Illustrative IFRS financial statements 2016

Private Equity Funds

Staying informed
2016

Illustrative IFRS financial statements 2016 – Private equity funds

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

ABC Private Equity LP is an existing preparer of IFRS financial statements; IFRS 1, ‘First-time adoption of IFRS’, is not applicable. Guidance on financial statements for first-time adopters of IFRS is available at **www.pwc.com/ifrs**. ABC Private Equity LP is not traded in a public market. ABC Private Equity LP’s investment objectives are to seek medium- to long-term growth by investing directly in private unlisted companies with high growth potential. The Partnership is tax transparent. It classifies all of its investments as ‘fair value through profit or loss’ (FVTPL) and does not apply hedge accounting. The investments are mainly denominated in Euros, US dollars and British pounds. The Partnership’s functional and presentation currency is the Euro. The resulting foreign currency exposure is reduced by the use of foreign exchange derivatives.

This publication is based on the requirements of IFRS standards and interpretations for the financial year beginning on 1 January 2016.

None of the standards that apply for the first time in 2016 required changes to the disclosures or accounting policies in this publication. However, readers should consider whether any of the standards that are mandatory for the first time for financial years beginning 1 January 2016 could affect their own accounting policies. Appendix IV contains a full list of these standards (including those that have only a disclosure impact) as well as a summary of their key requirements.

Amendments to IAS 1 – ‘Disclosure initiative’ became effective for financial years beginning 1 January 2016. These amendments addressed concerns expressed about some of the existing presentation and disclosure requirements in IAS 1 and ensured that entities are able to use judgement when applying those requirements. The adoption of these amendments to IAS 1 in this publication has had no material impact.

The Partnership has not early adopted any issued but not yet effective standards, including but not limited to IFRS 9 ‘Financial Instruments’.

The Partnership is presented as an Investment Entity in accordance with IFRS 10. As a result, the Partnership does not consolidate any subsidiaries unless they provide investment related services. Subsidiaries which are incorporated for the purpose of holding the underlying investments (the so-called portfolio companies) on behalf of the Partnership, are not consolidated. These investment holding companies have very narrow objectives and operations, setup primarily to hold investments in portfolio companies and providing a vehicle for the onward sale of a portfolio investment. No portfolio companies are consolidated, regardless of the level of holding as the Partnership meets the definition of an Investment Entity and instead, fair values these portfolio companies through its holdings in its investment holding subsidiary companies. There is only one controlled portfolio company (‘controlled subsidiary investment’) as at the period-end date of these financial statements.

Other items that management may choose (or, in certain jurisdictions, be required) to include in documents containing financial statements, such as a General Partner’s/Directors’ Report or operating and financial review, are not illustrated here.

We have attempted to create a realistic set of financial statements for a private equity limited partnership. Certain types of transaction have not been included, as they are not relevant to the Partnership’s operations. The example disclosures for some of these additional items and transactions – such as disclosures relevant for private equity fund of funds, and private equity funds with significant leverage – have been included in Appendix I and Appendix II, respectively.

Certain other topics – such as funds without puttable instruments, funds with puttable instruments classified as equity and segment reporting in accordance with IFRS 8 – have been included in the PwC publication *Illustrative IFRS financial statements 2016 – Investment funds* (see Appendix II, III, VII, VIII, IX and XII for detailed cross-references for topics that may also be relevant to private equity funds that have been included in this other publication in the Illustrative’ series). This has been included in Appendix III.

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

These illustrative financial statements are not a substitute for reading the standards and interpretations themselves or for professional judgement as to fairness of presentation. They do not cover all possible disclosures that IFRS requires, nor do they take account of any specific legal framework. Further specific information may be required in order to ensure fair presentation under IFRS. We recommend that readers also refer to the most recent IFRS disclosure checklist publication. Additional accounting disclosures may 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 or other requirements appears – for example, '8p40' indicates IAS 8 paragraph 40. The reference to IFRS appears in full – for example 'IFRS13p6' indicates IFRS 13 paragraph 6. The designation 'DV' (disclosure voluntary) indicates that the relevant standard encourages, but does not require, the disclosure. These financial statements also include disclosures that may represent best practice.

Additional notes and explanations are shown in commentary boxes and footnotes. The extent of disclosure required depends on the extent of the entity's use of financial instruments and of its exposure to risk.

All amounts that are shown in brackets are negative amounts.

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ABC Private Equity LP financial statements 31 December 2016

Content

(All amounts in Euro thousands unless otherwise stated)

Statement of financial position

			As at 31 December	
1p54, 60, 113		**Note**	**2016**	**2015**
	ASSETS			
1p60	**Non-current assets**			
1p54(d), IFRS7p8(a)	Financial assets at fair value through profit or loss	9	728,246	488,140
	Total non-current assets		**728,246**	**488,140**
1p60, 66	**Current assets**			
1p54(d), IFRS7p8(a)	Financial assets at fair value through profit or loss	7, 9	110	70
1p54(d), IFRS7p8(c)	Carried interest clawback	11, 14	3,426	–
1p54(h), IFRS7p8(c)	Other receivables		653	2,196
1p54(d)	Other assets	3	300	–
1p54(i)	Cash and cash equivalents	8	17,093	64,040
	Total current assets		**21,582**	**66,306**
	TOTAL ASSETS		**749,828**	**554,446**
	LIABILITIES			
1p60, 69	**Current liabilities**			
1p54(m), IFRS7p8(f)	Carried interest	11, 14	–	7,100
1p54(k), (l) IFRS7p8(f)	Other payables and accrued expenses		4,284	3,315
	Total current liabilities		**4,284**	**10,415**
1p60	**Non-current liabilities**			
1p54(m), IFRS7p8(f)	Borrowings	10	36,849	33,164
	Total non-current liabilities excluding net assets attributable to the partners		**36,849**	**33,164**
32IE32	**NET ASSETS ATTRIBUTABLE TO THE PARTNERS**	12	**708,695**	**510,867**
	Represented by:			
1p54(m)	Net assets attributable to the partners (recognising non-recourse within legal structure)	13	714,203	510,867
	Adjustment for difference in net assets attributable to partners between consolidated basis and recognition of non-recourse within legal structure	13	(5,508)	–

The notes on pages 5 to 49 are an integral part of these financial statements.

(All amounts in Euro thousands unless otherwise stated)

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

1p81, 82, 83, 85, 102, 113		Notes	Year ended 31 December	
			2016	2015
1p82(a)	**Income**			
1p85	Interest income	5	3,018	2,112
18p35(b)(v)	Dividend income		4,167	4,375
IFRS7p20 (a)(i)	Other net changes in fair value of financial assets at fair value through profit or loss	6	16,025	115,582
1p85	Net foreign currency gains or losses on cash and cash equivalents[2]		717	(565)
1p85	**Total net income**		**23,927**	**121,504**
	Expenses			
1p85, 1p99	Carried interest[3] (recovery/(expense))	11, 14	10,526	(895)
	Management fee	14	(22,500)	(22,500)
	Legal and professional expenses	14	(1,000)	(1,103)
	Transaction costs		(532)	(400)
	Other operating expenses		(3,398)	(3,634)
	Total operating expenses		**(16,904)**	**(28,532)**
	Operating profit		**7,023**	**92,972**
1p85	**Finance costs**			
1p82(b)	Interest expense		(2,210)	(1,389)
	Net foreign exchange gains/(losses) on borrowings[2]		(667)	410
1p85, 32p35, 40	**Total finance costs**		**(2,877)**	**(979)**
	Profit before tax		**4,146**	**91,993**
1p82(d)	Withholding tax on dividend income		(325)	(648)
32IE32, 1p85, 32p35	**Increase in net assets attributable to the partners from operations[4, 5]**		**3,821**	**91,345**

The notes on pages 5 to 49 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 Private Equity LP has elected to use the single statement approach.

2 - Foreign currency gains and losses are only disclosed for cash and cash equivalents because there are no other financial assets and liabilities that are not accounted for at fair value through profit or loss, upon which foreign currency gains or losses have arisen during the period.

3- See note 2.10 and 4.5 for further information on carried interest.

4- 1p82(g) requires the disclosure of each component of 'other comprehensive income'. Other comprehensive income comprises items of income and expenses (including reclassification adjustments) that are not recognised in profit or loss as required or permitted by other IFRSs. ABC Private Equity LP has no other comprehensive income. All income and expenses had previously been reported in the income statement. Other comprehensive income for an investment entity can include available-for-sale valuation adjustments and valuation adjustments on cash flow hedges.

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

(All amounts in Euro thousands unless otherwise stated)

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

1p6, 106, 113

		Year ended 31 December					
		2016			2015		
	Notes	**General partner**	**Limited partners**	**Total**	**General partner**	**Limited partners**	**Total**
Net assets attributable to the partners at 1 January		10,217	500,650	**510,867**	6,914	338,789	**345,703**
Capital contributions		*5,722*	*312,200*	***317,922***	*3,413*	*167,255*	***170,668***
Distributions		*(2,050)*	*(121,865)*	***(123,915)***	*(1,937)*	*(94,912)*	***(96,849)***
Net increase in capital transactions		3,672	190,335	**194,007**	1,476	72,343	**73,819**
Increase in net assets attributable to the partners from operations		69	3,752	**3,821**	1,827	89,518	**91,345**
Net assets attributable to the partners at 31 December	12	13,958	694,737	**708,695**	10,217	500,650	**510,867**

The notes on pages 5 to 49 are an integral part of these financial statements.

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

(All amounts in Euro thousands unless otherwise stated)

Statement of cash flows

			Year ended 31 December	
1p113		Notes	2016	2015
7p10, 18(a), 21	**Cash flows from operating activities**			
7p15	Purchase of financial assets		(404,136)	(105,294)
7p15	Proceeds from sale of financial assets		179,703	98,119
7p31	Interest received		2,200	2,090
7p31	Dividends received		3,942	4,175
	Management fees paid	14	(22,500)	(22,500)
	Carried interest paid	11, 14	-	(5,678)
	Other operating expenses paid	14	(2,355)	(5,326)
	Net cash outflow from operating activities		**(243,146)**	**(34,414)**
7p10, 21	**Cash flows from financing activities**			
7p17(c)	Proceeds from loans and borrowings		20,000	4,010
7p17(c)	Repayment of loans		(16,315)	-
7p31	Interest paid		(2,210)	(1,689)
7p17	Capital contributions from partners	12	317,922	170,668
7p17	Distributions to partners	12	(123,915)	(96,849)
	Net cash inflow from financing activities		**195,482**	**76,140**
	Net (decrease)/increase in cash and cash equivalents		**(47,664)**	**41,726**
	Cash and cash equivalents at beginning of the year	8	64,040	22,879
7p28	Exchange gains/(losses) on cash and cash equivalents		717	(565)
	Cash and cash equivalents at end of the year	**8**	**17,093**	**64,040**

The notes on pages 5 to 49 are an integral part of these financial statements.

Commentary – Use of direct method

This statement of cash flows has been prepared using the direct method. For an illustrative example of presentation in accordance with the indirect method, refer to the *Illustrative IFRS financial statements 2016 – Investment funds*.

Notes to the financial statements

1 General information

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

ABC Private Equity LP ('the Partnership') is a limited partnership established in Eurania by the Limited Partnership Agreement ('the LPA') dated 1 January 2010, as amended and restated by a deed of adherence dated 1 August 2012. The Partnership commenced operations on 1 January 2010 and will continue in existence until the later of (i) 31 December 2020, or (ii) one year after the date by which all investments of the Partnership have been liquidated. The Partnership may also be dissolved earlier, or its term may be extended for another two years by the general partner ('the General Partner'), with the approval of a majority of the limited partners' interests.

1p138(a)

The registered office and principal place of business of the Partnership is Path Way, Walking Go, Eurania. The General Partner of the Partnership is ABC General Partner Limited. The General Partner is responsible for the management, operation and administration of the affairs of the Partnership. The General Partner has delegated most of the day to day investment activities to ABC Capital Management Limited ('the Investment Adviser'). This includes but is not limited to the initial assessment and recommendation to the General Partner of potential investment acquisitions and exits; the day to day monitoring and interaction with the investment portfolio on behalf of the General Partner; creation of the fair value recommendations to the General Partner and certain investor relation activities of the Partnership. Whilst this delegation exists, the General Partner remains responsible for approving all actions taken as a result of these activities.

1p138(b)

The objectives of the Partnership are to generate significant medium- to long-term capital growth within a rigorous risk management framework. The Partnership aims to deliver these objectives by investing in a diversified investment portfolio of unlisted debt and equity securities of private companies operating predominately in Europe and the United States of America. Subsidiaries may be incorporated for the purpose of holding the underlying investments in which the Partnership may have controlling ('controlled subsidiary investment') and non-controlling interests.

