Illustrative IFRS financial statements 2024

Investment funds

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Illustrative financial statements under IFRS® Accounting Standards 2024 – Investment funds

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This publication provides an illustrative set of financial statements, prepared in accordance with IFRS Accounting Standards, 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. The Fund does not have any subsidiaries, associates or joint ventures. The Fund's shares are not traded in a public market. Guidance on financial statements for first-time adopters of IFRS Accounting Standards is available at www.viewpoint.pwc.com.

This publication is based on the requirements of IFRS standards and interpretations for the financial year beginning on 1 January 2024.

There are no standards effective for the first time in 2024 that required changes to the disclosures or accounting policies in this publication. However, preparers should consider whether any of the standards that are mandatory for the first time for financial years beginning 1 January 2024 could affect their own accounting policies. Appendix XII contains a full list of these standards (including those that have only a disclosure impact) as well as a summary of their key requirements. Appendix XII also includes details around forthcoming standards that are available for early adoption.

Commentary boxes are included throughout the publication to provide additional information where necessary.

We have attempted to create a realistic set of financial statements for an open-ended investment fund. However, by necessity we illustrate disclosures that for many entities might be immaterial. Determining the level of disclosure is a matter of judgement, and disclosure of immaterial items is not required. Certain types of transaction have been excluded, because they are not relevant to the Fund's operations. Example disclosures for some of these additional items have been included in appendices.

The illustrative 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 might be equally acceptable if they comply with the specific disclosure requirements prescribed in IFRS Accounting Standards.

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 Accounting Standards require, nor do they take account of any specific legal framework. Further specific information might be required in order to ensure fair presentation under IFRS Accounting Standards. We recommend that readers refer to our most recent *Global IFRS e-Check – interactive disclosure checklist*. Additional accounting disclosures might be required in order to comply with local laws and/or stock exchange regulations.

Format

The references in the left-hand margin of the financial statements represent the paragraph of the standard in which the disclosure appears – for example, '8p40' indicates IAS 8 paragraph 40. The reference to IFRS Accounting Standards appears in full – for example, 'IFRS13p66' indicates IFRS 13 paragraph 66. The designation 'DV' (disclosure voluntary) indicates that IFRS Accounting Standards do not require the disclosure. Additional notes and explanations are shown in footnotes and commentary boxes.

ABC Fund financial statements

31 December 2024

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(All amounts in € thousands unless otherwise stated)

Statement of financial position[1]

			As at 31 December	
1p54, 60, 113		**Note**	**2024**	**2023**
	Assets			
1p54(i)	Cash and cash equivalents	11	1,620	325
1p55	Margin accounts	10	1,026	223
1p54(h), IFRS7p8(f)	Due from brokers		2,356	984
1p54(h), IFRS7p8(f)	Other receivables		497	448
1p54(d), IFRS7p8(a)(iv)	Financial assets at fair value through profit or loss	6, 9	106,460	93,242
IFRS9p3.2.23(a)	Financial assets at fair value through profit or loss pledged as collateral	6, 9	15,268	–
	Total assets		**127,227**	**95,222**
	Liabilities			
1p54(k), IFRS7p8(g)	Due to brokers		(893)	(665)
1p54(k), IFRS7p8(g)	Accrued expenses		(257)	(145)
1p54(m), IFRS7p8(e)	Financial liabilities at fair value through profit or loss	7, 9	(11,663)	(9,738)
1p55	**Liabilities (excluding net assets attributable to holders of redeemable shares)**		**(12,813)**	**(10,548)**
32IE32	**Net assets attributable to holders of redeemable shares**		**114,414**	**84,674**

The notes on pages 5 to 35 are an integral part of these financial statements.

[1] Investment entities generally present assets and liabilities in increasing or decreasing order of liquidity, where it would provide information that is reliable and more relevant than a current/ non-current presentation because the entity does not supply goods or services within a clearly identifiable operating cycle. [IAS 1 paras 60, 63].

All entities are still required to disclose the amount expected to be recovered or settled after more than 12 months for each asset and liability line item that combines amounts expected to be recovered or settled [IAS 1 para 61]:

(a) no more than 12 months after the reporting period, and
(b) more than 12 months after the reporting period.

(All amounts in € thousands unless otherwise stated)

Statement of comprehensive income[1] – by nature of expense

1p82, 81B, 85, 102, 113		Note	Year ended 31 December 2024	2023
	Income			
1p82(a)(i)	Interest income	5	167	74
1p85	Interest from financial assets at fair value through profit or loss	5	780	475
1p85	Dividend income		1,538	1,055
1p35, 85 21p52(a)	Net foreign currency gains or losses on cash and cash equivalents[2]		27	(7)
IFRS7p20(a)(i) 1p35	Other net changes in fair value on financial assets and financial liabilities at fair value through profit or loss	6, 7	13,455	(2,218)
1p85	**Total income/(loss)**		**15,967**	**(621)**
1p85, 99	**Operating 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)**
1p85	**Operating profit/(loss)**		**14,601**	**(1,637)**
1p82(b)	**Finance costs (excluding increase/decrease in net assets attributable to holders of redeemable shares)**			
1p85 32p35	Distributions to holders of redeemable shares[3]	13	(2,000)	(1,000)
	Profit/(loss) after distributions and before tax		**12,601**	**(2,637)**
1p82(d)	Withholding taxes		(182)	(138)
32IE32 1p85 32p35	**Increase/(decrease) in net assets attributable to holders of redeemable shares from operations[4]**		**12,419**	**(2,775)**

The notes on pages 5 to 35 are an integral part of these financial statements.

[1] IAS 1, '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 that are not accounted for at fair value through profit or loss on which foreign currency gains or losses have arisen during the period.

[3] When shares are classified as liabilities, distributions can be recognised as a finance cost in the statement of comprehensive income, or can instead be recognised within the statement of changes in net assets. When shares are classified as equity, however, distributions are required to be recognised in the statement of changes in net assets.

[4] Paragraph 82A of IAS 1 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 Accounting Standards. ABC Fund has no other comprehensive income items. All income and expenses have previously been reported in the income statement.

(All amounts in € thousands unless otherwise stated)

Statement of changes in net assets attributable to holders of redeemable shares[1]

1p6, 113

	Note	Year ended 31 December 2024	2023
Net assets attributable to holders of redeemable shares at 1 January		**84,674**	**76,713**
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
Increase/(decrease) in net assets attributable to holders of redeemable shares from operations		12,419	(2,775)
Net assets attributable to holders of redeemable shares at 31 December	12	**114,414**	**84,674**

The notes on pages 5 to 35 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 and is therefore considered best practice. There are no equity balances or movements of equity in either period, because the redeemable shares are classified as financial liabilities in accordance with IAS 32, 'Financial Instruments: Presentation'. Paragraph 106 of IAS 1 is therefore not applicable but is instead used by analogy to assist in the presentation of this statement.

(All amounts in € thousands unless otherwise stated)

Statement of cash flows[1]

		Note	Year ended 31 December 2024	2023
7p10, 18(b)	**Cash flows from operating activities**			
	Increase/(decrease) in amount attributable to holders of redeemable shares		12,419	(2,775)
7p20	Adjustment for:			
	– Interest income and interest from financial assets at fair value through profit or loss		(947)	(549)
	– Distributions to holders of redeemable shares		2,000	1,000
	– Dividend income		(1,538)	(1,055)
7p35	– Withholding taxes		182	138
	– Exchange (gains)/losses on cash and cash equivalents		(27)	7
			12,089	**(3,234)**
	Net (increase)/decrease in due from/to brokers		(1,144)	124
	Net increase in other receivables and accrued expenses		37	35
	Increase in margin accounts		(803)	(804)
	Increase in financial assets at fair value through profit or loss		(28,486)	(9,009)
	Increase in financial liabilities at fair value through profit or loss		1,925	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 issued		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
7p28	Exchange gains/(losses) on cash and cash equivalents		27	(7)
	Cash and cash equivalents at end of the year	11	**1,620**	**325**

The notes on pages 5 to 35 are an integral part of these financial statements.

[1] The cash flow statement above has been presented using the indirect method, because this is more commonly seen in practice. An illustration of the cash flow statement using the direct method has been presented in Appendix I.

(All amounts in € thousands unless otherwise stated)

Notes to the financial statements

1. General information

1p138(a)
1p51(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 18 Forum Lane, West Bay Road, Lagartos.

1p138(b)

The Fund's objective is to generate significant medium- to long-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 as well as eurozone sovereign and corporate debt. The Fund will also invest in related derivatives within a defined strategy, and it might invest a limited portion of its portfolio in unlisted securities. Unlisted holdings will at no time exceed 10% of the Fund's total net asset value attributable to holders of redeemable shares.

1p138(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[1].

10p17

These financial statements were authorised for issue by the Board of Directors on 15 February 2025.

2. Material accounting policies

1p117

The material accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all of the years presented, unless otherwise stated.

1p112(a)

2.1 Basis of preparation

1p16

The financial statements of ABC Fund have been prepared in accordance with IFRS Accounting Standards. IFRS Accounting Standards comprise the following authoritative literature:

- IFRS Accounting Standards;
- IAS® Standards; and
- Interpretations developed by the IFRS Interpretations Committee (IFRIC® Interpretations) or its predecessor body, the Standing Interpretations Committee (SIC® Interpretations).

Commentary – Compliance statement

The compliance statement in the basis of preparation should be aligned with how reference to the framework is described in local regulation. An alternative way to state compliance with IFRS Accounting Standards could be 'International Financial Reporting Standards as issued by the IASB' (IFRS Accounting Standards).

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.

The preparation of financial statements in conformity with IFRS Accounting Standards 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.

8p28

(a) New standards and amendments to existing standards effective 1 January 2024[2]

There are no standards, amendments to standards or interpretations that are effective for annual periods beginning on 1 January 2024 that have a material effect on the financial statements of the Fund.

8p30

(b) New standards, amendments and interpretations effective after 1 January 2024 and that have not been early adopted[3]

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2024, and have not been early adopted in preparing these financial statements. The Fund's assessment of the impact of these new standards and amendments is set out below:

[1] If instruments are traded in a public market or where 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 VI and VII include segment reporting for a fund that is within the scope of IFRS 8.

[2] New or revised accounting standards and interpretations only need to be disclosed if they resulted in a change in accounting policy which had an impact in the current year or could impact on future periods. There is no need to disclose pronouncements that did not have any impact on the entity's accounting policies and amounts recognised in the financial statements. A complete list of standards and interpretations that apply for the first time to financial reporting periods commencing on or after 1 January 2024 is set out in Appendix XII.

[3] Entities must explain if there are any accounting standards and interpretations which are not yet applied but are expected to have a material effect on the entity in the current period and on foreseeable future transactions. Where a pronouncement introduces a new accounting option that was not previously available, the entity should explain whether and/or how it expects to use the option in the future. In our view, where the expected impact is material, entities should make these disclosures even if the new accounting pronouncement is issued after the balance sheet date but before the date of authorisation of the financial statements. The illustrative accounting policy note only discusses pronouncements that are relevant for ABC Fund and that have not been early adopted. It also makes certain assumptions regarding materiality that might not apply to all entities alike and will need to be adapted to the individual circumstances of an entity. For a complete listing of standards and interpretations that were in issue as at 30 September 2024 but not yet mandatory, please refer to Appendix XII.

i) Amendments to the Classification and Measurement of Financial Instruments – Amendments to IFRS 9 and IFRS 7 (effective for annual periods beginning on or after 1 January 2026)

The IASB issued targeted amendments to IFRS 9 and IFRS 7 to respond to recent questions arising in practice, and to include new requirements not only for financial institutions but also for corporate entities. Among other amendments, the IASB clarified the date of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system.

ii) IFRS 18 Presentation and Disclosure in Financial Statements (effective for annual periods beginning on or after 1 January 2027)

The IASB issued the new standard on presentation and disclosure in financial statements, which replaces IAS 1, with a focus on updates to the statement of profit or loss.

The key new concepts introduced in IFRS 18 relate to:

- the structure of the statement of profit or loss with defined subtotals;
- the requirement to determine the most useful structured summary for presenting expenses in the statement of profit or loss;
- required disclosures in a single note within the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements (that is, management-defined performance measures); and
- enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general.

The Fund is currently still assessing the effect of the forthcoming standard and amendments.

No other new standards or amendments to standards are expected to have a material effect on the financial statements of the Fund.

Commentary – Materiality matters

When drafting the disclosures in the notes to the financial statements, also remember that too much immaterial information could obscure the information that is actually useful to readers. Some of the disclosures in this publication would likely be immaterial if ABC Fund was a 'real life' investment fund. The purpose of this publication is to provide a broad selection of illustrative disclosures which cover most common scenarios encountered in practice. The underlying story of the fund only provides the framework for these disclosures and the amounts disclosed are not always realistic. Disclosures should not be included where they are not relevant or not material in specific circumstances. Further guidance on assessing materiality is provided in the non-mandatory IFRS Practice Statement 2, *Making Materiality Judgements*.

1p117 IFRS7p21

2.2 Foreign currency translation

(a) Functional and presentation currency

21p17 21p9 1p51(d)

The Fund's investors are mainly from the eurozone, with the subscriptions and redemptions of the redeemable shares denominated in euro. 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 euro. 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 euro, which is the Fund's functional and presentation currency.

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'.

(All amounts in € thousands unless otherwise stated)

1p117
IFRS7p21

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

IFRS9p4.1.1 *(a) Classification*

IFRS9B4.1.6 (i) *Assets*

The Fund classifies its investments based on both the Fund's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. The Fund has not taken the option to irrevocably designate any equity securities as fair value through other comprehensive income. The contractual cash flows of the Fund's debt securities are solely principal and interest; however, these securities are neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Fund's business model's objective. Consequently, all investments are measured at fair value through profit or loss.

IFRS9p4.2.1 *(ii) Liabilities*

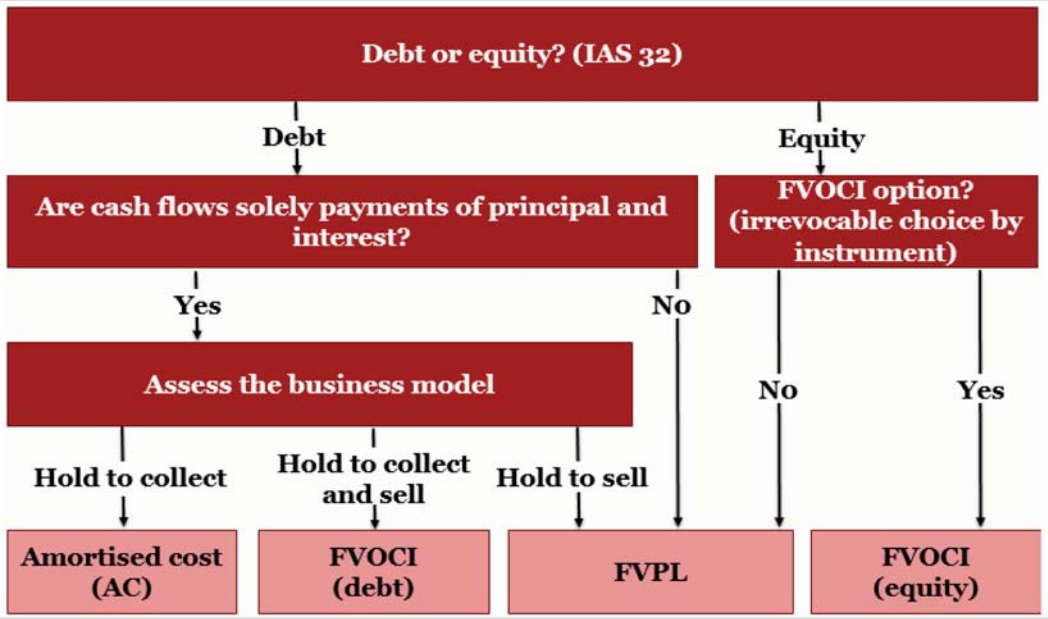
The Fund makes short sales in which a borrowed security is sold in anticipation of a decline in the market value of that security, or it might use short sales for various arbitrage transactions. Short sales are held for trading and are consequently classified as financial liabilities at fair value through profit or loss. Derivative contracts that have a negative fair value are presented as liabilities at fair value through profit or loss.

As such, the Fund classifies all of its investment portfolio as financial assets or liabilities at fair value through profit or loss.

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.

Commentary – Determining business model under IFRS 9

IFRS 9 sets out three potential categories for financial assets. These are amortised cost, fair value through other comprehensive income, and fair value through profit or loss. The following decision tree summarises the model described in IFRS 9 which determines a financial asset's relevant category.



Pursuant to IFRS 9, a portfolio of financial assets that is managed and whose performance is evaluated on a fair value basis is neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets. The entity is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. In addition, a portfolio of financial assets that meets the definition of 'held for trading' is not held to collect contractual cash flows or held both to collect contractual cash flows and to sell financial assets. For such portfolios, the collection of contractual cash flows is only incidental to achieving the business model's objective. Consequently, such portfolios of financial assets must be measured at fair value through profit or loss under paragraph B4.1.6 of IFRS 9.

The evaluation of the performance of ABC Fund is done for the entire portfolio on a fair value basis, as is the reporting to the key management personnel and to the investors. In this case, all equity, derivatives and debt investments form part of the same portfolio for which the performance is evaluated on a fair value basis together and reported to the key management personnel in its entirety. Since all of ABC Fund's investments are either held for trading and/or managed and evaluated on a fair value basis, they have remained classified as fair value through profit or loss upon adoption of IFRS 9.

If the portfolio is not all managed on a fair value basis, other criteria of IFRS 9 regarding the business model assessment should be considered.

To determine the business model of a fund, the following areas should be considered:

- How does the fund manage its financial assets?
- How is the performance of the fund measured?
- What does the fund's prospectus say about the management strategy and the risk factors to be considered when investing into the fund?
- How does management communicate the achievements of the fund to investors?
- What is the measurement basis for the fund units at sale or redemption?
- How does the fund meet the redemption requests?
- How were the assets previously reported under IAS 39?

Further guidance on the determination of business model for a fund, and how these questions impact that determination, can be found on Viewpoint: IFRS 9 – Financial instruments (Chapter 4 Classification).

Significant accounting judgements in determining business model

The objective of ABC Fund is to achieve long-term capital appreciation and its portfolio is managed on a fair value basis. ABC Fund therefore applies the business model allowed by paragraph B4.1.6 of IFRS 9, which requires its portfolio to be classified at fair value through profit or loss.

Determining the appropriate business model and assessing whether cash flows generated by an asset constitute solely payments of principal and interest (SPPI) is sometimes complex and might require significant judgement. Depending on the level of judgement and the amount of financial assets affected by the conclusion, the SPPI and/or business model assessment might require disclosure as a significant judgement in accordance with paragraph 122 of IAS 1.

IFRS7B5(c) *(b) Recognition, derecognition and measurement*

IFRS7p21, IFRS9p3.2.2, 3.1.2, 5.1.1 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 financial assets have expired or have been transferred and the Fund has transferred substantially all the risks and rewards of ownership.

When the Fund purchases an option, an amount equal to fair value which is based on the premium paid is recorded as an asset. When the Fund writes an option, an amount equal to fair value which is based on the premium received by the Fund is recorded as a liability. When options are closed, the difference between the premium and the amount paid or received, net of brokerage commissions, or the full amount of the premium if the option expires worthless, is recognised as a gain or loss and is 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.

