications@uk.pwc.com for hard copies.



Questions and answers on impairment of non-financial assets in the current crisis

Provides practical guidance on impairment indicators to look out for, timing of impairment tests, suggestions on how to do an impairment test in volatile markets and what disclosures are critical to the market and regulators in the current environment.



Segment reporting – an opportunity to explain the business

Six-page flyer explaining high-level issues for management to consider when applying IFRS 8, including how the standard will change reporting and what investors want to see.



Top 10 tips for impairment testing

The current economic slowdown will increase the likelihood that impairment charges will need to be taken and appropriate disclosures made. Each tip is accompanied by an explanation or illustrative example.



Manual of accounting – Financial instruments 2010

Comprehensive guidance on all aspects of the requirements for financial instruments accounting. Detailed explanations illustrated through worked examples and extracts from company reports. Included with *Manual of accounting – IFRS 2010*; also available separately.

Illustrative IFRS financial statements 2009 – Investment funds

This publication provides an illustrative set of financial statements, prepared in accordance with International Financial Reporting Standards (IFRS), for a fictional open-ended investment fund ('ABC Fund' or the 'Fund').

ABC Fund is an existing preparer of IFRS financial statements; IFRS 1, 'First-time adoption of IFRS', is not applicable. ABC Fund does not have any subsidiaries, associates or joint ventures. ABC shares are not traded in a public market.

This publication is based on the requirements of IFRS standards and interpretations for financial years beginning on or after 1 January 2009. IAS 1 (revised), 'Presentation of financial statements', IAS 32 (amendment), 'Financial instruments: Presentation', and IAS 1 (amendment), 'Presentation of financial statements – Puttable financial instruments and obligations arising on liquidation', and IFRS 7 (amendment) 'Financial instruments: Disclosures', are effective for annual periods beginning on or after 1 January 2009 and have been adopted by the Fund. IFRS 8, 'Operating segments', is also effective for annual periods beginning on or after 1 January 2009; however, it is not considered relevant, as the Fund is outside the scope. Appendix VII and VIII of this publication include segment reporting for a fund that is within the scope of IFRS 8. No interpretations, standards or amendments were early adopted.

The main objective of the IASB in revising IAS 1 was to aggregate information in the financial statements on the basis of shared characteristics. In particular, the Board decided that all owner changes in equity should be presented in the statement of changes in equity, separately from non-owner changes in equity. As such, the revision has minimal impact on funds that classify their puttable shares as debt instruments and whose portfolio consists of financial assets and liabilities at fair value through profit and loss. Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income).

The adoption of IAS 32 (amendment), 'Financial instruments: Presentation', and IAS 1 (amendment), 'Presentation of financial statements', will have differing outcomes for investment funds with puttable instruments due to the strict criteria required in order to classify puttable shares as equity. Some investment funds may be unaffected by the adoption; others may be affected by changes in the classification of certain qualifying instruments from financial liability to equity instruments. These financial statements present a fund where the adoption has had no effect on this classification; Appendix III illustrates the impact of a change in classification to equity.

IFRS 7 (amendment) 'Financial instruments: Disclosures', forms part of the IASB's response to the financial crisis. It aims to improve transparency and enhance accounting guidance. The amendment increased the disclosure requirement about fair value measurement and reinforced existing principles for disclosure about liquidity risk. It introduced a three-level hierarchy for fair value measurement disclosure and requires some specific quantitative disclosures for financial instruments at the lowest level in the hierarchy. It also clarifies and enhances existing requirements for the disclosure of liquidity risk, primarily requiring a separate liquidity risk analysis for derivatives and non-derivative financial liabilities. In the first year of application, entities need not provide comparative information for the disclosures required by the amendments.

We have attempted to create a realistic set of financial statements for an investment fund. Certain types of transaction have not been included, as they are not relevant to

the Fund's operations. The example disclosures for some of these additional items and transactions – such as funds without puttable instruments, funds with puttable instruments classified as equity, available-for-sale securities, funds that invest in other investment funds, funds with significant leverage, and segment reporting – have been included in the appendices. Other disclosure items and transactions have been included in other publications in the 'Illustrative' series. See inside front cover for details.

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.

These illustrative financial statements are not a substitute for reading the standards and interpretations themselves or for professional judgement as to the 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 2009*. 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 and '1Rp40' indicates IAS 1 (revised) paragraph 40. The reference to IFRS appears in full – for example 'IFRS2p6' indicates IFRS 2 paragraph 6. 'The designation 'DV' (disclosure voluntary) indicates that the relevant IAS or IFRS encourages, but does not require, the disclosure. Additional notes and explanations are shown in footnotes.

ABC Fund financial statements

31 December 2009

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(All amounts in euro thousands unless otherwise stated)

Statement of financial position¹

		As at 31 December	
	Note	2009	2008
1Rp54, 60, 113			
	Assets		
1Rp66	Current assets		
1Rp54(d), IFRS7p8(a)	Financial assets at fair value through profit or loss	6, 9	104,252
	Financial assets at fair value through profit or loss pledged as collateral		91,716
39p37		6, 9	15,268
IFRS7p8	Due from brokers		2,356
1Rp54(h), IFRS7p8	Other receivables and prepayments		984
1Rp55	Margin accounts	10	497
1Rp54(i)	Cash and cash equivalents	11	1,026
			223
			1,620
			325
	Total assets		125,019
			93,696
	Liabilities		
1Rp69	Current liabilities		
1Rp54(m), IFRS7p8(e)	Financial liabilities at fair value through profit or loss	7, 9	(12,215)
IFRS7p8	Due to brokers		(9,738)
1Rp54(k)	Accrued expenses		(893)
1Rp55			(665)
	Liabilities (excluding net assets attributable to holders of redeemable shares)		(13,365)
			(10,548)
32IE32	Net assets attributable to holders of redeemable shares (at bid/asking market prices)		111,654
			83,148
	Represented by:		
1Rp54(m)	Net assets attributable to holders of redeemable shares (at last traded market prices)	12	114,414
1Rp55, 78(e)	Adjustment from bid/asking market prices to last traded market prices	12	84,674
			(2,760)
			(1,526)

The notes on pages 9 to 36 are an integral part of these financial statements.

¹ IAS 1 (revised), 'Presentation of financial statements', refers to the balance sheet as 'statement of financial position'.

(All amounts in euro thousands unless otherwise stated)

Statement of comprehensive income¹ – by nature of expense

		Year ended 31 December	
	Note	2009	2008
1Rp82, 83, 85 102, 113 1Rp82(a)			
	Income		
1Rp85	Interest income	5 947	549
18p35(b)(v)	Dividend income	1,538	1,055
1Rp85	Net foreign currency gains or losses on cash and cash equivalents ²	27	(7)
IFRS7p20(a)(i), 1Rp35	Other net changes in fair value on financial assets and financial liabilities at fair value through profit or loss	6, 7 12,221	(4,218)
1Rp85	Total net income/(loss)	14,733	(2,621)
1Rp85,99	Expenses		
	Management fee	14 (803)	(684)
	Custodian, secretarial and administration fees	14 (56)	(47)
	Transaction costs	(326)	(137)
	Directors' fees	14 (30)	(25)
	Other operating expenses	(151)	(123)
	Total operating expenses	(1,366)	(1,016)
1Rp85	Operating profit/(loss)	13,367	(3,637)
1Rp82(b) 1Rp85, 32p35, 40	Finance costs		
	Distributions to holders of redeemable shares	13 (2,000)	(1,000)
	Profit/(loss) after distributions and before tax	11,367	(4,637)
1Rp82(d)	Withholding taxes	(182)	(138)
	Profit/(loss) after distributions and tax	11,185	(4,775)
	Adjustment from bid/asking market prices to last traded market prices	12 1,234	1,000
32IE32, 1Rp85, 32p35	Increase/(decrease) in net assets attributable to holders of redeemable shares from operations^{3, 4}	12,419	(3,775)

The notes on pages 9 to 36 are an integral part of these 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 Fund 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, not accounted for at fair value through profit or loss, upon which foreign currency gains or losses have arisen during the period.

³ 1Rp82(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 IFRS. ABC Fund has no other comprehensive income. All income and expenses had previously been reported in the income statement. Other comprehensive income for an investment entity can include amongst other things, available-for-sale valuation adjustments, currency translation differences on consolidation and valuation adjustments on cash flow hedges.

⁴ 'Increase/(decrease) in net assets attributable to holders of redeemable shares from operations' in this instance represents the Fund's total comprehensive income (required under 1Rp82(i)).

(All amounts in euro thousands unless otherwise stated)

Statement of changes in net assets attributable to holders of redeemable shares¹

1Rp6, 106, 113

	Note	2009	2008
Net assets attributable to holders of redeemable shares at 1 January (at bid/asking market prices)		83,148	77,187
Represented by:			
– Net assets attributable to holders of redeemable shares at 1 January (at last traded market prices)		84,674	77,713
– Adjustment from bid/asking market prices to last traded market prices		(1,526)	(526)
Net assets attributable to holders of redeemable shares at 1 January (at last traded market prices)		84,674	77,713
Proceeds from redeemable shares issued		26,991	12,901
Redemption of redeemable shares		(9,670)	(2,165)
Net increase from share transactions		17,321	10,736
Profit/(loss) after distributions and tax		11,185	(4,775)
Adjustment from bid/asking market prices to last traded market prices		1,234	1,000
Increase/(decrease) in net assets attributable to holders of redeemable shares from operations		12,419	(3,775)
Net assets attributable to holders of redeemable shares at 31 December (at last traded market prices)	12	114,414	84,674

The notes on pages 9 to 36 are an integral part of these financial statements.

¹ This statement of changes in net assets attributable to holders of redeemable shares provides relevant and useful information to the reader corresponding to the requirements of IAS 1 and is therefore considered best practice. The adjustment from bid/asking market prices to last traded market prices represents the only equity component. We believe this presentation to disclose the equity component is an acceptable method of presenting the statement of changes in equity. There are no other balances or movements of equity for the period.

(All amounts in euro thousands unless otherwise stated)

Statement of cash flows

	Note	Year ended 31 December	
		2009	2008
1Rp113			
7p10, 18(a), 21			
		Cash flows from operating activities	
7p15		Purchase of financial assets and settlement of financial liabilities	(34,995) (15,075)
7p15		Proceeds from sale of financial assets	19,250 4,398
7p15		Proceeds from derivative financial instruments	185 167
		Amounts paid to brokers	(1,223) (100)
		Amounts received from brokers	1,372 660
7p31		Dividends received	1,412 664
7p31		Interest received	917 482
		Operating expenses paid	(971) (782)
		Net cash used in operating activities	(14,053) (9,586)
7p10, 21		Cash flows from financing activities	
7p17	13	Distributions paid to holders of redeemable shares	(2,000) (1,000)
7p17		Proceeds from redeemable shares	26,991 12,901
7p17		Redemptions of redeemable shares	(9,670) (2,165)
7p31		Interest paid	– –
		Net cash from financing activities	15,321 9,736
		Net increase in cash and cash equivalents	1,268 150
	11	Cash and cash equivalents at beginning of the year	325 182
7p28		Exchange gains/(losses) on cash and cash equivalents	27 (7)
	11	Cash and cash equivalents at end of the year	1,620 325

The notes on pages 9 to 36 are an integral part of these financial statements.

(All amounts in euro thousands unless otherwise stated)

Notes to the financial statements

1 General information

1Rp138(a) 1Rp51(a)(b)	ABC Fund ('the Fund') is an open-ended investment fund domiciled and incorporated as a limited liability company under the laws of Lagartos. The address of its registered office is 24 Crescent Point, West Bay Road, Lagartos.
1Rp138(b)	The Fund's objective is to generate significant medium-term capital growth. It aims to achieve this objective by trading a highly diversified portfolio of listed equity and debt securities of predominantly US and other global companies included in the S&P 500 index. The Fund will also invest in related derivatives within a defined strategy, which may vary over time due to market conditions.
1Rp138(b)	The Fund's investment activities are managed by XYZ Capital Limited (the 'Investment Manager'), with the administration delegated to ABC Fund Services Limited. The Fund offers its shares to a broad group of investors mainly from the eurozone. The Fund's shares are not traded in a public market, nor does it file its financial statements with a regulatory organisation for the purpose of issuing any class of instrument in a public market. ¹
10p17	These financial statements were authorised for issue by the Board of Directors on 15 February 2010.

2 Summary of significant accounting policies

1Rp119 1Rp117(b)	The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.
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1Rp112(a) 2.1 Basis of presentation

1Rp16 1Rp117(a)	The financial statements of ABC Fund have been prepared in accordance with International Financial Reporting Standards (IFRS). The 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.
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The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the Board of Directors to exercise its judgement in the process of applying the Fund's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

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. Appendix VII and VIII includes segment reporting for a fund that is within the scope of IFRS 8.

Notes to the financial statements (continued)

(All amounts in euro thousands unless otherwise stated)

8p28

(a) Standards and amendments to existing standards effective 1 January 2009

- IAS 1 (revised), 'Presentation of financial statements'. The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity. It requires non-owner changes in equity to be presented separately from owner changes in equity. All non-owner changes in equity are required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they are required to present a restated statement of financial position as at the beginning comparative period, in addition to the current requirement to present statements of financial position at the end of the current period and comparative period. The Fund has applied IAS 1 (revised) from 1 January 2009, and has elected to present solely a statement of comprehensive income. The adoption of this revised standard has not resulted in a significant change to the presentation of the Fund's performance statement, as the Fund has no elements of other comprehensive income.
- IAS 39 (amendment), 'Financial instruments: Recognition and measurement'. The amendment was part of the IASB's annual improvements project published in May 2008. The definition of financial asset or financial liability at fair value through profit or loss as it relates to items that are held for trading was amended. This clarifies that a financial asset or liability that is part of a portfolio of financial instruments managed together with evidence of an actual recent pattern of short-term profit taking is included in such a portfolio on initial recognition. Adoption did not have a significant impact on the Fund's financial statements.
- IFRS 7 (amendment) 'Financial instruments: Disclosures'. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The adoption of the amendment results in additional disclosures but does not have an impact on the Fund's financial position or performance.
- IAS 32 (amendment), 'Financial instruments: Presentation', and IAS 1 (amendment), 'Presentation of financial statements – Puttable financial instruments and obligations arising on liquidation'. The amended standards require entities to classify puttable financial instruments, or components of instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation as equity, provided the financial instruments have particular features and meet specific conditions, including that all financial instruments in the class of instruments that is subordinate to all other instruments have identical features. As the Fund's redeemable shares are issued as two classes of share that incur differing management fee percentages, their features are not considered identical. The adoption of these amendments has not therefore resulted in any change in the classification of the Fund's redeemable shares.¹

¹ Appendix III includes disclosures for a fund where adoption of IAS 32 (amendment), 'Financial instruments: Presentation', and IAS 1 (amendment), 'Presentation of financial statements' – 'Puttable financial instruments and obligations arising on liquidation' results in a change in the classification of redeemable shares or units from liabilities to equity.