Investments are made to provide financing to help start, develop or transform privately owned companies that demonstrate the potential for significant growth. In addition to providing financing, the General Partner may provide introductions, industry expertise or other assistance to help companies grow their business. Investments can take the form of seed financing, venture capital, management/leveraged buyouts, mezzanine financing and distressed debt investments.

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

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

10p17

The financial statements were authorised for issue by the General Partner on 1 February 2017.

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

2 Summary of significant accounting policies

1p117(b), 119 The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

1p112(a)

2.1 Basis of presentation

1p16, 117(a) The financial statements of ABC Private Equity LP have been prepared on a going concern basis and in accordance with International Financial Reporting Standards (IFRS). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the General Partner to exercise its judgement in the process of applying the Partnership's accounting policies and making any estimates. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate and that the Partnership's financial statements are fairly presented. 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) Standards and amendments to existing standards effective 1 January 2016:*

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 January 2016 that would be expected to have a material impact on the Partnership[1].

8p30 *(b) New standards, amendments and interpretations effective after 1 January 2016 and have not been early adopted*

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2016, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Partnership.

1p119

2.2 Investment entity and consolidation

(a) Investment entity

IFRS12p2, 9A The Partnership has multiple unrelated investors and holds multiple investments. Ownership interests in the Partnership are in the form of limited partnership interests which are classified as liabilities under the provisions of IAS 32. The General Partner has determined that the Partnership meets the definition of an investment entity per IFRS 10 as the following conditions exist:

(a) The Partnership has obtained funds for the purpose of providing investors with professional investment management services;
(b) The Partnership's business purpose, which was communicated directly to investors, is investing for capital appreciation and investment income; and
(c) The investments are measured and evaluated on a fair value basis.

1- Per PwC Manual of Accounting (MoA) 3.118: Disclosure under IAS 8 is not necessary of standards and interpretations that are not applicable to the entity (for example, industry-specific standards) or that are not expected to have a material effect on the entity. Instead, disclosure should be given of the developments that are, or could be, significant to the entity. These financial statements present a Partnership that has not been impacted by any of the new standards and amendments effective for periods beginning 1 January 2016. A detailed list of IFRSs, amendments and IFRIC interpretations effective on or after 1 January 2016 is included in Appendix IV.

(b) Subsidiaries and consolidation

IFRS12p19C The Partnership does not have any other subsidiaries other than those determined to be controlled subsidiary investments. Controlled subsidiary investments are measured at fair value through profit or loss and are not consolidated in accordance with IFRS 10. The fair value of controlled subsidiary investments is determined on a consistent basis to all other investments measured at fair value through profit or loss, and as described in the fair value estimation notes below.

A controlled subsidiary investment involves one holding company of which the Partnership has the power to govern the financial and operating policies, generally accompanying a shareholding of an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies. This holding company is a subsidiary that has been incorporated for the purpose of holding underlying investment on behalf of the Partnership. The holding company has no operations other than providing a vehicle for the acquisition, holding and onward sale of certain portfolio investment companies. The holding company is also reflected at its fair value, with the key fair value driver thereof being the investment in the underlying portfolio company investments that the holding company holds on behalf of the Partnership. The holding company requires no consolidation as the holding company is not deemed to be providing investment related services, as defined by IFRS 10.

Where the Partnership is deemed to have control over an underlying portfolio company either directly or indirectly and whether the control be via voting rights or through the ability to direct the relevant activities in return for access to a significant portion of the variable gains and losses derived from those relevant activities, the Partnership does not consolidate the underlying portfolio company instead, the Partnership reflects its investment at fair value through the profit or loss. The Partnership is directly invested into one such portfolio company.

Commentary – Subsidiaries of an investment entity subsidiary

If the investment entity is the parent of another investment entity (the subsidiary), the parent shall also provide the disclosures required by IFRS12p19B for investments that are controlled by its investment entity subsidiary. The disclosure may be provided by including, in the financial statements of the parent, extracts from the financial statements of the subsidiary that contain the above information [IFRS12p19C]. For the purpose of this appendix, the controlled subsidiary investments are not investment entities and have no subsidiaries.

IFRS12p19B
IFRS10p32 The Amendments to IFRS 10, issued on 18 December 2014, clarify the application of the consolidation exception for investment entities and their subsidiaries.

The amendments to IFRS 10 clarify that the exception from preparing consolidated financial statements is available to intermediate parent entities which are subsidiaries of investment entities. The exception is available when the investment entity parent measures its subsidiaries at fair value.

The intermediate parent would also need to meet the other criteria for exception listed in IFRS 10.

The amendments to IFRS 10 clarify that an investment entity should consolidate a subsidiary which is not an investment entity and whose main purpose and activity is to provide services in support of the investment entity’s investment activities.

However, the amendments confirm that if the subsidiary is itself an investment entity, the investment entity parent should measure its investment in the subsidiary at fair value through profit or loss. This approach is required regardless of whether the subsidiary provides investment-related services to the parent or to third parties.

The amendments to IFRS 10 are effective from 1 January 2016, earlier application is permitted, and are described as clarifications of the existing guidance.

IFRS12p19D (b) As at 31 December 2016, the Partnership controlled one investment directly and one investment through its ownership in a holding company.

IFRS12p19E The Partnership operates as an investment structure whereby the Partnership invests and commits to invest into various portfolio companies. Total invested capital made by the Partnership into the portfolio companies during the year ended 31 December 2016 was €404,136 (2015: €105,294). As at 31 December 2016 there were outstanding capital commitment obligations of €3,000 (2015: €2,500) with respect to specific portfolio company acquisitions and no amounts due to the portfolio companies for unsettled purchases.

IFRS12p19D (a) The Partnership primarily invests into the portfolio companies by purchasing, directly, the unlisted /private equity and debt securities of these unlisted private companies. The portfolio companies pay cash interest or accrue interest in-kind on the debt held by the Partnership and repay debt based on the terms of the respective agreements. Cash dividends may be paid based on the portfolio company's operating results and are at the discretion of the Board of Directors of the respective portfolio companies which are then paid up to the Partnership directly or through the relevant holding company. There are no amounts due or accrued for preferred dividend or in-kind returns based on any of the shareholder agreements.

IFRS12p19F Movements in the fair value of the Partnership's portfolio company and the existence of unfunded commitments may expose the Partnership to potential losses.

Commentary - Disclosures

IFRS 12 introduces disclosures that are required for an investment entity. These required disclosures include the following:

- significant judgments and assumptions made in determining whether an entity has met the definition of an investment entity [IFRS12p9A];
- reasons for concluding that an entity is an investment entity in cases where one or more of the typical characteristics do not apply [IFRS12p9A];
- information on each unconsolidated subsidiary (name, country of incorporation, proportion of ownership interest held) [IFRS12p19B];
- restrictions on unconsolidated subsidiaries transferring funds to the investment entity and any current commitments or intentions of the investment entity to provide financial or other support to an unconsolidated subsidiary [IFRS12p19D];
- financial or other support provided to unconsolidated subsidiaries during the year, where there wasn't any contractual obligation to do so [IFRS12p19E]; and
- information about any controlled 'structured entities' (for example, any contractual arrangements to provide any financial or other support) including events or circumstances that would expose the reporting entity to a loss [IFRS12p19F].

The detailed disclosure requirements are contained in IFRS12p2, 9A – 9B and 19A – 19G.

IFRS 12 states that an investment entity need not provide the disclosures required by IFRS12p24 for an unconsolidated structured entity that it controls and for which it presents the disclosures required by paragraphs 19A-19G [IFRS12p25A].

1p119 (c) Associates

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

Investments that are held as part of the Partnership's investment portfolio are carried in the balance sheet at fair value even though the Partnership may have significant influence over those companies. This treatment is permitted by IAS 28, 'Investment in associates', which allows investments that are held by investment entities to be recognised and measured as at fair value through profit or loss and accounted for in accordance with IAS 39 and IFRS 13, with changes in fair value recognised in the statement of comprehensive income in the period of the change.

1p119, IFRS7p21

2.3 Foreign currency translation

(a) Functional and presentation currency

21p17, 9, 18
1p51(d) The partners are mainly from Europe, and the contributions received and distributions paid to partners are denominated in Euros. The primary activity of the Partnership is to invest in a portfolio of unlisted debt and equity securities of unlisted private companies operating predominately in the Europe and the United States of America. The performance of the Partnership is measured and reported to the investors in Euros. The General Partner considers the Euro as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The financial statements are presented in Euros, which is also the Partnership's functional currency.

The presentation currency of the Partnership is the same as the functional currency of the Partnership.

21p21, 28, 52(a) *(b) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency assets and liabilities are translated into the functional currency using the exchange rate prevailing at the balance sheet date.

Foreign exchange gains and losses arising from translation are included in the 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 of financial assets and financial liabilities at fair value through profit or loss'.

1p119
IFRS7p21

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

39p9

(a) Classification

Financial assets and financial liabilities are classified as held for trading or designated as at fair value through profit or loss by the General Partner at inception:

39p9

(i) Financial assets and liabilities held for trading

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

39p9,
IFRS7B5(a)

(ii) Financial assets and liabilities designated at fair value through profit or loss at inception

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

The Partnership's policy requires the Investment Adviser and the General Partner to evaluate the information about these financial assets and liabilities on a fair value basis (Note 3.3) together with other related financial information. Assets and liabilities in this category are classified as current assets and current liabilities if they are expected to be realised within 12 months of the balance sheet date. Those not expected to be realised within 12 months of the balance sheet date will be classified as non-current.

39p9

The General Partner has classified, at inception, all of the Partnership's investments in debt and equity securities, and derivatives, as financial assets or financial liabilities at fair value through profit or loss.

IFRS7B5(c)

(b) Recognition, derecognition and measurement

IFRS7p21

39p16, 38, 43

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

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

39p39

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

39p46, 55

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

IFRS7 AppxB5(e)

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

(c) Fair value estimation

IFRS13p91, 70

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial assets traded in active markets[1] (such as publicly traded derivatives and equity securities publicly traded on a stock exchange) are based on quoted market prices at the close of trading on the reporting date[2]. On the behalf of the General Partner, the Investment Adviser monitors trade prices and volumes taking place a few days before and after the year-end date, in order to assess whether the trade prices used at each valuation date are representative of fair value.

If a significant movement in fair value occurs subsequent to the close of trading up to midnight in a particular stock exchange on the year end date, valuation techniques will be applied to determine the fair value. A significant event is any event that occurs after the last market price for a security, close of market or close of the foreign stock exchange, but before the Partnership's valuation time, that materially affects the integrity of the closing prices for any security, instrument, currency or securities affected by that event so that they cannot be considered 'readily available' market quotations[3].

IFRS13p61, 93(d)

Fair values for unlisted equity securities are determined by the General Partner using valuation techniques. Such valuation techniques may include earnings multiples (based on the budget earnings or historical earnings of the issuer and earnings multiples of comparable listed companies) and discounted cash flows (based on the expected future cash flows discounted at an appropriate discount rate). The Partnership adjusts the valuation model as deemed necessary for factors such as non-maintainable earnings, seasonality of earnings, market risk differences in operations relative to the peer multiples etc. The valuation techniques also consider the original transaction price and take into account the relevant developments since the acquisition of the investments and other factors pertinent to the valuation of the investments, with reference to such rights in connection with realisation, recent third-party transactions of comparable types of instruments, and reliable indicative offers from potential buyers. In determining fair value, the General Partner may rely on the financial data of investee portfolio companies and on estimates by the management of the investee portfolio companies as to the effect of future developments. Although the General Partner uses its best judgement, and cross- references results of primary valuation models against secondary models in estimating the fair value of investments, there are inherent limitations in any estimation techniques. Whilst the fair value estimates presented herein attempt to present the amount the Partnership could realise in a current transaction, the final realisation may be different as future events will also affect the current estimates of fair value. The effect of such events on the estimates of fair value, including the ultimate liquidation of investments, could be material to the financial statements.

1- The existence of published price quotations in an active market is the best evidence of fair value and, when they are available, they are used to measure fair value. The phrase 'quoted in an active market' means that quoted prices are readily and regularly available from an exchange, dealer, broker, industry Partnership, pricing service or regulatory agency. Those prices represent actual and regularly occurring market transactions on an arm's length basis that are not distressed sales. The price can be taken from the principal market or, in the absence of a principal market, the most advantageous market [IFRS13p16]. The quoted market price cannot be adjusted for transaction costs [IFRS13p25]. The quoted market price cannot be adjusted for `blockage' factors [IFRS13p69].

2- If investments are restricted, i.e. they are a particular class of instrument with a restriction in the terms of that class or issued with a restriction, that restriction is relevant in determining the fair value of investments. However, if the restriction is part of a separate agreement between the buyer and seller and the shares are identical to other shares with no such restriction that restriction is not relevant to the valuation of the securities.