IFRS9p5.2.1, 5.7.1 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.

IFRS9p5.7.1A IFRS7B5(e) Dividend income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income within dividend income. Interest on debt securities at fair value through profit or loss is recognised in the statement of comprehensive income. 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.

(All amounts in € thousands unless otherwise stated)

(c) Fair value estimation

IFRS13p70, 91 Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial assets and liabilities traded in active markets[1] (such as publicly traded derivatives and trading securities) are based on quoted market prices at the close of trading on the reporting date[2]. The Fund utilises the last traded market price for both financial assets and financial liabilities where the last traded price falls within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, management will determine the point within the bid-ask spread that is most representative of fair value.

Commentary – IFRS 13 and fair value estimation

According to paragraphs 70–71 of IFRS 13, if an asset or a liability measured at fair value has a bid price and an ask price (for example, an input from a dealer market), the price within the bid-ask spread that is most representative of fair value in the circumstances should be used to measure fair value regardless of where the input is categorised within the fair value. The use of bid prices for asset positions and ask prices for liability positions is permitted, but is not required. This IFRS Accounting Standard does not preclude the use of mid-market pricing or other pricing conventions that are used by market participants as a practical expedient for fair value measurements within a bid-ask spread.

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].

IFRS13p62 The fair value of financial assets and liabilities that are not traded in an active market (for example, over-the-counter derivatives) is determined 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 ordinary transactions between market participants, 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.

(d) Transfers between levels of the fair value hierarchy

IFRS13p95 Transfers between levels of the fair value hierarchy are deemed to have occurred at the beginning of the reporting period.

IFRS7p21 1p117

2.4 Offsetting financial instruments

32p42, AG38B Financial assets and liabilities are offset and the net amount reported in the balance sheet 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. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

IFRS7p21 1p117

2.5 Due from and due to brokers

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. The due from brokers balance is held for collection.

Amounts due from/to brokers are recognised initially at fair value and subsequently measured at amortised cost.

2.6 Other receivables

Other receivables are recognised initially at fair value and are subsequently measured at amortised cost. The other receivables balance is held for collection.

[1] The existence of published price quotations in an active market is the best evidence of fair value and, when they are available, they are used to measure fair value. The phrase 'quoted in an active market' means that quoted prices are readily and regularly available from an exchange, dealer, broker, industry 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 principal market or, in the absence of a principal market, the most advantageous market. [IFRS 13 para 16]. The quoted market price cannot be adjusted for transaction costs. [IFRS 13 para 25]. The quoted market price cannot be adjusted for 'blockage' factors. [IFRS 13 para 69].

[2] 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.

[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.

2.7 Expected credit losses on financial assets measured at amortised cost

IFRS9p5.1.1, 5.4.1, 5.5

At each reporting date, the Fund measures the loss allowance on financial assets measured at amortised cost at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Fund measures the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that amounts might be credit impaired. If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the net carrying amount (after deduction of the loss allowance). A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due. Any contractual payment which is more than 90 days past due is considered credit impaired.

Commentary – Expected credit losses

Certain factors, such as what is deemed a 'significant increase in credit risk' and what is considered to be an impairment, are inherently judgemental. Entities should develop their own policies for such factors, with consideration given to the application guidance and rebuttable presumptions contained in IFRS 9.

An entity can assume that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. [IFRS 9 para 5.5.10]. Further analysis of what constitutes low credit risk can be found in paragraphs B5.5.22–B5.5.24 of IFRS 9.

Additional guidance on the application of IFRS 9 can be found on Viewpoint: Chapter 45 of the Manual of Accounting.

IFRS7p21 1p117

2.8 Cash and cash equivalents

7p45, 46

'Cash and cash equivalents' includes cash in hand, deposits held at call with banks and brokers[1] and other short-term investments in an active market with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown in current liabilities in the statement of financial position.

IFRS7p21 1p117

2.9 Accrued expenses

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

IFRS7p21 1p117

2.10 Redeemable shares

32p18 IFRS9B4.3.7

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 dealing date for cash equal to a proportionate share of the Fund's net asset value attributable to the share class. Shares are redeemable weekly.

The redeemable shares are carried at amortised cost which corresponds to 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 1p117

2.11 Interest income and interest from financial assets at fair value through profit or loss[2]

IFRS9p5.4.1

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

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

[2] The IFRS Interpretations Committee (the 'Committee') issued an agenda decision which concluded that the interest revenue calculated using the effective interest method that is to be presented separately from other components of revenue under paragraph 82(a) of IAS 1 can be used only for interest revenue arising from financial assets measured at amortised cost or fair value through other comprehensive income (subject to the effect of applying hedge accounting to derivatives in designated hedge relationships). Accordingly, since ABC Fund classifies its debt securities as financial assets at fair value through profit or loss, the 'interest' earned on these assets was separated from the 'Interest income' line item in the statement of comprehensive income, because the latter is attributable to financial assets held at amortised cost. Additionally, a line item 'interest from financial assets at fair value through profit or loss' was added, given the relevance of this information to the users, as permitted by paragraph 85 of IAS 1.

(All amounts in € thousands unless otherwise stated)

2.12 Dividend income

IFRS9p5.7.1A Dividend income is recognised when the right to receive payment is established, it is probable that the economic benefits associated with the dividend will flow to the Fund, and the amount of the dividend can be measured reliably.

IFRS7p21
IFRS9B5.4.8
IFRS9p5.1.1
1p117

2.13 Transaction costs

Transaction costs are costs incurred to acquire financial assets or liabilities at fair value through profit or loss. They include 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
1p117
32IE32
32p35, 40

2.14 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 a 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
1p117

2.15 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.

IFRS7p21
1p117

2.16 Taxation[1,2]

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.

Commentary – OECD Pillar Two Rules

In December 2021, the Organisation for Economic Co-operation and Development (OECD) released the Pillar Two model rules (the Global Anti-Base Erosion Proposal, or 'GloBE') to reform international corporate taxation. Investment entities such as ABC Fund are typically not within the scope of these rules

2.17 Collateral

IFRS9IGD.1
IFRS9p3.2.23

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

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 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, on short future positions and on equity and debt sold short, the maximum loss of capital can be unlimited. The maximum loss of capital on

[1] Refer to Appendix VIII for investment funds with tax uncertainty.
[2] If the entity is subject to government levies, the policy note should be expanded to address the accounting treatment of these costs in accordance with IFRIC 21.

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.

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 that 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.

Commentary – Impacts of inflation

In a period of rising inflation and interest rates, an entity might need to provide additional disclosures or update existing disclosures. For example, sensitivity disclosures would need to be updated if the magnitude of a reasonably possible change in interest rates is different from previous periods. Where there are changes in expected volatility, prior year disclosures should not be restated. An entity could choose, however, to present additional sensitivity information for the comparative period in addition to the required comparative figures from the prior year.

IFRS 7 does not limit disclosure of risks to only credit risk, liquidity risk and market risk. Hence, an entity might need to provide specific disclosures relating to inflation risk, if this information is not already captured in other market risk disclosures. For example, if an entity has an inflation-linked financial instrument, the sensitivity of such an instrument to changes in inflation rates should be disclosed.

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 quoted 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 is reported to the Board on a monthly basis.

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

IFRS7p34

	Fair value	
	2024	**2023**
Equity securities	99,746	76,656
Equity-related derivative assets	1,545	1,300
Equity-related derivative liabilities	(1,115)	(538)
Equity securities sold short	(10,548)	(9,200)
Total	**89,628**	**68,218**

(All amounts in € thousands unless otherwise stated)

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

	2024	2023
Net equity securities	89,198	67,456
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	**139,198**	**100,706**

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 believes that 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 (including Level 1, 2 and 3 equity securities), net of securities sold short.

IFRS7B8

	At 31 December	
	2024	2023
Sector	**Fund's equity portfolio (%)**	**Fund's equity portfolio (%)**
Information technology	15.1	17.2
Financials	18.2	18.1
Energy	14.1	14.2
Health care	12.8	11.2
Consumer staples	9.8	11.5
Industrials	13.2	10.5
Consumer discretionary	9.9	10.2
Utilities	2.1	3.1
Materials	1.9	2.1
Telecommunications services	2.9	1.9
Total	**100.0**	**100.0**

The below table is a summary of derivatives held which gives rise to price risk.

	At 31 December			
	2024		2023	
Derivative type	**Contract Value**	**Fair Value**	**Contract Value**	**Fair Value**
Futures				
S&P 500	22,000	290	16,250	380
Total	**22,000**	**290**	**16,250**	**380**
Options				
Purchased call options: S&P 500	30,000	400	19,125	300
Purchased put options: S&P 500	(12,000)	445	(9,625)	400
Written call options: S&P 500	(17,800)	(300)	(10,500)	(115)
Written put options: S&P 500	27,800	(405)	18,000	(203)
Total	**28,000**	**140**	**17,000**	**382**

IFRS7p35 During the year ended 31 December 2024, the Fund's exposure to various industry sectors was significantly different from the exposure as at 31 December 2024. 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 2024 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 2024. Exposure as at 31 December 2023 is representative of the exposures held throughout the year ending 31 December 2023.

The Fund had no concentrations in individual equity positions exceeding 3% (2023: 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 as at 31 December. The analysis is based on the assumptions that the S&P 500 Index increased by 12% (2023: 7%) and decreased by 9% (2023: 3%), with all other variables held constant, and that the fair

value of the Fund's portfolio of equity securities and equity-based derivatives moved according to their historical correlation with the index. This represents management's best estimate of a reasonably 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 (2023: 0.90) of the index gain and 0.75 (2023: 0.80) of downward movements in the index. The impact below arises from the reasonably possible change in the fair value of equities and equity derivatives.[1]

	2024	2023
Effect on net assets attributable to redeemable shares of an increase in the index	15,918	6,344
Effect on net assets attributable to redeemable shares of a decrease in the index	(9,425)	(2,416)

Commentary – Sensitivity analyses and potential impacts on reasonably possible shifts

As noted in paragraph B19 of IFRS 7, the selection of a best estimate should not be worst-case or stress test scenarios but should be the limit of what is reasonably possible. The analysis should show the effects of changes that are considered to be reasonably possible over the period until the entity will next present these disclosures, which is usually its next annual reporting period.

Geopolitical, social, and economic developments can result in significant market volatility in many areas. Management should be mindful that its determination of a reasonably possible shift could potentially be different from the determination made in the previous year.

Commentary – Value at risk (VaR)

As described in paragraph 41 of IFRS 7, if an entity prepared a sensitivity analysis such as value-at-risk (VaR) that reflects interdependencies between risk variables (such as interest rates and exchange rates) and uses it to manage financial risks, it could use that sensitivity analysis in place of the analysis specified in paragraph 40 of IFRS 7. If an entity chooses to prepare and disclose VaR in this way, the entity should also disclose:

i) an explanation of the method used in preparing such a sensitivity analysis, and of the main parameters and assumptions underlying the data provided; and

ii) an explanation of the objective of the method used and of limitations that might result in the information not fully reflecting the fair value of the assets and liabilities involved.

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.

Commentary – Risk exposure and consideration of derivative contract values

Management should disclose information that enables users of its financial statements to evaluate the nature and extent of risks arising from financial instruments to which the entity is exposed at the end of the reporting period. [IFRS 7 para 31]. The disclosures require focus on the risks that arise from financial instruments and how they have been managed. [IFRS 7 paras 31, 32].

For each type of risk arising from financial instruments an entity is required to disclose concentrations of that risk. [IFRS 7 para 34].

A derivative instrument typically provides leveraged exposure to a particular risk, the measure of which is not reflected in the fair value of the instrument. In the case of ABC Fund, which holds futures and options linked to the S&P 500 Index, the net total exposure is €50,000 but the net fair value of these instruments is only €430. For the purpose of addressing the IFRS7 risk disclosure requirements, ABC Fund should therefore consider the total risk as €50,000 and also consider any concentrations within that risk. In this instance, the only concentration is to the S&P 500 Index, and so this is disclosed.

[1] This includes the Level 3 equity positions. Note that the separate Level 3 sensitivity analysis, which is based on valuation inputs, does not meet the requirement to present a market sensitivity analysis.

(All amounts in € thousands unless otherwise stated)

Careful consideration must be given to the type of derivatives held when determining the nature of the exposures that they create. For instance, a fund that holds contracts for differences ('CFDs') in various equity positions should consider the contract values when analysing exposure to particular geographic locations, industries and individual equities. Similarly, when disclosing a concentration of risk, contract values should be considered. Derivatives which expose the entity to foreign exchange risk or interest rate risk (for example, foreign exchange forward contracts and interest rate swaps) will need to be considered and disclosed in a similar manner.

Additionally, when preparing a sensitivity analysis, the effect of a reasonably possible movement in the risk variable should be determined, considering the effect of derivatives where relevant.

(b) Foreign exchange risk

IFRS7 p33(a), (b)

The Fund operates internationally and holds both monetary and non-monetary assets denominated/quoted 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 fluctuates 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, and not foreign currency risk. However, management monitors the exposure on all foreign currency denominated/quoted assets and liabilities. The table below provides analysis between monetary and non-monetary items to meet the requirements of IFRS 7.

The Fund does not enter into any foreign exchange hedging transactions for the purpose of managing its exposure to foreign exchange movements (both monetary and non-monetary).

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/quoted securities, it might 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/quoted in euro. For that reason, the below sensitivity analysis might 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/quoted in a currency other than the euro.

IFRS7p34(a)

Concentration of foreign currency exposure

(Amounts in euro thousands)

	At 31 December			
	2024		2023	
	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	10,715	–	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 reviews 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 the percentage disclosed in the table below, with all other variables held constant. This represents management's best estimate of a reasonably 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.

(All amounts in € thousands unless otherwise stated)

		Reasonably possible shift in rate 2024	Movement in value 2024	Reasonably possible shift in rate 2023	Movement in value 2023
	Currency				
	US dollars				
IFRS7p40(a) DV[1]	– Monetary	+/- 9%	+/- 309	+/- 6%	+/- 90
	– Non-monetary	+/- 9%	+/- 7,044	+/- 6%	+/- 4,063
	Pounds sterling				
IFRS7p40(a) DV[1]	– Monetary	+/- 10%	+/- 2	+/- 8%	–
	– Non-monetary	+/- 10%	+/- 110	+/- 8%	+/- 47

(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 market 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.

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.

	31 December			
	2024		2023	
	Fund	Benchmark	Fund	Benchmark
Effective duration	2.01	2.75	1.86	2.25

IFRS7p40 IFRS7IG36

At 31 December 2024, if interest rates on euro-denominated assets and liabilities had been lower by 25 basis points (2023: 75), with all other variables held constant, the increase in net assets attributable to redeemable shareholders would have been €95 (2023: €191). This arises substantially from the increase in the fair value of fixed-interest securities, with a small portion affecting interest rate futures[2], of €5 (2023: € nil). If interest rates on euro-denominated assets and liabilities had been higher by 150 basis points (2023: 50), the decrease in net assets attributable to redeemable shareholders would amount to €570 (2023: €127).

At 31 December 2024, if interest rates on USD-denominated assets had been 100 basis points lower/higher (2023: 25), with all other variables held constant, the change in net asset attributable to redeemable shareholders would have been €56 (2023: €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 of €4 (2023: €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 might also be indirectly affected by the impact of interest rate changes on the earnings of certain companies in which the Fund invests. Therefore, the above sensitivity analysis might 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.

Commentary – Interest rate risk: impacts of inflation

In a period of rising inflation and interest rates, an entity might need to provide additional disclosures or update existing disclosures. For example, sensitivity disclosures would need to be updated if the magnitude of a reasonably possible change in interest rates is different from previous periods. Where there are changes in expected volatility, prior year disclosures should not be restated. An entity could choose, however, to present additional sensitivity information for the comparative period in addition to the required comparative figures from the prior year.

[1] Non-monetary sensitivity analysis is voluntary. In accordance with paragraph B23 of IFRS 7, currency risk does not arise from financial instruments that are non-monetary.
[2] Note that interest rate risk sensitivity from interest-linked derivatives should be based on notional values, because this represents the actual exposure.

(All amounts in € thousands unless otherwise stated)

3.1.2 Liquidity risk

IFRS7p39(c), 33(a), (b)

Liquidity risk is the risk that the Fund might 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 weekly 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, because the majority are listed on the New York stock exchange.

The Fund might 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 might 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.

Commentary – Liquidity risk: impacts of inflation

In a difficult economic climate, it is likely that entities will encounter increasing margin calls on derivatives, requiring the posting of collateral, which can pose a significant liquidity risk. If collateral calls pose significant liquidity risk, entities need to provide quantitative disclosures of their collateral arrangements to explain how this liquidity risk is managed. The carrying amount of financial assets pledged as collateral for liabilities or contingent liabilities should also be disclosed, together with the terms and conditions relating to its pledge.

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 and 50% of the gross assets, and would be secured by the assets of the Fund. This facility bears interest at 1-month term SOFR plus 25 basis points.

In order to manage the Fund's overall liquidity, the Fund also has the ability to withhold 25% of weekly redemption requests for a period of no more than one month. Under extraordinary circumstances, the Fund also has the ability to suspend redemptions if this is deemed to be in the best interest of all shareholders. The Fund did not withhold any redemptions or implement any suspension during 2024 and 2023.

IFRS7p33(b)

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) 1p61

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 and are based on the assumption that the Fund exercises its ability to withhold 25% of weekly redemptions.

At 31 December 2024	Less than 7 days	7 days to 1 month
Financial liabilities at fair value through profit or loss	10,548	–
Due to brokers	893	–
Accrued expenses	158	99
Net asset attributable to holders of redeemable shares	85,814	28,600
Contractual cash outflows (excluding derivatives)	**97,413**	**28,699**
At 31 December 2023		
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 outflows (excluding derivatives)	**73,464**	**21,220**

Commentary – Liquidity risk considerations

Geopolitical, social and economic developments can alter the liquidity of certain investments, particularly those in Level 3, and, as such, might have increased the overall liquidity risk of the entity regarding its ability to meet redemption requirements.

Entities should consider whether any additional disclosures are required around changes to liquidity risk and/or changes to the policies and processes used for managing liquidity risk.

Redeemable shares are redeemed on demand at the holder's option. 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, because holders of these instruments typically retain them for the medium to long term. At 31 December 2024 and 2023, no individual investor held more than 10% of the Fund's redeemable shares.

IFRS7B11E 1p61

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:*

At 31 December 2024	Less than 7 days	7 days to 1 month	1 to 12 months	More than 12 months
Total assets	111,479	7,850	7,298	600[(a)]

At 31 December 2023	Less than 7 days	7 days to 1 month	1 to 12 months	More than 12 months
Total assets	91,053	3,778	306	85[(a)]

[(a)] Amounts expected to be recovered or settled after more than 12 months are included within 'Financial assets at fair value through profit or loss' in the statement of financial position.

Commentary – Asset liquidity

* Paragraph B11E of IFRS 7 states that an entity should disclose a maturity analysis of financial assets that 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.

Careful consideration must be given to the nature of assets held when categorising within liquidity buckets. For instance, emerging-market debt instruments might have a different liquidity profile from developed-market debt instruments.

IFRS7p39(b)

The table below analyses the Fund's derivative financial instruments in a liability 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.