Notes to the financial statements (continued)

(All amounts in euro thousands unless otherwise stated)

- DV (b) Standards, amendments and interpretations effective on 1 January 2009 but not relevant
- IAS 23 (amendment), 'Borrowing costs';
 - IAS 39 and IFRIC 9 (amendments), 'Embedded derivatives' (effective for all periods ending on or after 30 June 2009);
 - IAS 39 and IFRS 7 (amendments), 'Reclassification of financial assets';
 - IFRS 1 (amendment), 'First-time adoption of IFRS', and IAS 27, 'Consolidated and separate financial statements';
 - IFRS 2 (amendment), 'Share-based payment';
 - IFRS 8, 'Operating segments'; and
 - IFRIC 15, 'Agreements for construction of real estates'.

- DV (c) Standards, amendments and interpretations that are not yet effective and not relevant for the Fund's operations

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

- IAS 27 (revised), 'Consolidated and separate financial statements' (effective from 1 July 2009);
- IAS 39 (amendment), 'Financial instruments: Recognition and measurement' (effective from 1 July 2009);
- IFRS 1 (amendments), 'Additional exemptions for first-time adopters' (effective from 1 January 2010);
- IFRS 2 (amendments), 'Group cash-settled share-based payment transactions' (effective from 1 January 2010);
- IFRS 3 (revised), 'Business combinations' (effective from 1 July 2009);
- IFRIC 17, 'Distributions of non-cash assets to owners' (effective from 1 July 2009); and
- IFRIC 18, 'Transfers of assets from customers' (effective from 1 July 2009).

'Improvements to IFRS' were issued in May 2008 and April 2009 respectively and contain numerous amendments to IFRS, which the IASB consider 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 related to a variety of individual standards. Most of the amendments are effective for annual periods beginning on or after 1 January 2009 and 1 January 2010 respectively, with earlier application permitted. No material changes to accounting policies are expected as a result of these amendments.

1Rp119 IFRS7p21 2.2 Foreign currency translation

(a) Functional and presentation currency

- 21p17 21p9 The Fund's investors are mainly from the eurozone, with the subscriptions and redemptions of the redeemable shares denominated in euros. The primary activity of the Fund is to invest in US securities and derivatives and to offer eurozone investors a higher return compared to other products available in the eurozone. The performance of the Fund is measured and reported to the investors in euros. The Board of Directors considers the euro as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The financial statements are presented in euros, which is the Fund's functional and presentation currency.
- 1Rp51(d)

¹ The Fund is outside the scope of IFRS 8, as it does not issue equity or debt instruments that are traded on a public market and it does not file its financial statements with a securities commission or other regulatory organisation for the purpose of issuing any class of instruments in a public market. Appendix VII and VIII present examples of funds that are within the scope of IFRS 8.

Notes to the financial statements (continued)

(All amounts in euro thousands unless otherwise stated)

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 statement of financial position date.

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

21p28

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

1Rp119
IFRS7p21
39p9

2.3 Financial assets and financial liabilities at fair value through profit or loss¹

(a) Classification

The Fund classifies its investments in debt and equity securities, and derivatives, as financial assets or financial liabilities at fair value through profit or loss.

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

(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 near term or if on initial recognition 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 Fund 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 financial 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, and their performance is evaluated on a fair value basis in accordance with the Fund's documented investment strategy.

The Fund's policy requires the Investment Manager and the Board of Directors to evaluate the information about these financial assets and liabilities on a fair value basis together with other related financial information. These financial assets and liabilities are expected to be realised within 12 months of the statement of financial position date.

The Fund makes short sales in which a borrowed security is sold in anticipation

¹ The Fund is unlikely to classify any financial asset as held to maturity, as calls for redemption of shares could frustrate the Fund's intention to hold the securities to maturity (39p9, 39p45).

Notes to the financial statements (continued)

(All amounts in euro thousands unless otherwise stated)

of a decline in the market value of that security, or it may use short sales for various arbitrage transactions. Short sales are classified as financial liabilities at fair value through profit or loss.

IFRS7B5(c)

(b) Recognition, derecognition and measurement

IFRS7p21,
39p16, 38
39p43

Regular purchases and sales of investments are recognised on the trade date – the date on which the Fund commits to purchase or sell the investment. Financial assets and financial liabilities at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed as incurred in the statement of comprehensive income.

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

39p46
39p55

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

IFRS7AppxB5(e)

Dividend income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income within dividend income when the Fund's right to receive payments is established. Interest on debt securities at fair value through profit or loss is recognised in the statement of comprehensive income within interest income based on the effective interest rate. Dividend expense on short sales of equity securities is included within other net changes in fair value on financial assets and financial liabilities at fair value through profit or loss.

(c) Fair value estimation

IFRS7 p27
39AG72, 73

The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and trading securities) are based on quoted market prices at the close of trading on the reporting date.¹ The quoted market price used for financial assets held by the Fund is the current bid price;² the appropriate quoted market price for financial liabilities is the current asking price. When the Fund holds derivatives with offsetting market risks, it uses mid-market prices as a basis for establishing fair values for the offsetting risk positions and applies this bid or asking price to the net open position, as appropriate. If a significant movement in fair value occurs subsequent to the close of trading up to midnight in Lagartos 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 exchange, but before the Fund'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.³

¹ If investments are restricted – that is, they are a particular class of instrument, with a restriction in the terms of that class or issued with the restriction – that 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 is not relevant to the valuation of the securities.

² 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 group, 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 most favourable market to which the entity has access, even if that were not the market in which a transaction would occur [IAS39AG71]. The quoted market price cannot be adjusted for 'blockage' or 'liquidity' factors.

³ If a 'significant event' (for example, corporate action, corporate or regulatory news, suspension of trading, natural disaster, market fluctuations) occurs, the Fund should consider whether the valuation model would reflect a more current value of the securities held by the Fund.

Notes to the financial statements (continued)

(All amounts in euro thousands unless otherwise stated)

39AG74 The fair value of financial assets and liabilities that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Valuation techniques used include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity-specific inputs.

IFRS7p21 2.4 Offsetting financial instruments

1Rp119
32p42

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is 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.

IFRS7p21 2.5 Due from and due to brokers

1Rp119

Amounts due from and to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet settled or delivered on the statement of financial position date respectively.

39p43, 46 These amounts are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment for amounts due from brokers. A provision for impairment of amounts due from brokers is established when there is objective evidence that the Fund will not be able to collect all amounts due from the relevant broker. Significant financial difficulties of the broker, probability that the broker will enter bankruptcy or financial reorganisation, and default in payments are considered indicators that the amount due from brokers is impaired. Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

39p63

IFRS7B5(f)

39AG93

39p9 The effective interest 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 Fund 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.

IFRS7p21 2.6 Cash and cash equivalents

1Rp119
7p45, 7p46

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term investments in an active market with original maturities of three months or less¹ and bank overdrafts. Bank overdrafts are shown in current liabilities in the statement of financial position.

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

Notes to the financial statements (continued)

(All amounts in euro thousands unless otherwise stated)

IFRS7p21
1Rp119

2.7 Accrued expenses

Accrued expenses are recognised initially at fair value and subsequently stated at amortised cost using the effective interest method.

IFRS7p21
1Rp119
32p18
39AG32

2.8 Redeemable shares

The Fund issues two classes of redeemable shares which are redeemable at the holder's option and do not have identical rights. Such shares are classified as financial liabilities. Redeemable shares can be put back to the Fund at any time for cash equal to a proportionate share of the Fund's net asset value attributable to the share class.

The redeemable shares are carried at the redemption amount that is payable at the statement of financial position date if the holder exercises the right to put the share back to the Fund.

Redeemable shares are issued and redeemed at the holder's option at prices based on the Fund's net asset value per share at the time of issue or redemption. The Fund's net asset value per share is calculated by dividing the net assets attributable to the holders of each class of redeemable shares with the total number of outstanding redeemable shares for each respective class. In accordance with the provisions of the Fund's regulations, investment positions are valued based on the last traded market price for the purpose of determining the net asset value per share for subscriptions and redemptions.

IFRS7p21
1Rp119
18p30(a)

2.9 Interest income and dividend income

Interest income is recognised on a time-proportionate basis using the effective interest method. It includes interest income from cash and cash equivalents and on debt securities at fair value though profit or loss.

18p30(c)

Dividend income is recognised when the right to receive payment is established.

IFRS7p21
1Rp119

2.10 Transactions costs

Transaction costs are costs incurred to acquire financial assets or liabilities at fair value through profit or loss. They include the bid-ask spread, fees and commissions paid to agents, advisers, brokers and dealers. Transaction costs, when incurred, are immediately recognised in profit or loss as an expense.

IFRS7p21
1Rp119
32IE32
32p35, 40

2.11 Distributions payable to holders of redeemable shares

Proposed distributions to holders of redeemable shares are recognised in the statement of comprehensive income when they are appropriately authorised and no longer at the discretion of the Fund. This typically occurs when proposed distribution is ratified at the Annual General Meeting. The distribution on the redeemable shares is recognised as a finance cost in the statement of comprehensive income.

IFRS7p21
1Rp119

2.12 Increase/decrease in net assets attributable to holders of redeemable shares from operations

Income not distributed is included in net assets attributable to holders of redeemable shares. Movements in net assets attributable to holders of redeemable shares are recognised in the statement of comprehensive income as finance costs.

Notes to the financial statements (continued)
(All amounts in euro thousands unless otherwise stated)

IFRS7p21
1Rp119

2.13 Taxation

The Fund is domiciled in Lagartos. Under the current laws of Lagartos, there are no income, estate, corporation, capital gains or other taxes payable by the Fund.

The Fund currently incurs withholding taxes imposed by certain countries on investment income and capital gains. Such income or gains are recorded gross of withholding taxes in the statement of comprehensive income. Withholding taxes are shown as a separate item in the statement of comprehensive income.

2.14 Collateral

39IGD1
39p37

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

3 Financial risks

IFRS7p33

3.1 Financial risk factors

IFRS7p31

The Fund's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

DV

The Fund is also exposed to operational risks such as custody risk. Custody risk is the risk of loss of securities held in custody occasioned by the insolvency or negligence of the custodian. Although an appropriate legal framework is in place that eliminates the risk of loss of value of the securities held by the custodian, in the event of its failure, the ability of the Fund to transfer the securities might be temporarily impaired.

The Fund's overall risk management programme seeks to maximise the returns derived for the level of risk to which the Fund is exposed and seeks to minimise potential adverse effects on the Fund's financial performance. The Fund's policy allows it to use derivative financial instruments to both moderate and create certain risk exposures.

All securities investments present a risk of loss of capital. The maximum loss of capital on purchased options, long equity and debt securities is limited to the fair value of those positions. On written call options, short future positions and on equity and debt sold short the maximum loss of capital can be unlimited. The maximum loss of capital on written put options, long futures and forward currency contracts is limited to the notional contract values of those positions.

The management of these risks is carried out by the investment manager under policies approved by the Board of Directors. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, the use of derivative financial instruments and non-derivative financial instruments and the investment of excess liquidity.

Notes to the financial statements (continued)

(All amounts in euro thousands unless otherwise stated)

The Fund's use of leverage and borrowings can increase the Fund's exposure to these risks, which in turn, can also increase the potential returns the Fund can achieve. The Investment Manager manages these exposures on an individual securities level. The Fund has specific limits on these instruments to manage the overall potential exposure. These limits include the ability to borrow against the assets of the Fund up to a maximum €50 million or 50% of gross assets, whichever is lower, and a limit on derivative contracts such that the net notional contract values should not exceed 30% of net assets attributable to holders of redeemable shares.

The Fund uses different methods to measure and manage the various types of risk to which it is exposed; these methods are explained below.

IFRS7p33 3.1.1 Market risk

(a) Price risk

IFRS7p33(a), (b) The Fund is exposed to equity securities price risk and derivative price risk. This arises from investments held by the Fund for which prices in the future are uncertain. Where non-monetary financial instruments – for example, equity securities – are denominated in currencies other than the euro, the price initially expressed in foreign currency and then converted into euros will also fluctuate because of changes in foreign exchange rates. Paragraph (b) 'Foreign exchange risk' below sets out how this component of price risk is managed and measured.

The Fund's policy is to manage price risk through diversification and selection of securities and other financial instruments within specified limits set by the Board of Directors. Between 70% and 120% of the net assets attributable to holders of redeemable shares is expected to be invested in equity securities and related derivatives. Between 60% and 80% of this amount is expected to be in individual equities and the balance is in traded options and futures. A summary analysis of investments by nature and geography is presented in Note 6.

The Fund's policy also limits individual equity securities to no more than 5% of net assets attributable to holders of redeemable shares.

The majority of the Fund's equity investments are publicly traded and are included in the S&P 500 Index. The Fund's policy requires that the overall market position is monitored on a daily basis by the Fund's Investment Manager and is reviewed on a quarterly basis by the Board of Directors. Compliance with the Fund's investment policies are reported to the Board on a monthly basis.

At 31 December, the fair value of equities and related derivatives exposed to price risk was as follows:

	Fair value	
	2009	2008
Equity securities held for trading	45,614	35,515
Equity related derivative assets held for trading	1,545	1,300
Equity related derivative liabilities held for trading	(1,115)	(538)
Equity securities designated at fair value through profit or loss	51,924	39,615
Equity securities sold short	(11,100)	(9,200)
Total	86,868	66,692

Notes to the financial statements (continued)

(All amounts in euro thousands unless otherwise stated)

At 31 December, the Fund's overall exposure to price risk including the notional exposure on derivative contracts were as follows:

	2009	2008
Net equity securities	86,438	65,930
Net notional exposure from futures contracts	22,000	16,250
Net notional exposure from options	28,000	17,000
Total exposure to price risk from equities and equity related derivatives	136,438	99,180

The Fund also manages its exposure to price risk by analysing the investment portfolio by industrial sector and benchmarking the sector weighting to that of the S&P 500 Index. The Fund's policy is to concentrate the investment portfolio in sectors where management believe the Fund can maximise the returns derived for the level of risk to which the Fund is exposed. The table below is a summary of the significant sector concentrations within the equity portfolio, net of securities sold short.

IFRS7 B8

Sector	At 31 December			
	2009		2008	
	Fund's equity portfolio (%)	S&P 500 benchmark allocation (%)	Fund's equity portfolio (%)	S&P 500 benchmark allocation (%)
Information technology	15.1	17.1	17.2	16.8
Financials	18.2	14.4	18.1	17.6
Energy	14.1	13.8	14.2	12.9
Health care	12.8	12.9	11.2	12.0
Consumer staples	9.8	11.6	11.5	10.2
Industrials	13.2	11.4	10.5	11.5
Consumer discretionary	9.9	8.4	10.2	8.5
Utilities	2.1	3.7	3.1	3.6
Materials	1.9	3.6	2.1	3.3
Telecommunications services	2.9	3.1	1.9	3.6
Total	100.0	100.0	100.0	100.0

IFRS7p35

During the year ended 31 December 2009, the Fund's exposure to various industry sectors was significantly different to the exposure as at 31 December 2009. Specifically, the Fund's exposure to the financial service sector during the year averaged 7.5% (versus the S&P average of 17.9%) of the Fund's equity portfolio. The Fund's movement to the overweight position in the financial services sector at 31 December 2009 was at the expense primarily of the 'consumer staples' and 'utilities' sectors which, while being in an overweight position during most of the period, moved to an underweight position at 31 December 2008.