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

IFRS13p11, 93(d) The Partnership's valuation technique for unlisted debt instruments is the net present value of estimated future cash flows based on a discounted cash flow model. The discount rate used by the Partnership is based on the risk-free rate of the economic environment in which portfolio companies operate and is adjusted with other factors such as liquidity, credit and market risk factors. Similar to the earnings multiples model, cash flow used in the discount cash flow model is based on projected cash flows or earnings of the portfolio companies.

Where portfolio investments are held through subsidiary holding companies, the net assets of the holding company are added to the value of the portfolio investment being assessed to produce the fair value of the holding company held by the Partnership.

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

Commentary

IFRS 13 explains how to measure fair value for financial reporting. It does not require fair value measurements in addition to those already required or permitted by other IFRSs and is not intended to establish valuation standards or affect valuation practices outside financial reporting.

IFRS 13 is the result of the work by the IASB and the FASB to develop common requirements for measuring fair value and for disclosing information about fair value measurements in accordance with IFRSs and US generally accepted accounting principles ('US GAAP'). IFRS 13 has therefore achieved a great level of consistency with US GAAP. IFRS 13 also aims to create a single location that contains the requirements for measuring fair value and for disclosing information about fair value measurements. These requirements were previously dispersed among several individual IFRSs, and in many cases did not articulate a clear measurement or disclosure objective.

According to IFRS13p70-71, 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 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.

In cases where an entity manages the group of financial assets and financial liabilities on the basis of the entity's net exposure to a particular market risk (or risks), or to the credit risk of a particular counterparty in accordance with the entity's documented risk management or investment strategy, IFRS 13 allows an exception that permits an entity to measure the fair value of a group of financial assets and financial liabilities based on the price that would be received to sell a net long position (that is, an asset) for a particular risk exposure or to transfer a net short position (that is, a liability) for a particular risk exposure in an orderly transaction between market participants at the measurement date under current market conditions.

An entity should therefore measure the fair value of the group of financial assets and financial liabilities consistently with how market participants would value the net risk exposure at the measurement date [IFRS13p48-49]. IFRS 13 allows use of this exception only in cases where the entity provides information on that basis about the group of financial assets and financial liabilities to the entity's key management personnel. These illustrative financial statements do not include any such assets or liabilities with offsetting risk positions.

1p119, IFRS7p21

2.5 Receivables

39p43, 46(a), 63, IFRS7B5(f)

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables are recognised initially at fair value. They are subsequently measured at amortised cost using the effective interest rate method, less cumulative impairment loss, if any

An impairment loss is established when there is objective evidence that the Partnership will not be able to collect all amounts due to be received. Significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganisation, and default in payments are considered indicators that the amount to be received is impaired. Once a financial asset or a group

39AG93

of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

The effective interest rate method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly

39p9

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

As at 31 December 2016 and 2015, the carrying amounts of the receivables approximate their fair values.

1p119 IFRS7p21

2.6 Offsetting financial instruments

32p42, AG38B

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is currently a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The current legally and contractually enforceable right to offset must not be contingent on a future event. Furthermore, it must be legally and contractually enforceable in (i) the normal course of business; (ii) the event of default; and (iii) the event of insolvency or bankruptcy of the Partnership and all of the counterparties.

1p119 IFRS7p21

2.7 Cash and cash equivalents

7p6, 7, 45, 46

Cash and cash equivalents include cash on hand, demand deposits, other short-term highly liquid investments with original maturities of three months or less[1], and bank overdrafts.

As at 31 December 2016 and 2015, the carrying amounts of cash and cash equivalents approximate their fair values.

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

1p119
IFRS7p21

2.8 Borrowings

39p43, 47 Borrowings are recognised initially at fair value, plus directly attributable transaction costs and are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowing using the effective interest method.

1p60, 61 Borrowings are shown as current liabilities unless the Partnership has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

As at 31 December 2016 and 2015, the carrying amounts of borrowings approximate their fair values.

1p119
IFRS7p21

2.9 Payables and accrued expenses

39p43, 47 Payables and accrued expenses are recognised initially at fair value and subsequently stated at amortised cost. As at 31 December 2016 and 2015, the carrying amounts of payables and accrued expenses approximate their fair values.

1p119
IFRS7p21

2.10 Carried interest expense/recovery (and carried interest clawback)

39p9 In accordance with the LPA, the General Partner is entitled to receive a share of the realised profits of the Partnership, otherwise referred to as the General Partner's carried interest. The General Partner may receive its share of realised investment gains on a deal-by-deal basis throughout the life of the Partnership. In accordance with the terms and conditions of the LPA, the carried interest due to or from the General Partner is calculated annually at the reporting date, taking into account the required performance conditions and distribution arrangements of the Partnership as a whole, as explained in Note 2.15. The change in carried interest due to the General Partner during the year is included as 'Carried interest (expense)/recovery' in the statement of comprehensive income and is further described in Note 2.15. An expense results from increase in carried interest due to the General Partner, and a recovery of previously expensed carried interest results from decrease in carried interest due to the General Partner at the reporting date.

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

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

Partnership by (i) offsetting this amount against future realised gains attributed to the General Partner as additional carried interest, or by (ii) repayment of any distributed carried interest from the General Partner back to the Partnership, in accordance with the terms of the LPA.

1p119
IFRS7p21

2.11 Net assets attributable to the partners

32p18 Net assets attributable to the partners is classified as a financial liability, due to a finite life and contractual payment provisions to each of the partners within the LPA.

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

1p119
IFRS7p21

2.12 Interest income and dividend income

18p30(a) Interest income is recognised on a time-proportion basis using the effective interest method. It includes interest income from cash and cash equivalents and on debt securities at FVTPL.

18p30(c) Dividend income from financial assets at FVTPL is recognised in the statement of comprehensive income statement when the Partnership's right to receive payments is established.

1p119
IFRS7p21

2.13 Legal and professional expenses

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

1p119
IFRS7p21

2.14 Transaction costs

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

1p119
IFRS7p21

2.15 Distributions

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

32p35, 40

In accordance to the LPA, distributions are allocated pro rata in accordance with each partner's capital commitment until the partners have received aggregate distributions equalling the sum of (i) contributed capital and (ii) preferred return of 8% per annum, compounded annually on unreturned contributed capital.

Subsequent distributions are allocated 80% to the General Partner and 20% to the Limited Partners until the General Partner has received aggregate distributions equalling 20% of net cash flow from partnership investments (the 'catch-up amount').

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

the Partnership recognised within 'Carried interest (expense)/recovery' in the statement of comprehensive income.

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

1p119
IFRS7p21

2.16 Taxation

The Partnership is domiciled in Eurania. Under the current laws of Eurania, there is no income, estate, corporation, capital gains or other taxes payable by the Partnership. Any other tax liability arising on the activities of the Partnership will be borne by the individual partners.

The Partnership currently incurs only withholding tax imposed by certain countries on dividend income, which is recorded gross of withholding tax with withholding tax being shown as a separate item in the statement of comprehensive income. The General Partner has assessed the risk of specific identifiable uncertain tax positions as low and as a result has identified no matters that require further disclosures in the financial statements.

1p119
IFRS7p21

2.17 Unfunded committed capital

39IN5

Unfunded committed capital from the partners is not presented in the statement of financial position, as unfunded committed capital represents a loan commitment that is not within the scope of IAS 39 *Financial instruments: Recognition and measurement*.

1p119
IFRS7p21

2.18 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.

(All amounts in Euro thousands unless otherwise stated)

3 Financial risk management

IFRS7p33

3.1 Financial risk factors

IFRS7p31

The objective of the Partnership is to achieve medium to long-term capital growth through investing in a selection of unlisted private companies operating mainly in Europe and the United States of America.

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

IFRS7p33

3.1.1 Market risk

IFRS7p33(a-b)

(a) Price risk

The Partnership's investments and derivative financial instruments are susceptible to market price risk arising from uncertainties about future values of those instruments. The Partnership's Investment Adviser provides the General Partner and Partnership with investment recommendations. The Investment Adviser's recommendations are reviewed and approved by the General Partner before the investment decisions are implemented. To manage the market price risk, the Investment Advisor, as engaged by the General Partner to do so, reviews the performance of the portfolio companies on a monthly basis and is in regular contact with the management of the portfolio companies for business and operational matters. Results of these reviews are reported to the General Partner regularly.

In accordance with the Partnership's policy, the performance of investments held by the Partnership is monitored by the Investment Adviser on a monthly basis and is reported, assessed and reviewed by the General Partner on a quarterly basis.

The Partnership's investment restrictions prohibit it from investing more than 30% of its committed contributions into any one company.

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

IFRS7p8(a), 34

	Fair value					
The following instruments are subject to direct price risk:		**2016**			**2015**	
Financial assets designated at fair value through profit or loss subject to general price risk	**USA**	**Euro-zone**	**UK**	**USA**	**Euro-zone**	**UK**
Equity securities not traded in an active market designated at fair value through profit or loss	119,022	155,126	53,457	17,467	280,074	74,756

(All amounts in Euro thousands unless otherwise stated)

The following instruments are not subject to direct price risk:

Financial assets held for trading subject to foreign currency risk	**USA**	**Euro-zone**	**UK**	**USA**	**Euro-zone**	**UK**
Forward foreign exchange contracts	-	110	-	-	70	-

Financial assets designated at fair value through profit or loss subject to interest rate risk	**USA**	**Euro-zone**	**UK**	**USA**	**Euro-zone**	**UK**
Debt securities not traded in an active market designated at fair value through profit or loss	255,784	109,214	35,643	7,398	65,215	43,230
Total financial assets at fair value through profit or loss	**374,806**	**264,450**	**89,100**	**24,865**	**345,359**	**117,986**
Other assets – cash held on escrow account (Note (a))	**300**	–	–	–	–	–

Note (a): As part of the disposal terms of K Limited, 20% of the sale price was deposited into an escrow account, held in trust by a third party, and will be released, subject to certain conditions being met, on 31 July 2017. This cash in escrow has been recognised during the year by the Partnership and no impairment provision has been made, as it is the opinion of the General Partner that the full amount will be received as all restriction conditions have been fulfilled.

Aa at 31 December 2016, the Partnership's market risk is affected by changes in the level or volatility of market rates, such as foreign exchange rates and interest rates, or prices, such as equity prices. Movements in foreign currency rates and interest rates are covered in paragraph (b) and (c) respectively.

IFRS7p40 As at 31 December 2016, the impact on the net assets attributable to the partners due to a 6.5% (2015: 7%) change in the Partnership's benchmark used to measure the performance of the Partnership's listed equity securities including the effect of movements in foreign currency exchange rates on equity prices, using historical correlation between the return of the Partnership's portfolio of listed equities compared to the return of the Partnership's benchmark, with all other variables held constant, would be €895 (2015: nil). Regression analysis has been used to estimate the historical correlation; it uses historical information consisting of 60 monthly data points. The historical correlation may not be representative of the future correlation, and the impact of actual performance may be materially different than the one presented above.

The impact on net assets attributable to the partners arising from increasing/decreasing the comparable multiples used in the Partnership's valuation of equity securities not traded in active markets is disclosed in Note 3.3.

IFRS7p33 (a-b)

(b) Foreign exchange risk

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

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

As at 31 December, the foreign currency exchange rates applied were as follows:

	31 December 2016	**31 December 2015**
US dollar	1.1145	1.2155
British pound	0.7281	0.7825

Foreign currency risk, as defined in IFRS 7 *Financial instruments: Disclosures*, arises as the value of recognised monetary assets and monetary liabilities denominated in other currencies fluctuate due to changes in foreign exchange rates. IFRS 7 *Financial instruments: Disclosures* considers the foreign exchange exposure relating to non-monetary assets and liabilities to be a component of market price risk not foreign currency risk. However, the General Partner monitors the exposure on all foreign-currency-denominated assets and liabilities. The table below provides the analysis of foreign currency exposure between monetary and non-monetary items in order to meet the requirements of IFRS 7 *Financial instruments: Disclosures*.

The Partnership manages its exposure to foreign exchange movements (both monetary and non-monetary) by using forward foreign exchange contracts. However, the Partnership does not adopt any hedge accounting policies.