	Less than 7 days	7 days to 1 month	1 to 12 months	More than 12 months
At 31 December 2024				
Net settled derivatives				
– S&P Futures[1]	310	45	40	15
– S&P Options	355	350	–	–
At 31 December 2023				
Net settled derivatives				
– S&P Futures	–	110	100	10
– S&P Options	318	–	–	–

Commentary – Liquidity risk disclosures and derivatives

Gross settled derivatives
An entity is required to disclose its gross cash outflows on gross settled derivatives. [IFRS 7 App B para B11D(d)]. A foreign exchange forward contract is an example of a derivative instrument which is commonly settled on a gross basis rather than net. There is no explicit requirement to disclose the corresponding inflow. However, paragraph B11E of IFRS 7 requires an entity to disclose a maturity analysis of financial assets that 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.

Expected maturity versus contractual maturity
Amended paragraph 39(b) of IFRS 7 states: *"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"*. Where more relevant, the information will be presented based on expected maturities rather than contractual maturities.

[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) can also be included; however, this is not a requirement of IFRS 7. Paragraph B10A of IFRS 7 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 should state that fact and provide quantitative information that enables users of the financial statements to evaluate the extent of that risk.

(All amounts in € thousands unless otherwise stated)

IFRS7p33

3.1.3 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.

The Fund's policy to manage this risk is to invest in debt securities that have a minimum credit rating of BBB/Baa as designated by a well-known rating agency, Ratings plc, with no more than 50% of the debt portfolio rated less than AA/Aa. Within the above limits, the Fund can 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.

DV

Debt securities by rating category	2024	2023
AAA/Aaa	40%	45%
AA/Aa	20%	23%
A/A	15%	13%
BBB/Baa	13%	10%
Unrated*	12%	9%
Total	**100%**	**100%**

*In order to monitor the credit quality of the Unrated underlying debt securities, the Investment Manager, on the basis of internal research, prepares its own shadow ratings for the various instruments for which publicly available credit ratings are not available. The Investment Manager reviews the key financial metrics of the issue and structural features of the instruments in order to calculate the implied ratings for each of these investments. The majority of unrated securities have been assessed by the Investment Manager to have credit quality consistent with BBB/Baa rated securities. A BBB/Baa rating is the lowest rating that a bond can have and still be considered investment grade. An investment grade bond is a bond considered to have a relatively low risk of default.

All other receivables, 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 that 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, because 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, since it is affected by each transaction subject to the arrangement. Refer to Note 3.1.4 for further analysis of the Fund's master netting arrangements.

All transactions in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal, because 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), 34

The maximum exposure to credit risk before any credit enhancements at 31 December corresponds to the carrying amount of the following financial assets: debt securities, derivative assets, cash and cash equivalents and other assets[1].

IFRS7p35F

The Fund measures credit risk and expected credit losses using probability of default, exposure at default, and loss given default. Management considers both historical analysis and forward-looking information in determining any expected credit loss. At 31 December 2024 and 31 December 2023, all other receivables, amounts due from brokers, cash and short-term deposits are held with counterparties with a credit rating of AA/Aa or higher and are due to be settled within 1 week. Applying the requirements of IFRS 9, the expected credit loss is immaterial for the Fund and, as such, no ECL has been recognised within the financial statements.

Commentary – IFRS 7 credit risk disclosures

There are significant disclosure requirements surrounding credit risk and impairment that are not relevant for ABC Fund but which might be relevant for other entities. Further illustrative guidance on the disclosure requirements of IFRS 9 can be found in PwC's 'VALUE Plc Illustrative consolidated financial statements under IFRS® Accounting Standards December 2024' publication.

[1] Numerical disclosures of maximum exposure to credit risk are typically required for off balance sheet credit exposures such as written credit default swaps, credit guarantees and loan commitments.

Commentary – Expected credit loss calculations

Certain entities should consider the potential impact of geopolitical, social and economic developments on their expected credit loss (ECL) calculations. ECL models might have been developed using historical information that is potentially not representative of future risk. This might indicate the need for post-modelling ECL adjustments. Instruments that are not low credit risk should be assessed for a significant increase in credit risk (SICR) in light of the current economic environment. Increases in market interest rates might, for instance, result in significant financial difficulty of the borrower, leading to an increased credit risk on the financial asset.

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 2024 had a credit rating of Aa (2023: Aa). At 31 December 2024 and 31 December 2023, substantially all cash and cash equivalents, balances due from broker and investments are placed in custody with Custodian plc.

IFRS7p14, 36 The Fund has provided Custodian plc with a general lien over all assets (excluding cash[1]) 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% (2023: 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. There are also 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 might not always be possible to achieve this segregation, so the portfolio of the Fund might experience increased exposure to credit risk associated with the applicable custodians or brokers.

Commentary – Derivatives and risk disclosures

When making the required IFRS 7 risk disclosures illustrated above, careful thought must be given to the risk exposures created by the various derivative instruments that the Fund might hold. For most derivatives, the notional or contract value of the instrument would determine the total risk exposure. These exposures need to be incorporated into the respective quantitative disclosures and sensitivity analysis where applicable.

3.1.4 Offsetting and amounts subject to master netting arrangements and similar agreements

As at 31 December 2024 and 2023, the Fund was subject to one master netting arrangement with its sole derivative counterparty. All of the derivative assets and liabilities of the Fund are held with this counterparty, and the margin balance maintained by the Fund is for the purpose of providing collateral on derivative positions.

IFRS7p13C The following tables present the Fund's financial assets and liabilities subject to offsetting, enforceable master netting arrangements and similar agreements. The tables are presented by type of financial instrument.

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements:

	A	B	C = A – B	D		E = C – D
	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities offset in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	Related amounts not offset in the statement of financial position		Net amount
				D(i) and D(ii) Financial instruments	D(ii) Cash collateral received	
Description						
2024: Derivative assets	1,600	–	1,600	1,115	–	485
2023: Derivative assets	1,300	–	1,300	538	–	762

[1] If cash collateral was provided for a specific transaction, 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'. [IFRS 9 para IGD.1.1].

(All amounts in € thousands unless otherwise stated)

Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements:

	A	B	C = A – B	D		E = C – D
	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets offset in the statement of financial position	Net amounts of financial liabilities presented in the statement of financial position	Related amounts not offset in the statement of financial position		Net amount
				D(i) and D(ii) Financial instruments	D(ii) Cash collateral received	
Description						
2024: Derivative liabilities	1,115	–	1,115	1,115	–	–
2023: Derivative liabilities	538	–	538	538	–	–

Amounts in D(i) and D(ii) above relate to amounts subject to set-off that do not qualify for offsetting under (B) above. This includes (i) amounts which are subject to set-off against the asset (or liability) disclosed in 'A' which have not been offset in the statement of financial position, and (ii) any financial collateral (including cash collateral), both received and pledged.

IFRS7p13E, B50

The Fund and its counterparty have elected to settle all transactions on a gross basis however, each party has the option to settle all open contracts on a net basis in the event of default of the other party. Per the terms of the master netting agreement, an event of default includes the following:

– failure by a party to make payment when due;
– failure by a party to perform any obligation required by the agreement (other than payment) if such failure is not remedied within 30 days after notice of such failure is given to the party;
– bankruptcy.

Commentary – Offsetting and amounts subject to master netting arrangements and similar agreements

The illustrative disclosure provided above is minimal and deals with a non-complex arrangement. For further detailed guidance and illustrative disclosure, refer to Appendix X.

1p134, 135

3.2 Capital risk management

The capital of the Fund is represented by the net assets attributable to holders of redeemable shares. The amount of net assets attributable to holders of redeemable shares can change significantly on a weekly basis, since the Fund is subject to weekly subscriptions and redemptions at the discretion of shareholders, as well as changes resulting from the Fund's performance. 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, provide benefits for other stakeholders and maintain a strong capital base to support the development of the investment activities of the Fund.

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

- Monitor the level of weekly subscriptions and redemptions relative to the assets that it expects to be able to liquidate within 7 days, and adjust the amount of distributions that 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.

3.3 Fair value estimation

IFRS13p70

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 Fund utilises the last traded market price for both financial assets and financial liabilities. 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.

An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing 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 could 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 might 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 might not fully reflect all factors relevant to the positions that the Fund holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors including model risk, liquidity risk and counterparty risk.

IFRS7p24I, 24J The Fund actively trades in debt securities, some of which are variable rate and have a SOFR linked interest rate. As at 31 December 2024, the Fund held €150 in variable-rate debt investments linked to SOFR which might potentially be transitioned to an alternative benchmark before the Fund disposes of the investments. The impact of this transition, if any, will be captured in the change in fair value of these investments and is not expected to be material to the Fund.

Commentary – Fair value measurement and environmental, social and governance (ESG) factors

Considerations around ESG factors are a high-profile issue that investors and regulators are focusing on. Along with non-financial reporting considerations, entities should also consider the impact of ESG factors such as climate change risk in financial reporting. For ABC Fund, the most significant impact is on fair value measurement, given that the measurement will be impacted by how a market participant view might include assumptions about ESG-related risk.

Fair value measurement for an asset would be based on a hypothetical sale transaction for that particular asset. For the majority of ABC Fund, the fair value of such an investment would generally be determined by reference to the quoted price in an active market (that is, a Level 1 fair value measurement) and therefore would reflect market participants' assumptions on different risks including climate and other ESG-related risks. Since the quoted price has to be used and should reflect market participants' assumptions about ESG factors, no further adjustments have been made. In determining the fair value for items not traded in an active market, judgement will need to be applied. Where quoted prices in an active market are not available, the fair value model (Level 2 or 3) incorporates assumptions about how a market participant would take into account ESG factors such as climate change in a hypothetical exit transaction. Entity-specific assumptions that are more conservative or more optimistic than what market participants would consider should not be used. For ABC Fund, this did not give rise to a significant judgement.

However, where this might involve significant management judgement due to the significance of Level 2 and/or Level 3 investments, the appropriate disclosures about inputs and assumptions including climate risk should be considered.

Inputs and assumptions which might be impacted by ESG-related risk include, but are not limited to:
(a) discount rates;
(b) the timing and amount of forecast cash flows;
(c) inflation rates; and
(d) other assumptions that a market participant would consider in the circumstances.

IFRS7p29(a) The carrying value (after the deduction of the loss allowance) of due from brokers, other receivables, margin accounts, cash and cash equivalents, due to brokers, accrued expenses and net assets attributable to holders of redeemable shares are a reasonable approximation of their fair value, due to their short-term maturity.

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

For each class of assets and liabilities not measured at fair value in the statement of financial position but for which the fair value is disclosed, an entity should disclose the level within the fair value hierarchy within which the fair value measurement would be categorised, and a description of the valuation technique and the inputs used in the technique. [IFRS 13 para 97]. The example that the International Accounting Standards Board (IASB) used for this requirement is the case in which a financial instrument is measured at amortised cost in the statement of financial position whose fair value is required to be disclosed per IFRS 7.

(All amounts in € thousands unless otherwise stated)

IFRS13p93(b) The fair value hierarchy has the following levels:

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

Commentary – IFRS 13

The overall disclosure objective of IFRS 13 is for an entity to disclose information that helps users of its financial statements to assess both of the following:

- for assets and liabilities that are measured at fair value on a recurring or non-recurring basis in the statement of financial position after initial recognition, the valuation techniques and inputs used to develop those measurements; and
- for recurring fair value measurements using significant unobservable inputs (Level 3), the effect of the measurements on profit or loss or other comprehensive income for the period.

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

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

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, supported by market transactions, and provided by independent sources that are actively involved in the relevant market.

The following table analyses within the fair value hierarchy the Fund's assets and liabilities (by class) measured at fair value at 31 December 2024[1].

[1] Valuation hierarchy disclosures should be given by class of asset and liability measured at fair value. [IFRS 13 para 93(b)]. Factors to consider would be the nature, characteristics and risks of the asset and liability, as well as the level of the fair value hierarchy in which the measurement is categorised. Greater disaggregation of classes might be needed for Level 3 due to the degree of uncertainty and subjectivity. [IFRS 13 para 94].

(All amounts in € thousands unless otherwise stated)

All fair value measurements disclosed are recurring fair value measurements[1].

IFRS13p93(a), (b)

	Level 1	Level 2	Level 3	Total balance
Assets				
Financial assets at fair value through profit or loss:				
Equity securities				
Eurozone				
Industrial	11,774	–	–	11,774
United States				
Information technology	13,469	–	–	13,469
Financials	13,540	2,694	–	16,234
Health care	11,417	–	–	11,417
Consumer staples	8,741	3,250	7,298	19,289
Energy – renewable	4,850	3,037	–	7,887
Energy – non-renewable	3,650	1,040	–	4,690
Consumer discretionary	4,650	4,181	–	8,831
Other sectors	4,800	1,355	–	6,155
Derivatives				
Listed options	845	–	–	845
Listed futures	755	–	–	755
Debt securities				
US Treasury bills	2,000	–	–	2,000
Eurozone sovereign	11,499	4,501	–	16,000
Eurozone corporate	–	1,600	–	1,600
United States corporate	–	182	600	782
Total assets at fair value through profit or loss	**91,990**	**21,840**	**7,898**	**121,728**
Liabilities				
Financial liabilities at fair value through profit or loss:				
Equity securities sold short				
United States				
Consumer staples	6,198	4,350	–	10,548
Derivatives				
Listed options	705	–	–	705
Listed futures	410	–	–	410
Total liabilities at fair value through profit or loss	**7,313**	**4,350**	**–**	**11,663**

The following table analyses within the fair value hierarchy the Fund's assets and liabilities measured at fair value at 31 December 2023.

	Level 1	Level 2	Level 3	Total balance
Assets				
Financial assets at fair value through profit or loss:				
Equity securities:				
Eurozone				
Industrial	6,523	–	–	6,523
Other	491	–	–	491
United States				
Information technology	10,685	–	–	10,685
Financials	11,244	–	–	11,244
Health care	6,572	–	–	6,572
Consumer staples	13,964	3,600	306	17,870
Energy	3,745	5,077	–	8,822
Energy – renewable	1,695	957	–	2,652
Energy – non-renewable	2,050	4,120	–	6,170
Consumer discretionary	6,337	–	–	6,337
Other sectors	8,112	–	–	8,112
Derivatives:				
Listed options	700	–	–	700
Listed futures	600	–	–	600
Debt securities:				
US Treasury bills	1,000	–	–	1,000
Eurozone sovereign	9,700	4,000	–	13,700
United States corporate	–	501	85	586
Total assets at fair value through profit or loss	**79,673**	**13,178**	**391**	**93,242**
Liabilities				
Financial liabilities at fair value through profit or loss:				
Equity securities sold short				
United States				
Consumer staples	4,850	4,350	–	9,200
Derivatives				
Listed options	318	–	–	318
Listed futures	220	–	–	220
Total liabilities at fair value through profit or loss	**5,388**	**4,350**	**–**	**9,738**

[1] This table follows the illustrative guidance in paragraph IE60 of IFRS 13.

(All amounts in € thousands unless otherwise stated)

Commentary – Classes of assets and liabilities

Paragraph 94 of IFRS 13 states that an entity should determine appropriate classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability, and the level of the fair value hierarchy within which the fair value measurement is categorised. The number of classes might need to be greater for fair value measurements categorised within Level 3 of the fair value hierarchy, because those measurements have a greater degree of uncertainty and subjectivity. An entity should provide information sufficient to permit reconciliation to the line items presented in the statement of financial position.

All disclosure requirements of paragraph 93 of IFRS 13, which are dealt with in the remainder of this note, are required to be made by class of assets and liabilities.

Commentary – Disclosure of assets by industry

When considering the disclosure of classes of assets and liabilities, entities should consider how information is categorised to provide greater clarity to investors, based on what information is determined to be useful to them. For instance, ABC Fund's investments in the energy sector have been subdivided into 'renewable' and 'non-renewable'.

Investments whose values are based on quoted market prices in active markets, and are 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.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources[1] 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. Since Level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations could 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, because they trade infrequently. Level 3 instruments include private equity and corporate debt securities. Since observable prices are not available for these securities, the Fund has used valuation techniques to derive the fair value.

IFRS13p93(g) Level 3 valuations are reviewed on a weekly basis by the Fund's valuation committee which reports to the Board of Directors on a monthly basis. The committee considers the appropriateness of the valuation model inputs, as well as the valuation result using various valuation methods and techniques generally recognised as standard within the industry. In selecting the most appropriate valuation model, the committee performs back-testing and considers which model's results have historically aligned most closely to actual market transactions.*

Commentary – Level 3 valuation process

* For fair value measurements categorised within Level 3 of the fair value hierarchy, an entity is required to disclose a description of the valuation processes used by the entity (including, for example, how an entity decides its valuation policies and procedures and analyses changes in fair value measurements from period to period). [IFRS 13 para 93(g)]. To satisfy this requirement, the illustrative example provided in IFRS 13 states that an entity might disclose information, such as the group within the entity that decides the entity's valuation policies and procedures, to whom that group reports, the frequency and methods for calibration, back-testing and other testing procedures of pricing models, etc. [IFRS 13 para IE65].

The Level 3 equity that amounts to €7,298 consists of private equity positions. The Fund utilises comparable trading multiples in arriving at the valuation for these positions. Management determines comparable public companies (peers) based on industry, size, developmental stage and strategy. Management then calculates a trading multiple for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by its earnings before interest, taxes, depreciation and amortisation (EBITDA). The trading multiple is then discounted for considerations such as illiquidity and differences between the comparable companies based on company-specific facts and circumstances.

The Level 3 debt that amounts to €600 consists of US corporate debt positions. The Fund values these instruments using the net present value of estimated future cash flows. The Fund also considers other liquidity, credit and market risk factors, and adjusts the valuation model as deemed necessary.

[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 might result in Level 3.

(All amounts in € thousands unless otherwise stated)

IFRS13p93(d), (h)

Description	Fair value at 31 Dec 2024	Valuation Technique	Unobservable Inputs	Weighted average input **	Reasonably possible shift +/- (absolute value)	Change in Valuation +/-
US equity securities: – Consumer staples	7,298	Comparable trading multiples	EBITDA multiple	9.5	1	605/(605)
			Discount for lack of marketability	10%	5%	(405)/405
			Control premium	12%	6%	487/(487)
Debt securities: – US corporate	600	Discounted cash flows	Cost of capital	10%	2%	(24)/24
			Probability of default	15%	10%	(75)/75

Description	Fair value at 31 Dec 2023	Valuation Technique	Unobservable Inputs	Weighted average input **	Reasonably possible shift +/- (absolute value)	Change in Valuation +/-
US equity securities: – Consumer staples	306	Comparable trading multiples	EBITDA multiple	8.5	1	30/(30)
			Discount for lack of marketability	15%	5%	(18)/18
			Control premium	12%	6%	20/(20)
Debt securities: – US corporate	85	Discounted cash flows	Cost of capital	10%	2%	(3)/3
			Probability of default	18%	10%	(12)/12

IFRS13p93(h), (i)

The change in valuation disclosed in the above table shows the direction that an increase or decrease in the respective input variables would have on the valuation result. For equity securities, increases in the EBITDA multiple and control premium inputs would each lead to an increase in estimated value. However, an increase in the discount for lack of marketability would lead to a decrease in value. For debt securities, increases in cost of capital and probability of default would both lead to a decrease in estimated value[1].