The Fund had no concentrations in individual equity positions exceeding 3% (2008: 4%) of the net assets attributable to holders of redeemable shares.

IFRS7p40

The table below summarises the sensitivity of the Fund's net assets attributable to holders of redeemable shares to equity price movements, including the effect of movements in foreign currency exchange rates on equity prices, as at 31 December. The analysis is based on the assumptions that the S&P 500 Index increased by 6% (2008: 7%) and decreased by 3% (2008: 3%), with all other variables held constant, and that the fair value of the Fund's portfolio of equity securities and equity-based

Notes to the financial statements (continued)

(All amounts in euro thousands unless otherwise stated)

derivatives moved according to their historical correlation with the index. This represents management's best estimate of a reasonable possible shift in the S&P 500 Index, having regard to the historical volatility of the Index. The historical beta of the Fund's equity portfolio with upward movements in the index is 0.95 (2008: 0.90) of the index gain and 0.75 (2008: 0.80) of downward movements in the index. The impact below arises from the reasonable possible change in the fair value of listed equities and equity derivatives.

	2009	2008
Effect on net assets attributable to redeemable shares of an increase in the index	9,414	7,637
Effect on net assets attributable to redeemable shares of a decrease in the index	(3,070)	(2,428)

The Investment Manager uses the S&P 500 Index as a reference point in making investment decisions. However, the investment manager does not manage the Fund's investment strategy to track the S&P 500 Index or any other index or external benchmark. The sensitivity analysis presented is based upon the portfolio composition as at 31 December and the historical correlation of the securities comprising the portfolio to the respective indices. The composition of the Fund's investment portfolio, including the use of leverage, and the correlation thereof to the S&P 500 Index, is expected to change over time. The sensitivity analysis prepared as of 31 December is not necessarily indicative of the effect on the Fund's net assets attributed to redeemable shares of future movements in the level of the S&P 500 Index.

(b) Foreign exchange risk

IFRS7p33(a), (b)

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

The Fund's policy is not to manage the Fund's exposure to foreign exchange movements (both monetary and non-monetary) by entering into any foreign exchange hedging transactions.

When the Investment Manager formulates a view on the future direction of foreign exchange rates and the potential impact on the Fund, the Investment Manager factors that into its portfolio allocation decisions. While the Fund has direct exposure to foreign exchange rate changes on the price of non-euro-denominated securities, it may also be indirectly affected by the impact of foreign exchange rate changes on the earnings of certain companies in which the Fund invests, even if those companies' securities are denominated in euros. For that reason, the below sensitivity analysis may not necessarily indicate the total effect on the Fund's net assets attributable to holders of redeemable shares of future movements in foreign exchange rates.

The table below summarises the Fund's assets and liabilities, monetary and non-monetary, which are denominated in a currency other than the euro.

Notes to the financial statements (continued)
(All amounts in euro thousands unless otherwise stated)

Concentration of foreign currency assets and liabilities (amounts in euro thousands)

IFRS7p34(a)	At 31 December			
	2009		2008	
	USD	GBP	USD	GBP
Assets				
Monetary assets	4,024	10	1,894	–
Non-monetary assets	88,990	1,100	69,730	584
Liabilities				
Monetary liabilities	605	–	398	–
Non-monetary liabilities	3,715	–	2,018	–

IFRS7p33(b) In accordance with the Fund's policy, the Investment Manager monitors the Fund's monetary and non-monetary foreign exchange exposure on a daily basis, and the Board of Directors review it on a quarterly basis.

IFRS7p40
IFRS7IG36 The table below summarises the sensitivity of the Fund's monetary and non-monetary assets and liabilities to changes in foreign exchange movements at 31 December. The analysis is based on the assumptions that the relevant foreign exchange rate increased/decreased by 5% to the euro (2008: 5%), with all other variables held constant. This represents management's best estimate of a reasonable possible shift in the foreign exchange rates, having regard to historical volatility of those rates. This increase or decrease in the net assets attributable to holders of redeemable shares arises mainly from a change in the fair value of US dollar equity and fixed interest securities and UK equities that are classified as financial assets and liabilities at fair value through profit or loss.

	2009	2008
Currency		
US Dollar		
IFRS7p40(a) DV ¹	291	139
	6,989	4,999
Pounds sterling		
IFRS7p40(a) DV ¹	1	–
	41	29

(c) Cash flow and fair value interest rate risk

IFRS7p33(a), (b) Interest rate risk arises from the effects of fluctuations in the prevailing levels of markets interest rates on the fair value of financial assets and liabilities and future cash flow. The Fund holds fixed interest securities that expose the Fund to fair value interest rate risk. The Fund also holds a limited amount of euro-denominated floating rate debt, cash and cash equivalents that expose the Fund to cash flow interest rate risk. The Fund's policy requires the Investment Manager to manage this risk by measuring the mismatch of the interest rate sensitivity gap of financial assets and liabilities and calculating the average duration of the portfolio of fixed interest securities. The average effective duration of the Fund's portfolio is a measure of the sensitivity of the fair value of the Fund's fixed interest securities to changes in market interest rates.

¹ Non-monetary sensitivity analysis is voluntary. Under IFRS 7, it forms part of price risk and has accordingly been included in the price risk sensitivity analysis on p20.

Notes to the financial statements (continued)

(All amounts in euro thousands unless otherwise stated)

The Fund's policy is to hold no more than 20% of the Fund's net assets attributed to holders of redeemable shares in interest bearing assets and liabilities and that the average effective duration of the fixed interest portfolio must remain within 30% of the average duration of the ABC Bank US short-duration bond index. The table below summarises the Fund's relative sensitivity to interest rate changes versus its reference benchmark of the ABC Bank US short-duration bond index. This measure of duration for the portfolio indicates the approximate percentage change in the value of the portfolio if interest rates change by 100 basis points.

	At 31 December			
	2009		2008	
	Fund	Benchmark	Fund	Benchmark
Effective duration	2.1	2.75	1.86	2.25

IFRS7p40
IFRS7IG36

At 31 December 2009, if interest rates on euro-denominated assets and liabilities had been lower by 75 basis points with all other variables held constant, the increase in net assets attributable to redeemable shareholders would have been €286 (2008: €127). This arises substantially from the increase in the fair value of fixed interest securities, with a small portion affecting interest rate futures €15 (2008: € nil). If interest rates on euro-denominated assets and liabilities had been higher by 50 basis points, the decrease in net assets attributable to redeemable shareholders would amount to €190 (2008: €85).

At 31 December 2009, if interest rates on USD-denominated assets had been 25 basis points higher/lower with all other variables held constant, the increase in net asset attributable to redeemable shareholders would have been €11 (2008: €9) higher/lower. This primarily arises from the increase/decrease in the fair value of fixed interest securities, with a small proportion arising from the decrease/increase in interest income on cash and cash equivalents and €1 (2008: €1).

The Fund 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 Fund invests and impact on the valuation of certain over-the-counter derivative products that use interest rates as an input in their valuation model. Therefore, the above sensitivity analysis may not fully indicate the total effect on the Fund's net assets attributable to holders of redeemable shares of future movements in interest rates.

IFRS7p33(b)

In accordance with the Fund's policy, the Investment Manager monitors the Fund's overall interest sensitivity on a daily basis; the Board of Directors reviews it on a quarterly basis.

IFRS7p33

3.1.2 Credit risk

IFRS7p33(a), (b)

The Fund is exposed to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The main concentration to which the Fund is exposed arises from the Fund's investments in debt securities. The Fund is also exposed to counterparty credit risk on trading derivative products, cash and cash equivalents, amounts due from brokers and other receivable balances.

Notes to the financial statements (continued)

(All amounts in euro thousands unless otherwise stated)

The Fund's policy to manage this risk is to invest in debt securities that have an investment grade by a well-known rating agency, Ratings plc, with no more than 30% of the debt portfolio rated less than AA/Aa. Within the above limits, the Fund may also invest in unrated assets where a rating is assigned by the investment manager using an approach that is consistent with the approach used by that rating agency. The analysis below summarises the credit quality of the Fund's debt portfolio at 31 December.

IFRS7p36(c)

Debt securities by rating category	2009	2008
AAA/Aaa	52%	54%
AA/Aa	20%	23%
A/A	15%	13%
BBB/Baa	13%	10%
Total	100%	100%

The Fund manages counterparty credit risk by setting limits such that, at any time, less than 30% of the fair value of favourable derivative contracts are outstanding with an individual counterparty and all counterparties are included in the list of counterparties approved by the Board of Directors. All amounts due from brokers, cash and short-term deposits are held by parties with a credit rating of AA/Aa or higher.

The Fund also restricts its exposure to credit losses on the trading derivative instruments it holds by entering into master netting arrangements with counterparties (approved brokers) with whom it undertakes a significant volume of transactions. Master netting arrangements do not result in an offset of statement of financial position assets and liabilities, as transactions are usually settled on a gross basis. However, the credit risk associated with favourable contracts is reduced by a master netting arrangement to the extent that if an event of default occurs, all amounts with the counterparty are terminated and settled on a net basis. The Fund's overall exposure to credit risk on derivative instruments subject to a master netting arrangement can change substantially within a short period, as it is affected by each transaction subject to the arrangement. As at 31 December 2009, master-netting arrangements reduced the credit risk on favourable contracts that have a fair value to €104 (2008: €95).

All transactions in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

In accordance with the Fund's policy, the Investment Manager monitors the Fund's credit position on a daily basis; the Board of Directors reviews it on a quarterly basis.

IFRS7p36(a)
IFRS7p34

The maximum exposure to credit risk before any credit enhancements at 31 December is the carrying amount of the financial assets as set out below.

	2009	2008
Debt securities	20,382	15,286
Derivative assets	1,600	1,300
Cash and cash equivalents	1,620	325
Other assets	3,879	1,655
Total	27,481	18,566

IFRS7p36(d)

None of these assets is impaired nor past due but not impaired.

Notes to the financial statements (continued)

(All amounts in euro thousands unless otherwise stated)

The clearing and depository operations for the Fund's security transactions are mainly concentrated with one prime broker, namely Custodian plc. Custodian plc is a member of a major securities exchange, and at 31 December 2009 had a credit rating of Aa (2008: Aa). At 31 December 2009, substantially all cash and cash equivalents, balances due from broker and investments are placed in custody with Custodian plc.

IFRS7p14
IFRS7p36

The Fund has provided Custodian plc with a general lien over all assets (excluding cash¹) held in custody in return for services including borrowed securities and derivatives trading. Custodian plc has the right to sell or re-pledge up to 125% (2008: Nil) of the collateral received to the extent of equity securities sold short and the fair value of derivatives in a loss position. The Fund is therefore also exposed to credit risk to Custodian plc to the extent that collateral provided has been sold or re-pledged. In addition, there are risks involved in dealing with custodians or brokers who settle trades with regard to the segregation of assets. It is expected that all securities and other assets deposited with custodians or brokers will be clearly identified as being assets of the Fund; the Fund should not therefore be exposed to a credit risk with respect to such parties. However, it may not always be possible to achieve this segregation, so the portfolio of the Fund may experience increased exposure to credit risk associated with the applicable custodians or brokers.

3.1.3 Liquidity risk

IFRS7p39(c),
IFRS7p33(a), (b)

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

The Fund is exposed to the daily settlement of margin calls on derivatives and to daily cash redemptions of redeemable shares. Its policy is therefore to invest the majority of its assets in investments that are traded in an active market and can be readily disposed. Only a limited proportion of its assets in investments are not actively traded on a stock exchange.

The Fund's listed securities are considered readily realisable, as the majority are listed on the New York stock exchange.

The Fund may periodically invest in derivative contracts and debt securities that are traded over the counter and unlisted equity investments that are not traded in an active market. As a result, the Fund 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.

7p50(a)

The Fund has the ability to borrow in the short term to ensure settlement. No such borrowings have arisen during the year. The maximum amount available to the Fund from this borrowing facility is limited to the lower of €50 million or to 50% of the gross assets and would be secured by the assets of the Fund. This facility bears interest at 1 week USD LIBOR plus 25 basis points.

In order to manage the Fund's overall liquidity, the Fund also has the ability to withhold 25% of daily redemption requests for a period of no more than one month. The Fund did not withhold any redemptions during 2009 and 2008.

¹ If cash collateral was provided, the Fund would separately identify the collateral as 'margin cash' or a 'receivable' and not include the amount as part of 'cash and cash equivalents' [IAS 39IGD1].

Notes to the financial statements (continued)

(All amounts in euro thousands unless otherwise stated)

In accordance with the Fund's policy, the Investment Manager monitors the Fund's liquidity position on a daily basis; the Board of Directors reviews it on a quarterly basis.

IFRS7p39(a)

The table below analyses the Fund's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

At 31 December 2009	Less than 7 days	7 days to 1 month
Financial liabilities at fair value through profit or loss	11,000	–
Due to brokers	893	–
Accrued expenses	158	99
Net asset attributable to holders of redeemable shares	85,814	28,600
Contractual cash out flows (excluding gross settled derivatives)	97,865	28,699
At 31 December 2008		
Financial liabilities at fair value through profit or loss	9,200	–
Due to brokers	665	–
Accrued expenses	95	50
Net asset attributable to holders of redeemable shares	63,504	21,170
Contractual cash out flows (excluding gross settled derivatives)	73,464	21,220

Redeemable shares are redeemed on demand at the holder's option (Note 2.8). However, the Board of Directors does not envisage that the contractual maturity disclosed in the table above will be representative of the actual cash outflows, as holders of these instruments typically retain them for the medium to long term. At 31 December 2009 and 2008, no individual investor held more than 10% of the Fund's redeemable shares.

IFRS7B11(E)

The Fund manages its liquidity risk by investing predominantly in securities that it expects to be able to liquidate within 7 days or less. The following table illustrates the expected liquidity of assets held:¹

At 31 December 2009	Less than 7 days	7 days to 1 month	1-12 months	More than 12 months
Total assets	116,378	7,850	306	485

IFRS7p39(b)

The table below analyses the Fund's derivative financial instruments in a loss position for which the contractual maturities are considered to be essential to an understanding of the timing of cash flows based on the Fund's investment strategy.

¹ IFRS7B11E 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. This requirement is part of the IFRS 7 amendment effective 1 January 2009. In the first year of application, an entity need not provide comparative information for the disclosures required by the amendments. ABC Fund has therefore elected not to provide comparatives.