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

IFRS7p34

Amounts presented in equivalent amounts of Euro thousands with original currency as stated:

	USD'000 2016	**USD'000 2015**	**GBP'000 2016**	**GBP'000 2015**
As at 31 December				
Assets				
Cash at bank (monetary)	5,761	10,611	5,898	10,821
Financial assets at fair value through profit or loss – equity securities (non-monetary)	119,022	17,467	53,457	74,756
Financial assets at fair value through profit or loss – debt securities (monetary)	255,784	7,398	35,643	43,230
Other assets (monetary)	138	–	55	–

	USD'000 2016	USD'000 2015	GBP'000 2016	GBP'000 2015
Liabilities				
Net statement of financial position exposure	380,100	35,066	94,324	128,274
Less nominal value of forward exchange contract (monetary)	-	-	(42,356)	(18,954)
Net currency exposure	**380,100**	**35,066**	**51,968**	**108,320**

IFRS7p40, IFRS7IG36

As at 31 December 2016, had the exchange rate between the US dollar and the Euro increased or decreased by 10% compared to actual rate of 1.1145 as of 31 December 2016 (2015: 1.2155) with all other variables held constant, the increase or decrease respectively in net assets attributable to the partners from operations would amount to approximately €38,010 (2015: €3,507), of which €26,108 (2015: €1,760) is attributable to monetary items[1]. This would have been mainly as a result of foreign exchange gains/losses on translation of US dollar-denominated financial assets at fair value through profit or loss.

As at 31 December 2016, had the exchange rate between the British pound and the Euro increased or decreased by 8% compared to actual rate of 0.7281 as of 31 December 2016 (2015: 0.7825) with all other variables held constant, the increase or decrease respectively in net assets attributable to the partners from operations would amount to approximately €4,157 (2015: €8,666), of which €119 (2015: €2,765) are attributable to monetary items. This would have been mainly as a result of foreign exchange gains/losses on translation of British pound-denominated financial assets at fair value through profit or loss.

IFRS7p33 (a-b)

(c) *Interest rate risk*

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

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

IFRS7p34

	Up to 1 month	1 -12 months	12 months to 3 years	Non-interest bearing	Total
As at 31 December 2016					
Assets					
Financial assets at fair value through profit or loss	–	85,666	314,975	327,715	728,356
Carried interest clawback	–	–	–	3,426	3,426
Other receivables and prepayments	653	–	–	–	653
Other assets	–	–	–	300	300
Cash and cash equivalents	17,093	–	–	–	17,093
Total assets	**17,746**	**85,666**	**314,975**	**331,441**	**749,828**

1- Non-monetary sensitivity analysis is voluntary. In accordance with IFRS 7B23, currency risk does not arise from financial instruments that are non-monetary.

(All amounts in Euro thousands unless otherwise stated)

Liabilities	Up to 1 month	1 -12 months	12 months to 3 years	Non-interest bearing	Total
Borrowings	–	–	36,849	–	36,849
Other payable and accrued expenses	–	–	–	4,284	4,284
Net assets attributable to the partners	–	–	–	708,695	708,695
Total liabilities	**–**	**–**	**36,849**	**712,979**	**749,828**

As at 31 December 2015

Assets	Up to 1 month	1 -12 months	12 months to 3 years	Non-interest bearing	Total
Financial assets at fair value through profit or loss	–	24,329	91,514	372,367	488,210
Other receivables and prepayments	2,196	–	–	–	2,196
Cash at bank	64,040	–	–	–	64,040
Total assets	**66,236**	**24,329**	**91,514**	**372,367**	**554,446**

	Up to 1 month	1 -12 months	12 months to 3 years	Non-interest bearing	Total
Liabilities					
Borrowings	–	–	33,164	–	33,164
Carried interest	–	–	–	7,100	7,100
Other payable and accrued expenses	–	–	–	3,315	3,315
Net assets attributable to the partners		–	–	510,867	510,867
Total liabilities	**–**	**–**	**33,164**	**521,282**	**554,446**

IFRS7p40, IG36 As at 31 December 2016, had interest rates changed by 25 basis points (2015: 35 basis points) with all other variables remaining constant, the increase/decrease in net assets attributable to the partners from operations for the year would amount to approximately €1’069 (2015: €1’052). The sensitivity of net assets attributable to the partners to movements in interest rates is higher in 2016 than in 2015 because of a further drawdown of the loan.

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

IFRS7p33(b) In accordance with the Partnership’s policy, the Investment Adviser monitors the Partnership’s overall interest sensitivity on a monthly basis, and the General Partner reviews it on a quarterly basis with reference to market interest rates of 3- month US T-bills and Euribor.

(All amounts in Euro thousands unless otherwise stated)

IFRS7p33

3.1.2 Credit risk

IFRS7p33(a) The Partnership takes on exposure to credit risk, which is the risk that one party will cause a financial loss for the other party by failing to discharge an obligation. The Partnership is exposed to the risk of non-payment of debt instrument, other receivable balances or the interest due on loans given to portfolio companies.

IFRS7p34(c) IFRS7p36(b-c) The Partnership has no significant concentration of credit risk. Cash transactions are limited to financial institutions with credit rating of AA/Aa or higher, as rated by the rating agency Ratings Plc. All debt investments represent private debt investments executed in accordance with the investment objectives of the Partnership.

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

As at 31 December, the maximum exposure to credit risk is the carrying amounts of the respective financial assets set out below.[1]

IFRS7p36(a), 34

	2016	2015
Carried interest clawback	3,426	–
Other receivables	653	2,196
Forward foreign exchange contracts	110	70
Cash and cash equivalents	17,093	64,040
Debt investments	400,641	115,843
Other assets	300	–
Total	**422,223**	**182,149**

IFRS7p36(c) The Partnership provides loans to private companies, which are represented as debt instruments. No collateral is received from the underlying companies. The credit quality of these investments is based on the financial performance of the individual portfolio company. For those assets that are not past due, it is believed that the risk of default is low, and the capital repayments and interest payments will be made in accordance with the agreed terms and conditions. No terms or conditions have been renegotiated during the reporting period (2015: nil).

IFRS7p36(d) As at 31 December 2016, the financial assets held by the Partnership are not past due or impaired (2015: nil).

IFRS7p9(c) The change of the credit quality is reflected in the fair value of the instrument. For the year ended 31 December 2016, unrealised losses of €886 (2015: €1,016) are attributable to changes in credit risk of these debt instruments. As at 31 December 2016, total accumulated unrealised gains amounting to €9,293 are recognised for debt instruments (2015: €533).

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

1- The IFRS 7 amendment, 'Financial instruments: Disclosures', contained in the IASB's annual improvement project published in May 2012, states that disclosure of the amount that best represents the maximum exposure to credit risk is not required for financial instruments whose carrying amount best represents the maximum exposure to credit risk.

(All amounts in Euro thousands unless otherwise stated)

3.1.3 Liquidity risk

IFRS7p33(a-b), 39(c)

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

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

The Partnership may periodically invest in equity and debt securities and derivative contracts traded over the counter or that are not traded in an organised market and may be illiquid. As a result, the Partnership may not be able to liquidate quickly its investments in these instruments at an amount close to their fair value in order to meet significant unplanned liquidity requirements, or be able to respond to specific events such as deterioration in the creditworthiness of any particular issuer. As at 31 December 2016, the Partnership held €713,754 in investments that it considered to be illiquid (2015: €488,210).

IFRS7B11E

The Partnership manages its liquidity risk by a combination of (i) contractual uncalled committed capital, which can be called with 14 days notice and used to fund investments and pay management fees, and (ii) maintaining cash levels to fund short-term operating expenses.

The following table illustrates the expected liquidity of assets held and undrawn capital commitments[1]:

As at 31 December 2016	**Undrawn capital commitments**	**Less than 1 month**	**1-12 months**	**More than 12 months**
Total assets and undrawn capital commitments	428,502	1,000	20,582	728,246
As at 31 December 2015				
Total assets and undrawn capital commitments	746,424	-	66,306	488,140

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

IFRS7p39(a-b)

The table below analyses the Partnership's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. Unfunded capital commitments to investee companies represent the maximum amount and can be called on demand. The amounts in the table are the contractual undiscounted cash flows. At present the Partnership has no immediate plans to exit any of its positions in its portfolio of investments. When the General Partner is of the view that the disposal of certain investments is relatively certain; the associated net assets attributable to the partners, in so far as they may be distributed, will be disclosed in the appropriate liquidity category as noted below.

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

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

(All amounts in Euro thousands unless otherwise stated)

	On demand	Less than 1 year	Between 1 and 3 years	More than 3 years	Total
As at 31 December 2016					
Liabilities					
Borrowings	–	–	36,849	–	36,849
Other payables and accrued expenses	–	4,284	–	–	4,284
Net assets attributable to the partners	–	–	–	708,695	708,695
Total liabilities		**4,284**	**36,849**	**708,695**	**749,828**
Total unfunded capital commitments to investee companies	**1,177**	–	–	–	**1,177**

	On demand	Less than 1 year	Between 1 and 3 years	More than 3 years	Total
As at 31 December 2015					
Liabilities					
Borrowings	–	–	33,164	–	33,164
Carried interest	–	7,100	–		7,100
Other payable and accrued expenses	–	3,315	–	–	3,315
Net assets attributable to the partners	–	–	–	510,867	510,867
Total liabilities	–	**10,415**	**33,164**	**510,867**	**554,446**
Total unfunded capital commitments to investee companies	**14,321**	–	–	–	**14,321**

Commentary – Liquidity risk disclosures

Expected maturity vs contractual maturity

Amended IFRS 7p39(b) 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’. When more relevant, the information will be presented based on expected maturities rather than contractual maturities.

Commentary - Risk disclosures required by IFRS 7

In preparing financial risk disclosures required by IFRS 7, ‘Financial instruments: disclosures’, careful thought and judgement must be applied. IFRS 7 requires an entity to 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 [IFRS7p31]. IFRS 7 also requires an entity to disclose its objectives, policies and processes for managing the risk and the methods used to measure the risk [IFRS7p33(b)].

1p134, 135

3.2 Capital risk management

The capital of the Partnership is represented by the net assets attributable to the partners. The Partnership's objective when managing the capital is to safeguard the ability to continue as a going concern in order to provide returns for partners and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Partnership. In order to maintain or adjust the capital structure, the General Partner may call unfunded commitment from the partners or distribute funds to the partners.

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

3.3 Fair value estimation

IFRS13p91, 93

The Partnership is required to classify, for disclosure purposes, fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Partnership 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 that have been applied in valuing the respective 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 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, inputs and areas of significant judgement and estimate applied in developing 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.
- Where Level 1 quoted prices are used and adjusted, the respective asset or liability is shown as Level 2 in the fair value hierarchy.

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

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

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety should be determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

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

(All amounts in Euro thousands unless otherwise stated)

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

The following table analyses within the fair value hierarchy the Partnership's financial assets (by class) measured at fair value as at 31 December 2016[1].

All fair value measurements disclosed are recurring fair value measurements[2].

	Level 1	Level 2	Level 3	Total
Assets				
Financial assets held for trading:				
– Derivatives	–	110	–	110
Financial assets designated at fair value through profit or loss at inception:				
– Equity securities	14,492	–	313,113	327,605
– Debt securities	–	–	400,641	400,641
– Unfunded committed capital to investee companies[3]	–	–	–	–
Total assets measured at fair value	**14,492**	**110**	**713,754**	**728,356**

The following table analyses within the fair value hierarchy the Partnership's financial assets (by class) measured at fair value at 31 December 2015:

	Level 1	Level 2	Level 3	Total
Assets				
Financial assets held for trading:				
– Derivatives	–	70	–	70
Financial assets designated at fair value through profit or loss at inception:				
– Equity securities	–	–	372,297	372,297
– Debt securities	–	–	115,843	115,843
– Unfunded committed capital to investee companies	–	–	–	-
Total assets measured at fair value	**–**	**70**	**488,140**	**488,210**

1- Valuation hierarchy disclosures must be given by class of asset and liability measured at fair value [IFR13p93]. The concept of disclosure by 'class' existed prior to IFRS13; however, the standard provides further clarification on what should be considered in determining appropriate classes of assets and liabilities. Factors to consider would be the nature, characteristics and risks of the asset of liability, as well as the level of the fair value hierarchy in which the measurement is categorised. Greater disaggregation of classes may be needed for Level 3 due to the degree of uncertainty and subjectivity [IFRS13p94].

2- This table follows the illustrative guidance in IFRS13pIE60.

3- The unfunded capital commitments to purchase further equity in portfolio investments are classified as derivative financial instruments in accordance with IAS39p4(b).

Commentary – classes of assets

IFRS13p94 states that an entity should determine appropriate classes of assets on the basis of the nature, characteristics and risks of the asset; and the level of the fair value hierarchy within which the fair value measurement is categorised. The number of classes may 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 IFRS13p93, which are dealt with in the remainder of this note, are required to be made by class of assets.

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

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 over-the-counter derivatives and quoted securities where there is a transfer restriction that is a characteristic of the quoted securities themselves rather than that of the Partnership.