No interrelationships between unobservable inputs used in the Fund's valuation of its Level 3 equity investments have been identified. However, for Level 3 debt securities, a change in the assumption used for the probability of default is expected to be accompanied by a directionally similar change in the cost of capital[2].

Commentary – Level 3 disclosure

**** For fair value measurements categorised within Level 3 of the fair value hierarchy, quantitative information about the significant unobservable inputs used in the fair value measurement should be provided.**

An entity is not required to create quantitative information to comply with this disclosure requirement if quantitative unobservable inputs are not developed by the entity when measuring fair value (for example, when an entity uses prices from prior transactions or third-party pricing information without adjustment). However, when providing this disclosure, an entity cannot ignore quantitative unobservable inputs that are significant to the fair value measurement and are reasonably available to the entity. [IFRS 13 para 93(d)].

This needs to be presented in addition to the sensitivity analysis above. [IFRS 13 para 93(h)].

[1] A narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs is required if a change in those inputs might result in a significantly higher or lower fair value measurement. [IFRS 13 para 93(h), (i)].
[2] If there are interrelationships between those inputs and other unobservable inputs used in the fair value measurement, a description of those interrelationships and of how they might magnify or mitigate the effect of changes in the unobservable inputs on the fair value measurement is required to be disclosed. [IFRS 13 para 93(h), (i)].

(All amounts in € thousands unless otherwise stated)

Commentary – Increased level of uncertainty around unobservable valuation inputs

The impact of geopolitical, social and economic developments has resulted in increased market volatility and, as such, might have increased the level of uncertainty around certain valuation inputs. This might be particularly relevant for investments classified in Level 3 of the fair value hierarchy. Entities should consider the impact of any increased uncertainty on their valuation models and also consider whether the selection of a reasonably possible shift in the measurement of unobservable inputs is appropriate in the context of the increased uncertainty.

Commentary – Sustainability-linked loans and other ESG-linked instruments

Sustainability-linked loans are debt instruments where the interest rate is linked to certain sustainability metrics – that is, loans where the cash flows under the contract vary depending on a sustainability metric or measure (also sometimes referred to as 'green loans'). For example, these measures might relate to compliance with emissions standards, energy efficiency metrics, or even a combination of different green measures. The interest rate on the loan might be adjusted periodically to reflect changes in the borrower's performance relative to these green measures.

Funds that hold such sustainability-linked loans and measure them at fair value should consider disclosing how the sustainability feature has been incorporated into the fair value measurement.

Funds that have 'hold to collect' or 'hold to collect and sell' business models should consider whether the ESG-linked metric would pass the solely payments of principal and interest (SPPI) test. Where the SPPI test fails, funds should consider the requirements of paragraph 8(a) of IFRS 7, which requires entities to separately disclose financial assets (i) that have been designated at fair value through profit or loss, and (ii) that are mandatorily measured at fair value through profit or loss because the SPPI test has failed.

If a fund has issued sustainability-linked loans, disclosures might be required to explain the nature of those features and how those features impact the measurement of the loan (for example, whether the ESG-linked feature results in an embedded derivative and, if not, how the variability of cash flows arising from the ESG-linked features is accounted for). Entities should also consider the impact of these features on the fair value disclosures of the loan.

Similarly, funds that hold investments in other ESG-linked instruments should consider providing similar disclosures.

IFRS13p93(c), (e) The following table presents the transfers between levels for the year ended 31 December 2024.

	Level 1	Level 2	Level 3
Transfers between Levels 1 and 2:			
US equities securities			
Financial sector	(2,200)	2,200	–
Consumer discretionary	(3,520)	3,520	–
Transfers between Levels 2 and 3:			
United States corporate	–	(450)	450

The equity securities transferred out of Level 1 relate to positions whose trading was inactive as at 31 December 2024 but was active on 31 December 2023. The debt transferred from Level 2 to Level 3 relates to a single corporate debt security whose issuer experienced financial difficulty during the year. This ultimately resulted in a halt in trading activity on all of its issued debt instruments. The valuation inputs for this security were not therefore based on market observable inputs and resulted in the reclassification to Level 3.

The following table presents the transfers between levels for the year ended 31 December 2023.

	Level 1	Level 2	Level 3
Transfers between Levels 1 and 2:			
US equities securities			
Consumer staples	(525)	525	–
Consumer discretionary	1,012	(1,012)	–
Transfers between levels 2 and 3:			
United States corporate	–	(600)	600

The equity securities transferred out of Level 1 relate to positions whose trading was inactive as at 31 December 2023 but was active on 31 December 2022. The equity securities transferred into Level 1 relate to positions for which significant trading activity existed on 31 December 2023 but which were only thinly traded on and around 31 December 2022. The transfer from Level 2 to Level 3 relates to corporate debt securities whose issuers experienced significant reductions in trading activity during the year as well as significant credit rating downgrades. The valuation inputs for these securities were not therefore based on market observable inputs and resulted in the reclassification to Level 3.

(All amounts in € thousands unless otherwise stated)

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

Commentary – Transfers

An entity should disclose the amounts of any transfers between levels of the fair value hierarchy, the reasons for those transfers, and the entity's policy for determining when transfers between levels are deemed to have occurred. Transfers into each level should be disclosed and discussed separately from transfers out of each level. [IFRS 13 paras 93(c), (e)(iv), 95].

*** The policy with regard to the timing of the recognition of transfers should be the same for transfers into the levels as for transfers out of the levels. Examples of policies for determining the timing of transfers include the following [IFRS 13 para 95]:

- The date of the event or change in circumstances that caused the transfer.
- The beginning of the reporting period.
- The end of the reporting period.

IFRS13p93(e) The following table presents the movement in Level 3 instruments for the year ended 31 December 2024 by class of financial instrument.

	US equity securities – consumer staples	US corporate debt	Total
Opening balance	**306**	**85**	**391**
Purchases	6,500	–	6,500
Sales	(850)	(20)	(870)
Transfers into Level 3	–	450	450
Net gains/(losses) recognised in other net changes in fair value on financial assets and financial liabilities at fair value through profit or loss	1,342	85	1,427
Closing balance	**7,298**	**600**	**7,898**
Change in unrealised gains or losses for Level 3 assets held at year end and included in other net changes in fair value on financial assets and financial liabilities at fair value through profit or loss****	1,292	80	1,372

The following table presents the movement in Level 3 instruments for the year ended 31 December 2023 by class of financial instrument.

	US equity securities – consumer staples	US corporate debt	Total
Opening balance	–	–	–
Purchases	450	–	450
Sales	(150)	(400)	(550)
Transfers into Level 3	–	600	600
Net gains/(losses) recognised in other net changes in fair value on financial assets and financial liabilities at fair value through profit or loss	6	(115)	(109)
Closing balance	**306**	**85**	**391**
Change in unrealised gains or losses for Level 3 assets held at year end and included in other net changes in fair value on financial assets and financial liabilities at fair value through profit or loss ****	4	(25)	(21)

Commentary – Level 3 assets and liabilities held at year end

**** IFRS 13 clarifies that an entity should disclose for Level 3 positions the amount of the total gains or losses for the period included in profit or loss that is attributable to the change in unrealised gains or losses relating to those assets and liabilities held at the end of the reporting period, and the line item(s) in profit or loss in which those unrealised gains or losses are recognised. [IFRS 13 para 93(f)].

(All amounts in € thousands unless otherwise stated)

Commentary – Fair value: impacts of inflation

Changes in the economic climate can lead to the fair value of a financial instrument differing significantly from the amortised cost carrying amount. In such instances, financial instruments that previously qualified for the exemption from disclosing fair value information might no longer qualify for that exemption.

4. Critical accounting estimates and judgements

1p122, 125

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 might, 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 securities not quoted in an active market might 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 might 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 might value 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 earnings 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), adjusted for lack of marketability and control premiums. The models used for debt securities are based on the 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. The sensitivity to unobservable inputs is based on management's expectation of reasonably possible shifts in these inputs, taking into consideration historical volatility and estimations of future market movements.

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.

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.

(All amounts in € thousands unless otherwise stated)

Commentary – Significant accounting judgements in determining business model

The objective of ABC Fund is to achieve long-term capital appreciation and its portfolio is managed on a fair value basis. ABC Fund therefore applies the business model allowed by paragraph B4.1.6 of IFRS 9, which requires its portfolio to be classified at fair value through profit or loss.

Determining the appropriate business model and assessing whether cash flows generated by an asset constitute solely payments of principal and interest (SPPI) is sometimes complex and might require significant judgement. Depending on the level of judgement and the amount of financial assets affected by the conclusion, the SPPI and/or business model assessment might require disclosure as a significant judgement in accordance with paragraph 122 of IAS 1.

Commentary – Critical accounting estimates and judgements

Entities should be mindful of the potential impact of geopolitical, social and economic developments on accounting estimates and judgements. Increasing levels of uncertainty might require additional disclosure as a significant judgement or estimation in accordance with paragraph 122 or 125 of IAS 1 respectively.

5. Interest income and interest from financial assets at fair value through profit or loss

		2024	2023
IFRS7p20(b)	Interest income from cash and cash equivalents	167	74
DV	Interest from debt securities at fair value through profit or loss	780	475
	Total	**947**	**549**

6. Financial assets at fair value through profit or loss

		2024	2023
IFRS7p8(a)	Financial assets at fair value through profit or loss:		
	– Equity securities	99,746	76,656
	– Derivatives	1,600	1,300
	– Treasury bills	2,000	1,000
	– Debt securities	18,382	14,286
	Total financial assets at fair value through profit or loss	**121,728**	**93,242**
	Other net changes in fair value on financial assets at fair value through profit or loss:		
DV	– Realised	3,834	(689)
	– Change in unrealised	8,884	(878)
	Total gains/(losses)	**12,718**	**(1,567)**

(All amounts in € thousands unless otherwise stated)

IFRS7p7, 34, 1p77, 112(c)

	2024		2023	
	Fair value	% of net assets	Fair value	% of net assets
Debt securities				
Eurozone sovereign	16,000	14.0%	13,700	16.2%
Eurozone corporate	1,600	1.4%	–	–
United States corporate	782	0.7%	586	0.7%
US treasury bills	2,000	1.7%	1,000	1.2%
Total debt securities	20,382	17.8%	15,286	18.1%
Equity securities				
Eurozone	11,774	10.3%	7,014	8.3%
United States	87,972	76.9%	69,642	82.2%
Total equity securities	99,746	87.2%	76,656	90.5%
Derivatives				
S&P futures[1]	700	0.6%	600	0.7%
S&P options	845	0.7%	700	0.8%
Interest rate futures	55	0.0%	–	–
Total derivatives	1,600	1.3%	1,300	1.5%
Total financial assets at fair value through profit or loss	**121,728**	**106.3%**	**93,242**	**110.1%**

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 cash[2]) held in custody. Custodian plc has the right to sell or re-pledge up to 125% (2023: 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 2024, this amounted to €15,268 (2023: 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.

IFRS7p15 The Fund has not sold or re-pledged any collateral during the period.

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

Commentary – Centrally cleared derivative instruments

In some instances, when variation margin is posted on centrally cleared derivatives, the payment (or receipt) of variation margin is legally characterised as collateral (Collateralised to Market). The cash is payment of collateral, which might have to be repaid, depending on future changes in the value of the trade being collateralised, and should be separately recognised as a collateral asset / liability. The illustrative disclosures for ABC Fund follow this scenario, including that the requirements to offset in accordance with paragraph 42 of IAS 32 are not met.

In certain circumstances, daily variation margin posted would be legally characterised as a partial settlement payment as opposed to collateral (Settled to Market). However, the partial settlement payment will not terminate the derivative agreement, because the contract will continue to exist with the terms governing future payments (for example, the notional, fixed and floating terms of an interest rate swap) remaining unchanged.

In order for the transaction to be considered a partial settlement, as opposed to collateral, and the cash payment to achieve partial derecognition of the original trade, the derecognition requirements of IFRS 9 must be met. This will generally be because, under the terms of the relevant contract(s), the cash payment causes:

i. for an asset, the contractual rights to cash flows of the original contract to expire (since they are satisfied in full by the receipt of cash) in accordance with paragraph 3.2.3(a) of IFRS 9; or
ii. for a liability, the contractual obligations under the original contract to be discharged in accordance with paragraph 3.3.1 of IFRS 9.

Care should be taken to ensure that the accounting reflects the most up-to-date terms and conditions of the respective central clearing house.

[1] In certain markets, futures trading might be structured in a way that requires daily settlement and thus might result in a nil fair value at the end of each day. ABC Fund does not have such an arrangement. Instead, the daily margin movements are considered to be collateral rather than settlement transactions. Refer to Commentary – Centrally cleared derivatives.
[2] If cash collateral was provided on specific transactions, 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'. [IFRS 9 para IGD.1.1].

(All amounts in € thousands unless otherwise stated)

7. Financial liabilities at fair value through profit or loss

		2024	2023
	Financial liabilities:		
IFRS7p6, 8(e) IFRS9BA7	– Listed equity securities sold short	10,548	9,200
	– Derivatives	1,115	538
	Total financial liabilities at fair value through profit or loss	**11,663**	**9,738**
IFRS7p20(a)(i) DV	Other net changes in fair value on financial liabilities at fair value through profit or loss:		
	– Realised	(500)	(622)
	– Change in unrealised	1,237	(29)
	Total net gains/(losses)	**737**	**(651)**

IFRS7p7, 34 1p77, 112(c)

	2024		2023	
	Fair value	% of net assets	Fair value	% of net assets
Short sales of equity securities				
United States	10,548	9.2%	9,200	10.9%
Total short sales of equity securities	**10,548**	**9.2%**	**9,200**	**10.9%**
Derivatives				
S&P futures	410	0.4%	220	0.3%
S&P options	705	0.6%	318	0.4%
Total derivatives	**1,115**	1.0%	**538**	0.7%
Total financial liabilities at fair value through profit or loss	**11,663**	**10.2%**	**9,738**	**11.6%**

8. Financial instruments by category

IFRS7p6, 8

31 December 2024	Financial assets at amortised cost	Financial 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	–	106,460	106,460
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	497	–	497
Margin accounts	1,026	–	1,026
Cash and cash equivalents	1,620	–	1,620
Total	**5,499**	**121,728**	**127,227**

31 December 2023	Financial assets at amortised cost	Financial 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	–	93,242	93,242
Due from brokers	984	–	984
Other receivables	448	–	448
Margin accounts	223	–	223
Cash and cash equivalents	325	–	325
Total	**1,980**	**93,242**	**95,222**

(All amounts in € thousands unless otherwise stated)

	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Total
31 December 2024			
Liabilities as per statement of financial position			
Financial liabilities at fair value through profit or loss	11,663	–	11,663
Due to broker	–	893	893
Accrued expenses	–	257	257
Net assets attributable to holders of redeemable shares[1]	–	114,414	114,414
Total	**11,663**	**115,564**	**127,227**

	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Total
31 December 2023			
Liabilities as per statement of financial position			
Financial liabilities at fair value through profit or loss	9,738	–	9,738
Due to 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. 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.

(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 predetermined 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.

The contract amounts of certain types of financial instrument, as disclosed in Note 3.1.1, 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. 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

1p112(c) Margin accounts represent margin deposits held in respect of open exchange-traded futures contracts.

[1] The Fund carries its redeemable shares at amortised cost. The carrying value approximates to fair value. The option is available for a fund to designate its redeemable shares as fair value through profit and loss which would lead to a different categorisation in the table above. If this option is taken by a fund, other requirements applicable to fair valued instruments will apply to its redeemable shares as required by IFRS 13.

(All amounts in € thousands unless otherwise stated)

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:

	2024	2023
Cash at broker	500	250
Cash at bank	120	75
Short-term deposits	1,000	–
Total	**1,620**	**325**

12. Redeemable shares

1p79, 80, 134, 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 weekly cash redemptions and withhold 25% of the requested amount for a period of no more than one month. Under extraordinary circumstances, the Fund also has the ability to suspend redemptions if this is deemed to be in the best interest of all shareholders. 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.

DV The Fund's net asset value per share is €12,465.84 (2023: €10,764.01) for a Class A share and €13,090.84 (2023: €11,195.14) for a Class B share, at the statement of financial position date.

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

	2024			2023		
	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 2024 and 2023 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 2024 of €2,500 (€272.42 per share) will be proposed at the Annual General Meeting on 30 April 2025. These financial statements do not reflect this dividend payable.

14. Related-party transactions

24p9, 18 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 (2023: €684), with €67 (2023: €57) in outstanding accrued fees due to XYZ Capital Limited at the end of the year.

24p18 *(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 (2023: €34), with €4 (2023: €3) in outstanding accrued fees due to XYZ Custody Bank Limited at the end of the year.

(All amounts in € thousands unless otherwise stated)

24p18 *(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 (2023: €13), with €6 (2023: €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 2024 was €30 (2023: €25) and consisted of only fixed directors' fees.

(e) Related-party share holdings

The Directors of the Fund held all of the Class B redeemable shares in the Fund (2023: 100%) as detailed below.

For the year ended 31 December 2024:

24p18, 19(f)

Shareholder	Number of shares at start of the year	Number of shares acquired in the year	Number of shares redeemed in the year	Number of shares at year end
Directors	10	20	6	24

For the year ended 31 December 2023:

Shareholder	Number of shares at start of the year	Number of shares acquired in the year	Number of shares redeemed in the year	Number of shares at year end
Directors	10	–	–	10

Independent auditor's report

To the shareholders of ABC Fund

The audit report will be provided by the entity's auditor upon completion of the audit of the financial statements. Since the wording of the report is likely to differ from country to country, we have not included an illustrative report in this publication.

Independent auditor's report

Form and content of audit report

ISA700 Standards and guidance on the preparation of reports on audits conducted in accordance with international auditing standards are given in International Standard on Auditing ISA 700 'Forming an Opinion and Reporting on Financial Statements'.

(All amounts in € thousands unless otherwise stated)

Appendix I – Statement of cash flows: direct method

The financial statements of ABC Fund present the cash flows from operations using the indirect method. The statement below shows the cash flows from operations using the direct method. Both methods are permitted under IAS 7, 'Statement of Cash Flows'.

			Year ended 31 December	
1p113		**Note**	**2024**	**2023**
7p10, 18(a), 21	**Cash flows from operating activities**			
7p15	Purchase of financial assets and settlement of financial liabilities		(36,218)	(15,175)
7p15	Proceeds from sale of financial assets		20,622	5,058
7p15	Purchase and settlement of derivative financial instruments		(1,840)	(1,000)
7p15	Proceeds from derivative financial instruments		2,025	1,167
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	Distributions paid to holders of redeemable shares	13	(2,000)	(1,000)
7p17	Proceeds from redeemable shares		26,991	12,901
7p17	Redemptions 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
7p28	Exchange gains/(losses) on cash and cash equivalents		27	(7)
	Cash and cash equivalents at end of the year	11	**1,620**	**325**

(All amounts in € thousands unless otherwise stated)

Appendix II – Funds whose shares are 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 statement below includes example disclosures for a fund whose shares or units are equity under IAS 32.