Notes to the financial statements (continued)

(All amounts in euro thousands unless otherwise stated)

	Less than 7 days	7 days to 1 month	1-12 months	More than 12 months
At 31 December 2009				
Net settled derivatives				
– S&P Futures ¹	15	245	140	10
At 31 December 2008				
Net settled derivatives				
– S&P Futures	–	110	100	10

IFRS7p39(b)

The table below analyses the Fund's derivative financial instruments in a loss position based on an expected maturity basis rather than on a contractual basis, as the contractual maturities for such contracts are not considered to be essential to an understanding of the timing of cash flows based on the Fund's investment strategy². The amounts disclosed in the table represent the undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 month	1-3 months
At 31 December 2009		
Gross settled derivatives		
S&P options		
– Outflow ³	10,572	1,036
– Inflow	10,083	820
At 31 December 2008		
Gross settled derivatives		
S&P options		
– Outflow	2,985	372
– Inflow	2,687	352

1Rp134

3.2 Capital risk management

1Rp135

The capital of the Fund is represented by the net assets attributable to holders of redeemable shares. The amount of net asset attributable to holders of redeemable shares can change significantly on a daily basis as the Fund is subject to daily subscriptions and redemptions at the discretion of shareholders. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Fund.

¹ The net settled derivatives that have a negative fair value at the reporting date (that is, those that are liabilities) are included in the above liquidity analysis at contractual undiscounted amounts. Net settled derivatives that have a positive fair value (that is, those that are assets) may also be included; however, this is not a requirement of IFRS 7. IFRS 7B10A requires that if the cash outflows can be significantly different from the amounts indicated in the liquidity analysis (for example, in the case of a net settled derivative for which the counterparty has the option to require gross settlement), the entity states that fact and provides quantitative information that enables users of the financial statements to evaluate the extent of that risk. The liquidity analysis above includes S&P futures, which have negative fair value at the reporting date (Note 9).

² IFRS 7 amendment p39(b) states that 'the maturity analysis shall include the remaining contractual maturities for those derivative financial liabilities for which contractual maturities are essential for an understanding of the timing of the cash flows'. The entity therefore has the option to present the analysis on an expected maturity basis rather than contractual maturity if it deems this information to be more relevant.

³ An entity is required to disclose its gross cash outflows on gross settled derivatives (IFRS7B11D(d)). There is no explicit requirement to disclose the corresponding inflow; however, IFRS7B11E requires an entity to 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.

Notes to the financial statements (continued)

(All amounts in euro thousands unless otherwise stated)

In order to maintain or adjust the capital structure, the Fund's policy is to perform the following:

- Monitor the level of daily subscriptions and redemptions relative to the assets it expects to be able to liquidate within 7 days and adjust the amount of distributions the Fund pays to redeemable shareholders.
- Redeem and issue new shares in accordance with the constitutional documents of the Fund, which include the ability to restrict redemptions and require certain minimum holdings and subscriptions.

The Board of Directors and Investment Manager monitor capital on the basis of the value of net assets attributable to redeemable shareholders.

IFRS7p27

3.3 Fair value estimation

The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and trading securities) are based on quoted market prices at the close of trading on the year end date. The quoted market price used for financial assets held by the Fund is the current bid price; the appropriate quoted market price for financial liabilities is the current asking price. When the Fund holds derivatives with offsetting market risks, it uses mid-market prices as a basis for establishing fair values for the offsetting risk positions and applies this bid or asking price to the net open position, as appropriate. If a significant movement in fair value occurs subsequent to the close of trading up to midnight in Largatos on the year end date, valuation techniques will be applied to determine the fair value.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

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

For instruments for which there is no active market, the Fund may use internally developed models, which are usually based on valuation methods and techniques generally recognised as standard within the industry. Valuation models are used primarily to value unlisted equity, debt securities and other debt instruments for which markets were or have been inactive during the financial year. Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions.

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

IFRS7p29(a)

The carrying value less impairment provision of other receivables and payables are assumed to approximate their fair values. 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 Fund for similar financial instruments.

Notes to the financial statements (continued)

(All amounts in euro thousands unless otherwise stated)

IFRS7p27A

The Fund adopted the amendment to IFRS 7, effective 1 January 2009. This requires the Fund 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).
- 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.

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

IFRS7p27B(a)

The following table analyses within the fair value hierarchy the Fund's financial assets and liabilities (by class) measured at fair value at 31 December 2009^{1, 2}:

Assets	Level 1	Level 2	Level 3	Total balance
Financial assets held for trading:				
– Equity securities	45,614	–	–	45,614
– Derivatives	1,600	–	–	1,600
– Treasury bills	2,000	–	–	2,000
– Debt securities	11,900	601	–	12,501
Financial assets designated at fair value through profit or loss at inception:				
– Equity securities	50,084	1,534	306	51,924
– Debt securities	3,670	1,726	485	5,881
Total assets	114,868	3,861	791	119,520
Liabilities				
Financial liabilities held for trading:				
– Equity securities sold short	10,950	150	–	11,100
– Derivatives	1,115	–	–	1,115
Total liabilities	12,065	150	–	12,215

Investments whose values are based on quoted market prices in active markets, and therefore classified within level 1, include active listed equities, exchange traded derivatives, US government treasury bills and certain non-US sovereign obligations. The Fund does not adjust the quoted price for these instruments.

¹ In the first year of application of the IFRS7 amendment, there is no requirement for an entity to provide comparative information. ABC Fund has therefore elected not to provide comparatives.

² Valuation hierarchy disclosures should be given by class of financial instrument [IFRS7p27].

Notes to the financial statements (continued)

(All amounts in euro thousands unless otherwise stated)

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 sources¹ supported by observable inputs are classified within level 2. These include, investment-grade corporate bonds and certain non-US sovereign obligations, listed equities and 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.

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 Fund has used valuation techniques to derive the fair value.

The level 3 equity amount consists of a single private equity position. The main inputs into the Fund's valuation model for this investment include earnings multiples (based on the historical earnings of the issuer over the past decade) and discounted cash flows. The Fund also considers original transaction price, recent transactions in the same or similar instruments and completed third-party transactions in comparable instruments. It adjusts the model as deemed necessary. The level 3 debt also consists of a single position. The Fund's valuation model technique for this corporate debt instrument is the net present value of estimated future cash flows. The Fund also considers other liquidity, credit and market risk factors. It adjusts the model as deemed necessary. Discounted cash flows are calculated using the average rate of inflation during the financial year.

IFRS7p27B(e) For the private equity position, if the earnings multiple used in the price to earnings valuation model was increased/decreased by 33%, this would have resulted in an increase/decrease in value of €35. For the corporate debt instrument classified under level 3, if the discount rate used in the discounted cash flow valuation model was increased/decreased by 1%, this would have resulted in an increase/decrease in value of €11.

The following table presents the transfers between levels for the year ended 31 December 2009.

	Level 1	Level 2	Level 3
IFRS7p27B(b)			
Transfers between levels 1 and 2:			
IFRS7p27B(c)			
– Equity securities	(525)	525	–
– Debt securities	1,012	(1,012)	–
Transfers between levels 2 and 3:			
– Debt securities		(600)	600

The equity securities transferred out of level 1 relate to positions that did not experience any trading activity on 31 December 2009, although they were actively traded on 31 December 2008. The debt securities transferred into level 1 relate to non-US sovereign obligations for which significant trading activity existed on 31 December 2009 but were only thinly traded on and around 31 December 2008. The transfer from level 2 to level 3 relates to a single corporate debt security whose issuer experienced significant financial difficulty during the year. This ultimately resulted in a halt in trading activity on all of its issued debt instruments. Accordingly, the valuation inputs for this security was not based on market observable inputs and therefore resulted in the reclassification to level 3.

¹ 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.

Notes to the financial statements (continued)

(All amounts in euro thousands unless otherwise stated)

The following table presents the movement in level 3 instruments for the year ended 31 December 2009 by class of financial instrument.

	Equity securities	Debt securities	Total
IFRS7p27B(c)			
Opening balance	–	–	–
Purchases	450	–	450
Sales	(150)		(150)
Transfers into level 3	–	600	600
Gains and losses recognised in profit and loss	6	(115)	(109)
Closing balance	306	485	791
	Total gains or losses for the year included in the statement of comprehensive income for assets held at the end of the year		
IFRS7p27B(d)	6	(115)	(109)

1Rp122, 125

4 Critical accounting estimates and judgements

4.1 Critical accounting estimates and assumptions

Management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are outlined below.

(a) Fair value of derivative financial instruments

The Fund may, from time to time, hold 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 at ABC Fund Services Limited, independent of the party that created them. Models are calibrated by back testing to actual transactions to ensure that outputs are reliable.

(b) Fair value of securities not quoted in an active market

The fair value of such securities not quoted in an active market may be determined by the Fund using reputable pricing sources (such as pricing agencies) or indicative prices from bond/debt market makers. Broker quotes as obtained from the pricing sources may be indicative and not executable or binding. The Fund would exercise judgement and estimates on the quantity and quality of pricing sources used. Where no market data is available, the Fund may price positions using its own models, which are usually based on valuation methods and techniques generally recognised as standard within the industry. The inputs into these models are primarily earning multiples and discounted cash flows. The models used to determine fair values are validated and periodically reviewed by experienced personnel at ABC Fund Services Limited, independent of the party that created them. The models used for private equity securities are based mainly on earnings multiples (based on the historical earnings of the issuer over the past decade) and discounted cash flows. The models used for debt securities are based on net present value of estimated future cash flows, adjusted as appropriate for liquidity, and credit and market risk factors.

Models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.¹

¹ In funds where a valuation technique used is based on assumptions that are not supported by prices from observable current market transactions in the same instrument and not based on observable market data, additional disclosures are required by IFRS 7p27.

Notes to the financial statements (continued)

(All amounts in euro thousands unless otherwise stated)

The determination of what constitutes 'observable' requires significant judgement by the Fund. The Fund 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.

All the Fund's financial assets and financial liabilities are held for the purpose of being traded or are designated at fair value through profit and loss.

4.2 Critical judgements

Functional currency

The Board of Directors considers the euro the currency that most faithfully represents the economic effect of the underlying transactions, events and conditions. The euro is the currency in which the Fund 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 Fund is compared to other European investment products.

5 Interest income

	2009	2008
IFRS7p20(b) Cash and cash equivalents	167	74
Debt securities at fair value through profit or loss		
– Held for trading	496	161
– Designated at fair value through profit or loss	284	314
Total	947	549

6 Financial assets at fair value through profit or loss

	2009	2008
IFRS7p8(a) Financial assets held for trading:		
– Equity securities	45,614	35,515
– Derivatives	1,600	1,300
– Treasury bills	2,000	1,000
– Debt securities	12,501	5,401
Total financial assets held for trading	61,715	43,216
IFRS7p6, 8(a) Designated at fair value through profit or loss at inception:		
– Equity securities	51,924	39,615
– Debt securities	5,881	8,885
Total designated at fair value through profit or loss at inception	57,805	48,500
Total financial assets at fair value through profit or loss	119,520	91,716
Other net changes in fair value on financial assets at fair value through profit or loss:		
– Realised	2,600	(1,689)
– Change in unrealised	8,884	(878)
Total gains/(losses)	11,484	(2,567)
IFRS7p20(a)(i) Other net changes in fair value on assets held for trading	6,730	200
Other net changes in fair value on assets designated at fair value through profit or loss	4,754	(2,767)
Total net gains/(losses)	11,484	(2,567)

Notes to the financial statements (continued)

(All amounts in euro thousands unless otherwise stated)

IFRS7p7, 34
1Rp77, 112(c)

Sector	2009		2008	
	Fair value	(%) of net assets valued at bid/asking market price	Fair value	(%) of net assets valued at bid/asking market price
Debt securities				
Eurozone sovereign	16,000	14.33	13,700	16.48
Eurozone corporate	1,600	1.43	–	–
United States corporate	782	0.70	586	0.70
US treasury bills	2,000	1.79	1,000	1.20
Total debt securities	20,382	18.25	15,286	18.38
Equity securities				
Eurozone	10,038	8.99	6,430	7.74
United States	87,390	78.26	68,116	81.92
United Kingdom	110	0.10	584	0.71
Total equity securities	97,538	87.35	75,130	90.37
Derivatives				
S&P futures	700	0.63	600	0.72
S&P options	845	0.75	700	0.84
Interest rate futures	55	0.05	–	–
Total derivatives	1,600	1.43	1,300	1.56
Total financial assets at fair value through profit or loss	119,520	107.03	91,716	110.31

Debt and equity securities are grouped based on their primary market in which the issuer operates.

IFRS7p14

The Fund has provided Custodian plc with a general lien over all assets (excluding cash¹) held in custody. Custodian plc has the right to sell or re-pledge up to 125% (2008: nil) of the collateral received to the extent of listed equity securities sold short and the fair value of derivatives in a loss position. At 31 December 2009, this amounted to €15,268 (2008: nil). This amount has been presented separately from the remaining financial assets at fair value through profit and loss in the statement of financial position.

The fair value of collateral that has been accepted and that the Fund is permitted to sell or re-pledge in the absence of default is €150 (2008: €85).

IFRS7p15

The Fund has not sold or re-pledged any collateral during the period.

The terms and conditions associated with collaterals have no significant unusual requirements from the usual practice of recourse when a default occurs.

¹ If cash collateral was provided, the Fund would be required to separately identify the collateral as 'margin cash' or a 'receivable' and not include the amount as part of 'cash and cash equivalents' [IAS 39/IGD1].

7 Financial liabilities at fair value through profit or loss

	2009	2008
Financial liabilities held for trading:		
IFRS7p6, 8(e) 39AG15	11,100	9,200
	– Listed equity securities sold short	–
	– Derivatives	1,115
	Total financial liabilities at fair value through profit or loss	12,215
	9,738	9,738
Other net changes in fair value on financial liabilities at fair value through profit or loss – held for trading:		
IFRS7p20(a)(i)	(500)	(622)
	– Realised	–
	– Change in unrealised	1,237
	Total net gains/(losses)	737
	(1,651)	(1,651)

	2009		2008	
	Fair value	(%) of net assets valued at bid/asking market price	Fair value	(%) of net assets valued at bid/asking market price
Short sales of equity securities				
Eurozone	8,500	7.61	7,500	9.02
United States	2,600	2.32	1,700	2.04
Total short sales of equity securities	11,100	9.93	9,200	11.06
Derivatives				
S&P futures	410	0.36	220	0.27
S&P options	705	0.64	318	0.38
Total derivatives	1,115	1.00	538	0.65
Total financial liabilities at fair value through profit or loss	12,215	10.93	9,738	11.71

8 Financial instruments by category

IFRS7p6, 8	31 December 2009	Assets at fair value through profit or loss		Total
		Loans and receivables	Total	
Assets as per statement of financial position				
	Financial assets at fair value through profit or loss	–	104,252	104,252
	Financial assets at fair value through profit or loss pledged as collateral	–	15,268	15,268
	Due from brokers	2,356	–	2,356
	Other receivables and prepayments	497	–	497
	Margin accounts	1,026	–	1,026
	Cash and cash equivalents	1,620	–	1,620
	Total	5,499	119,520	125,019

Notes to the financial statements (continued)

(All amounts in euro thousands unless otherwise stated)

31 December 2008	Loans and receivables	Assets at fair value through profit or loss	Total
Assets as per statement of financial position			
Financial assets at fair value through profit or loss	–	91,716	91,716
Due from brokers	984	–	984
Other receivables and prepayments	448	–	448
Margin accounts	223	–	223
Cash and cash equivalents	325	–	325
Total	1,980	91,716	93,696

31 December 2009	Liabilities at fair value through profit or loss	Other financial liabilities	Total
Liabilities as per statement of financial position			
Financial liabilities at fair value through profit or loss	12,215	–	12,215
Due from broker	–	893	893
Accrued expenses	–	257	257
Net assets attributable to holders of redeemable shares	–	114,414	114,414
Total	12,215	115,564	127,779

31 December 2008	Liabilities at fair value through profit or loss	Other financial liabilities	Total
Liabilities as per statement of financial position			
Financial liabilities at fair value through profit or loss	9,738	–	9,738
Due from broker	–	665	665
Accrued expenses	–	145	145
Net assets attributable to holders of redeemable shares	–	84,674	84,674
Total	9,738	85,484	95,222

9 Derivative financial instruments

The Fund holds the following derivative instruments:

(a) *Futures*

IFRS7p31

Futures are contractual obligations to buy or sell financial instruments on a future date at a specified price established in an organised market. The futures contracts are collateralised by cash or marketable securities; changes in the futures contracts' value are settled daily with the exchange. Interest rate futures are contractual obligations to receive or pay a net amount based on changes in interest rates at a future date at a specified price, established in an organised financial market. Futures are settled on a net basis.