Investments classified within Level 3 make use of significant unobservable inputs in deriving fair value, as they trade infrequently. As observable prices are not available for these securities, the Partnership has used valuation techniques to derive the fair value.

IFRS13p61, 67

Investments classified within Level 3 consist of private equity and private debt positions. The main inputs into the Partnership's valuation models for these private equity and debt investments include:

a) For private equity valuation models - EBITDA multiples (based on the budgeted EBITDA or most recent EBITDA achieved on rolling 12 months basis of the issuer and equivalent corresponding EBITDA multiples of comparable listed companies), quality of earnings assessments, assessments of 3rd party external debt, marketability discounts, cost of capital adjustments and probabilities of default. The Partnership also considers the original transaction prices, recent transactions in the same or similar instruments and completed third-party transactions in comparable companies' instruments and adjusts the model as deemed necessary.
b) For private debt valuation models – discount rates, market risk premium adjustments to the discount rate, cost of capital and probabilities of default and cash flow forecasts. The Partnership also considers original transaction price, recent transactions in the same or similar instruments and completed third-party transactions in comparable instruments and adjusts the model as deemed necessary.

IFRS13p93 (g)

In order to assess Level 3 valuations per the Partnership's policy, the Investment Adviser reviews the performance of the portfolio investee companies on a monthly basis and is regularly in contact with the management of the portfolio companies in order to make assessments of business and operational matters which are considered in the valuation process. Where appropriate, the Investment Adviser also tracks peer company multiples, recent transaction results and credit ratings for similar instruments and companies.

1- In cases where partnerships utilise broker quotes to assess valuation, it is important to identify whether the quotes are binding and executable or indicative and not executable. Binding quotes would support a level 2 classification; however, if a quote is just indicative, this may result in level 3.

The valuations are prepared by the relevant team of the Investment Adviser and are reviewed on a monthly basis by the Investment Adviser's valuation committee, who reports and makes recommendations to the General Partner on a quarterly basis in line with the quarterly valuations that are provided to investors. This valuation committee considers the appropriateness of the valuation model itself, the significant and key inputs as well as the valuation result using various valuation methods and techniques generally recognised as standard within the industry. The valuation technique is selected and calibrated on acquisition of the underlying portfolio companies. In determining the continued appropriateness of the chosen valuation technique, the valuation committee may perform back-testing to consider the various models' actual results and how they have historically aligned to actual market transactions.** As a result of this process, the valuation committee may recalibrate the valuation techniques appropriately. The General Partner is responsible for considering the recommendations put forward by the Investment Adviser's valuation committee and for approving the fair values reported on a quarterly basis and at the financial period end.

Commentary – Level 3 valuation process

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

IFRS13p93 (d), (h)

In determining the valuation recommended to the General Partner for the Partnership's equity instruments, the Investment Adviser utilises comparable trading multiples in arriving at the valuation for private equity. In accordance with the Partnership's policy, the Investment Adviser determines appropriate comparable public company/ies based on industry, size, developmental stage, revenue generation and strategy. The Investment Adviser 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 adjusted for discounts/premiums with regards to such considerations as illiquidity and other differences, advantages and disadvantages between the Partnership's portfolio company and the comparable public companies based on company-specific facts and circumstances.

In determining the valuation recommended to the General Partner for the Partnership's debt instruments, the Investment Adviser utilises the net present value of estimated future cash flows based on a discounted cash flow model. For the discount rates used, the Investment Adviser assesses first the risk premium to the appropriate risk-free rate of the economic environment in which the portfolio companies operate. The discount rate is adjusted for such matters as liquidity differences, credit and market risk factors. The estimated future cash flows are then discounted using the discount rate determined. Cash flows used in the discounted cash flow model are based on projected cash flows or earnings of the portfolio companies.

The tables below present those investments in portfolio companies whose fair values are recognised in whole or in part using valuation techniques based on assumptions that are not supported by prices or other inputs from observable current market transactions in the same instrument and the effect of changing one or more those assumptions behind the valuation techniques adopted based on reasonable possible alternative assumptions.

(All amounts in Euro thousands unless otherwise stated)

31 December 2016

Description	Fair value at 31 Dec 2016	Valuation Technique	Unobservable Inputs	Weighted average input *	Reasonable possible shift +/- (absolute value)	Change in Valuation +/-
EQUITY SECURITIES						
United States of America						
Consumer Goods	55,689	Comparable trading multiples	EBITDA multiple	10.3x	1	5,406/(5,406)
			Discount for lack of marketability	2.5%	2.5%	1,427/(1,427)
Financial Services	63,333	Comparable trading multiples	EBITDA multiple	12.1x	0.5	2,617/(2617)
			Discount for lack of marketability	20%	7.5%	5,937/(5,937)
Euro Zone						
Technology	19,080	Comparable trading multiples	EBITDA multiple	15.3x	2.1	2,618/(2,618)
			Discount for lack of marketability	25%	5%	1,272/(1,272)
Healthcare	15,750	Comparable trading multiples	EBITDA multiple	6.7x	0.7	1,646/(1,646)
			Discount for lack of marketability	10%	5%	875/(875)
Consumer Goods	69,583	Comparable trading multiples	EBITDA multiple	5.3x	0.4	5,252/(5,252)
			Discount for lack of marketability	5%	1%	732/(732)
Financial Services	36,221	Comparable trading multiples	EBITDA multiple	11x	0.8	2,634/(2,634)
			Discount for lack of marketability	15%	2.5%	1,065/(1,065)
United Kingdom						
Healthcare	36,570	Comparable trading multiples	EBITDA multiple	9.5x	1	3,849/(3,849)
			Discount for lack of marketability	10%	2%	813/(813)
Financial Services	16,887	Comparable trading multiples	EBITDA multiple	10x	2	3,377/(3,377)
			Discount for lack of marketability	15%	6%	1,192/(1,192)
DEBT SECURITIES						
United States of America						
Consumer Goods	227,891	Discounted cash flows	Cost of capital	6.2%	1%	2,378/(2,378)
			Probability of default	7%	2%	755/(755)
Healthcare	10,001	Discounted cash flows	Cost of capital	8.3%	1%	333/(333)
			Probability of default	10%	1%	75/(75)
Financial Services	17,892	Discounted cash flows	Cost of capital	11.2%	2.5%	512/(512)
			Probability of default	12%	3%	835/(835)
Euro Zone						
Technology	108,993	Discounted cash flows	Cost of capital	13.1%	2%	1,725/(1,725)

(All amounts in Euro thousands unless otherwise stated)

			Probability of default	13%	3%	987/(987)
Healthcare	221	Discounted cash flows	Cost of capital	4.5%	0.5%	22/(22)
			Probability of default	4%	0.5%	7/(7)
United Kingdom						
Healthcare	18,756	Discounted cash flows	Cost of capital	5.1%	0.7%	211/(211)
			Probability of default	2%	1%	145/(145)
Financial Services	16,887	Discounted cash flows	Cost of capital	12.1%	1%	164/(164)
			Probability of default	4%	1%	88/(88)

31 December 2015

Description	Fair value at 31 Dec 2015	Valuation Technique	Unobservable Inputs	Weighted average input *	Reasonable possible shift +/- (absolute value)	Change in Valuation +/-
EQUITY SECURITIES						
United States of America						
Consumer Goods	12,180	Comparable trading multiples	EBITDA multiple	6.4x	2	3,806/(3,806)
			Discount for lack of marketability	7.5%	1.5%	197/(197)
Financial Services	5,287	Comparable trading multiples	EBITDA multiple	5.5x	1.5	1,442/(1,442)
			Discount for lack of marketability	15%	2.5%	155/(155)
Euro Zone						
Technology	38,592	Comparable trading multiples	EBITDA multiple	21x	3	5,513(5,513))
			Discount for lack of marketability	15%	3%	1,362/(1,362)
Healthcare	150,070	Comparable trading multiples	EBITDA multiple	6.3x	0.7	16,674/(16,674)
			Discount for lack of marketability	10%	5%	8,337/(8,337))
Consumer Goods	53,688	Comparable trading multiples	EBITDA multiple	4.1x	0.2	2,618/(2,618)
			Discount for lack of marketability	7%	1%	584/(584)
Financial Services	37,724	Comparable trading multiples	EBITDA multiple	11.3x	1	3,338/(3,338)
			Discount for lack of marketability	15%	2.5%	1,109/(1,109)
United Kingdom						
Healthcare	37,086	Comparable trading multiples	EBITDA multiple	9.5	1	3,849/(3,849)
			Discount for lack of marketability	10%	2%	813/(813)
Financial Services	37,670	Comparable trading multiples	EBITDA multiple	10	2	3,377/(3,377)
			Discount for lack of marketability	15%	6%	1,192/(1,192)

(All amounts in Euro thousands unless otherwise stated)

DEBT SECURITIES						
United States of America						
Consumer Goods	3,699	Discounted cash flows	Cost of capital	6.3%	1%	187/(187))
			Probability of default	10%	3%	98/(98)
Financial Services	3,699	Discounted cash flows	Cost of capital	11%	1%	299/(299)
			Probability of default	9%	2.5%	89/(89)
Euro Zone						
Technology	65,215	Discounted cash flows	Cost of capital	13%	2%	1,011/(1,011)
			Probability of default	11%	3%	555/(555)
United Kingdom						
Healthcare	22,315	Discounted cash flows	Cost of capital	4%	0.7%	313/(313)
			Probability of default	1%	0.5%	72/(72)
Financial Services	20,915	Discounted cash flows	Cost of capital	9.1%	1%	147/(147)
			Probability of default	3%	1%	66/(66)

IFRS 13p93(h), (i)

The change in valuation disclosed in the above table shows the relative increase or decrease in the input variables deemed to be subjected to the most judgement and estimate and the respective impact on the fair value presented in these financial statements. For equity securities, increases in the EBITDA multiple and control premium inputs would each lead to an increase in estimated value. However an increase in the discount for lack of marketability would lead to a decrease in value. For debt securities, increases in cost of capital and probability of default would both lead to a decrease in estimated value**.

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

Commentary – Level 3 disclosure

**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 [IFRS13p93(d)].

This needs to be presented in addition to the sensitivity analysis.

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

****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 ([IFRS13p93(h)(i)].*

(All amounts in Euro thousands unless otherwise stated)

	Level 1	Level 2	Level 3
Transfers between level 1 and 3:			
Equity Securities			
France			
– Technology	582	-	(582)

The equity securities transferred out of Level 3 relate to ordinary shares of BB Limited. BB Limited has completed its initial public offering (IPO) and has been actively traded since 22 November 2015. The ordinary shares are not subject to lock-up or any other sale restriction and their fair value is determined based on quoted market prices as described in Note 2.4. At the same time the Partnership invested a further €26,000, part of which was funded through the borrowing disclosed in Note 10. Since the IPO, the share price of BB Limited has reduced significantly and the position is valued at €14,492 at the year end.

There were no transfers between levels for the year ended 31 December 2014.

Transfers are deemed to have occurred between the levels when the underlying information or price used to value the asset or liability has become more or less dependent on observable market data, as set out before in distinguishing between the Leve1, 2 and 3 fair value hierarchy of the Fund.

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 [IFRS13p93(c), 93(e)(iv) and IFRS13p95].

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

- 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.