Statement of financial position

1p54, 60, 113		Note	As at 31 December	
			2024	2023
	Assets			
1p54(i)	Cash and cash equivalents	11	1,620	325
1p55	Margin accounts	10	1,026	223
1p54(h) IFRS7p8(f)	Due from brokers		2,356	984
1p54(h) IFRS7p8(f)	Other receivables		497	448
1p54(d) IFRS7p8(a)(iv)	Financial assets at fair value through profit or loss	6, 9	106,460	93,242
IFRS9p3.2.23(a)	Financial assets at fair value through profit or loss pledged as collateral	6, 9	15,268	–
	Total assets		**127,227**	**95,222**
	Equity			
1p54(r)	**Capital and reserves attributable to equity holders of the Fund**			
1p78(e)	Share capital		9,177	7,866
1p78(e)	Share premium[1]		81,410	65,400
1p78(e)	Retained earnings		23,827	11,408
	Total equity		**114,414**	**84,674**
	Liabilities			
1p54(k) IFRS7p8(g)	Due to brokers		893	665
1p54(k) IFRS7p8(g)	Accrued expenses		257	145
1p54(m) IFRS7p8(e)	Financial liabilities at fair value through profit or loss	7, 9	11,663	9,738
	Total liabilities		**12,813**	**10,548**
	Total equity and liabilities		**127,227**	**95,222**

[1] Subject to the legal requirements of particular jurisdictions, a fund might choose to present the split between share capital and share premium in the notes rather than in the primary statements. In circumstances where there is no share premium, presentation of this split would not be required.

(All amounts in € thousands unless otherwise stated)

Statement of comprehensive income[1]

		Note	Year ended 31 December	
1p82, 81B, 85,102			2024	2023
	Income			
1p82(a)(i)	Interest income	5	167	74
1p85	Interest from financial assets at fair value through profit or loss		780	475
1p85	Dividend income		1,538	1,055
1p35, 85 21p52(a)	Net foreign currency gains or losses on cash and cash equivalents		27	(7)
IFRS7p20(a)(i) 1p35	Other net changes in fair value on financial assets and liabilities at fair value through profit or loss	6, 7	13,455	(2,218)
	Total net income		**15,967**	**(621)**
1p85, 99	**Expenses**			
	Management fee	14	(803)	(684)
	Custodian fee, 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)**
1p85	**Profit/(loss) before tax**		14,601	(1,637)
1p82(d)	Withholding taxes		(182)	(138)
1p81A	**Profit/(loss) and comprehensive income for the year[2]**		**14,419**	**(1,775)**
1p82A			–	–
1p81A	**Total comprehensive income/(loss)**		**14,419**	**(1,775)**
33p66	**Earnings/(loss) per share – basic and diluted (€ per share)[3]**		**1,692.37**	**(246.53)**

Statement of changes in equity

1p106		Share capital	Share premium	Retained earnings	Total
	At 1 January 2023	6,888	55,642	14,183	76,713
1p106(a)	Total comprehensive income/(loss) for the year	–	–	(1,775)	(1,775)
1p107	Dividend	–	–	(1,000)	(1,000)
1p106(d)	Issue of shares	1,183	11,718	–	12,901
1p106(d)	Repurchase of own shares	(205)	(1,960)	–	(2,165)
	At 31 December 2023	**7,866**	**65,400**	**11,408**	**84,674**
1p106(a)	Total comprehensive income for the year	–	–	14,419	14,419
1p107	Dividend	–	–	(2,000)	(2,000)
1p106(d)	Issue of shares	2,335	24,656	–	26,991
1p106(d)	Repurchase of own shares	(1,024)	(8,646)	–	(9,670)
	At 31 December 2024	**9,177**	**81,410**	**23,827**	**114,414**

[1] IAS 1, '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'; where an entity has components of 'other comprehensive income', an additional line item will be needed to present these separately from profit/(loss).

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

(All amounts in € thousands unless otherwise stated)

Note – Accounting policies (extracts)

1p117 **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 repurchases 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, 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.

1p117 **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.

Note – Share capital

1p79, 80

	2024	2023
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 that have a €1,000 par value and carry one vote each. The ordinary shares are entitled to dividends when declared. The Fund has no restrictions or specific capital requirements on the issue and repurchase 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.

		2024	2023
33p70(a)	Profit/(loss) for the year (€000's)	14,419	(1,775)
33p70(b)	Weighted average number of ordinary shares in issue	8,520	7,200
	Basic earnings/(loss) per share – basic and diluted (€ per share)	1,692.37	(246.53)

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 2024 and 2023 amounted to €2,000 (€254.26 per share) and €1,000 (€145.18 per share) respectively. A dividend for the year ended 31 December 2024 of €2,500 (€272.42 per share) will be proposed at the Annual General Meeting on 30 April 2025. These financial statements do not reflect this dividend payable.

(All amounts in € thousands unless otherwise stated)

Appendix III – Funds with puttable instruments reclassified from liabilities to equity

The illustrative financial statements are based on an open-ended fund which issues puttable instruments, which are classified as financial liabilities under IAS 32, 'Financial Instruments: Presentation'.

The statement below includes example disclosures where the Fund is required to reclassify its puttable shares from liabilities to equity in accordance with IAS 32.

In the prior year, the Fund had two share classes in issue (Class A and Class B shares). Both classes in 2023 were classified as 'financial liabilities', given that there was no subordination and that they did not have identical rights. On 1 January 2024, Class B was fully redeemed, leaving only Class A shares remaining in the Fund. Class A shares entitle the holder to a pro rata share of the entity's net assets at liquidation. No other financial instruments are in issue that have total cash flows based substantially on the profit or loss, the changes in the recognised net assets, or the changes in the fair value of the recognised and unrecognised net assets of the Fund. The Class A shares have no other contractual obligation than the obligation to redeem the puttable instrument [IAS 32 paras 16A, 16B] and, as such, qualify to be classified as equity instruments from the moment when the Class B shares were fully redeemed.

Statement of financial position

		Note	As at 31 December	
1p54, 60, 113			**2024**	**2023**
	Assets			
1p54(i)	Cash and cash equivalents	11	1,620	325
1p55	Margin accounts	10	1,026	223
1p54(h) IFRS7p8(f)	Due from brokers		2,356	984
1p54(h) IFRS7p8(f)	Other receivables		497	448
1p54(d) IFRS7p8(a)(iv)	Financial assets at fair value through profit or loss	6, 9	106,460	93,242
IFRS9p3.2.23(a)	Financial assets at fair value through profit or loss pledged as collateral	6, 9	15,268	–
	Total assets		**127,227**	**95,222**
	Liabilities			
1p54(k) IFRS7p8(g)	Due to brokers		893	665
1p54(k) IFRS7p8(g)	Accrued expenses		257	145
1p54(m) IFRS7p8(e)	Financial liabilities at fair value through profit or loss	7, 9	11,663	9,738
	Total liabilities (2023: excluding net assets attributable to holders of redeemable shares)*		**12,813**	**10,548**
1p54(r)	**Net assets attributable to holders of redeemable shares***	12	**114,414**	**84,674**

* Net assets attributable to holders of redeemable shares are classified as equity as at 31 December 2024 and as financial liabilities as at 31 December 2023.

(All amounts in € thousands unless otherwise stated)

Statement of comprehensive income

		Note	Year ended 31 December 2024	2023
1p82, 81B, 85, 102, 113	**Income**			
1p82(a)(i)	Interest income	5	167	74
1p85	Interest from financial assets at fair value through profit or loss		780	475
1p85	Dividend income		1,538	1,055
1p35, 85 21p52(a)	Net foreign currency gains or losses on cash and cash equivalents		27	(7)
IFRS7p20(a)(i) 1p35	Other net changes in fair value on financial assets and financial liabilities at fair value through profit or loss	6, 7	13,455	(2,218)
1p85	**Total net income/(loss)**		**15,967**	**(621)**
1p85, 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)**
1p85	**Operating profit/(loss)**		**14,601**	**(1,637)**
1p82(b)	**Finance costs**			
1p85 32p35	Distributions to holders of redeemable shares (2023)[1]	13	–	(1,000)
	Profit/(loss) before tax		**14,601**	**(2,637)**
1p82(d)	Withholding taxes		(182)	(138)
32p35, IE32, 1p85, 81A	**Increase/(decrease) in net assets attributable to holders of redeemable shares[2]**		**14,419**	**(2,775)**

Statement of changes in net assets attributable to holders of redeemable shares[2]

1p6, 106, 113

	Note	2024	2023
Net assets attributable to holders of redeemable shares at 1 January*		**84,674**	**76,713**
Dividend paid to shareholders (2024)		(2,000)[1]	–
Proceeds from redeemable shares issued		26,991	12,901
Redemption of redeemable shares		(9,670)	(2,165)
Net increase		15,321	10,736
Increase/(decrease) in net assets attributable to holders of redeemable shares from operations		14,419	(2,775)
Net assets attributable to holders of redeemable shares at 31 December*	12	**114,414**	**84,674**

* During the year ended 31 December 2023, net assets attributable to holders of redeemable shares are classified as a liability. During the year ended 31 December 2024, net assets attributable to holders of redeemable shares are classified as equity.

Commentary – Change to equity classification

The presentation used above seeks to minimise the variation from the presentation used where shares are classified as liabilities. The further analysis of equity movement as required by paragraph 78(e) of IAS 1 is presented in the notes (see Note – Share capital (extracts)).

[1] When shares are classified as liabilities, distributions can be recognised as a finance cost in the statement of comprehensive income, or can instead be recognised within the statement of changes in net assets. When shares are classified as equity, however, distributions are required to be recognised in the statement of changes in net assets.
[2] Use of this heading description is acceptable, because its literal meaning is applicable to both years.

(All amounts in € thousands unless otherwise stated)

Notes to the financial statements (extracts)

IFRS7p21
1p117

Redeemable shares

32p16A-16D

IAS 32 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 class 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.

These conditions were met when Class B became fully redeemed on 1 January 2024 and Class A became the sole share class in the Fund.

As a result of the reclassification of redeemable shares from liabilities to equity, the Fund's distributions are no longer classified as a finance cost[1] in the statement of comprehensive income, but rather as dividends paid in the statement of changes in net assets attributable to holders of redeemable shares.

Should the terms or conditions of the redeemable shares change such that they do not comply with the strict criteria contained in IAS 32, the redeemable shares would be reclassified to a financial liability from the date when 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 the fair value of the liability on the date of reclassification would be recognised in equity.

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 repurchases 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 – Share capital (extracts)

1p136A(a)

As at 31 December 2024, the Fund had €114,414 (2023: €0) of puttable financial instruments classified as equity.

A breakdown of the Fund's equity balance is disclosed in the table extract below:

1p78(e)

	Share capital	Share premium	Retained earnings	Total
At 31 December 2023	**–**	**–**	**–**	**–**
Adjustment for classification of redeemable shares to equity	7,866	65,400	11,408	84,674
Total comprehensive income	–	–	14,419	14,419
Dividend	–	–	(2,000)	(2,000)
Issue of shares	2,335	24,656	–	26,991
Repurchase of own shares	(1,024)	(8,646)	–	(9,670)
At 31 December 2024	**9,177**	**81,410**	**23,827**	**114,414**

[1] When shares are classified as liabilities, distributions can be recognised as a finance cost in the statement of comprehensive income, or can instead be recognised within the statement of changes in net assets. When shares are classified as equity, however, distributions are required to be recognised in the statement of changes in net assets.

Appendix III – Funds with puttable instruments reclassified from liabilities to equity

(All amounts in € thousands unless otherwise stated)

Commentary – IAS 32 equity versus liability classification

This appendix presents a scenario where a fund moves from the liability treatment to equity treatment of net assets attributable to holders of redeemable shares. In this scenario, the Fund met the criteria prescribed in IAS 32 at the beginning of the reporting period.

However, if the change in treatment were the other way around (that is, equity to liability classification), the illustrations presented in this appendix can easily be adapted to address that scenario as well.

(All amounts in € thousands unless otherwise stated)

Appendix IV – Funds that invest in other investment funds

Investment funds might hold investments in other investment funds. The additional disclosures that might be provided for funds holding investments in other investment funds are illustrated in this appendix.

Note – Summary of accounting policies (extracts)

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

IFRS13p91 *Valuation of investments in other funds*

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 valued based on the latest available redemption price of such units for each Investee Fund, as determined by the Investee Funds' administrators. The Fund reviews the details of the reported information obtained from the Investee Funds and considers:

- the liquidity of the Investee Fund or its underlying investments;
- the value date of the net asset value (NAV) provided;
- any restrictions on redemptions; and
- the basis of accounting and, in instances where the basis of accounting is other than fair value, the 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 include the change in fair value of each Investee Fund.

Note – Financial risk (extracts)

Fair value estimation (risk note extracts)

IFRS13p91 As at 31 December 2024, 100% (2023: 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; and 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 might vary in frequency, from weekly to annual redemptions. As a result, the carrying values of the Investee Funds might not be indicative of the values ultimately realised on redemption. In addition, the Fund might be materially affected by the actions of other investors who have invested in the Investee Funds in which the Fund has invested.

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; 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 might 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.

IFRS13p93(b) IFRS 13 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:

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

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.

(All amounts in € thousands unless otherwise stated)

IFRS13p93(b) The following table analyses, within the fair value hierarchy, the Fund's financial assets measured at fair value at 31 December 2024:

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 following table analyses, within the fair value hierarchy, the Fund's financial assets measured at fair value at 31 December 2023:

Assets	Level 1	Level 2	Level 3	Total balance
Financial assets at fair value through profit or loss:				
– Fund of fund investments	–	93,242	–	93,242
Total	**–**	**93,242**	**–**	**93,242**

The Investee Funds held by the Fund are not quoted in active markets[1].

The Investee Funds classified in Level 2[2] 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 believes that the Fund could have redeemed its investment at the net asset value per share at the statement of financial position date.

Level 3[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 its intention to lift the suspension by January 2024[4].

Note – Critical accounting estimates and judgements (extracts)

1p122, 125 The Fund makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates and judgments 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 can make adjustments to the reported net asset value of various Investee Funds based on considerations such as:

- the 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 and, in instances where the basis of accounting is other than fair value, the 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 might 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 to track the performance of each Investee Fund on a weekly basis.

[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] Paragraph 81 of IFRS 13 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, among other things, the published net asset value of the Investee Fund where the net asset value can be transacted upon on the measurement date.
[3] Level 3 fair value roll forward disclosure is required by IFRS 13; however, it is not presented in this appendix.
[4] Refer to the main body of the Illustrative Financial Statements for disclosure requirements on valuation of Level 3 investments.

(All amounts in € 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 31 December 2024, the exposure to investments in Investee Funds at fair value, by strategy employed, is disclosed in the following table. These investments are included in financial assets at fair value through profit or loss in the statement of financial position.

IFRS7p34

	31 December			
	2024		2023	
	Fair value	% of net assets attributable to holders of redeemable shares	Fair value	% of net assets attributable to holders of redeemable shares
Equity long/short	55,548	49.8	20,564	24.3
Event-driven	41,531	37.2	20,568	24.3
Directional trading	9,668	8.7	17,656	20.9
Multi-strategy	5,752	5.2	2,567	3.0
Fund of funds	5,565	5.0	31,887	37.7
Relative value	1,456	1.3	–	–
Total	**119,520**	**107.2**	**93,242**	**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 reasonably 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 (2023: 32 funds). A reasonably possible change is management's assessment, based on historical data sourced from the underlying Investee Funds, of what a reasonably possible percentage movement is in the value of a fund following each respective strategy over a 12-month period, in euros. The impact on net assets attributable to holders of redeemable shares is calculated by applying the reasonably 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 and O represent 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.

As at 31 December 2024

Strategy	Sub-strategy	Underlying risk exposures	Number of Funds	Reasonably possible change (%)	Impact on net assets attributable to redeemable shareholders
Equity long/short:					
	Sector specialists	O	6	0.2	1,115
	Short bias	O	5	3.0	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	8.0	313
	Market timing	I,F,O	1	7.0	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**

(All amounts in € thousands unless otherwise stated)

As at 31 December 2023

Strategy	Sub-strategy	Underlying risk exposures	Number of Funds	Reasonably 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**

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 might also be subject to an initial lock-up period that might range up to two years. No Investee Funds were subject to lock-up periods as at 31 December 2024 or 2023. At 31 December 2024, 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 (2023: 85%). These include the ability to suspend redemptions or withhold varying amounts of any redemption requested. At 31 December 2024, one Investee Fund (2023: nil) has suspended redemptions and was valued at €1,050 (2023: nil).

IFRS7p39(a)

The financial liabilities of the Fund at 31 December 2024 and 2023 comprise accrued expenses and net assets attributable to holders of redeemable shares. As at 31 December 2024, total accrued expenses of €1,150 (2023: €810) had contractual maturity dates ranging between 1 and 7 days (2023: 1 and 7 days) after the year end date. As at 31 December 2024, net assets attributable to holders of redeemable shares of €123,869 (2023: €92,886) had contractual maturity dates of 30 days after year end. Since all liabilities as at 31 December 2024 and 2023 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 might have redemption terms that are greater than one month or might also be subject to lock-up periods of up to two years.

IFRS7B11E

The following table shows the ordinary redemption periods of the Investee Funds held[1]:

At 31 December 2024	Less than 7 days	7 days to 1 month	1 to 6 months	Suspended
Funds with notice periods of less than 7 days	11,626	14,870	–	–
Funds with notice periods of between 7 and 30 days	–	86,129	5,845	1,050*
Total	11,626	100,999	5,845	1,050
At 31 December 2023				
Funds with notice periods of less than 7 days	2,939	5,238	–	–
Funds with notice periods of between 7 and 30 days	–	69,780	15,285	–
Total	**2,939**	**75,018**	**15,285**	**–**

*This relates to XYZ Fund of Fund Limited. On 30 November 2024, 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 2024, stating that they intend to lift the suspension by January 2025.

[1] Paragraph B11E of IFRS 7 states that an entity should disclose a maturity analysis of financial assets that it holds for managing liquidity risk if that information is necessary to enable users of its financial statements to evaluate the nature and extent of liquidity risk. It is acceptable to present this analysis in narrative format or tabular format.

(All amounts in € 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 2024 and bears interest at 1-month term SOFR 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 2024 and 2023.

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 to source acceptable financing that would allow the Fund to pay redemptions as they fall due.

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

Where investee funds are considered to be 'structured entities' as defined in IFRS 12, there will be additional disclosure requirements. [IFRS 12 paras 24–31]. Refer to Appendix IX for the impact of IFRS 12 on funds that invest in other investment funds which meet the definition of 'structured entities'.

Appendix V – Funds with significant leverage

Investment funds might 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 might be required for funds in these circumstances are illustrated below.

Note – Accounting policies (extracts)

1p117
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.

Collateral

IFRS9IGD1.1
IFRS9p3.2.23

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 re-pledge the collateral, the Fund classifies that asset in its statement of financial position separately from other assets and identifies the asset as pledged collateral. Where the party to whom the collateral is provided does not have the right to sell or re-pledge, the collateral provided is disclosed in the notes to the financial statements.

1p117
IFRS7p21

Sale and repurchase agreements

IFRS9B3.2.16

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.

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 2026 and bears interest at 3-month term SOFR 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 (2023: €90,000).

IFRS7p29

The carrying value of the borrowings approximates their fair value.

Note – Financial risk management (extracts)

Financial risk factors

IFRS7p31

The Fund can 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. Therefore, any event that adversely affects the value of an investment by the Fund would be magnified to the extent that 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.