Notes to the financial statements (continued)

(All amounts in euro thousands unless otherwise stated)

At 31 December 2009, the Fund held exchange traded futures in the S&P 500 Index with a notional value of €22,000 (2008: €16,250).

(b) Options

IFRS7p31

An option is a contractual arrangement under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date or during a set period, a specific amount of securities or a financial instrument at a pre-determined price. The seller receives a premium from the purchaser in consideration for the assumption of future securities price. Options held by the Fund are exchange-traded. The Fund is exposed to credit risk on purchased options only to the extent of their carrying amount, which is their fair value. Options are settled on a gross basis.

At 31 December 2009, the Fund had written put options in the S&P 500 Index with a notional value of €27,800 (2008: €18,000), written call options of €17,800 (2008: €10,500), purchased call options with a notional value of €30,000 (2008: €19,125) and purchased put options with a notional value of €12,000 (2008: €9,625).

The notional amounts of certain types of financial instrument provide a basis for comparison with instruments recognised on the statement of financial position, but they do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and do not therefore indicate the Fund's exposure to credit or market price risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favourable or unfavourable, and thus the aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

10 Margin accounts

1Rp112(c)

Margin accounts represent margin deposits held in respect of open exchange-traded futures contracts.

11 Cash and cash equivalents

7p45

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

	2009	2008
Cash at bank	620	325
Short term deposits	1,000	–
Total	1,620	325

12 Redeemable shares

1Rp79, 80
1p134, 135

The Fund's authorised redeemable share capital is 5,000,000 shares with par value of €0.1 per share. These are issued as Class A or Class B shares, both of which carry equal voting rights, are entitled to dividends and are entitled to a proportionate share of the Fund's net assets attributable to holders of redeemable shares. Class B shares are not subject to management fees. All issued redeemable shares are fully paid. The Fund's redeemable shares are subject to a minimum holding and subscription amount. The Fund also has the ability to limit daily cash redemptions and withhold 25% of the requested amount for a period of no more than one month.

Notes to the financial statements (continued)

(All amounts in euro thousands unless otherwise stated)

The relevant movements are shown on the statement of changes in net assets attributable to holders of redeemable shares. In accordance with the objectives outlined in Note 1 and the risk management policies in Note 3, the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemptions, such liquidity being augmented by short-term borrowings or disposal of listed securities where necessary.

To determine the net asset value of the Fund for subscriptions and redemptions, investments have been valued based on the last traded market prices as of the close of business on the relevant trading day and results in an increase in the value of investments of €2,760 as of 31 December 2009 (2008: €1,526). The amount of the adjustment recognised in the statement of comprehensive income is €1,234 (2008: €1,000). The Fund's net asset value per share is €12,465.84 (2008: €10,764.01) for a Class A share and €13,090.84 (2008: €11,195.14) for a Class B share, at the statement of financial position date, using the last traded market prices.

During the year ended 31 December the number of shares issued, redeemed and outstanding were as follows:

	2009			2008		
	Class A	Class B	Total	Class A	Class B	Total
At 1 January	7,856	10	7,866	6,878	10	6,888
Redeemable shares issued	2,315	20	2,335	1,183	–	1,183
Redeemable shares redeemed	(1,018)	(6)	(1,024)	(205)	–	(205)
At 31 December	9,153	24	9,177	7,856	10	7,866

13 Distribution payable

32p35, 40

The dividends paid in 2009 and 2008 amounted to €2,000 (€254.26 per share) and €1,000 (€145.18 per share) respectively and are presented as finance cost. A dividend for the year ended 31 December 2009 of €2,500 (€272.42 per share) will be proposed at the Annual General Meeting on 30 April 2010. These financial statements do not reflect this dividend payable.

24p22

14 Related-party transactions

24p17

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.

(a) Management fee

The Fund is managed by XYZ Capital Limited (the 'Investment Manager'), an investment management company incorporated in Lagartos. Under the terms of the management agreement dated 15 May 2001, the Fund appointed XYZ Capital Limited as an Investment Manager to provide management services to the Fund. XYZ Capital Limited receives in return a fee based on the net asset value of Class A shares estimated based on traded values, payable quarterly in advance using the annual rate of 0.8%. Total management fees for the year amounted to €803 (2008: €684), with €67 (2008: €57) in outstanding accrued fees due to XYZ Capital Management Limited at the end of the year.

Notes to the financial statements (continued)

(All amounts in euro thousands unless otherwise stated)

24p17

(b) Custodian fee

The Fund has engaged the services of XYZ Custody Bank Limited, a fellow subsidiary company of the Investment Manager, to provide custodian services for a fee. The fees are charged on a scale of 0.075% per annum on the first €50,000 of the Fund, and 0.04% thereafter on the net asset value of the Fund, estimated based on traded values. Total custodian fees, for the year amounted to €40 (2008: €34), with €4 (2008: €3) in outstanding accrued fees due to XYZ Custody Bank at the end of the year.

24p17

(c) Secretarial and administration fee

The Fund has engaged the services of ABC Fund Services Limited, a fellow subsidiary company of the Investment Manager, to provide secretarial and administrative services for a fee. The fees are charged on a scale of 0.02% per annum on the net asset value of the Fund, estimated based on traded values.

Total fees for secretarial and administrative services for the year amounted to €16 (2008: €13), with €6 (2008: €5) in outstanding of accrued fees due to ABC Fund Services Limited at the end of the year.

(d) Board of Directors' remuneration

The total remuneration paid to directors in 2009 was €30 (2008: €25) and consisted of only fixed directors' fees.

(e) Key management personnel share holdings

The key management personnel of the Fund held all the Class B redeemable shares in the Fund (2008: 100%) as detailed below.

For the year ended 31 December 2009:

24p17
24p18(f)

Shareholder	Number of shares at the start of year	Number of shares acquired in the year	Number of shares redeemed in the year	Number of shares at year end	Distribution received
Directors	10	20	6	24	2,542

For the year ended 31 December 2008:

Shareholder	Number of shares at the start of year	Number of shares acquired in the year	Number of shares redeemed in the year	Number of shares at year end	Distribution received
Directors	10	–	–	10	1,458

Independent auditor's report¹

PricewaterhouseCoopers
Address
Country
Telephone:
Facsimile:

To the shareholders of ABC Fund

Report on the financial statements

We have audited the accompanying financial statements of ABC Fund (the 'Fund'), which comprise the statement of financial position as of 31 December 2009 and the statement of comprehensive income, statement of changes in net assets attributable to holders of redeemable shares and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying financial statements give a true and fair view of¹ the financial position of ABC Fund as of 31 December 2009, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements

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

Signature

Date

Address

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

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

Appendix I – Statement of cash flows – indirect method

(All amounts in euro thousands unless otherwise stated)

Appendix I – Statement of cash flows – indirect method

IAS 7 allows the use of the ‘indirect method’ for the presentation of cash flows from operating activities. The presentation of cash flows from operating activities using the indirect method in accordance with IAS 7 is as follows:

		Year ended 31 December		
		Note	2009	2008
7p10, 18(b)	Cash flows from operating activities			
	Increase/(decrease) in amount attributable to holders of redeemable shares		12,419	(3,775)
7p20	Adjustment for:			
	– Adjustment for bid/asking market prices to last traded market prices		(1,234)	(1,000)
	– Interest income		(947)	(549)
	– Distributions to holders of redeemable shares		2,000	1,000
	– Dividend income		(1,538)	(1,055)
7p35	– Withholding taxes		182	138
7p28	– Exchange (gains)/losses on cash and cash equivalents		(27)	7
	Total		10,855	(5,234)
	Net (increase)/decrease in due from/to brokers		(1,144)	124
	Net increase in other receivables and payables		37	35
	Net increase in margin accounts		(803)	(804)
	Net increase in financial assets at fair value through profit or loss		(27,804)	(7,009)
	Net increase in financial liabilities at fair value through profit or loss		2,477	2,156
	Cash used in operations		(16,382)	(10,732)
7p31	Interest received		917	482
7p31	Dividend received		1,412	664
	Net cash used in operating activities		(14,053)	(9,586)
7p21,10	Cash flows from financing activities			
7p17	Distributions paid to holders of redeemable shares	13	(2,000)	(1,000)
7p17	Proceeds from redeemable shares		26,991	12,901
7p17	Redemption of redeemable shares		(9,670)	(2,165)
	Net cash from financing activities		15,321	9,736
	Net increase in cash and cash equivalents		1,268	150
	Cash and cash equivalents at beginning of the year	11	325	182
	Exchange gains/(losses) on cash and cash equivalents		27	(7)
7p28	Cash and cash equivalents at end of the year	11	1,620	325

Appendix II – Fund without puttable instruments
(All amounts in euro thousands unless otherwise stated)

Appendix II – Fund without puttable instruments

The illustrative financial statements are based on an open-ended fund that issues puttable instruments, which are classified as financial liabilities under IAS 32, 'Financial instruments: Presentation'. The below includes example disclosures for a closed ended fund whose shares or units are equity under IAS 32, 'Financial instruments: Presentation'.

Statement of financial position

		Year ended 31 December	
	Note	2009	2008
1Rp54, 60, 113			
Assets			
1Rp66	Current assets		
1Rp54(d), IFRS7p8(a)	6, 9	104,252	91,716
39p37	6, 9	15,268	–
IFRS7p8		2,356	984
1Rp54(h), IFRS7p8		497	448
1Rp55	10	1,026	223
1Rp54(i)	11	1,620	325
		125,019	93,696
Equity			
1Rp54(r)	Capital and reserves attributable to equity holders of the Fund		
1Rp78(e)		9,177	7,866
1Rp78(e)		81,410	65,400
1Rp78(e)		21,067	9,882
		111,654	83,148
Liabilities			
1Rp69	Current liabilities		
1Rp54(m), IFRS7p8(e)	7, 9	12,215	9,738
IFRS7p8		893	665
1Rp54(k)		257	145
		13,365	10,548
		125,019	93,696

Appendix II – Fund without puttable instruments
(All amounts in euro thousands unless otherwise stated)

Statement of comprehensive income¹

1Rp82, 83 85, 102		Year ended 31 December		
		Note	2009	2008
1Rp82(a)	Income			
1Rp85	Interest income	5	947	549
1Rp35(b)(v)	Dividend income		1,538	1,055
1Rp85	Net foreign currency gains or losses on cash and cash equivalents		27	(7)
IFRS7p20(a)(i) 1Rp35	Other net changes in fair value on financial assets and liabilities at fair value through profit or loss	6, 7	12,221	(4,218)
	Total net income		14,733	(2,621)
1Rp85, 99	Expenses			
	Management fee	14	(803)	(684)
	Custodian fee, secretarial and administration fees	14	(56)	(47)
	Transaction costs		(326)	(137)
	Director's fees	14	(30)	(25)
	Other operating expenses		(151)	(123)
	Total operating expenses		(1,366)	(1,016)
1Rp85	Profit/(loss) before tax		13,367	(3,637)
1Rp82(d)	Withholding taxes		(182)	(138)
1Rp82(f)	Profit/(loss) for the year		13,185	(3,775)
1Rp82(g)	Other comprehensive income²		–	–
1Rp82(i)	Total comprehensive income/(loss)		13,185	(3,775)
33p66	Earnings/(loss) per share – basic and diluted (€ per share)³		1,547.53	(524.31)

Statement of changes in equity

1Rp106		Share capital	Share premium	Retained earnings	Total
	At 1 January 2008	6,888	55,642	14,657	77,187
1Rp106(a)	Total comprehensive income/(loss) for the year	–	–	(3,775)	(3,775)
1Rp107	Dividend for 2007	–	–	(1,000)	(1,000)
1Rp106(c)	Issue of shares	1,183	11,718	–	12,901
1Rp106(c)	Repurchase of own shares	(205)	(1,960)	–	(2,165)
	At 31 December 2008	7,866	65,400	9,882	83,148
1Rp106(a)	Total comprehensive income for the year	–	–	13,185	13,185
1Rp107	Dividend for 2008	–	–	(2,000)	(2,000)
1Rp106(c)	Issue of shares	2,335	24,656	–	26,991
1Rp106(c)	Repurchase of own shares	(1,024)	(8,646)	–	(9,670)
	At 31 December 2009	9,177	81,410	21,067	111,654

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. The Fund has elected to use the single statement approach.

² The Fund has no components of 'other comprehensive income'; an additional line item has been included for illustrative purposes.

³ IAS 33, 'Earnings per share', is applicable where the Fund's ordinary shares are traded in a public market or when the financial statements are filed with a regulatory organisation for the purpose of issuing ordinary shares in a public market.

Appendix II – Fund without puttable instruments
(All amounts in euro thousands unless otherwise stated)

Statement of cash flows

		Year ended 31 December		
		Note	2009	2008
7p10, 18(a), 21	Cash flows from operating activities			
7p15	Purchase of financial assets and settlement of financial liabilities		(34,995)	(15,075)
7p15	Proceeds from sale of investments		19,250	4,498
7p15	Proceeds from derivative financial instruments		185	67
	Amounts paid to brokers		(1,223)	(100)
	Amounts received from brokers		1,372	660
7p31	Dividends received		1,412	664
7p31	Interest received		917	482
	Operating expenses paid		(971)	(782)
	Net cash used in operating activities		(14,053)	(9,586)
7p10, 21	Cash flows from financing activities			
7p17	Dividends paid to Fund's shareholders	13	(2,000)	(1,000)
7p17	Proceeds from issuance of ordinary shares		26,991	12,901
7p17	Purchase of treasury shares		(9,670)	(2,165)
	Net cash from financing activities		15,321	9,736
	Net increase in cash and cash equivalents		1,268	150
	Cash and cash equivalents at beginning of the year	11	325	182
	Exchange gains/(losses) on cash and cash equivalents		27	(7)
7p28	Cash and cash equivalents at end of the year	11	1,620	325

Note – Accounting policies (extracts)

1Rp119 Share capital

32p37 Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds, net of tax. Incremental costs directly attributable to the issue of new ordinary shares or options, or for the acquisition of a business, are included in the cost of acquisition as part of the purchase consideration.