(All amounts in Euro thousands unless otherwise stated)

IFRS13p93(e) The following table presents the movement in level 3 instruments for the year ended 31 December 2016 by class of financial instrument:

	Consumer Goods	Technology	Health-care	Financial services	Total 2015
Equity Securities					
Opening balance	65,868	38,592	187,156	80,681	372,297
Purchase/addition	56,521	-	-	41,262	97,783
Sales/reduction	-	-	(141,088)	(22,394)	(163,482)
Transfers to Level 1	-	(582)	-	-	(582)
Gains/(losses) recognised in statement of comprehensive income:					
– Other net changes in fair value of financial assets at fair value through profit or loss	2,883	(18,930)	6,252	16,892	7,097
Closing balance	**125,272**	**19,080**	**52,320**	**116,441**	**313,113**
Debt Securities					
Opening balance	3,699	65,215	22,315	24,614	115,843
Purchase/addition	243,327	41,000	30,220	14,692	329,239
Sales/reduction	-	-	-	-	-
Gains/(losses) recognised in statement of comprehensive income:					
– Other net changes in fair value of financial assets at fair value through profit or loss	(19,135)	2,778	(23,557)	(4,527)	(44,441)
Closing Balance	**227,891**	**108,993**	**28,978**	**34,779**	**400,641**
Total net gains or (losses) for Level 3 assets held at the end of the reporting period and included in other net changes in fair value on financial assets at fair value through profit or loss	**(8,118)**	**7,839**	**48,129**	**62,595**	**110,445**

(All amounts in Euro thousands unless otherwise stated)

The following table presents the movement in level 3 instruments for the year ended 31 December 2015 by class of financial instrument:

	Consumer Goods	Technology	Health-care	Financial services	Total 2015
Equity Securities					
Opening balance	90,493	108,892	174,593	56,186	430,164
Purchase/addition	13,498	7,387	28,201	17,833	66,919
Sales/reduction	(48.937)	(69,456)	-	(44,804)	(163,197)
Transfers to Level 1	-	-	-	-	-
Gains/(losses) recognised in statement of comprehensive income:					
– Other net changes in fair value of financial assets at fair value through profit or loss	10,814	(8,231)	(15,638)	51,466	38,411
Closing balance	**65,868**	**38,592**	**187,156**	**80,681**	**372,297**
Debt Securities					
Opening balance	1,429	22,385	17,315	12,844	53,973
Purchase/addition	2,320	19,870	4,937	8,379	35,506
Sales/reduction	-	-	-	-	-
Gains/(losses) recognised in statement of comprehensive income:					
– Other net changes in fair value of financial assets at fair value through profit or loss	(50)	22,960	63	3,391	26,364
Closing Balance	**3,699**	**65,215**	**22,315**	**24,614**	**115,843**
Total net gains or (losses) for Level 3 assets held at the end of the reporting period and included in other net changes in fair value on financial assets at fair value through profit or loss	**8,134**	**24,123**	**27,434**	**42,333**	**102,024**

Commentary – Level 3 assets and liabilities held at year end

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

(All amounts in Euro thousands unless otherwise stated)

IFRS13p97

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

The following table analyses within the fair value hierarchy the Partnership's assets and liabilities (by class) not measured at fair value at 31 December 2016 but for which fair value is disclosed[1]:

Assets	Level 1	Level 2	Level 3	Total balance
Carried interest clawback	–	–	3,426	3,426
Total	**–**	**–**	**3,426**	**3,426**
Liabilities				
Carried interest	–	–	–	–
Borrowings	–	–	31,451	31,451
Net assets attributable to partners	–	–	714,093	714,093
Total	**–**	**–**	**745,544**	**745,544**

The following table analyses within the fair value hierarchy the Partnership's assets and liabilities (by class) not measured at fair value at 31 December 2015 but for which fair value is disclosed:

Assets	Level 1	Level 2	Level 3	Total balance
Carried interest clawback	–	–	–	–
Total	**–**	**–**	**–**	**–**
Liabilities				
Carried interest	–	–	7,100	7,100
Borrowings	–	–	33,500	33,500
Net assets attributable to partners	–	–	510,531	510,531
Total	**–**	**–**	**551,131**	**551,131**

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

As at 31 December 2016, the fair values of the drawdown on the loan facility and the borrowings on BB Limited were €16,959 and €14,492 respectively (2015: €33,500 and nil). The main adjustment for difference in the fair value results from non-recourse on BB Limited within its legal holding structure. Level 3 is deemed to be the most appropriate categorisation for borrowings.

The fair value of net assets attributable to the partners is calculated based on the net difference between total assets and all other liabilities of the Partnership. The net assets attributable to the partners disclosed on the statement of financial position represent net assets that would be distributed in accordance with the LPA in a theoretical liquidation scenario, at values reflected in the financial statements (Note

1- For each class of assets and liabilities not measured at fair value in the statement of financial position but for which the fair value is disclosed, IFRS13p97 requires the entity to disclose the level within the fair value hierarchy which the fair value measurement would be categorised and a description of the valuation technique and the inputs used in the technique.

12). Level 3 is deemed to be the most appropriate categorization for net assets attributable to partners considering that the Partnership is a closed ended fund for which no trading activity takes place in its limited partnership interests.

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

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

The example the IASB used for this requirement is the case in which a financial instrument that is measured at amortised cost in the statement of financial position is required to disclose its fair value per IFRS 7. Whilst in this example the Partnership has presented short term receivables and payables in its IFRS 13 hierarchy disclosures, in our view this is not mandatory, as IFRS 7p29(a) does not require disclosures of their fair value. The entity should disclose the fact that these current receivables and payables are carried at values that reflect a reasonable approximation of their fair value.

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 may 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.

1p134, 135

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

As at 31 December 2016 and 2015, the Partnership was subject to master netting arrangements (typically one per counterparty) with one or more derivative counterparties as specified in the tables below. All of the derivative assets and liabilities of the Partnership are held with these counterparties. No margin balance maintained by the Partnership for the purpose of providing collateral on derivative positions.

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

(All amounts in Euro thousands unless otherwise stated)

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

	A	B	C=A-B	D		E=C-D
				Related amounts not set-off in the statement of financial position		
	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set-off in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	D(i) and D(ii) Financial Instruments	D(ii) Cash collateral	Net amount
Description						
2016: Derivative assets	120	10	110	-	-	110
2015: Derivative assets	90	20	70	-	-	70

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 audited statement of financial position, and (ii) any financial collateral (including cash collateral), both received and pledged.

IFRS7p13E, B50 The Partnership and its counterparties 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 of a party.

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 on the Amendments to IFRS 7, 'Disclosures – Offsetting financial assets and financial liabilities', refer to Appendix XII in the Illustrative IFRS financial statements 2016 – Investment Funds.

4 Critical accounting estimates and judgements

1p122, 125

4.1 Critical accounting estimates and judgements

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

4.2 Fair value of investments not quoted in an active market

The fair values of securities that are not quoted in an active market are determined by using valuation techniques, primarily earnings multiples, discounted cash flows and recent comparable transactions. The models used to determine fair values are validated and periodically reviewed by the General Partner. The inputs in the earnings multiples models include observable data, such as earnings multiples of comparable companies to the relevant portfolio company, and unobservable data, such as forecast earnings for the portfolio company. In discounted cash flow models, unobservable inputs are the projected cash flows of the relevant portfolio company and the risk premium for liquidity and credit risk that are incorporated into the discount rate. However, the discount rates used for valuing equity securities are determined based on historic equity returns for other entities operating in the same industry for which market returns are observable. Management uses models to adjust the observed equity returns to reflect the actual debt/equity financing structure of the valued equity investment.

Models are calibrated by back-testing to actual results/exit prices achieved to ensure that outputs are reliable.

4.3 Fair value of derivative financial instruments

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

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

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

4.4 Functional currency

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

4.5 Carried interest and clawback

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

4.6 Investment entity status

In determining the Partnership's status as an investment entity in accordance with IFRS 10, the General Partner considered the following:

a) The Partnership has raised the commitments from a number of investors in order to raise capital to investment in private equity investments and to provide the investors management services with respect to these private equity investments;

b) The Partnership intends to generate capital and income returns from its private equity investments which will, in turn, be distributed in accordance with the LPA to the partners; and

c) The Partnership evaluates its private equity investments' performance on a fair value basis, in accordance with the policies set out in these financial statements.

Although the Partnership met all three defining criteria, the General Partners has also assessed the business purpose of the Partnership, the investment strategies for the private equity investments, the nature of any earnings from the private equity investments and the fair value models. The General Partner made this assessment in order to determine whether any additional areas of judgement exist with respect to the typical characteristics of an investment entity versus those of the Partnership.

Commentary – Critical judgements made with respect to the designation as an 'investment entity'

An entity should disclose, in accordance with both IFRS 10 and IFRS 12, any areas of significant judgement made by management in determining whether or not the amendments of IFRS 10 apply to an entity or not.

It should be kept in mind that the exemption from consolidating subsidiaries by an investment entity is *mandatory*, i.e. if an entity meets the three defining criteria of an investment entity as set out in IFRS 10, it **must not** prepare consolidated IFRS financial statements.

If, in determining whether or not an entity is an investment entity, judgement is made over the typical characteristics of an investment entity as set out in IFRS 10 (i.e. more than one investment, more than one investor, unrelated investors and ownership interests that are generally in a separate legal entity and represent equity interests in that entity), disclosure should be made of the characteristics over which judgement has been made, the significant criteria assessed and managements' conclusion thereon.

(All amounts in Euro thousands unless otherwise stated)

5 Interest income

		2016	2015
IFRS7p20(b) DV	Cash and cash equivalents	3,018	2,112
	Total interest income	**3,018**	**2,112**

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

		2016	2015
IFRS7p20 (a)(i)	Designated at fair value through profit or loss	15,985	115,567
	Held for trading at fair value through profit or loss	40	15
	Total change in fair value of financial assets	**16,025**	**115,582**

	Realised gains on investments	46,974	90,639
	Realised losses on investments	(1,077)	(2,054)
	Realised gains on forward foreign exchange contracts	140	295
	Unrealised gains on investments	81,561	61,006
	Unrealised losses on investments	(111,613)	(34,319)
	Unrealised gains on forward foreign exchange contracts	40	15
	Total change in fair value of financial assets	**16,025**	**115,582**

7 Derivative financial instruments

IFRS7p31 In order to mitigate the currency risk, the Partnership holds forward foreign exchange contracts. The notional principal amounts of the outstanding forward foreign currency contracts at 31 December 2016 were €42,356 (2015: €18,954).

8 Cash and cash equivalents

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

		2016	2015
7p45	Cash at bank	17,093	64,040

9 Financial assets at fair value through profit or loss

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

		2016				2015			
Description	**Sector**	**%**	**No. of shares/ face value (000's)**	**Cost**	**Fair value**	**%**	**No. of shares/ face value (000's)**	**Cost**	**Fair value**
Belgium									
A limited	Consumer Goods								
Shares		15%	41,000	33,717	29,921	15%	41,000	33,717	18,088
Total Belgium				***33,717***	***29,921***			***33,717***	***18,088***
France									
BB Limited	Technology								
Ordinary Shares		7%	2,500	7,068	14,492	5%	1,220	450	582
CC Limited	Healthcare								
Shares		9%	300	12,620	3,937	75%	2,500	74,454	88,011
B Limited	Financial Services								
Ordinary Shares		4%	2,102	29,610	36,221	4%	2,102	29,610	37,724
Total France				***49,298***	***54,650***			***104,514***	***126,317***
Germany									
C Limited	Technology								
Ordinary Shares		66%	6,600	15,540	19,080	66%	6,600	15,540	38,010
Loan Notes		N/A	108,000	108,000	108,993	N/A	67,000	67,000	65,215
Total C Limited				*123,540*	*128,073*			*82,540*	*103,225*
D Limited	Healthcare								
Ordinary Shares		0%	1,005	1,309	5,513	5%	44,000	57,316	56,180
Loan Notes		N/A	220	220	221	-	-	-	-
Total D Limited				*1,529*	*5,734*			57,316	*56,180*
Total Germany				***125,069***	***133,807***			***139,856***	***159,405***

Description	Sector	%	No. of shares/ face value (000's)	Cost	Fair value	%	No. of shares/ face value (000's)	Cost	Fair value
Ireland									
E Limited	Consumer Goods								
Ordinary Shares		14%	21,000	3,115	22,962	14%	21,000	3,115	21,156
F Limited	Consumer Goods								
Ordinary Shares		11%	12,000	5,890	16,700	11%	12,000	5,890	14,444
Total Ireland				***9,005***	***39,662***			***9,005***	***35,600***
Italy									
G Limited	Healthcare								
Ordinary Shares		3%	846	1,200	6,300	14%	4,340	6,156	5,879
Total Italy				***1,200***	***6,300***			***6,156***	***5,879***
United Kingdom									
H Limited	Financial Services								
Ordinary Shares		12%	1,180	15,010	9,288	12%	1,180	15,010	10,531
Loan Notes		N/A	8,250	10,022	5,910	N/A	8,250	10,022	10,192
Total H Limited				*25,032*	*15,198*			*25,032*	*20,723*
I Limited	Healthcare								
Ordinary Shares		16%	12,161	22,412	29,256	23%	17,123	31,555	26,555
Loan Notes		N/A	10,000	13,589	12,379	N/A	10,000	13,589	12,123
Total I Limited				*36,001*	*41,635*			*45,144*	*38,678*
X Limited	Healthcare								
Ordinary Shares		8%	897	4,258	7,314	8%	897	4,258	10,531
Loan Notes		N/A	4,500	6,222	6,377	N/A	4,500	6,222	10,192
Total X Limited				*10,480*	*13,691*			*10,480*	*20,723*
Y Limited	Financial Services								
Ordinary Shares		5%	2,180	3,496	7,599	18%	7,980	22,568	27,139
Loan Notes		N/A	6,500	9,875	10,977	N/A	6,500	9,875	10,723
Total Y Limited				*13,371*	*18,576*			*32,443*	*37,862*
Total UK				***84,884***	***89,100***			***113,099***	***117,986***

Description	Sector	%	No. of shares/ face value (000's)	Cost	Fair value	%	No. of shares/ face value (000's)	Cost	Fair value
USA									
J Limited	Financial Services								
Ordinary Shares		51%	5,091	43,562	63,333	25%	2,032	2,300	5,287
Loan Notes		N/A	20,000	18,793	17,892	N/A	5,000	4,101	3,699
Total J Limited				*62,355*	*81,225*			*6,401*	*8,986*
K Limited	Consumer Goods								
Ordinary Shares		38%	2,657	56,521	31,019	-	-	-	-
Loan Notes		N/A	175,000	175,000	152,687	-	-	-	-
Total K Limited				*231,521*	*183,706*			-	-
L Limited	Consumer Goods								
Ordinary Shares		33%	6,333	7,382	24,670	33%	6,333	7,382	12,180
Loan Notes		N/A	2,800	72,828	75,204	N/A	120	4,501	3,699
Total L Limited				*80,210*	*99,874*			*11,883*	*15,879*
M Limited	Healthcare								
Loan Notes		N/A	30,000	30,000	10,001	-	-	-	-
Total USA				***404,086***	***374,806***			***18,284***	***24,865***
Total non-current financial assets at fair value through the profit or loss				**707,259**	**728,246**			**425,631**	**488,140**
Forward Foreign Exchange Contracts (Note 7)				-	110			-	70
Unfunded Capital commitments to portfolio investee companies				-	-			-	-
Total current financial assets at fair value through the profit or loss				**-**	**110**			**-**	**70**
Total financial assets at fair value through the profit or loss				**674,204**	**728,356**			**425,631**	**488,210**

Commentary – Financial assets at fair value through profit or loss

The analysis of financial assets at fair value through profit or loss is prepared in accordance with the requirements of IFRS 7, IFRS 10, IFRS 12 and IFRS 13 respectively.