(All amounts in € thousands unless otherwise stated)

3.1.1 Market risk (extracts)

(c) 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.

3.1.2 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.

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 might 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 might result in the lender, including derivative counterparties, requiring the Fund to post additional collateral or otherwise sell assets at a time when it might 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 the 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 could cause the Fund to incur material losses.

The borrowing facilities available to the Fund will mature in 2026. As of 31 December 2024, the Fund has existing available financing of €275 million (2023: €115 million) and is in the process of obtaining additional financing arrangements. However, there is no guarantee that 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.

Commentary – Changes in liabilities arising from financing

Entities are required to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. To the extent necessary to satisfy this requirement, entities should disclose the following changes in liabilities arising from financing activities:

(i) changes from financing cash flows;
(ii) changes arising from obtaining or losing control of subsidiaries or other businesses;
(iii) the effect of changes in foreign exchange rates;
(iv) changes in fair values; and
(v) other changes.

One way to fulfil the above disclosure requirements is by providing a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities, including the changes identified above.

Further illustrative guidance can be found in PwC's 'VALUE Plc Illustrative consolidated financial statements under IFRS® Accounting Standards December 2024 year ends' publication on viewpoint.pwc.com.

(All amounts in € thousands unless otherwise stated)

Appendix VI – Segment reporting: multiple segments

If the Fund has debt or equity instruments that are traded in a public market, or where 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.

IFRS 8 requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. This appendix includes segment information for a fund that is within the scope of IFRS 8 and has more than one operating segment.

Commentary – IFRS 8, 'Operating Segments', IFRIC Agenda Decision

The IASB discussed and did not object to the Committee Agenda Decision on Disclosure of Revenues and Expenses for Reportable Segments (IFRS 8 Operating Segments) in its July meeting. This decision clarifies the disclosure requirements in IFRS 8 regarding specified amounts included in profit or loss by reportable segments and, in particular, the interaction that this has with material items of income and expense as specifically required by the standard. Check the PwC In brief Understanding the impact of the recent July 2024 IFRIC agenda decision on segment reporting.

Note – Accounting policies (extracts)

1p117 **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, and a second sub-portfolio consisting of debt and cash instruments.

Commentary – Description of segments

Entities should disclose factors used to identify their reportable segments, including the basis of organisation, and types of products and services from which each reportable segment derives its revenues. They must also disclose the judgements made by management in applying the aggregation criteria of the standard, including a description of the aggregated segments and the economic indicators that have been assessed in determining that the aggregated segments share similar economic characteristics. [IFRS 8 para 22(aa)]. This appendix does not include illustrative guidance on aggregated segments, because there are no aggregated segments in this example.

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.

(All amounts in € thousands unless otherwise stated)

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

For the year ended 31 December 2024

IFRS8p23, 24

	Equity sub-portfolio	Debt sub-portfolio	Total
Interest income	–	167	167
Interest from financial assets at fair value through profit or loss	–	780	780
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	101,867	22,507	124,374
Total segment liabilities	11,663	–	11,663

Total segment assets include:

	Equity sub-portfolio	Debt sub-portfolio	Total
Financial assets at fair value through profit or loss	100,841	20,887	121,728
Other	1,026	1,620	2,646

For the year ended 31 December 2023

IFRS8p23, 24

	Equity sub-portfolio	Debt sub-portfolio	Total
Interest income	–	74	74
Interest from financial assets at fair value through profit or loss	–	475	475
Dividend income	1,055	–	1,055
Capital gains	(2,760)	535	(2,225)
Transaction costs	(96)	(41)	(137)
Withholding taxes	(138)	–	(138)
Total net segment income	**(1,939)**	**1,043**	**(896)**
Total segment assets	77,974	15,816	93,790
Total segment liabilities	9,738	–	9,738

Total segment assets include:

	Equity sub-portfolio	Debt sub-portfolio	Total
Financial assets at fair value through profit or loss	77,751	15,491	93,242
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. The Fund's administration and management fees are not considered to be segment expenses.

IFRS8p28(b) A reconciliation of total net segmental income to operating profit/(loss) is provided as follows:

	2024	2023
Total net segment income	15,459	(896)
Withholding taxes	182	138
Other fees and expenses	(1,040)	(879)
Operating profit/(loss)	**14,601**	**(1,637)**

IFRS8p27 The amounts provided to the strategic asset allocation committee with respect to total assets are measured in a manner consistent with IFRS Accounting Standards. The Fund's other receivables are not considered to be segment assets and are managed by the administration function.

(All amounts in € thousands unless otherwise stated)

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

IFRS8p28

	2024	2023
Segment assets for reportable segments	124,374	93,790
Other receivables	2,853	1,432
Total assets	**127,227**	**95,222**

IFRS8p27 The amounts provided to the strategic asset allocation committee with respect to total liabilities are measured in a manner consistent with IFRS Accounting Standards. 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

	2024	2023
Segment liabilities for reportable segments	11,663	9,738
Accrued expenses	257	145
Net assets attributable to redeemable shareholders	114,414	84,674
Other payables	893	665
Total liabilities	**127,227**	**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 is 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.

For the year ended 31 December 2024

	United States	Europe[1]	Total
Segmental net income	13,872	1,587	15,459
Financial assets at fair value through profit or loss	95,826	28,548	124,374

For the year ended 31 December 2023

	United States	Europe	Total
Segmental net income	(886)	(10)	(896)
Financial assets at fair value through profit or loss	72,776	21,014	93,790

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 are related to an individual country, additional disclosures would be required to present segmental information for those individual countries with material balances.

(All amounts in € thousands unless otherwise stated)

Appendix VII – 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 where 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. The standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes.

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 Accounting Standards.

In cases where the information provided to the CODM might 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 in a manner consistent with what is reported internally to the CODM; it will also present a reconciliation to the financial statement amounts. (See Appendix VI for examples of these types of disclosure.)

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 example, 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 might be seen as having multiple segments. The considerations to be made when determining the different operating segments of an entity are listed in paragraphs 5–10 of IFRS 8.

Note – Accounting policies (extracts)

1p117 **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, 24 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 Accounting Standards.

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

IFRS8p33[1] 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 2024, 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 2023, there were no shareholders who held greater than 10% of the Fund's net asset value[2].

[1] Paragraph 33(a) of IFRS 8 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 reference in paragraph 34 of IFRS 8 to 'external customers' is taken to mean the investors for the purpose of a fund.

Appendix VIII – Investment funds with a tax uncertainty

In cases where a country's tax regulations cause uncertainty, it is necessary to assess the extent of this uncertainty and the resulting accounting impact. In all cases where material tax uncertainty exists, adequate disclosure should be included in the notes to the financial statements to bring the users' attention to the exposure, even if measured at nil.

Care should be taken when considering whether the exposure is direct or indirect. If the exposure is indirect – for example, via a participating instrument established between the investor and an intermediary – the exposure might be more appropriately considered as part of the fair valuation process when valuing the participating agreements, rather than as a potential income tax liability. The relevant standards and recognition and measurement criteria might be different.

IFRIC 23, 'Uncertainty over income tax treatments', clarifies how the recognition and measurement requirements of IAS 12, 'Income taxes', are applied where there is uncertainty over income tax treatments.

IFRIC 23 addresses:

(i) whether an entity considers uncertain tax treatments separately;
(ii) the assumptions that an entity makes about the examination of tax treatments by taxation authorities;
(iii) how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
(iv) how an entity considers changes in fact and circumstances.

Measurement

Under IFRIC 23, if an entity concludes that it is probable that the tax authority will accept an uncertain tax treatment that has been taken or is expected to be taken on a tax return, it should determine its accounting for income taxes consistently with that tax treatment. If an entity concludes that it is not probable that the treatment will be accepted, it should reflect the effect of the uncertainty in its income tax accounting in the period in which that determination is made (for example, by recognising an additional tax liability or applying a higher tax rate).

The entity should then measure the impact of the uncertainty using the method that best predicts the resolution of the uncertainty (that is, the entity should use either the most likely amount method or the expected value method when measuring an uncertainty).

The most likely amount method might be appropriate if the possible outcomes are binary or are concentrated on one value. The expected value method might be appropriate if there is a range of possible outcomes that are neither binary nor concentrated on one value. Some uncertainties affect both current and deferred taxes (for example, an uncertainty over the year in which an expense is deductible). IFRIC 23 requires consistent judgements and estimates to be applied to current and deferred taxes.

Changes in circumstances

The judgements and estimates made to recognise and measure the effect of uncertain tax treatments are reassessed whenever circumstances change or when there is new information that affects those judgements. New information might include examinations or actions by the tax authority, evidence that the tax authority has taken a particular position in connection with a similar item, changes in rules established by a taxation authority, or the expiry of the tax authority's right to examine a particular tax treatment. IFRIC 23 states specifically that the absence of any comment from the tax authority is unlikely to be, in isolation, a change in circumstances or new information that would lead to a change in estimate.

Disclosures

There are no disclosure requirements in IFRIC 23. However, entities are reminded of the need to disclose, in accordance with IAS 1, the judgements and estimates made in determining the uncertain tax treatment.

Commentary – Observation

IFRIC 23 provides a framework to consider, recognise and measure the accounting impact of tax uncertainties. The Interpretation provides specific guidance in several areas where IAS 12 is silent.

IAS 12 does not specifically address uncertainties in income taxes. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits, and tax rates. It does not apply to taxes outside the scope of IAS 12. An entity reflects uncertainty over income tax treatments in current and deferred tax assets or liabilities, applying the requirements in IAS 12. The Interpretation also specifies how to determine the unit of account, and the recognition and measurement guidance to be applied to that unit.

(All amounts in € thousands unless otherwise stated)

Interest and penalties on uncertain tax positions

An entity might receive or pay interest or penalties in relation to taxation (for example, where uncertain tax positions are resolved by the tax authorities). Neither IAS 12 nor IFRIC 23 specifically addresses the treatment of interest and penalties associated with uncertain tax positions.

The IFRS Interpretation Committee (the 'Committee') issued an agenda decision in September 2017 on interest and penalties related to income taxes.

The Committee observed in the agenda decision that entities do not have an accounting policy choice between applying IAS 12 and applying IAS 37, 'Provisions, contingent liabilities and contingent assets', to interest and penalties related to income taxes. If an entity considers that a particular amount payable or receivable for interest and penalties is an income tax, IAS 12 is applied to that amount. If an entity does not apply IAS 12 to an amount payable or receivable for interest and penalties, it applies IAS 37 to that amount.

The Committee also observed that (i) an entity discloses its judgement in this respect applying paragraph 122 of IAS 1 if it has a significant effect on the amounts recognised in the financial statements, and (ii) regardless of whether an entity applies IAS 12 or IAS 37 when accounting for interest and penalties related to income taxes, the entity discloses information about those items if material, because both IAS 12 and IAS 37 provide disclosure requirements.

Entities therefore need to decide whether a particular amount payable or receivable for interest and penalties is an income tax. Committee agenda decisions in March 2006 and May 2009 noted that IAS 12 defines income taxes as taxes that are based on taxable profits, and the term 'taxable profit' implies a notion of a net rather than a gross amount. Amounts that are not based on taxable profits are not income taxes. For example, interest and penalties might not be separated from income taxes where there is an overall settlement with the tax authority and any interest and penalties cannot be identified separately.

Presentation and disclosures – estimation uncertainty

An entity should disclose information about the assumptions that it makes about the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year. In respect of those assets and liabilities, the notes should include details of (a) their nature, and (b) their carrying amount as at the end of the reporting period.

Areas that could require disclosure in respect of estimation uncertainty are:

- Status of negotiations with tax authorities in relation to uncertain tax positions.
- Assessing the probabilities that sufficient future taxable profits will be available to enable deferred tax assets resulting from deductible temporary differences and tax losses to be recognised.
- Other assumptions about the recoverability of deferred tax assets.

Below is an illustrative disclosure that might be appropriate in cases of direct exposure to tax uncertainties.

12p46 **Accounting policies – Tax and related interest and penalties (extracts)**

In accordance with IAS 12, 'Income taxes', the Fund is required to recognise a tax liability where it is probable that the tax laws of foreign countries require a tax liability to be assessed on the Fund's capital gains sourced from such foreign country, assuming that the relevant taxing authorities have full knowledge of all the facts and circumstances. The tax liability is then measured at the amount expected to be paid to the relevant taxation authorities, using the tax laws and rates that have been enacted or substantively enacted by the end of the reporting period. There is sometimes uncertainty about the way in which enacted tax law is applied to offshore investment funds. This creates uncertainty about whether or not a tax liability will ultimately be paid by the Fund. Therefore, when measuring any uncertain tax liabilities, management considers all of the relevant facts and circumstances available at the time that could influence the likelihood of payment, including any formal or informal practices of the relevant tax authorities. If the Fund concludes that it is not probable that its tax treatment will be accepted by the authorities, it reflects the effect of this uncertainty in its income tax accounting in the period in which that determination is made. The Fund measures the impact of the uncertainty using either the most likely amount method or the expected value method, whichever is the most appropriate given the circumstances.

Critical judgements (extracts)

1p122 The Fund considers interest and penalties on related tax liabilities to be an inseparable element of the tax liability, and it accounts for interest and penalties as if they are within the scope of IAS 12. These amounts are included within the tax line in the statement of comprehensive income, and the liability would be included within the income tax liability on the statement of financial position.

(All amounts in € thousands unless otherwise stated)

Notes to the financial statements – Taxation

The Fund invests in securities issued by entities which are virtually all domiciled in countries other than Lagartos. Many of these foreign countries have tax laws that indicate that capital gains taxes might be applicable to non-residents, such as the Fund. Typically, these capital gains taxes are required to be determined on a self-assessment basis; therefore, such taxes cannot be deducted by the Fund's broker on a 'withholding' basis.

At 31 December 2024 and 2023, the Fund has applied the most likely amount method in measuring uncertain tax liabilities and related interest and penalties with respect to foreign capital gains taxes at nil: while this represents management's best estimate, the estimated value could differ significantly[1] from the amount ultimately payable. The maximum exposure of the Fund as at 31 December 2024 was €XXX (2023: €XXX)[2].

[If the maximum exposure to a specific tax uncertainty was substantial, management might wish to consider replacing the second paragraph with the following wording]:

At 31 December 2024 and 2023, the Fund has applied the most likely amount method in measuring uncertain tax liabilities and related interest and penalties with respect to foreign capital gains taxes at nil. While this represents management best estimate, there remains a risk that foreign tax authorities will attempt to collect taxes on capital gains earned by the Fund. This could happen without giving any prior warning, possibly on a retrospective basis, and could result in a substantial loss to the Fund. The maximum expected potential exposure of a loss to the Fund as at 31 December 2024 is €XXX (2023: €XXX).

Commentary – Observation

The Fund has applied the most likely amount method to measure the tax uncertainty, since the possible outcomes were binary in nature. If there were multiple possible outcomes, the expected value method might have been more appropriate, in which case the Fund would not have been able to arrive at a nil measurement.

[1] If the exposure is not significant, the word 'significantly' should be deleted, and consideration given to including a statement explaining that the potential impact is not expected to be significant.

[2] The specific facts that support the non-accrual of uncertain tax liabilities should be disclosed here. These factors might include, for example, the relevant tax authority's public communication or private communication with specific taxpayers, a history of non-collection (due perhaps to an inability or unwillingness to collect), or other specific precedents etc. The factors should not include detection risk or anticipation of changes in tax law.

(All amounts in € thousands unless otherwise stated)

Appendix IX – Impact of IFRS 12 on funds that invest in other investment funds

This appendix provides illustrative disclosures required by IFRS 12, 'Disclosure of interests in other entities', for a Fund that holds investments in underlying funds which meet the definition of 'unconsolidated structured entities' under IFRS 12. It is assumed that the Fund has no interests in any other entities, as defined by IFRS 12, that require disclosure, including interests in subsidiaries, joint ventures and associates.

The objective of IFRS 12 is to require an entity to disclose information that enables users of its financial statements to evaluate the nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows. Any entity that has an interest in subsidiaries, joint arrangements, associates or unconsolidated structured entities will be included in the scope of this standard. As such, funds that invest in other funds might be subject to this standard if the investee funds are consolidated subsidiaries (whether structured entities or not) or unconsolidated structured entities as defined in IFRS 12.

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. [IFRS 12 App B para B21].

A structured entity often has some or all of the following features or attributes:
(a) Restricted activities.
(b) A narrow and well-defined objective, such as to effect a tax-efficient lease, carry out research and development activities, provide a source of capital or funding to an entity, or provide investment opportunities for investors by passing on risks and rewards associated with the assets of the structured entity to investors.
(c) Insufficient equity to permit the structured entity to finance its activities without subordinated financial support.
(d) Financing in the form of multiple contractually linked instruments to investors that create concentrations of credit or other risks (tranches). [IFRS 12 App B para B22].

Commentary – Significant judgements and assumptions

A reporting entity should consider whether its interest in another entity represents an interest in a structured entity. Significant judgements and assumptions made should be disclosed. Funds are often constituted so that they either do not have voting rights or the voting rights are only protective in nature. Many funds (including exchange-traded funds) might therefore meet the definition of a structured entity. [IFRS 12 para 2]. This appendix does not address this issue.

Illustrative disclosure:

Notes – Summary of accounting policies (extracts)

IFRS12B21-B22

Structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. A structured entity often has some or all of the following features or attributes: (a) restricted activities; (b) a narrow and well-defined objective, such as to provide investment opportunities for investors by passing on risks and rewards associated with the assets of the structured entity to investors; (c) insufficient equity to permit the structured entity to finance its activities without subordinated financial support; and (d) financing in the form of multiple contractually linked instruments to investors that create concentrations of credit or other risks (tranches).

IFRS12p26

The Fund considers all of its investments in other funds ('Investee Funds') to be investments in unconsolidated structured entities. The Fund invests in Investee Funds whose objectives range from achieving medium- to long-term capital growth and whose investment strategy does not include the use of leverage. The Investee Funds are managed by unrelated asset managers and apply various investment strategies to accomplish their respective investment objectives. The Investee Funds finance their operations by issuing redeemable shares which are puttable at the holder's option and entitle the holder to a proportional stake in the respective fund's net assets. The Fund holds redeemable shares in each of its Investee Funds.

IFRS12B26(c)

The change in fair value of each Investee Fund is included in the statement of comprehensive income in 'Other net changes in fair value on financial assets and financial liabilities at fair value through profit or loss'.

Commentary – Sponsored structured entities

For the purpose of this illustrative disclosure, it is also assumed that the Fund has not sponsored any structured entities; that is, If the Fund had sponsored a structured entity, the Fund financial statements should include the additional disclosure requirements of paragraph 27 of IFRS 12.

(All amounts in € thousands unless otherwise stated)

Note 4 – Financial risk (extracts)

IFRS12p26 The Fund's investments in Investee Funds are subject to the terms and conditions of the respective Investee Fund's offering documentation and are susceptible to market price risk arising from uncertainties about future values of those Investee Funds. The investment manager makes investment decisions after extensive due diligence of the underlying fund, its strategy and the overall quality of the underlying fund's manager. 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 and is reflected in the valuation of the Fund's investment in each of the Investee Funds.

IFRS12B26(e) The right of the Fund to request redemption of its investments in Investee Funds ranges in frequency from weekly to semi-annually.