32p33 Where the Fund re-purchases its own ordinary shares (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Fund's equity holders until the ordinary shares are cancelled, re-issued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Fund's equity holders.

1Rp119 Dividend distribution

10p12 Dividend distribution to the Fund's shareholders is recognised as a liability in the Fund's financial statements in the period in which the dividends are approved by the Fund's shareholders.

Appendix II – Fund without puttable instruments
(All amounts in euro thousands unless otherwise stated)

Note – Share capital

1Rp79, 80

	2009	2008
Authorised share capital		
10,000 ordinary shares with a par value of €1,000 per share	10,000	10,000
Ordinary shares-issued and fully paid	9,177	7,866

Each issued and fully paid ordinary share is entitled to dividends when declared and carries one voting right.

The Fund's capital is represented by ordinary shares with €1,000 par value and carry one vote each. They are entitled to dividends when declared. The Fund has no restrictions or specific capital requirements on the issue and re-purchase of ordinary shares. The relevant movements on capital are shown on the statement of changes in equity.

Note – Earnings per share

Basic earnings per share is calculated by dividing the profit/(loss) for the year by the weighted average number of ordinary shares in issue during the year, excluding the average number of ordinary shares purchased by the Fund and held as treasury shares.

	2009	2008
33p70(a) Profit/(loss) for the year	13,185	(3,775)
33p70(b) Weighted average number of ordinary shares in issue	8,520	7,200
Basic earnings/(loss) per share – basic and diluted (€ per share)	1,547.53	(524.31)

The Fund has not issued any shares or other instruments that are considered to have dilutive potential.

Note – Dividend payable

10p12

The dividend paid in 2009 and 2008 amounted to €2,000 (€254.26 per share) and €1,000 (€145.18 per share) respectively. A dividend for the year ended 31 December 2009 of €2,500 (€272.42 per share) will be proposed at the Annual General Meeting on 30 April 2010. These financial statements do not reflect this dividend payable.

Appendix III – Fund with puttable instruments classified as equity

The illustrative financial statements are based on an open-ended fund that issues puttable instruments, which are classified as financial liabilities under IAS 32, 'Financial instruments: Presentation'. The below includes example disclosures required, in addition to those in Appendix II, for an open-ended fund where the equity classification results from the adoption of IAS 32 (amendment), 'Financial instruments: Presentation', and IAS 1 (amendment), 'Presentation of financial statements – Puttable financial instruments and obligations arising on liquidation'.¹

The instruments classified as equity will no longer have to comply with the measurement requirements of financial liabilities in IAS 39, 'Financial instruments: Recognition and measurement', or the disclosure requirements of IFRS 7, 'Financial instruments: Disclosure'.

The adoption of this amendment has resulted in the Fund's reclassification of its puttable instrument from liabilities to equity. IAS 32 requires retrospective application; the Fund should therefore also comply with IAS 1Rp39. This requires the Fund to present a statement of financial position as at the beginning of the earliest comparative period.

Statement of financial position

		As at 31 December		As at 1 January
	Note	2009	2008	2008
1Rp54, 60, 113				
	Assets			
1Rp66	Current assets			
	Financial assets at fair value through profit or loss	6, 9	104,252	91,716
1Rp54(d), IFRS7p8	Financial assets at fair value through profit or loss pledged as collateral	6, 9	15,268	–
39p37	Due from brokers		2,356	984
IFRS7p8	Other receivables and prepayments		497	448
1Rp54(h), IFRS7p8	Margin accounts	10	1,026	223
1Rp55	Cash and cash equivalents	11	1,620	325
1Rp54(i)	Total assets		125,019	93,696
	Equity			
	Capital and reserves attributable to equity holders of the Fund			
1Rp54(r)	Share capital		9,177	7,866
1Rp78(e)	Share premium		81,410	65,400
1Rp78(e)	Retained earnings		21,067	9,882
1Rp78(e)	Total equity		111,654	83,148
	Liabilities			
	Current liabilities			
1Rp69	Financial liabilities at fair value through profit or loss	7, 9	12,215	9,738
1Rp54(m)	Due to brokers		893	665
IFRSp8(e)	Accrued expenses		257	145
IFRS7p8	Total liabilities		13,365	10,548
1Rp54(k)	Total equity and liabilities		125,019	93,696
				86,410

¹ Example primary statement disclosures for entities with some equity can be found in IAS 32IE33.

Appendix III – Fund with puttable instruments classified as equity
(All amounts in euro thousands unless otherwise stated)

Note – Accounting policies (extracts)

8p28

Basis of preparation

(b) Amendment adopted by the Fund¹

- IAS 32 (amendment), 'Financial instruments: Presentation', and IAS 1 (amendment), 'Presentation of financial statements' – 'Puttable financial instruments and obligations arising on liquidation' (effective from 1 January 2009) (the 'amendment'). Previously the fund had classified its puttable instruments as liabilities in accordance with IAS 32, 'Financial instruments: Presentation'. However, the amendment requires puttable financial instruments that meet the definition of a financial liability to be classified as equity where certain strict criteria are met. Those criteria include: the puttable instruments must entitle the holder to a pro-rata share of net assets; the puttable instruments must be the most subordinated class and that class's features must be identical; there must be no contractual obligations to deliver cash or another financial asset other than the obligation on the issuer to repurchase; and the total expected cash flows from the puttable instrument over its life must be based substantially on the profit or loss of the issuer.

As a result of the reclassification of puttable instrument from liabilities to equity, the Fund's distributions will no longer be classified as a finance cost in the statement of comprehensive income but rather will be recorded as a dividend in the statement of changes in equity.

1Rp41

The amendment has been applied retrospectively.

As a result of adoption of the amendment, the Fund's profit after distributions and tax for the year has increased from nil (2008: € nil)² to €14,419 (2008: €(2,775)) corresponding to the sum of the 'increase/decrease in net assets attributable to holders of redeemable shares from operations' and 'distributions to holders of redeemable shares' of respectively €2,000 and €12,419 (2008: €(3,775) and €1,000). The Fund's equity as at 31 December 2009 has increased by €114,414³ (2008: €84,674) and financial liabilities has decreased by €114,414 (2008: €84,674).

IFRS7p21
1Rp119

Redeemable shares

The Fund issues redeemable shares, which are redeemable at the holder's option and are classified as equity in accordance with the Amendment referred to in Note 2.1(b).

Should the redeemable shares' terms or conditions change such that they do not comply with the strict criteria contained in the amendment, the redeemable shares would be reclassified to a financial liability from the date the instrument ceases to meet the criteria. The financial liability would be measured at the instrument's fair value at the date of reclassification. Any difference between the carrying value of the equity instrument and fair value of the liability on the date of reclassification would be recognised in equity.

¹ This note is relevant for Funds that adopt IAS 32 (amendment), 'Financial instruments: Presentation', and IAS 1 (amendment), 'Presentation of financial statements' – 'Puttable financial instruments and obligations arising on liquidation'. The adoption results in a change in the classification of redeemable shares or units.

² In the prior year, the net income and expense of the Fund was attributed solely to the redeemable shareholders who held the sole participating rights of the Fund. Those shares were classified as liabilities; as a result, the profit after distribution and tax was zero after the increase/decrease in the net assets attributable to holders of redeemable shares had been allocated.

³ This is comprised of the movement from a negative equity of €(2,760) (2008: €(1,526)) to €111,654 (2008: €83,148).

Appendix III – Fund with puttable instruments classified as equity

(All amounts in euro thousands unless otherwise stated)

Redeemable shares can be put back to the Fund at any time for cash equal to a proportionate share of the Fund's trading net asset value calculated in accordance with the Fund's regulations.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds, net of tax. Incremental costs directly attributable to the issue of new ordinary shares or options, or for the acquisition of a business, are included in the cost of acquisition as part of the purchase consideration.

Where the Fund re-purchases its redeemable shares, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Fund's equity holders until the ordinary shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Fund's equity holders.

Note – Net asset

The consideration received or paid for ordinary shares issued or re-purchased respectively is based on the value of the Fund's net assets value per redeemable share at the date of the transaction. In accordance with the provisions of the Fund's regulations, investment positions are valued based on the last traded market price for the purpose of determining the trading net asset value per share for subscriptions and redemptions. The Fund's net asset value per redeemable share is calculated by dividing the Fund's net assets with the total number of outstanding ordinary shares. As described in Note 2 and consistent with the requirements of IAS 39, in preparing the statement of financial position at 31 December 2009, the quoted market price used for financial assets held by the Fund is the closing bid price, and the appropriate quoted market price for financial liabilities is the closing asking price. The difference between the valuation of investment positions as prescribed by IAS 39 and as disclosed in Note 2, and the methodology indicated in the Fund's regulations, results in a change in the net asset value of €2,760 (2008: €1,526) as of 31 December 2009 for the purpose of calculating the net asset value per share for processing subscription and redemptions in the Fund.

DV

A reconciliation of the net asset value as reported in the statement of financial position to the net asset value as determined for the purposes of processing share subscriptions and redemptions is provided below.

	2009	2008
Net assets/equity as per statement of financial position	111,654	83,148
Adjustment from bid/asking market prices to last traded market prices	2,760	1,526
Net asset value attributable to holders of redeemable shares (at last traded market prices)	114,414	84,674

Appendix III – Fund with puttable instruments classified as equity

(All amounts in euro thousands unless otherwise stated)

Note – Share capital extracts

1Rp136A(a)	As at 31 December 2009, the Fund had €111,654 (2008: €83,148) of puttable financial instruments classified as equity.
1Rp136A(b)	The Fund's objectives and policies for managing its obligations to redeem these instruments are included in Note 3.2 capital risk management and Note 3.1.3 on liquidity risk.
1Rp136A(c), (d)	Redeemable shares are redeemed on demand at the holder's option. However, the directors do not envisage that the contractual maturity disclosed in liquidity risk note will be representative of the actual cash out flows, as holders of these instruments typically retain them for the medium to long term. Based on historical levels of activity, the Fund on average has outflows relating to the redemption of share capital of €10 thousand each day.

Appendix IV – Available-for-sale securities
(All amounts in euro thousands unless otherwise stated)

Appendix IV – Available-for-sale securities

Some funds may classify investments as available-for-sale securities. The required additional disclosures for investment funds holding available-for-sale securities, with movements in the fair value reflected in other comprehensive income¹, are as follows:

Notes:

- The investments should be identified in the statement of financial position as 'available for sale'.
- The below is based on a fund whose shares in issue have been classified as equity instruments.
- This Fund has elected to present a separate income statement and statement of comprehensive income as permitted under IAS 1 (revised), 'Presentation of financial statements'.

Statement of financial position (extract)

		2009	2008
32IE33	Equity		
1Rp78(e)	Share capital	1,598	1,556
1Rp78(e)	Share premium	216,726	170,051
1Rp78(e)	Retained earnings	1,279,794	1,339,067
1Rp108	Other components of equity ²	214,963	107,749
	Total equity	1,713,081	1,618,423

Income statement (extract)

		2009	2008
	Profit/(loss) before tax	(21,936)	368,296
1Rp82(d)	Withholding taxes	(1,082)	(15,138)
1Rp82(f)	Profit/(loss) for the year	(23,018)	353,158

Statement of comprehensive income

		2009	2008
	Profit/(loss) for the year	(23,018)	353,158
1Rp7	Other comprehensive income:		
	Available for sale financial instruments	107,214	(89,465)
1Rp90	Tax relating to components of other comprehensive income ³	–	–
1Rp82(i)	Total comprehensive income	84,196	263,693

¹ Prior to IAS 1 (revised), 'Presentation of financial statements' (effective 1 January 2009), gains and losses on re-measuring available-for-sale financial instruments were presented in the statement of changes in equity. Under IRp7, these fair value changes are now recognised as a component of 'other comprehensive income' and are presented in the statement of comprehensive income.

² Other components of equity would comprise amounts that can not be classified as share capital, share premium or retained earnings and generally consists of amounts that are recognised in other comprehensive income.

³ An entity should disclose the amount of income tax relating to each component of other comprehensive income, either in the statement of comprehensive income or in the notes (1Rp90). The Fund has no tax relating to any components of 'other comprehensive income', but an additional line has been included for illustrative purposes.

Appendix IV – Available-for-sale securities

(All amounts in euro thousands unless otherwise stated)

Statement of changes in equity¹

	Share Capital	Share premium	Retained earnings	Available for sale financial instruments	Total	
1Rp106						
	At 1 January 2008	1,453	69,132	1,024,710	197,214	1,292,509
IRp106(a)	Total comprehensive income	–	–	353,158	(89,465)	263,693
IRp107	Dividend for 2007	–	–	(38,801)	–	(38,801)
IRp106(c)	Issue of shares	178	166,621	–	–	166,799
IRp106(c)	Repurchase of own shares	(75)	(65,702)	–	–	(65,777)
	At 31 December 2008	1,556	170,051	1,339,067	107,749	1,618,423
IRp106(a)	Total comprehensive income ²	–	–	(23,018)	107,214	84,196
IRp107	Dividend for 2008	–	–	(36,255)	–	(36,255)
IRp106(c)	Issue of shares	42	46,675	–	–	46,717
	At 31 December 2009	1,598	216,726	1,279,794	214,963	1,713,081

Statement of cash flow (extract)

	2009	2008	
	Cash flows from operating activities		
7p15	Purchases of available-for-sale securities	(144,721)	(155,800)
7p15	Proceeds from sale of available-for-sale securities	547,358	89,038
	Net cash from operating activities	402,637	(66,762)

Note – Accounting policies (extracts)

Financial assets

1Rp119 The Fund classifies its investments in the following categories: financial assets at
39p9 fair value through profit or loss, receivables and available-for-sale financial assets.
39p45 The classification depends on the purpose for which the investments were acquired.
Management determines the classification of its investments at initial recognition.

(a) Classification – available-for-sale financial assets

39p9 Available-for-sale (AFS) investments are those intended to be held for an indefinite
period of time, and that may be sold in response to needs for liquidity or changes in
interest rates, exchange rates or equity prices.

IFRS7p21 (b) Measurement – available-for-sale financial assets

39p46 AFS financial assets are subsequently carried at fair value. Gains and losses arising
39p55(b) from changes in the fair value are recognised in other comprehensive income.
When securities classified as AFS are sold or impaired, the accumulated fair value
adjustments recognised in other comprehensive income are included in the income
statement as 'gains and losses from investment securities'.

18p30(a) Interest on AFS debt instruments is calculated using the effective interest method
18p30(c) and is recognised in the income statement. Dividends on AFS equity instruments
are recognised in the income statement when the entity's right to receive payment is
established.

¹ The statement of changes in equity should present each component of equity. This includes each class of contributed equity, the accumulated balance of each class of other comprehensive income and retained earnings (1Rp108).