An entity should disclose information that enables users of its financial statements to evaluate the significance of the financial assets in understanding entity's financial position and performance.

The disclosure requirements out in IFRS 12 require that an entity to discloses information that enables users of its financial statements to evaluate both 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. IFRS 12 also requires that an entity prepares information that enables users to understand the nature and extent of its interests in unconsolidated structured entities; and to evaluate the nature of, and changes in, the risks associated with its interests in unconsolidated structured entities. Disclosures in unconsolidated investment subsidiaries are likely to be the same as that for structured entities.

In addition, IFRS 13 requires significant disclosures over investments included within level 3 of the fair value hierarchy.

These notes serve to provide the users additional clarity over the investment positions which are significant to evaluating the performance of the Partnership against its objective of investment management and monitoring against fair value. They also address a number of the disclosure requirements set out in IFRS 12.

There may be a number of ways in which an entity could disclose this information as it may not be practicable to follow the recommended format. Consideration needs to be given to the disclosure requirements set out in IFRS 7, IFRS 12 and IFRS 13 when considering the disclosures required with respect to private equity portfolios.

(All amounts in Euro thousands unless otherwise stated)

10 Borrowings

	2016	2015
Drawdown on loan facility	16,849	33,164
Borrowing on BB Limited	20,000	–
Borrowings as at 31 December	**36,849**	**33,164**

IFRS7p31 The Partnership obtained a €50 million loan facility from DEF Bank in February 2011. The loan facility expires in December 2019. As at 31 December 2016, the loan facility has been drawn down to €16.849 million (2015: €33.164 million). The agreed interest rate is Euribor +5 basis points.

IFRS7p14 As at 31 December 2016, the Partnership had borrowings of €20,000 (2015: Nil) to finance the purchase of the additional Ordinary Shares of BB Limited. Shares have been pledged as a security until repayment of the loan facility.

As at 31 December 2016, the fair values of the drawdown on the loan facility and the borrowings were €16,959 and €14,492 respectively (2015: €33,500 and €nil).

IFRS7p18, 1 *Commentary – Disclosures on borrowings*

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

(All amounts in Euro thousands unless otherwise stated)

11 Carried interest

	2016	2015
Carried interest net at 1 January	7,100	11,883
Carried interest paid to the GP	–	(5,678)
Carried interest repaid by the GP	–	–
Carried interest expense/(recovery)	(10,526)	895
(Clawback receivable)/Carried interest net at 31 December	**(3,426)**	**7,100**

	2016	2015
Total accumulated carried interest at 31 December	8,777	19,303
Total accumulated carried interest paid at 31 December*	(12,203)	(12,203)
(Clawback receivable)/Carried interest at 31 December	**(3,426)**	**7,100**

*Carried interest of €6,525 has been paid to the GP prior to 31 December 2014.

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

Commentary – Carried interest clawback receivable

Despite the positive performance of the Partnership, these Financial Statements include a carried interest clawback receivable balance for illustrative purposes.

(All amounts in Euro thousands unless otherwise stated)

12 Net assets attributable to the partners

1p79-80, 134-135 The table below gives details about the partners' capital since inception.

	General Partner	Limited Partners	Total
2016			
Committed capital	30,000	1,470,000	1,500,000
Cumulative capital contributions	25,078	1,260,620	1,285,698
Cumulative capital repayments	(16,391)	(815,588)	(831,979)
Cumulative net capital contributions	8,687	445,032	453,719
Cumulative net unrealised gains	(381)	(18,682)	(19,063)
Cumulative net realised gains	6,010	294,523	300,533
Cumulative other net expense	(358)	(26,136)	(26,494)
Total net assets attributable to partners	**13,958**	**694,737**	**708,695**

	General Partner	Limited Partners	Total
2015			
Committed capital	30,000	1,470,000	1,500,000
Cumulative capital contributions	19,356	948,420	967,776
Cumulative capital repayments	(14,161)	(693,903)	(708,064)
Cumulative net capital contributions	5,195	254,517	259,712
Cumulative net unrealised gains	1,278	62,611	63,889
Cumulative net realised gains	4,035	197,701	201,736
Cumulative other net expenses	(291)	(14,179)	(14,470)
Total net assets attributable to partners	**10,217**	**500,650**	**510,867**

13 Net assets attributable to the partners (recognising non-recourse within legal structure)

1p134, 135 Where the Partnership leverages investments, borrowings are carried at amortised cost by the Partnership. Where contractual arrangements and/or the use of holding companies give lenders of such borrowings no recourse to the assets of the Partnership, and the borrowings are of an amount more than the fair value of the assets leveraged, there may be a difference between the net assets attributable to the partners disclosed on the statement of financial position and net assets that would be distributed in accordance with the LPA in a theoretical liquidation scenario (due to the assumption that the holding company would be liquidated for €nil instead of for its negative net assets).

As disclosed in Notes 10 and 9 respectively, the borrowings on BB Limited are €20,000 (2015: Nil), while the fair value of the investment in BB Limited is €14,492 (2015: €582). Due to the lenders having no recourse to the assets of the Partnership, the General Partner has assessed that the fair value of the borrowing is the amount of collateral to which the lenders have recourse, that is €14,492 (2015: €582). The adjustment between net assets attributable to partners under IFRS and the net assets attributable to partners recognising the non-recourse nature of lending under the legal structure of the Partnership is €5,508 (2015: Nil).

14 Related party transactions

24p9, 14, 18-19 Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

ABC General Partner Limited, the General Partner its directors and key management, is a related party of the Partnership, being responsible for the financial and operating decisions of the Partnership. The General Partner has no holding company.

The General Partner is entitled to receive a management fee equal to 1.5 % of the aggregate of commitments, reduced to the extent that the General Partner or any respective related party are in receipt of any fees related to the Partnership's activities. After the investment period expiry date (five years since the date of establishment of the Partnership), the management fee will be reduced to 2% of aggregate acquisition cost of investments as determined at the investment period expiry date, as reduced by the acquisition cost of investments that have been realised or permanently written off at the beginning of the relevant accounting period. For its services as General Partner, ABC General Partner Limited received a management fee for the year ended 31 December 2016 of €22,500 (2015: €22,500). The balance due to the General Partner as at 31 December 2016 is nil (2015: Nil).

The carried interest due to the General Partner is disclosed in Note 11. There was no carried interest paid to the General Partner in 2016 (2015: €5,678). As at 31 December 2016, the Partnership had a receivable balance of €3,426 (2015: payable balance of €7,100).

A director of the General Partner, ABC General Partner Limited, is also the board member and a shareholder of JKL Limited. Affiliates of JKL Limited provide ongoing administrative services and tax advice to the Partnership. For the year ended 31 December 2016, €1'230 (2015: €1'155) was charged and is included in "Other operating expenses". The balance due to the JKL Limited as at 31 December 2016 is nil (2015: Nil).

24p14 As disclosed in Note 9, the Partnership has several associates and subsidiaries. These are therefore related parties. There were no transactions between the Partnership and any of the associate or subsidiary other than the transactions in the shares of these to unconnected third parties.

15 Subsequent events

10p21 On 13 January 2017, equity securities of C Limited were listed on the Country A Stock Exchange. The carrying amount as at 31 December 2016 was €62 per share. The offering price that was achieved at the IPO when selling the shares to new investors amounted to €65 per share. ABC Private Equity LP sold 30% of its holding on the first day of listing. The remaining stake in C Limited is subject to a lock-up period of 24 months.

Independent auditor's report

To the partners of ABC Private Equity LP

The audit report will be provided by the entity's auditor upon completion of the audit of the financial statements. The wording of the report may differ significantly based on circumstance.

Form and content of audit report

ISA 700

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

2. A revised ISA 700 becomes applicable for periods ending on or after 15 December 2016 and other ISAs, including the standard on going concern have also been updated. The most significant changes relate to:

(a) A requirement for auditors of listed entities to describe key audit matters in the audit report, being matters that required significant auditor attention. The description must:
(i) discuss why the matter was considered to be one of most significance in the audit,
(ii) discuss how the matter was addressed and
(iii) include a reference to the related financial statement disclosures, if any.

ISA 570

(b) In relation to going concern there is
(i) a new requirement for the auditor to evaluate the adequacy of disclosures in 'close call' going concern situations
(ii) a new required description in all audit reports of both management's and the auditor's responsibilities related to going concern, and
(iii) a new separate section of the auditor's report which will draw attention to material uncertainties related to going concern (where the going concern disclosures are adequate).

(c) Other enhancements relate to:
(i) presenting the opinion section first, unless law or regulations prescribe otherwise
(ii) an affirmative statement about the auditor's independence and the auditor's fulfilment of relevant ethical responsibilities, and
(iii) enhanced descriptions of both the responsibilities of the auditor and key features of an audit.

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

This appendix illustrates some of the additional disclosures that may be provided for private equity funds holding investments in other private equity funds. The amounts used in these disclosures are for illustration purposes only and are not meant to correspond to the amounts used in the primary statements and accompanying note disclosures.

Note – Summary of accounting policies (extracts)

Financial assets and financial liabilities at FVTPL

IFRS 13p91 *Valuation of investments in other private equity funds*

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

Note – Financial risks (extracts)

Fair value estimation (risk note extracts)

IFRS13p91 As at 31 December 2016, 100% (2015: 100%) of financial assets at fair value through profit or loss comprise investments in Investee Funds that have been fair valued in accordance with the policies set out above. The Investee Funds are not publicly traded; prior to maturity, an exit can only be made by the Partnership through a sale of its investment and commitment in an Investee Fund through a secondary market. As set out in the LPA, the Partnership's objective is to acquire investments with the intention to recover the capital invested through distributions received from the Investee Funds funded through their realisation of their private equity, debt or infrastructure investment positions. As a result, the carrying values of the Investee Funds may be significantly different from the values ultimately realised on an exit via a secondary market sale.

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

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

(All amounts in Euro thousands unless otherwise stated)

Funds, the value date of the net asset value provided, cash flows since the last value date, geographic and sector exposures, market movements and the basis of accounting of the underlying Investee Funds.

IFRS13p93(b) IFRS 13 requires the Partnership to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Partnership 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 that have been applied in valuing the respective asset or liability.

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety should be determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability

IFRS13p93(b) The following table analyses within the fair value hierarchy the Partnership's financial assets measured at fair value at 31 December 2016:

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

The following table analyses within the fair value hierarchy the Partnership's financial assets measured at fair value at 31 December 2015:

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

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

a) The report received from the Investee Fund's general partner may be non-coterminous with the Partnership's reporting date;
b) The report received by the Investee Fund's general partner may be based on principles that are not aligned with the fair value principles set out in IFRS 13 or that of the Partnership; and
c) The Investment Adviser and General Partner of the Partnership may have other observable or unobservable data that would indicate that amendments are required to particular portfolio company investment fair values presented in the report from Investee Fund's general partner.

The Investment Advisor is responsible for monitoring the performance of the underlying Investee Funds and reporting such performance to the General Partner. Where the information provided by the underlying Investee Fund's general partner is not considered appropriate by the Investment Adviser and General Partner, the Investment Adviser will make amendments to the NAV obtained as noted above in order to recommend a carrying value that more appropriately reflects the fair value at the Partnership reporting date. The General Partner receives such recommendations from the Investment Adviser and is responsible for approving the final valuation of the underlying investee fund positions.