IFRS12p29 The exposure to investments in Investee Funds at fair value, by strategy employed, is disclosed in the following table. These investments are included in financial assets at fair value through profit or loss in the statement of financial position[1].

IFRS12p24, 26, 29

				31 Dec 2024[2]
Strategy	Number of Investee Funds	Net Asset Value of Investee Fund (range and weighted avg) €Million	Investment fair value € 000's	% of net assets attributable to holders of redeemable shares
Equity long/short	12	25-60/(45)	55,548	49.8
Event-driven	10	75-107/(82	41,531	37.2
Directional trading	6	100-225(175)	9,668	8.7
Multi-strategy	2	37-45/(41)	5,752	5.2
Fund of Funds	2	21-25/(23)	5,565	5
Relative value	5	25-100/(66)	1,456	1.3
			119,520	107.2

Commentary – Disclosure

Paragraph 26 of IFRS 12 requires disclosure of qualitative and quantitative information about an entity's interests in unconsolidated structured entities, including, but not limited to, the nature, purpose, size and activities of the structured entity and how the structured entity is financed.

IFRS12p29(c), (d) The Fund's maximum exposure to loss from its interests in Investee Funds is equal to the total fair value of its investments in Investee Funds.

IFRS12p25 Once the Fund has disposed of its shares in an Investee Fund, the Fund ceases to be exposed to any risk from that Investee Fund.

IFRS12p30 The Fund's investment strategy entails trading in other funds on a regular basis. Total purchases in Investee Funds during the year ended 31 December 2024 was €35,345,000 (2023: €16,012,013). The Fund intends to continue opportunistic trading in other funds. As at 31 December 2024 and 31 December 2023, there were no capital commitment obligations and no amounts due to Investee Funds for unsettled purchases.

IFRS12B26(b) During the year ended 31 December 2024, total net losses incurred on investments in Investee Funds were €17,381,000 (2023: €11,081,981).

Commentary – IFRS 7

The disclosure requirements of IFRS 7 and IFRS 12 might overlap to some extent. However, the intention is that both standards complement each other. [IFRS 12 paras BC72–BC74]. Therefore, in situations where a fund invests in other funds which fall within the definition of a structured entity, additional disclosure requirements will result from the application of IFRS 12.

[1] The line item in the statement of financial position in which the interests in structured entities are included should be disclosed. [IFRS 12 para 29(b)].
[2] Comparative information has not been included in the illustrative disclosure above; however, it is required, because the standard has been effective since 1 January 2013.

(All amounts in € thousands unless otherwise stated)

Appendix X – Offsetting: requirements and disclosures under IAS 32 and IFRS 7

IFRS 7 requires disclosures to enable users of financial statements to evaluate the effect or the potential effects of netting arrangements, including rights of set-off associated with an entity's recognised financial assets and recognised financial liabilities, on the entity's financial position. IAS 32 provides guidance on offsetting criteria.

This appendix provides detailed guidance on the offsetting criteria contained in IAS 32 and disclosures required by IFRS 7.

Offsetting requirements under IAS 32

The guidance in paragraph 42 of IAS 32 states:

'A financial asset and a financial liability shall be offset and the net amount presented in the statement of financial position when, and only when, an entity:

(a) currently has a legally enforceable right to set-off the recognised amounts; and

(b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.'

IAS 32 stipulates that an entity currently has a 'legally enforceable right to set-off' if this right is not contingent on a future event and is enforceable in the normal course of business, in the event of default and in the event of insolvency or bankruptcy of the entity and all of the counterparties. [IAS 32 para AG38B].

IAS 32 also states that gross settlement can be considered equivalent to net settlement if, and only if, the gross settlement mechanism has features that eliminate or result in insignificant credit and liquidity risk, and that mechanism will process receivables and payables in a single settlement process or cycle. Several characteristics that a gross settlement system might have that would allow it to meet this criterion are listed in paragraph AG38F of IAS 32, as follows:

'(a) financial assets and financial liabilities eligible for set-off are submitted at the same point in time for processing;

(b) once the financial assets and financial liabilities are submitted for processing, the parties are committed to fulfil the settlement obligation;

(c) there is no potential for the cash flows arising from the assets and liabilities to change once they have been submitted for processing (unless the processing fails – see (d) below);

(d) assets and liabilities that are collateralised with securities will be settled on a securities transfer or similar system (for example, delivery versus payment), so that if the transfer of securities fails, the processing of the related receivable or payable for which the securities are collateral will also fail (and vice versa);

(e) any transactions that fail, as outlined in (d), will be re-entered for processing until they are settled;

(f) settlement is carried out through the same settlement institution (for example, a settlement bank, a central bank or a central securities depository), and

(g) an intraday credit facility is in place that will provide sufficient overdraft amounts to enable the processing of payments at the settlement date for each of the parties, and it is virtually certain that the intraday credit facility will be honoured if called upon.'

It is possible that systems utilised, for instance, by certain clearing houses might be considered equivalent to a net settlement system.

Commentary – Offsetting requirements under IAS 32

The nature and extent of the right to set-off, including any conditions attached to its exercise and whether it would remain in the event of default or insolvency or bankruptcy, might vary from one legal jurisdiction to another. As such, the laws applicable to the relationships between the parties need to be considered to ascertain whether the right to set-off is enforceable in the manner defined in IAS 32. [IAS 32 paras AG38C, 38D].

It is also likely that legal analysis and judgement would be required in the determination of whether arrangements to which the entity is subject meet the offsetting criteria under IAS 32.

Offsetting disclosures under IFRS 7

Scope

Offsetting disclosures are required for all recognised financial instruments that are offset in accordance with paragraph 42 of IAS 32 (see above). These disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments and transactions, irrespective of whether they are offset in accordance with paragraph 42 of IAS 32. [IFRS 7 para 13A, App B para B40].

The similar agreements referred to above include derivative clearing agreements, global master repurchase agreements, global master securities lending agreements, and any related rights to financial collateral. The similar financial instruments and transactions referred to above include derivatives, sale and repurchase agreements, reverse sale and repurchase agreements, securities borrowing, and securities lending agreements. [IFRS 7 App B para B41].

Financial instruments that are subject only to a collateral agreement are not within the scope. [IFRS 7 App B para B41].

Appendix X – Offsetting: requirements and disclosures under IAS 32 and IFRS 7

(All amounts in € thousands unless otherwise stated)

IFRS 7 and IAS 32 do not provide a definition of 'master netting arrangement'; however, IAS 32 provides the following list of characteristics which a master netting arrangement would have:

- Such an agreement provides for a single net settlement of all financial instruments covered by the agreement in the event of default on, or termination of, any one contract.
- These arrangements are commonly used by financial institutions to provide protection against loss in the event of bankruptcy or other circumstances that result in a counterparty being unable to meet its obligations.
- A master netting arrangement commonly creates a right to set-off that becomes enforceable and affects the realisation or settlement of individual financial assets and financial liabilities only following a specified event of default or in other circumstances not expected to arise in the normal course of business. [IAS 32 para 50].

Offsetting disclosure requirements

The offsetting disclosure requirements contained in IFRS 7 apply to all recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are offset in accordance with paragraph 42 of IAS 32. [IFRS 7 para 13A].

The purpose of these disclosures is to enable users of the financial statements to evaluate the effect or potential effect of netting arrangements on the entity's financial position. This includes the effect or potential effect of rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities that are subject to a master netting arrangement or similar agreement. [IFRS 7 para 13B].

The disclosures require amounts to be presented in a tabular format separately for financial assets and financial liabilities, unless another format is more appropriate. [IFRS 7 para 13C]. For instance, an entity might choose to disclose one table for its assets (and a separate table for its liabilities) which are subject to a master netting arrangement. The specific disclosure requirements are listed below; however, in general terms, each table will disclose:

i) gross assets (or liabilities) subject to a master netting arrangement;
ii) amounts offset against the asset (or liability) in accordance with the offsetting criteria in paragraph 42 of IAS 32; and
iii) amounts available for set-off against the asset (or liability) that have not been offset.

The following table details the main disclosure requirements and provides commentary explanations of each requirement:

	Disclosure requirement	**Explanation and commentary**
A	Gross amounts of recognised financial assets and recognised financial liabilities. [IFRS 7 para 13C(a)].	These amounts relate to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they meet the offsetting criteria. However, they do not relate to any amounts recognised as a result of collateral agreements that do not meet the offsetting criteria in paragraph 42 of IAS 32 (such amounts will be disclosed under 'D' below). [IFRS 7 App B para B43].
B	The amounts that are offset in accordance with the criteria in paragraph 42 of IAS 32. [IFRS 7 para 13C(b)].	Amounts disclosed are limited to the amounts that are subject to set-off. For example, if the gross amount of the asset is larger than the gross amount of the liability (assuming that the asset and liability meet the offsetting criteria), the financial asset disclosure table will include the entire amount of the derivative asset (in accordance with 'A') and the entire amount of the derivative liability (in accordance with 'B'). However, while the financial liability disclosure table will include the entire amount of the derivative liability (in accordance with 'A'), it will only include the amount of the derivative asset (in accordance with 'B') that is equal to the amount of the derivative liability. [IFRS 7 App B para B44].
C	The net amounts presented in the statement of financial position. [IFRS 7 para 13C(c)].	This is simply the difference between 'A' and 'B'. Note that, if there are no amounts which meet the offsetting criteria, the amounts disclosed for 'A' will equal the amount disclosed for 'C'. [IFRS 7 App B para B45].
D	Amounts subject to set-off that do not qualify for offsetting under 'B' above. [IFRS 7 para 13C(d)] This relates to: i. amounts which are subject to set-off against the asset (or liability) disclosed in 'A' which have not been offset in the statement of financial position, and ii. any financial collateral (including cash collateral), both received and pledged.	The amounts disclosed under 'D' are limited to the amounts disclosed in 'C'. [IFRS 7 para 13D]. This is further explained in the illustrative guidance provided below.
E	Net amount. [IFRS 7 para 13C(e)].	Net of 'C' and 'D'.

(All amounts in € thousands unless otherwise stated)

Other disclosure requirements:

- An entity should include a description in the disclosures of the rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities subject to enforceable master netting arrangements and similar agreements that are disclosed in accordance with 'D' in the table above, including the nature of those rights. [IFRS 7 para 13E].
- If the disclosure requirements listed above are disclosed in more than one note to the financial statements, an entity should cross-refer between those notes. [IFRS 7 para 13F].
- The amounts required to be disclosed by 'C' in the table above must be reconciled to the individual line item amounts presented in the statement of financial position. [IFRS 7 App B para B46].
- To meet the objective of the disclosure requirements, an entity might need to supplement them with additional (qualitative) disclosures, depending on the terms of the enforceable master netting arrangements and related agreements, including the nature of the rights of set-off, and their effect or potential effect on the entity's financial position. [IFRS 7 App B para B53].

Disclosure options

In making the quantitative disclosure requirements listed in 'A' to 'E' in the table above, IFRS 7 provides the option of:

i) making all disclosures 'A' to 'E' by type (of financial instrument or transaction) [IFRS 7 App B para B51]; or
ii) making disclosures 'A' to 'C' by type and making disclosures 'C' to 'E' by counterparty; under this option, disclosure for item 'C' is therefore made both by type and by counterparty.

If option (ii) is taken, amounts that are individually significant in terms of total counterparty amounts should be separately disclosed and the remaining individually insignificant counterparty amounts should be aggregated into one line item. [IFRS 7 App B para B52].

Commentary – IFRS 7 disclosures

It is not uncommon for a fund to engage in transactions with several different counterparties and therefore be subject to several different master netting arrangements. As a result, care must be taken to match assets and liabilities only to amounts that are subject to set-off with assets or liabilities held with the same counterparty.

For example, fund W engages in derivative trading with three different counterparties. Transactions with each counterparty are governed by separate master netting agreements. However, the offsetting criteria under paragraph 42 of IAS 32 have NOT been met. For simplicity, no collateral has been received or pledged with any counterparty. Relevant balances are below:

	Asset	Liability
Counterparty X	4	4
Counterparty Y	5	0
Counterparty Z	6	11
Total	**15**	**15**

Quantitative asset disclosures for fund W's derivatives are as follows:

Gross assets per 'A'	–	15
Amount offset per 'B'	–	0
Net per 'C'	–	15
Amount per 'D'	–	10
Net per 'E'	–	5

As shown above, although fund W has gross derivative assets of 15 and gross derivative liabilities of 15, which are all subject to master netting arrangements, the net amount per 'E' is 5. The reason for this is that fund W has zero liabilities subject to set-off with counterparty Y and, while the fund has a liability of 11 with counterparty Z, only an amount of 6 can be used in the disclosure, since the amount disclosed under 'D' is limited to the gross asset held with that counterparty.

This concept is further explained in the illustrative disclosure below.

The following illustrative disclosure is based on a fictional fund (fund A) which engages in derivatives, repurchase and reverse repurchase transactions with various counterparties. The transactions with counterparties are all governed by separate master netting agreements which fall within the scope of IFRS 7. The following table summarises the gross assets, liabilities and collateral relevant to each counterparty.

(All amounts in € thousands unless otherwise stated)

	Counterparty 1	Counterparty 2	Counterparty 3	Counterparty 4	TOTAL
Derivative assets not offset per paragraph 42 of IAS 32	1,000	720	220	–	**1,940**
Derivative assets offset per paragraph 42 of IAS 32*	100	–	50	–	**150**
Derivative liabilities not offset per paragraph 42 of IAS 32	(400)	(1,200)	(300)	–	**(1,900)**
Derivative liabilities offset per paragraph 42 of IAS 32*	(100)	–	(50)	–	**(150)**
Amounts receivable under agreements to resell	–	–	–	500	**500**
Amounts payable under agreements to repurchase	–	–	–	(650)	**(650)**
Cash paid as collateral	–	400	–	–	**400**
Cash received as collateral	(500)	–	–	–	**(500)**
Investments pledged by counterparty to fund**	–	–	–	(510)	**(510)**
Investments pledged by fund to counterparty	–	150	50	700	**900**

* These balances are not reflected in the statement of financial position, because they have been offset in accordance with IAS 32
** This balance is not reflected in the statement of financial position, because it does not meet the recognition criteria

The following illustrative disclosure includes extracts from the fund's statement of financial position and disclosure required by IFRS 7. The IFRS 7 disclosure requirements are illustrated using both disclosure options mentioned previously.

Illustrative disclosure

Fund A
Statement of financial position (EXTRACTS)

Assets	
Derivatives	1,940
Amounts receivable under agreements to resell	500
Cash collateral receivable	400
Investments pledged by fund	900
Liabilities	
Derivatives	(1,900)
Amounts payable under agreements to repurchase	(650)
Cash collateral payable	(500)

Notes – Offsetting and amounts subject to master netting arrangements and similar agreements

IFRS7p13C, B51

Financial assets subject to set-off, enforceable master netting arrangements and similar agreements[1]:

	A	B	C = A – B	D		E = C – D
	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities offset in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	Related amounts not offset in the statement of financial position		Net amount
				D(i) and D(ii) Financial instruments	D(ii) Cash collateral received	
Description						
Derivatives	2,090	150	1,940	1,340	500	100
Reverse repo receivable	500	–	500	500	–	–

IFRS7p13C, B51

Financial liabilities subject to set-off, enforceable master netting arrangements and similar agreements:

	A	B	C = A – B	D		E = C – D
	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial liabilities offset in the statement of financial position	Net amounts of financial liabilities presented in the statement of financial position	Related amounts not offset in the statement of financial position		Net amount
				D(i) and D(ii) Financial instruments	D(ii) Cash collateral pledged	
Description						
Derivatives	2,050	150	1,900	1,540	330	30
Repo payable	650	–	650	650	–	–

[1] This table illustrates fund A's application of the quantitative disclosure requirements ('A' to 'E' detailed in the table further above) by TYPE of financial instrument (that is, the first option).

(All amounts in € thousands unless otherwise stated)

Commentary – Quantitative disclosures

'A' –
In the above example, amounts disclosed under 'A' would include derivative assets, derivative liabilities, amounts receivable under agreements to resell, and amounts payable under agreements to repurchase. Amounts disclosed under 'A' do not relate to any amounts recognised as a result of collateral agreements that do not meet the offsetting criteria in paragraph 42 of IAS 32. As a result, the cash collateral receivable and payable as well as the financial assets pledged by the Fund will not be presented under 'A'.

For the asset table, the gross derivative would equal all amounts subject to a master netting arrangement, including amounts offset in the statement of financial position. This would be 1,940 + 150 = 2,090. Similarly, the gross derivative liability would be 1,900 + 150 = 2,050.

'B' –
The amounts that are offset in accordance with the criteria in paragraph 42 of IAS 32 will be disclosed here.

'C' –
This is the difference between 'A' and 'B' (this amount should reconcile to the statement of financial position).

'D' –
Assets:
The amount disclosed for derivatives is calculated as follows:

	Counterparty 1	**Counterparty 2**	**Counterparty 3**	**TOTAL €**
Net derivative asset	1,000	720	220	1,940
Derivative liability subject to set-off	(400)	(720)	(220)	1,340
Subtotal	**600**	**0**	**0**	**600**
Cash collateral received	(500)	n/a	n/a	(500)
Net	**100**	**0**	**0**	**100**

For the amounts receivable under agreements to resell, although the fund has a payable to counterparty 4 of 650 and has also received pledged collateral of 510, the value disclosed under 'D' is limited to 500 which is the gross asset amount and the amount disclosed in 'C'.

'D' –
Liabilities:
The amount disclosed for derivatives is calculated as follows:

	Counterparty 1	**Counterparty 2**	**Counterparty 3**	**TOTAL €**
Net derivative liability	400	1,200	300	1,900
Derivative asset subject to set-off	(400)	(720)	(220)	(1,340)
Subtotal	**0**	**480**	**80**	**560**
Investments pledged by fund	n/a	(150)	(50)	(200)
Subtotal	**0**	**330**	**30**	**360**
Cash collateral provided	n/a	(330)	0	(330)
Net	**0**	**0**	**30**	**30**

The amount disclosed under 'D' relating to financial instruments (1,540) comprises the derivative assets subject to set-off (1,340) plus the investments pledged by the fund (200).

For counterparty 2, although 400 cash collateral was provided, the amount disclosed for 'D(ii)' is limited to the net amount remaining, which in the above scenario is 330.

For the amounts payable under agreements to repurchase, although the fund has a receivable from counterparty 4 of 500 and has pledged collateral of 700, the value disclosed under 'D' is limited to 650 which is the gross liability amount and the amount disclosed in 'C'.

'E' –
This is the difference between 'C' and 'D'.

(All amounts in € thousands unless otherwise stated)

The following table illustrates fund A's application of the quantitative disclosure requirements ('A' to 'E' detailed in the table further above) by COUNTERPARTY (that is, the second option). Under this option, the fund will disclose 'A' to 'C' by type and 'C' to 'E' by counterparty.