² Total comprehensive income is comprised of total profit or loss, which is presented as a component of retained earnings, and total other comprehensive income.

Appendix IV – Available-for-sale securities

(All amounts in euro thousands unless otherwise stated)

39p58, 67, 68
39p69, 70

The Fund assesses, at each statement of financial position date, whether there is objective evidence that a financial asset is impaired. In the case of AFS equity securities, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If evidence of impairment exists, the cumulative loss previously recognised in other comprehensive income is removed from other comprehensive income and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the income statement.

Foreign currency translation

Transactions and balances

21p21, 28

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

21p30

Translation differences on non-monetary items, such as equities held at fair value through profit or loss are recognised in the income statement within the fair value net gain or loss. Changes in the fair value of monetary securities denominated in a foreign currency and classified as available for sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in profit or loss; translation differences on non-monetary securities are recognised in other comprehensive income.

Note – Critical judgements in applying Fund's accounting policies (extracts)

1Rp122, 125

The Fund follows the guidance of IAS 39 to determine when an available-for-sale financial asset is impaired. This determination requires significant judgement. In making this judgement, the Fund evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology, and operational and financing cash flow.

If all of the declines in fair value below cost were considered significant or prolonged, the Fund would suffer an additional loss of €8,300 in its 2009 financial statements (2008: €7,500), being the transfer of the accumulated fair value adjustments recognised in other comprehensive income on the impaired available-for-sale financial assets to the income statement.

Appendix IV – Available-for-sale securities
(All amounts in euro thousands unless otherwise stated)

Note – Investment securities

1Rp77	2009	2008
IFRS7p8(d), 25,	Securities available for sale	
	519,656	816,587
	219,267	265,700
	738,923	1,082,287

Gains and losses from investment securities comprise:

IFRS7p20(a)(ii)	(1,234)	606
IFRS7p20(e)	(50,173)	(224,257)
	3,466	(1,241)
	(47,941)	(224,892)

Note – Other comprehensive income¹

	2009	2008
	Available-for-sale financial instruments	
IFRS7p20(a)(ii)	108,448	(90,071)
		Reclassification adjustments for gains
IFRS7p20(a)(ii)	(1,234)	606
		losses included in profit or loss
	107,214	(89,465)

Long-quoted investment positions have been valued based on the closing bid prices as of the close of business on the relevant trading day (note 2.8). The difference between the valuation of long quoted investment positions as prescribed by IFRS and as disclosed in Note 2.8 and the methodology prescribed by the Fund's regulations results in an increase in value of investments of €2,760 as of 31 December 2009 (2008: €1,526).

¹ An entity may present reclassification adjustments in the statement of comprehensive income or in the notes. An example of when a reclassification adjustment would arise is on derecognition of AFS financial instruments (1Rp94, 1Rp95).

Appendix V – Funds that invest in other investment funds

(All amounts in euro thousands unless otherwise stated)

Appendix V – Funds that invest in other investment funds

Investment funds may hold investments in other investment funds. The additional disclosures that may be provided for funds holding investments in other investment funds are as follows.

Note – Summary of accounting policies (extracts)

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

IFRS7p27

Valuation of investments in other funds

39AG74

The Fund's investments in other 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 redemption price of such units for each Investee Fund, as determined by the administrator of such Investee Fund. The Fund reviews the details of the reported information obtained from the Investee Funds and considers: (i) the liquidity of the Investee Fund or its underlying investments, (ii) the value date of the net asset value (NAV) provided, (iii) any restrictions on redemptions, 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 advisors. If necessary, the Fund 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 fair value through profit or loss in the statement of comprehensive income includes the change in fair value of each Investee Fund.

Consolidation¹

Subsidiaries are all entities (including underlying investment funds) over which the Fund 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 Fund controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Fund. They are de-consolidated from the date that control ceases.

During the year ended 31 December 2009 and 2008, the Fund held no positions in underlying investment funds that it controlled.

Note – Financial risk (extracts)

Fair value estimation (risk note extracts)

IFRS7p27

As at 31 December 2009, 100% (2008: 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 shares of the Investee Funds are not publicly traded; redemption can only be made by the Fund on the redemption dates and subject to the required notice periods specified in the offering documents of each of the Investee Funds. The rights of the Fund to request redemption of its investments in Investee Funds may vary in frequency from weekly to annual redemptions. As a result, the carrying values of the Investee Funds may not be indicative of the values ultimately realised on redemption. In addition, the Fund may be materially affected by the actions of other investors who have invested in the Investee Funds in which the Fund has invested.

¹ A consolidation policy is relevant where a 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 V – Funds that invest in other investment funds

(All amounts in euro thousands unless otherwise stated)

All of the Investee Funds in the investment portfolio are managed by portfolio managers who are compensated by the respective Investee Funds for their services. Such compensation generally consists of an asset based fee and a performance based incentive fee. Such compensation is reflected in the valuation of the Fund'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 redemption price of the Investee Fund's units as reported by the administrator of such Investee Fund. The Fund may make adjustments to the value based on considerations such as; liquidity of the Investee Fund or its underlying investments, the value date of the net asset value provided, any restrictions on redemptions and the basis of accounting.

IFRS7p27A

The Fund adopted the amendment to IFRS 7 with effect from 1 January 2009. This requires the Fund 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).
- 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.

IFRS7p27B(a)

The following table analyses within the fair value hierarchy the Fund's financial assets measured at fair value at 31 December 2009:

Assets	Level 1	Level 2	Level 3	Total balance
Financial assets at fair value through profit or loss:				
– Fund of fund investments	–	118,470	1,050	119,520
Total	–	118,470	1,050	119,520

The Investee Funds held by the Fund are not quoted in active markets¹.

The Investee Funds classified in Level 2² were fair valued using the net asset value of the Investee Fund, as reported by the respective Investee Fund's administrator. For these Investee Funds Management believe the Fund could have redeemed its investment at the net asset value per share at the statement of financial position date.

¹ Funds quoted in an active market would be classified in level 1 and 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.

² IFRS7p27A requires the valuation of level 2 investments to be based on observable inputs. When considering the classification of an investment in an Investee Fund, an observable input can be considered to be, amongst other things, the published net asset value of the Investee Fund where the net asset value can be transacted upon on the measurement date.

Appendix V – Funds that invest in other investment funds

(All amounts in euro thousands unless otherwise stated)

Level 3 is comprised of a single Investee Fund which was fair valued with reference to the net asset value as reported by the Investee Fund's administrator, adjusted to take into account the restrictions applicable to redemptions. Prior to the statement of financial position date the Investee Fund placed a suspension on its redemptions. Management of the Investee Fund has communicated their intention to lift the suspension by January 2011. The model used to fair value this position is based on the net present value of estimated future cash flows¹.

Note – Critical accounting estimates and judgements (extracts)

1Rp122

1Rp125

The Fund 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.

Fair value of investments in other funds

The fair value of investments in Investee Funds that are not quoted in an active market is determined primarily by reference to the latest available redemption price of such units for each Investee Fund, as determined by the administrator of such Investee Fund. The Fund may make adjustments to the reported net asset value of various Investee Funds based on considerations such as (i) the liquidity of the Investee Fund or its underlying investments, (ii) the value date of the net asset value provided, (iii) any restrictions on redemptions, 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 advisors. The models used to determine fair values are validated and periodically reviewed by experienced personnel at ABC Fund Services Limited, independent of the party that created them. The carrying values of the Investee Funds may be materially different to the values ultimately realised on redemption.

Notes – Financial risk (extracts)

IFRS7p33

(i) Price risk (extracts)

The Fund invests in other funds and is susceptible to market price risk arising from uncertainties about future values of those Investee Funds. The investment manager makes investment decisions after an extensive assessment of the underlying fund, its strategy and the overall quality of the underlying fund's manager. The Fund's policy requires the Investment Manager to complete a full reassessment of each of the Investee Funds on a quarterly basis and track the performance of each Investee Fund on a weekly basis.

¹ For fair value measurements in Level 3, if changing one or more of the inputs to reasonably possible alternative assumptions would change fair value significantly, the entity shall state that fact and disclose the effect of those changes (IFRS7p27B(e)).

Appendix V – Funds that invest in other investment funds

(All amounts in euro thousands unless otherwise stated)

The Fund's investment restrictions prohibit it from investing more than 10% of its assets in any one Investee Fund. At the year end date, the exposure to investments in Investee Funds at fair value by strategy employed by the Investee Funds were as follows:

IFRS7p34

	31 December			
	2009		2008	
	Fair value	% of net assets attributable to holders of redeemable shares	Fair value	Fair value
Equity long/short	55,548	49.8	20,564	24.7
Event driven	41,531	37.2	20,568	24.7
Directional trading	9,668	8.7	17,656	21.2
Multi-strategy	5,752	5.2	2,567	3.1
Fund of Funds	5,565	5.0	30,361	36.5
Relative value	1,456	1.3	–	–
Total	119,520	107.2	91,716	110.2

IFRS7p33(b)

The performance of investments held by the Fund is monitored by the Fund's Investment Manager on a weekly basis and reviewed by the board of directors on a quarterly basis.

IFRS7p34, 40

The table below summarises the impact on the Fund's net assets attributable to holders of redeemable shares, of reasonable possible changes in the returns of each of the strategies to which the Fund is exposed through the 37 funds in which it invests at year end (2008: 32). A reasonable possible change is management's assessment, based on historical data sourced from the underlying Investee Funds, of what is a reasonable possible percentage movement in the value of a fund following each respective strategy over a 12-month period in euro terms. The impact on net assets attributable to holders of redeemable shares is calculated by applying the reasonable possible movement determined for each strategy to the value of each Investee Fund held by the Fund.

The analysis is based on the assumption that the returns on each strategy have increased or decreased, as disclosed, with all other variables held constant. The underlying risk disclosures represent the market risks to which the underlying funds are directly exposed. I, F, O represents interest rate, foreign currency and other price risks respectively. For the purpose of determining the underlying risk disclosures, in accordance with IFRS 7, currency risk is not considered to arise from financial instruments that are non-monetary items – for example, equity investments.

Appendix V – Funds that invest in other investment funds

(All amounts in euro thousands unless otherwise stated)

As at 31 December 2009:

Strategy	Sub-strategy	Underlying risk exposures	Number of funds	Reasonable possible change (%)	Impact on net assets attributable to redeemable shareholders
Equity long/short:					
	Sector specialists	O	6	5.2	1,115
	Short bias	O	5	3	1,157
	Opportunistic	O	1	6.7	155
Event driven:					
	Distressed securities	I, F	4	7.5	2,113
	Merger arbitrage	O	4	5.6	1,040
	Emerging markets	I,F,O	2	9.5	169
Directional trading:					
	Global macro	I,F,O	4	8	313
	Market timing	I,F,O	1	7	34
	Commodity pools	I,F,O	1	5.3	233
Multi-strategy:		I,F,O	2	7.0	402
Fund of funds:					
	Fund of funds	I,F,O	1	7.5	245
	Multi-manager	I,F,O	1	6.6	113
Relative value:					
	Convergence arbitrage	I,F,O	2	6.7	19
	Fixed income arbitrage	I,F	1	8.0	37
	Convertible arbitrage	I,F,O	1	5.7	25
	MBS strategy	I,F	1	7.8	20
Total			37		7,190

As at 31 December 2008:

Strategy	Sub-strategy	Underlying risk exposures	Number of funds	Reasonable possible change (%)	Impact on net assets attributable to redeemable shareholders
Equity long/short:					
	Sector specialists	O	6	5.5	1,115
	Short bias	O	2	3.2	115
Event driven:					
	Distressed securities	I, F	5	7.5	1,050
	Merger arbitrage	O	4	5.6	300
	Emerging markets	I,F,O	1	9.5	86
Directional trading:					
	Global macro	I,F,O	2	9.2	513
	Market timing	I,F,O	3	6.8	505
	Commodity pools	I,F,O	1	5.3	502
Multi-strategy:		I,F,O	1	7.0	125
Fund of funds:					
	Fund of funds	I,F,O	6	7.5	1,997
	Multi-manager	I,F,O	1	6.6	103
Total			32		6,411

Appendix V – Funds that invest in other investment funds

(All amounts in euro thousands unless otherwise stated)

IFRS7p33

Note – Liquidity risk (extracts)

The Fund is exposed to monthly cash redemptions of redeemable shares and has a 30-day notice period for redemption requests. It therefore invests the majority of its assets in Investee Funds from which the Fund can redeem within one month or less; it invests only a limited proportion of its assets in Investee Funds with redemption restrictions or redemption terms greater than one month. Certain Investee Funds acquired may also be subject to an initial lock-up period that may range up to two years. No Investee Funds were subject to lock-up periods as at 31 December 2009 or 2008. At 31 December 2009, 90% of the Fund's investments in other funds are subject to redemption restrictions exercisable by the manager of the Investee Fund to manage extraordinary liquidity pressures (2008: 85%). These include the ability to suspend redemptions or withhold varying amounts of any redemption requested. At 31 December 2009, one Investee Fund (2008: nil) has suspended redemptions and was valued at €1,050 (2008: nil).

IFRS7p39(a)

The financial liabilities of the Fund at 31 December 2009 and 2008 comprise of accrued expenses and net assets attributable to holders of redeemable shares. As at 31 December 2009, total accrued expenses of €1,150 (2008: €810) had contractual maturity dates ranging between 1 and 7 days (2008: 1 and 7 days) after the year end date. As at 31 December 2009 net assets attributable to holders of redeemable shares of €123,869 (2008: €92,886) had contractual maturity dates of 30 days after year end. As all liabilities as at 31 December 2009 and 2008 fall due within one month of the year end, the effect of discounting has no material impact on the cash flows.

The Fund will generally retain sufficient cash and cash equivalent balances to satisfy its accrued expenses as they fall due. In order to satisfy shareholder redemption requests, the Fund will redeem its investments in Investee Funds, which allow redemptions within one month or less. However, the majority of Investee Funds have the ability to impose discretionary redemption restrictions, which include the ability to suspend redemptions or withhold varying amounts of any redemption requested in extraordinary situations. Additionally, a portion of the Investee Funds may have redemption terms that are greater than one month or may also be subject to lock-up periods of up to two years.

IFRS7B11(E)

The following table shows the ordinary redemption periods of the Investee Funds held¹:

	Less than 7 days	7 days to 1 month	1-6 months	Suspended
At 31 December 2009				
Funds with notice periods of less than 7 days	11,626	14,870	–	–
Funds with notice periods of 7 and 30 days	–	86,129	5,845	1,050*
Total	11,626	100,999	5,845	1,050
At 31 December 2008				
Funds with notice periods of less than 7 days	2,939	5,238	–	–
Funds with notice periods of 7 and 30 days	–	68,254	15,285	–
Total	2,939	73,492	15,285	–

* This relates to XYZ Fund of Fund Limited. On 30 November 2009 the Directors of XYZ Fund of Fund Limited suspended redemptions due to the level of redemption requests received and the illiquidity of several material positions in its portfolio. The Directors of XYZ Fund of Fund Limited issued an advisory letter to shareholders on 18 December 2009 stating that they intend to lift the suspension by January 2011.