Disclosure of 'A' to 'C' by type will be the same as illustrated in the tables above. The following tables therefore just illustrate 'C' to 'E' by counterparty:

IFRS7p13C, B52

Financial assets subject to set-off, enforceable master netting arrangements and similar agreements:

	C = A – B	D		E = C – D
	Net amounts of financial assets presented in the statement of financial position	Related amounts not offset in the statement of financial position		Net amount
		D(i) and D(ii) Financial instruments	D(ii) Cash collateral received	
Counterparty 1	1,000	400	500	100
Counterparty 2	720	720	–	–
Counterparty 3	220	220	–	–
Counterparty 4	500	500	–	–

IFRS7p13C, B52

Financial liabilities subject to set-off, enforceable master netting arrangements and similar agreements:

	C = A – B	D		E = C – D
	Net amounts of financial liabilities presented in the statement of financial position	Related amounts not offset in the statement of financial position		Net amount
		D(i) and D(ii) Financial instruments	D(ii) Cash collateral pledged	
Counterparty 1	400	400	–	–
Counterparty 2	1,200	870	330	–
Counterparty 3	300	270	–	30
Counterparty 4	650	650	–	–

Commentary – Quantitative disclosures (continued)

Disclosure by counterparty:

From the tables above, it can be seen that the net amounts presented in 'E' are the same regardless of which presentation option is used by the fund.

Refer to previous commentary boxes for explanations on how the individual amounts presented in the counterparty table were calculated.

Collateral and disclosure under 'D':

For the purpose of this disclosure, an entity should disclose collateral at its fair value. This applies to both collateral received and collateral pledged. [IFRS 7 App B para B48].

The amounts disclosed in accordance with 'D' should also relate to actual collateral received or pledged and not to any resulting payables or receivables recognised to return or receive back such collateral. [IFRS 7 App B para B48].

(All amounts in € thousands unless otherwise stated)

IFRS7p13E, B50

Transactions with counterparties 1, 2, 3 and 4 are governed by separate master netting agreements. Each agreement allows for net settlement of certain open contracts where the fund and respective counterparty both elect to settle on a net basis. In the absence of such an election, contracts will be settled on a gross basis. However, each party to the master netting agreement will have the option to settle all open contracts on a net basis in the event of default of the other party. Under the terms of each master netting agreement, an event of default includes the following:

- failure by a party to make payment when due;
- failure by a party to perform any obligation required by the agreement (other than payment) if such failure is not remedied within 30 days after notice of such failure is given to the party;
- bankruptcy.

IFRS7B50

Investments pledged as collateral by the fund can be sold or re-pledged by the respective counterparty. Cash collateral received is restricted and does not form part of the fund's cash and cash equivalents. Under the terms of the master netting agreements, collateral can only be seized by a party in the event of default of the other party.

Commentary – Qualitative disclosures (continued)

An entity should include a description in the disclosures of the rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities subject to enforceable master netting arrangements and similar agreements that are disclosed in accordance with 'D', including the nature of those rights. [IFRS 7 para 13E].

For example:

- An entity should describe its conditional rights.
- For instruments subject to rights of set-off that are not contingent on a future event but that do not meet the remaining criteria in paragraph 42 of IAS 32, the entity should describe the reason(s) why the criteria are not met.
- For any financial collateral received or pledged, the entity should describe the terms of the collateral agreement (for example, when the collateral is restricted). [IFRS 7 App B para B50].

In order to make the above required disclosures, an entity will need to analyse the terms contained in its agreements. The qualitative disclosures provided above are illustrative only and might not necessarily be consistent with the terms contained in master netting and similar agreements of all funds.

(All amounts in € thousands unless otherwise stated)

Appendix XI – Funds whose shares are transacted using a different measurement basis for certain assets or liabilities, when compared to IFRS Accounting Standards

A fund's prospectus might require certain items to be accounted for differently when calculating the net asset value for transacting its own shares (the trading NAV), compared to the requirements of IFRS Accounting Standards. For instance, IFRS Accounting Standards require set-up costs to be expensed when incurred; however, a fund's prospectus might require such costs to be amortised over several years for the purpose of determining the trading NAV. In such a circumstance the fund's financial statements will have to include the total expense in the period incurred with no amortisation in order to comply with IFRS Accounting Standards; however, this would lead to the fund having a trading NAV that is different from the net of the fund's assets and liabilities (excluding redeemable shares) calculated in accordance with IFRS Accounting Standards. This appendix addresses how such differences should be treated.

Equity versus liabilities
The treatment of such differences differs depending on whether the shares of the fund are classified as equity or liabilities under IAS 32[1]. This is because different measurement criteria apply to the shares depending on the classification.

Equity
The Conceptual framework for financial reporting [at para 4.63] defines equity as 'the residual interest in the assets of the entity after deducting all its liabilities'. As such, if the shares are considered to be equity instruments, their measurement would have to equate to total assets less total liabilities calculated in accordance with IFRS Accounting Standards. In this circumstance, there would therefore be a difference between the trading NAV of the fund (calculated in accordance with the prospectus) and the net asset value (equity value) calculated in accordance with IFRS Accounting Standards; however, it is permissible to disclose and explain the nature of this difference in the notes to the financial statements. No adjustment to the primary statements is required.

Commentary – Example note disclosure when shares are presented as equity under IAS 32

As mentioned above, no adjustment to the primary statements is necessary in this scenario if the shares were classified as equity. However, a fund might still wish to explain the difference between its trading NAV and its equity as per the statement of financial position. The following is an example note disclosure that can be used:

Example note disclosure:
The Fund's prospectus requires set-up costs to be amortised over a period of 4 years for the purpose of calculating its trading NAV, whereas IFRS Accounting Standards require set-up costs to be expensed as incurred. All set-up costs have been expensed during the year ended 31 December 2023 in accordance with IFRS Accounting Standards; however, this has resulted in a difference between the Fund's trading NAV and the net of assets and liabilities measured in accordance with IFRS Accounting Standards.

The Fund's shares are classified as equity in accordance with IAS 32 and therefore equate to the residual value of the Fund's total assets less its total liabilities. The following table shows the reconciliation of the Fund's equity value to its trading NAV:

	As at 31 December	
	2024	**2023**
Equity as per statement of financial position	79,543	83,924
Adjustment for set-up costs	500	750
Trading NAV calculated in accordance with the Fund's prospectus	80,043	84,674

Liabilities
If shares are considered to be liabilities under IAS 32, IFRS Accounting Standards require the liability to be measured at fair value or amortised cost. The primary input of measurement would be the amount payable upon redemption of the shares[2], which in turn would be based on the trading NAV in accordance with the fund's prospectus. In this situation, the liability measurement of the shares will not equate to the net of the fund's assets and liabilities (excluding the shares). This difference therefore becomes an adjustment that needs to be presented in the primary statements. The following illustrates how such an adjustment is presented.

[1] Where the criteria listed in paragraphs 16A and 16B of IAS 32 are met, a fund's shares should be classified as equity.
[2] The fair value of a financial liability with a demand feature (for example, a demand deposit) is not less than the amount payable on demand, discounted from the first date when the amount could be required to be paid. [IFRS 13 para 47]. In cases where the trading NAV is higher than the sum of assets and liabilities (as illustrated in this appendix), an adjustment will be required; however, if the trading NAV is lower than the sum of assets and liabilities, there should be no adjustment, since all net assets are attributable to the shareholders.

(All amounts in € thousands unless otherwise stated)

Example scenario

The fund commenced operations on 1 January 2023 and incurred €1,000 in set-up costs. The fund's year end is 31 December and the policy per the fund's prospectus is to amortise all set-up costs over four years.

	Statement of Operations: Expense		Statement of Financial Position: Capitalised set-up costs	
	Per IFRS Accounting Standards	Per prospectus	Per IFRS Accounting Standards	Per prospectus
Year ended 31 December 2023	1,000	250	–	750
Year ended 31 December 2024		250	–	500
Year ended 31 December 2025		250	–	250
Year ended 31 December 2026		250	–	–

The above scenarios result in an adjustment of €750 at the end of 31 December 2023 and an adjustment of €500 at the end of 31 December 2024.

Statement of financial position

		As at 31 December 2024	2023
	Assets		
	Cash and cash equivalents	350	325
	Due from brokers	2,000	950
	Other receivables and prepayments	500	440
	Financial assets at fair value through profit or loss	78,000	91,000
	Total assets	**80,850**	**92,715**
	Liabilities		
	Due to brokers	(800)	(770)
	Accrued expenses	(257)	(521)
	Financial liabilities at fair value through profit or loss	(250)	(7,500)
1p55	**Liabilities (excluding net assets attributable to holders of redeemable shares)**	(1,307)	(8,791)
32IE32	**Net assets attributable to holders of redeemable shares (before set-up cost adjustment)**	**79,543**	**83,924**
	Represented by:		
1p54(m)	**Net assets attributable to holders of redeemable shares (at trading value)**	**80,043**	**84,674**
1p55, 78(e)	Adjustment for set-up costs*	(500)	(750)

(All amounts in € thousands unless otherwise stated)

Statement of comprehensive income

		Note	Year ended 31 December 2024	2023
	Income			
	Dividend income		1,538	1,000
	Other net changes in fair value on financial assets and financial liabilities at fair value through profit or loss		7,500	6,000
	Total net income/(loss)		**9,038**	**7,000**
	Expenses			
	Management fee		(800)	(650)
	Set-up costs		-	(1,000)
	Transaction costs		(125)	(100)
	Other operating expenses		(140)	(150)
	Total operating expenses		**(1,065)**	**(1,900)**
	Operating profit/(loss)		**7,973**	**5,100**
	Finance costs			
	Distributions to holders of redeemable shares		(500)	(500)
	Profit/(loss) after distributions		**7,473**	**4,600**
	Adjustment for set-up costs*	12	(250)	750
32p35, IE32, 1p85	**Increase/(decrease) in net assets attributable to holders of redeemable shares from operations**		**7,223**	**5,350**

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

	Note	Year ended 31 December 2024	2023
Net assets attributable to holders of redeemable shares at 1 January (before set-up cost adjustment)		**83,924**	–
Represented by:			
Net assets attributable to holders of redeemable shares at 1 January (at trading value)		84,674	–
Adjustment for set-up costs		(750)	–
Net assets attributable to holders of redeemable shares at 1 January (at trading value)		**84,674**	–
Proceeds from redeemable shares issued		3,346	79,324
Redemption of redeemable shares		(15,200)	–
Net increase from share transactions		(11,854)	79,324
Profit/(loss) after distributions and tax		7,473	4,600
Adjustment for set-up costs*	**12**	(250)	750
Increase/(decrease) in net assets attributable to holders of redeemable shares from operations		7,223	5,350
Net assets attributable to holders of redeemable shares at 31 December (at trading value)		**80,043**	**84,674**

(All amounts in € thousands unless otherwise stated)

Commentary – Adjustment for set-up costs

* The amount presented in the statement of comprehensive income represents the movement in the adjustment during the year. Since 2023 is the first year of operation, the adjustment moved from nil to €750.

During 2024, the adjustment decreased from €750 to €500 in the statement of financial position, and so the movement presented in the statement of comprehensive income was (€250).

Notes to the financial statements (extracts)

Note 12

The Fund's prospectus requires set-up costs to be amortised over a period of four years for the purpose of calculating its trading NAV, whereas IFRS Accounting Standards require set-up costs to be expensed as incurred. All set-up costs have been expensed during the year ended 31 December 2023 in accordance with IFRS Accounting Standards; however, this has resulted in a difference between the Fund's trading NAV and the Fund's residual interest over its assets after deducting its liabilities (excluding redeemable shares) measured in accordance with IFRS Accounting Standards. The Fund's shares are classified as liabilities in accordance with IAS 32. This liability is measured at the amount which the Fund is obligated to pay upon redemption, which is based on the trading NAV calculated in accordance with the prospectus. The resulting difference of €500 (2023: €750) is presented in the statement of financial position and the movement in these differences of (€250) (2023: €750) has been presented in the statement of comprehensive income.

(All amounts in € thousands unless otherwise stated)

Appendix XII – New standards and amendments

This appendix provides a summary of (a) new standards and amendments that are effective for the first time for periods commencing on or after 1 January 2024 (that is, years ending 31 December 2024), (b) IFRS Interpretations Committee agenda decisions issued in the last 12 months, and (c) forthcoming requirements, being standards and amendments that will become effective on or after 1 January 2025.

Please refer to the following link for further information on new IFRS Accounting Standards: New IFRS accounting standards effective after 1 October 2024

New standards and amendments – applicable 1 January 2024

The following standards and interpretations apply for the first time to financial reporting periods commencing on or after 1 January 2024:

Title	Key requirements	Effective Date[1]
Classification of Liabilities as Current or Non-current – Amendments to IAS 1 *Non-current Liabilities with Covenants – Amendments to IAS 1*	Amendments made to IAS 1, 'Presentation of Financial Statements', in 2020 and 2022 clarified that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the entity's expectations or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). Covenants of loan arrangements will not affect classification of a liability as current or non-current at the reporting date if the entity must only comply with the covenants after the reporting date. However, if the entity must comply with a covenant either before or at the reporting date, this will affect the classification as current or non-current even if the covenant is only tested for compliance after the reporting date. The amendments require disclosures if an entity classifies a liability as non-current and that liability is subject to covenants that the entity must comply with within 12 months of the reporting date. The disclosures include: • the carrying amount of the liability; • information about the covenants; and • facts and circumstances, if any, that indicate that the entity might have difficulty complying with the covenants. The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability. Terms of a liability that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instrument can only be ignored for the purpose of classifying the liability as current or non-current if the entity classifies the option as an equity instrument. However, conversion options that are classified as a liability must be considered when determining the current/non-current classification of a convertible liability. The amendments must be applied retrospectively in accordance with the normal requirements in IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors'. Special transitional rules apply if an entity had early adopted the 2020 amendments regarding the classification of liabilities as current or non-current.	1 January 2024
Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	In September 2022, the IASB finalised narrow-scope amendments to the requirements for sale and leaseback transactions in IFRS 16, 'Leases', which explain how an entity accounts for a sale and leaseback after the date of the transaction. The amendments specify that, in measuring the lease liability subsequent to the sale and leaseback, the seller-lessee determines 'lease payments' and 'revised lease payments' in a way that does not result in the seller-lessee recognising any amount of the gain or loss that relates to the right of use that it retains. This could particularly impact sale and leaseback transactions where the lease payments include variable payments that do not depend on an index or a rate.	1 January 2024

[1] Applicable to reporting periods commencing on or after the given date.

(All amounts in € thousands unless otherwise stated)

Title	Key requirements	Effective Date[1]
Supplier finance arrangements – Amendments to IAS 7 and IFRS 7	The IASB has issued new disclosure requirements about supplier financing arrangements ('SFAs'), after feedback to an IFRS Interpretations Committee agenda decision highlighted that the information required by IAS 7, 'Statement of Cash Flows', and IFRS 7, 'Financial Instruments: Disclosures', falls short of meeting user information needs. The objective of the new disclosures is to provide information about SFAs that enables investors to assess the effects on an entity's liabilities, cash flows and the exposure to liquidity risk. The new disclosures include information about the following: (1) The terms and conditions of SFAs. (2) The carrying amounts of financial liabilities that are part of SFAs and the line items in which those liabilities are presented. (3) The carrying amount of the financial liabilities in (2) for which suppliers have already received payment from the finance providers. (4) The range of payment due dates for both the financial liabilities that are part of SFAs, and comparable trade payables that are not part of such arrangements. (5) Non-cash changes in the carrying amounts of financial liabilities in (2). (6) Access to SFA facilities and concentration of liquidity risk with finance providers. The IASB has provided transitional relief by not requiring comparative information in the first year, and also not requiring disclosure of specified opening balances. Further, the required disclosures are only applicable for annual periods during the first year of application. Therefore, the earliest that the new disclosures will have to be provided is in annual financial reports for December 2024 year-ends, unless an entity has a financial year of less than 12 months.	1 January 2024

IFRS Interpretations Committee agenda decisions issued in the last 12 months

As at 30 September 2024, the following agenda decisions were issued that might be relevant for the preparation of annual reports in 2024. The date issued refers to the date of approval by the IASB as per the IASB's website. For more recent information, please refer to our website at www.viewpoint.pwc.com.

Date issued	Topic
October 2023	Premiums Receivable from an Intermediary (IFRS 17 and IFRS 9)
October 2023	Homes and Home Loans Provided to Employees
October 2023	Guarantee over a Derivative Contract (IFRS 9)
January 2024	Merger between Parent and Its Subsidiary in Separate Financial Statements (IAS 27)
April 2024	Payments Contingent on Continued Employment during Handover Periods (IFRS 3)
April 2024	Climate-related Commitments (IAS 37)
July 2024	Segment Reporting (IFRS 8)

[1] Applicable to reporting periods commencing on or after the given date.

(All amounts in € thousands unless otherwise stated)

Forthcoming requirements

As at 30 September 2024, the following standards and interpretations had been issued but were not mandatory for annual reporting periods ending on 31 December 2024. For more recent information, please refer to our website at www.viewpoint.pwc.com.

Title	Key requirements	Effective Date[1]
Lack of Exchangeability – Amendments to IAS 21	The IASB has amended IAS 21, 'The Effects of Changes in Foreign Exchange Rates', by adding requirements which will help entities to: • assess whether a currency is exchangeable into another currency, and • determine the spot exchange rate to use, when exchangeability is lacking. If an entity has estimated a spot exchange rate because a currency is not exchangeable into another currency, it will have to provide additional information to help users to understand the effects and associated risks, the estimated rates and estimation process used.	1 January 2025
Classification and Measurement of Financial Instruments – Amendments to IFRS 9 and IFRS 7	The IASB issued targeted amendments to IFRS 9, 'Financial Instruments', and IFRS 7, 'Financial Instruments: Disclosures', to respond to recent questions arising in practice, and to include new requirements not only for financial institutions but also for corporate entities. These amendments: (a) clarify the date of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system; (b) clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion; (c) add new disclosures for certain instruments with contractual terms that can change cash flows (such as some financial instruments with features linked to the achievement of environment, social and governance targets); and (d) update the disclosures for equity instruments designated at fair value through other comprehensive income (FVOCI). The amendments in (b) are most relevant to financial institutions, but the amendments in (a), (c) and (d) are relevant to all entities.	1 January 2026
IFRS 18, 'Presentation and Disclosure in Financial Statements'	The IASB issued the new standard on presentation and disclosure in financial statements, which replaces IAS 1, with a focus on updates to the statement of profit or loss. The key new concepts introduced in IFRS 18 relate to: • the structure of the statement of profit or loss with defined subtotals; • a requirement to determine the most useful structured summary for presenting expenses in the statement of profit or loss; • required disclosures in a single note within the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements (that is, management-defined performance measures); and • enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general.	1 January 2027

[1] Applicable to reporting periods commencing on or after the given date. Early adoption is possible in all instances.

(All amounts in € thousands unless otherwise stated)

Title	Key requirements	Effective Date[1]
IFRS 19, 'Subsidiaries without Public Accountability: Disclosures'	The IASB issued a new standard that works alongside other IFRS Accounting Standards. An eligible subsidiary applies the requirements in other IFRS Accounting Standards except for the disclosure requirements, and it applies instead the reduced disclosure requirements in IFRS 19. IFRS 19's reduced disclosure requirements balance the information needs of the users of eligible subsidiaries' financial statements with cost savings for preparers. IFRS 19 is a voluntary standard for eligible subsidiaries. A subsidiary is eligible if: • it does not have public accountability; and • it has an ultimate or intermediate parent that produces consolidated financial statements available for public use that comply with IFRS Accounting Standards.	1 January 2027

[1] Applicable to reporting periods commencing on or after the given date. Early adoption is possible in all instances.

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Questions?
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