¹ IFRS7B11E 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 in a tabular format.

Appendix V – Funds that invest in other investment funds

(All amounts in euro thousands unless otherwise stated)

The Fund has entered into a short-term financing agreement with Bank plc, which will allow the Fund to borrow up to 50% of its net asset value for the purpose of paying redemptions. The borrowing facility is available to the Fund up to December 2012 and bears interest at one-month USD LIBOR plus 50 basis points. It is the intention of the Fund to utilise this facility only in instances where it is unable to liquidate an adequate portion of its investments in order to pay redemptions as they fall due, or in cases where the liquidation of investments held would put the Fund in a disadvantageous position. The Fund has not utilised this facility during 2009 and 2008.

The Fund also has the ability in extraordinary situations to impose discretionary redemption restrictions, which include the ability to suspend redemptions or withhold varying amounts of any redemption requested. It is the intention of the Fund to exercise this ability only in instances where the payment of redemptions would put the remaining shareholders in a disadvantageous position, or if the Fund is unable to liquidate its investments or source acceptable financing that would allow the Fund to pay redemptions as they fall due.

Appendix VI – Funds with significant leverage
(All amounts in euro thousands unless otherwise stated)

Appendix VI – Funds with significant leverage

Investment funds may have significant levels of leverage that are critical to the operations of the fund, which give rise to additional risks for such funds. Examples of the additional disclosures that may be required for funds in these circumstances are as follows:

Note – Accounting policies (extracts)

Amendments to existing standards effective 1 January 2009

- IAS 23 (amendment), ‘Borrowing costs’ (effective from 1 January 2009). The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs has been removed. IAS 23 (amendment) has no effect on the Fund, as there are no qualifying assets.

1Rp119, IFRS7p21

Borrowings

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

39IGD1
39p37

Collateral

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

1Rp119
IFRS7p21

Sale and repurchase agreements

39AG51

Securities sold subject to repurchase agreements are reclassified in the financial statements as pledged assets when the transferee has the right by contract or custom to sell or re-pledge the collateral. The counterparty liability is included under ‘due under repurchase agreements’. Securities purchased under agreements to resell are recorded separately under ‘due from agreements to resell’. The difference between the sale and the repurchase price is treated as interest and accrued over the life of the agreement using the effective interest method.

Appendix VI – Funds with significant leverage

(All amounts in euro thousands unless otherwise stated)

Note – Borrowings (extracts)

- 7p50 The Fund has a margin borrowing facility for investment purposes up to 10 times its most recently calculated net asset value attributable to holders of redeemable shares.
- The margin borrowing facility matures in 2011 and bears interest at 1 week USD LIBOR plus 25 basis points.
- IFRS7p14 The margin borrowings are secured by certain financial assets at fair value through profit or loss equal to €110,000 (2008: €90,000).
- IFRS7p29 The carrying value of the borrowings equals their fair value.

Note – Financial risk management (extracts)

Financial risk factors

- IFRS7p31 The Fund may use various forms of leverage that increases the effect of any investment value changes on capital. These include the use of margin borrowings, repurchase agreements and derivatives. While borrowing and leverage present opportunities for increasing 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 or, under certain circumstances, if the borrowing is terminated by the applicable lenders or counterparties in advance of its stated term, the value of the Fund's net assets attributable to holders of redeemable shares will decrease. Accordingly, any event that adversely affects the value of an investment by the Fund would 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.

Market risk (extracts)

(iii) Cash flow and fair value interest rate risk

- IFRS7p33(a) The Fund uses various forms of leverage that increase the Fund'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 Fund as those rates available in the past.

Liquidity risk (extracts)

- IFRS7p33(a), 31 There is no guarantee that existing borrowing facilities or arrangements for obtaining leverage, will remain in place for the life of the Fund. The Fund's borrowing 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 Fund 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 Fund 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.

Appendix VI – Funds with significant leverage
(All amounts in euro thousands unless otherwise stated)

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

Further, most leveraged transactions require the posting of collateral. A decrease in fair value of such financial assets may result in the lender, including derivative counterparties, requiring the Fund to post additional collateral or otherwise sell assets at a time when it may not be in the Fund's best interest to do so. A failure of the Fund to continue to post the required collateral could result in a disposition of Fund's assets at times and prices which could be disadvantageous to the Fund and could result in substantial losses having a material adverse effect on the Fund. To the extent that a creditor has a claim on the Fund, such claim would be senior to the rights of the redeemable participating shareholders.

Expiration or withdrawal of available financing for leverage positions, and the requirement to post collateral in respect of changes in the fair value of leveraged exposures, can rapidly result in adverse effects to the Fund's access to liquidity and its ability to maintain leveraged positions, and may cause the Fund to incur material losses.

The borrowing facilities available to the Fund mature during 2011. As of 31 December 2009 the Fund has existing available financing of €275 million (2008: €115 million) and is in the process of obtaining additional financing arrangements. However, there is no guarantee the borrowing facility or other arrangements for obtaining leverage will be available on the same terms and conditions acceptable to the Fund. In the event of not obtaining additional financing, the Fund will be forced to liquidate positions to repay the outstanding borrowings.

Appendix VII – Segment reporting (multiple segments)

(All amounts in euro thousands unless otherwise stated)

Appendix VII – Segment reporting (multiple segments)

If the Fund has debt or equity instruments that 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', is applicable. This appendix includes segment information for a fund that is within the scope of IFRS 8 and has more than one operating segment.

Note – Basis of preparation (extracts)

(b) Standards adopted by the fund (extracts)

- 8p28
- IFRS 8, 'Operating segments' was effective from 1 January 2009. IFRS 8 replaces IAS 14, 'Segment reporting', and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in an increase in the number of reportable segments presented. In addition, the segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker.

Note – Accounting policies (extracts)

1Rp119 **Segment reporting**

IFRS8p5(b) Operating segments are reported in a manner consistent with the internal reporting used by the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the strategic asset allocation committee of the investment manager that makes strategic decisions.

Note – Segment information

IFRS8p22(a) The strategic asset allocation committee of the investment manager makes the strategic resource allocations on behalf of the fund. The Fund has determined the operating segments based on the reports reviewed by this committee that are used to make strategic decisions.

IFRS8p22(a) The committee considers the business as two sub-portfolios, which are managed by separate specialist teams at the Investment Manager. These sub-portfolios consist of an equity portfolio, which focuses on equity securities and related derivatives; the second sub-portfolio consisting of debt and cash instruments.

IFRS8p22(b) The reportable operating segments derive their income by seeking investments to achieve targeted returns consummate with an acceptable level of risk within each portfolio. These returns consist of interest, dividends and gains on the appreciation in the value of investments.

IFRS8p29 There were no changes in the reportable segments during the year.

Appendix VII – Segment reporting (multiple segments)

(All amounts in euro thousands unless otherwise stated)

The segment information provided to the strategic allocation committee for the reportable segments is as follows.

For the year ended 31 December 2009:

IFRS8p23, 24	Equity sub-portfolio	Debt sub-portfolio	Total
Interest income	–	947	947
Dividend income	1,538	–	1,538
Capital gains	13,733	(251)	13,482
Transaction costs	(196)	(130)	(326)
Withholding taxes	(182)	–	(182)
Total net segment income	14,893	566	15,459
Total segment assets	102,219	22,507	124,726
Total segment liabilities	12,015	–	12,015

Total segment assets include:

	Equity sub-portfolio	Debt sub-portfolio	Total
Financial assets at fair value through profit or loss	101,193	20,887	122,080
Other	1,026	1,620	2,646

For the year ended 31 December 2008¹:

IFRS8p23, 24	Equity sub-portfolio	Debt sub-portfolio	Total
Interest income	–	549	549
Dividend income	1,055	–	1,055
Capital gains	(3,760)	535	(3,225)
Transaction costs	(96)	(41)	(137)
Withholding taxes	(138)	–	(138)
Total net segment income	(2,939)	1,043	(1,896)
Total segment assets	77,953	15,816	93,769
Total segment liabilities	9,717	–	9,717

Total segment assets include:

	Equity sub-portfolio	Debt sub-portfolio	Total
Financial assets at fair value through profit or loss	77,730	15,491	93,221
Other	223	325	548

IFRS8p23 There were no transactions between reportable segments.

IFRS8p27 The assessment of the performance of the operating segments is based on investments valued at last traded market prices, which is not consistent with IFRS. The Fund's administration and management fees are not considered to be segment expenses.

¹ Segment information for prior years that is reported as comparative information for the initial year of application is restated to conform to the requirements of this IFRS unless the necessary information is not available and the cost to develop it would be excessive (IFRS8p36).

Appendix VII – Segment reporting (multiple segments)

(All amounts in euro thousands unless otherwise stated)

IFRS8p28(b)

A reconciliation of total net segmental income to operating profit/(loss) is provided as follows.

	2009	2008
Total net segment income	15,459	(1,896)
Withholding taxes	182	138
Other fees and expenses	(1,040)	(879)
Adjustment from last traded market prices to bid/asking market prices	(1,234)	(1,000)
Operating profit/(loss)	13,367	(3,637)

IFRS8p27

The amounts provided to the strategic allocation committee with respect to total assets are measured in a manner consistent with IFRS, except for investments, which are valued at last traded market prices. The Fund's other receivables and prepayments are not considered to be segment assets and are managed by the administration function.

Reportable segments' assets are reconciled to total assets as follows.

IFRS8p28

	2009	2008
Segment assets for reportable segments	124,726	93,769
Other receivables and prepayments	2,853	1,432
Adjustment from last traded market prices to bid/asking market prices	(2,560)	(1,505)
Total assets	125,019	93,696

IFRS8p27

The amounts provided to the strategic allocation committee with respect to total liabilities are measured in a manner consistent with IFRS, except for investments, which are valued at last traded market prices. The Fund's redeemable participating shares and payables for administration and management fees are not considered to be segment liabilities and are managed by the administration function.

Reportable segments' liabilities are reconciled to total liabilities as follows.

IFRS8p28

	2009	2008
Segment liabilities for reportable segments	12,015	9,717
Accrued expenses	257	145
Net assets attributable to redeemable shareholders	114,414	84,674
Other payables	893	665
Adjustment from last traded market prices to bid/asking market prices	200	21
Total liabilities	127,779	95,222

IFRS8p33

The Fund is domiciled in Lagartos. All of the Fund's income from investments is from entities incorporated in countries other than Lagartos.

The Fund has no assets classified as non-current assets.

The breakdown of the major components of income and assets from other countries are disclosed below. All revenues are derived from financial assets and are attributed to a country based on the domiciliation of the issuer of the instrument.

Appendix VII – Segment reporting (multiple segments)

(All amounts in euro thousands unless otherwise stated)

For the year ended 31 December 2009:

	United States	Europe¹	Total
Segmental net income	13,872	1,587	15,459
Financial assets at fair value through profit or loss	96,178	28,548	124,726

For the year ended 31 December 2008:

	United States	Europe	Total
Segmental net income	(1,886)	(10)	(1,896)
Financial assets at fair value through profit or loss	72,755	21,014	93,769

IFRS8p34

The Fund also has a highly diversified shareholder population, and no individual investor owns more than 1% of the issued capital of the Fund.

¹ If there were material balances included in this segment that related to an individual country, additional disclosures would be required to present segmental information for those individual countries with material balances.

Appendix VIII – Segment reporting (single segment)
(All amounts in euro thousands unless otherwise stated)

Appendix VIII – Segment reporting (single segment)

IFRS 8, 'Operating segments', is applicable if the Fund has debt or equity instruments that 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. This appendix includes segment information for a fund that is within the scope of IFRS 8 but has only one operating segment.

This appendix is based on a Fund for which the internal reporting provided to the chief operating decision-maker (CODM) is consistent with the measurement and recognition principles of IFRS.

In cases where the information provided to the CODM may differ from that contained in the Fund's financial statements – for instance, where investments are valued on a different basis or where certain income or expense items are excluded from the internally reported profit or loss – the Fund will present the segment information consistent with what is reported internally to the CODM; it will also present a reconciliation to the financial statement amounts. (See Appendix VII for examples of these types of disclosures.)

In this instance, the Fund trades in a highly diversified portfolio of listed XYZ-Land equity, and the CODM's asset allocation decisions are made using a bottom-up approach based on a single, integrated investment strategy with the Fund's performance being evaluated on an overall basis. These factors are the main reasons why the Fund qualifies as a single-segment entity.

It is possible for another fund that holds an identical portfolio to have multiple segments depending on how the fund is managed internally. For instance, if another fund that also invests only in listed XYZ-Land equity is managed using a top-down approach, with the CODM allocating a specific portion of total assets to a select group of industries, and with the performance of each industry group being measured and managed separately, that fund may be seen as having multiple segments. IFRS8p5-10 lists the considerations to be made when determining the different operating segments of an entity.

Note – Basis of preparation (extracts)

(b) Standards adopted by the fund (extracts)

8p28

IFRS 8, 'Operating segments' was effective from 1 January 2009. IFRS 8 replaces IAS 14, 'Segment reporting', and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The segment information is therefore reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker.

Appendix VIII – Segment reporting (single segment)
(All amounts in euro thousands unless otherwise stated)

Note – Accounting policies (extracts)

1Rp119 Segment reporting

IFRS8p5(b) Operating segments are reported in a manner consistent with the internal reporting used by the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the managing director (MD) of the investment manager that makes strategic decisions.

Note – Segment information

IFRS8p22(a) The MD of the investment manager makes the strategic resource allocations on behalf of the fund. The Fund has determined the operating segments based on the reports reviewed by the MD, which are used to make strategic decisions.

IFRS8p22(a) The MD is responsible for the Fund's entire portfolio and considers the business to have a single operating segment. The MD's asset allocation decisions are based on a single, integrated investment strategy, and the Fund's performance is evaluated on an overall basis.

IFRS8p22(b) The Fund trades in a highly diversified portfolio of listed XYZ-Land equity with the objective of generating significant medium-term capital growth.

IFRS8p23
IFRS8p24 The internal reporting provided to the MD for the Fund's assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of IFRS.

IFRS8p29 There were no changes in the reportable segments during the year.

IFRS8p33¹ The Fund is domiciled in Lagartos. All of the Fund's income is from investments in entities incorporated in XYZ-Land.

The Fund has no assets classified as non-current assets. The Fund has a highly diversified portfolio of investments and no single investment accounts for more than 6% of the Fund's income.

IFRS8p34 The Fund also has a diversified shareholder population. However, as at 31 December 2009, there were three shareholders who each held more than 10% of the Fund's net asset value. Their holdings were 11%, 13% and 19% respectively. As at 31 December 2008, there were no shareholders who held greater than 10% of the Fund's net asset value².

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¹ IFRS8p33(a) makes reference to 'external customers'. Although this term bears no literal relevance to a fund, a fund will be required to present the equivalent revenue disclosures required by this paragraph.

² The IFRS8p34 reference to 'external customers' in this paragraph for the purpose of a fund is taken to mean the investors for the purpose of a fund.

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