In determining the continued appropriateness of the chosen valuation technique, the Investment Adviser performs back testing to ascertain the appropriateness of the fair value determined by reference to the capital account statements for the reporting date of the Partnership (where the capital account statements used previously was non-coterminous with the year-end of the Partnership), to the financial statements of the underlying Investee Fund (where these financial statements are coterminous) or to the actual realisation proceeds achieved by the underlying Investee Fund when it disposes of its underlying portfolio company investments.

The tables below present those Investee Funds whose fair values are recognised in whole or in part using valuation techniques (based on assumptions that are not supported by prices or other inputs from observable current market transactions) as noted above. The unobservable inputs which significantly impact the fair value have been presented. The NAV reflects input being the value advised by the Investee Fund's general partner and the Fair Value Adjustments reflect the input being the adjustments made by the General Partner of the Partnership on advice of the Investment Adviser, as discussed above.

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

31 December 2016

Description	Fair value at 31 Dec 2016 (€000's)	Average Committed Capital[1] (€m's)	Valuation Technique	Unobservable Inputs	Weighted average input *	Reasonable possible shift +/- (%)	Change in Valuation +/-
Fund Investments							
United States of America							
Private Equity	235,092	303	NAV - Adjusted	NAV	N/A	5%	11,755/(11,755)
	-9,403			Fair Value Adjustments	N/A	2%	188/(188)
Private Debt	201,387	287	NAV - Adjusted	NAV	N/A	4%	8,055/(8,055)
	-8,055			Fair Value Adjustments	N/A	1%	81/(81)
Private Infrastructure	109,131	265	NAV - Adjusted	NAV	N/A	7%	7,639/(7,639)
	-6,548			Fair Value Adjustments	N/A	2.1%	138/(138)
Europe							
Private Equity	100,915	227	NAV - Adjusted	NAV	N/A	10%	10,091/(10,091)
	-4,037			Fair Value Adjustments	N/A	2%	81/(81)
Private Debt	135,316	165	NAV - Adjusted	NAV	N/A	3%	4,059/(4,059)
	-2,705			Fair Value Adjustments	N/A	0.5%	14/(14)
Private Infrastructure	92,276	175	NAV - Adjusted	NAV	N/A	8%	7,382/(7,382)
	-5,537			Fair Value Adjustments	N/A	4%	222/(222)

1- Average committed capital reflects the average size of the underlying funds by reference to the original total committed capital of the underlying Investee Funds.

31 December 2015

Description	Fair value at 31 Dec 2015 (€000's)	Average Committed Capital[1] (€m's)	Valuation Technique	Unobservable Inputs	Weighted average input *	Reasonable possible shift +/- (%)	Change in Valuation +/-
Fund Investments							
United States of America							
Private Equity	198,385	240	NAV - Adjusted	NAV	N/A	6%	11,903/(11,903)
	-9,919			Fair Value Adjustments	N/A	2.5%	248/(248)
Private Debt	190,100	198	NAV - Adjusted	NAV	N/A	3%	5,703/(5,703)
	-7,604			Fair Value Adjustments	N/A	2%	152/(152)
Private Infrastructure	116,187	140	NAV - Adjusted	NAV	N/A	9%	10,457/(10,457)
	-4,648			Fair Value Adjustments	N/A	3%	139/(139)
Europe							
Private Equity	46,925	78	NAV - Adjusted	NAV	N/A	10%	4,692/(4,692)
	-1,407			Fair Value Adjustments	N/A	1%	14/(14)
Private Debt	109,036	136	NAV - Adjusted	NAV	N/A	3%	3,271/(3,271)
	-2,181			Fair Value Adjustments	N/A	1%	22/(22)
Private Infrastructure	112,412	139	NAV - Adjusted	NAV	N/A	8%	8,993/(8,993)
	-5,621			Fair Value Adjustments	N/A	3%	169/(169)

1- Average committed capital reflects the average size of the underlying funds by reference to the original total committed capital of the underlying Investee Funds.

(All amounts in Euro thousands unless otherwise stated)

The changes in investments measured at fair value for which the Partnership has used Level 3 inputs to determine fair value as of 31 December, 2016 are as follows:

IFRS13p93 (e)

Financial assets at fair value through profit or loss	**Investee Funds – equity**	**Investee Funds – debt**	**Investee Funds – infra-structure**	**Total balance**
Beginning balance	233,984	289,351	218,330	741,665
Purchases/capital calls	129,435	49,065	29,043	207,543
Distributions received	(41,741)	(13,449)	(57,439)	(112,629)
Total gains/(losses) recognised in other changes in fair value on financial assets at fair value through profit or loss	889	976	(612)	1,253
Total	**322,567**	**325,943**	**189,322**	**837,832**
Total net gains or (losses) for Level 3 assets held at the end of the reporting period and included in other net changes in fair value on financial assets at fair value through profit or loss	**15,321**	**6,222**	**11,214**	**32,757**

The changes in investments measured at fair value for which the Partnership has used Level 3 inputs to determine fair value as of 31 December, 2015 are as follows:

Financial assets at fair value through profit or loss	**Investee Funds – equity**	**Investee Funds – debt**	**Investee Funds-infra-structure**	**Total balance**
Beginning balance	179,184	245,614	237,399	662,197
Purchases/capital calls	87,990	55,443	17,789	161,222
Distributions received	(34,980)	(12,984)	(37,439)	(85,403)
Total gains/(losses) recognised in other changes in fair value on financial assets at fair value through profit or loss	1,790	1,278	581	3,649
Total	**233,984**	**289,351**	**218,330**	**741,665**
Total net gains or (losses) for Level 3 assets held at the end of the reporting period and included in other net changes in fair value on financial assets and at fair value through profit or loss	**10,111**	**1,098**	**(3,232)**	**7,977**

IFRS13p93 (c), (e)

There were no transfers between Level 3 and Levels 1 and 2 during the year ended 31 December 2016 (2015: none).

Note – Critical accounting estimates and judgements (extracts)

1p122, 125 The Partnership makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Fair value of investments in other funds

The fair value of investments in Investee Funds that are not quoted in an active market is primarily valued based on the latest available financial information provided by their general partners. The Investment Advisor, under instruction from the General Partner of the Partnership, reviews the details of the reported information and may make adjustments to the reported NAV based on considerations such as:

(i) the valuation of the Investee Fund's underlying investments;
(ii) the value date of the net asset value (NAV) provided;
(iii) cash flows (calls/distributions) since the latest value date; and
(iv) the basis of accounting and, in instances where the basis of accounting is other than fair value, fair valuation information provided by the Investee Fund's general partner. If necessary, adjustments to the NAV are made to the various Investee Funds to obtain the best estimate of fair value. Other net changes in fair value on financial assets and financial liabilities at FVTPL in the statement of comprehensive income include the change in fair value of each Investee Fund during the period.

The models used to determine fair values are validated and periodically reviewed by the Investment Advisor, under instruction from the General Partner of the Partnership. The carrying values of the Investee Funds may be significantly different from the values ultimately realised on an exit via a secondary market sale.

Notes – Financial risk (extracts)

IFRS7p33

Note - Price risk (extracts)

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

(i) Primary commitments

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

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

(All amounts in Euro thousands unless otherwise stated)

(ii) Secondary purchases of interests in private funds

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

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

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

IFRS7p34

	31 December			
	2016		2015	
	Fair value	% of net assets attributable to partners	Fair value	% of net assets attributable to partners
Consumer Goods	188,320	22	198,003	26
Financial	261,933	30	189,003	25
Health	120,330	14	132,002	17
Services	109,982	13	115,071	15
Technology	108,375	13	65,293	9
Utilities	48,892	6	42,293	5
Total	**837,832**	**98**	**741,665**	**97**

IFRS7p33(c) There were no significant changes in the Partnership's exposure to market price risk, or its management and measurement, during the period (2015: none).

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

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

The annual volatility of the benchmark is calculated for the period from 1 January 2008 to the relevant period end by using monthly data. The below table shows a sensitivity analysis, where the fair value of the Partnership's financial assets held at fair value through profit or loss would increase or decrease, assuming their fair value fluctuates on the basis of the calculated volatility of the LPX50.

(All amounts in Euro thousands unless otherwise stated)

	2016	2015
Financial assets at fair value through profit or loss	837,832	741,665
Annual expected volatility	19%	23%
Potential impact on statement of financial position and statement of comprehensive income	**159,188**	**170,583**

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

IFRS7p33

Note – Liquidity risk (extracts)

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

Based on current short-term and long-term cash flow projections of the Partnership, it expects to be able to honour its calls from its commitments primarily from calls on commitments available to be made from the limited partners of the Partnership.[1]

1- If the Partnership is running an over-commitment strategy, i.e. that the capital available to be called is insufficient on its own to meet future calls from the underlying investee funds, additional disclosures will be required to explain how this illiquidity risk is appropriately managed. An example is included in Appendix II.

31 December 2016

Description	**Fair value at 31 Dec 2016 (€000's)**	**Total Commitment (€m's)**	**Uncalled Commitment (€m's)**
Fund Investments			
United States of America			
Private Equity	225,689	303	88
Private Debt	193,333	287	69
Private Infrastructure	102,583	265	0
Europe			
Private Equity	96,878	227	63
Private Debt	132,610	165	35
Private Infrastructure	86,739	175	79

31 December 2015

Description	**Fair value at 31 Dec 2015 (€000's)**	**Total Commitment (€m's)**	**Uncalled Commitment (€m's)**
Fund Investments			
United States of America			
Private Equity	188,467	240	40
Private Debt	182,496	198	19
Private Infrastructure	111,539	140	15
Europe			
Private Equity	45,517	78	28
Private Debt	106,855	136	16
Private Infrastructure	106,791	139	12

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

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

The amounts used in these disclosures are for illustration purposes only and are not meant to correspond to the amounts used in the primary statements and accompanying note disclosures.

Note – Accounting policies (extracts)

1p119 *Borrowings*

IFRS7p21
39p43
39p47

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

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

1p69, 71 Borrowings are classified as current liabilities unless the Partnership has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Collateral

39IGD1, 37 Cash collateral provided by the Partnership is identified in the statement of financial position as 'other receivables' and is not included as a component of 'cash and cash equivalents'. For collateral other than cash, if the party to whom the collateral is provided has the right by contract or custom to sell or re-pledge the collateral, the Partnership classifies that asset in its statement of financial position separately from other assets and identifies the asset as pledged collateral. Where the party to whom the collateral is provided does not have the right to sell or re-pledge, a disclosure of the collateral provided is made in the notes to the financial statements.

Note – Borrowings (extracts)

7p50 The Partnership has a credit facility for investment purposes of up to €100m with Bank DEF.

The credit facility matures in 2018 and bears interest at the one-month GBP LIBOR rate plus 250 basis points.

IFRS7p14 The borrowings are secured by certain financial assets at FVTPL equal to €30,000 (2015: €20,000). These pledged assets are included within 'current financial assets at fair value through profit or loss' in the consolidated statement of financial position.

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

IFRS7p18,19 There have been no defaults nor breaches related to the credit facility during the year ended 31 December 2016 (2015: none).

7p50
DV The undrawn credit facility that may be available for future operating activities and to settle capital commitments is €83,151 as at 31 December 2016 (2015: €66,836). There are no restrictions on the use of this facility.

IFRS7p25 The carrying value of the credit facility equals its fair value.

Note – Financial risk management (extracts)

Financial risk factors

IFRS7p31 The Partnership may use leverage, such as credit facilities, in order to manage its working capital requirements under an over-commitment strategy or to increase the effect of any investment value changes on capital. While borrowing and leverage present opportunities for increasing working capital as well as total return, they have the effect of potentially increasing losses as well.

If the gains on financial assets made with borrowed funds are less than the costs of the leverage the value of the Partnership's net assets attributable to the partners will decrease. Any event that adversely affects the value of an investment by the Partnership would therefore be magnified to the extent leverage is employed. The cumulative effect of the use of leverage in a market that moves adversely to a leveraged investment could result in a substantial loss which would be greater than if leverage were not used.

Note – Market risk (extracts)

Cash flow and fair value interest rate risk

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

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

Note – Liquidity risk (extracts)

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

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

(All amounts in Euro thousands unless otherwise stated)

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

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

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

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

IFRS7p33(c) There are no changes in the risk exposures of the Partnership, nor the Investment Adviser's processes related to liquidity risk management compared to 2015.

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

	2016	**2015**
Unfunded commitments of the Partnership	(1,223,992)	(1,254,993)
Financial liabilities	(36,849)	(33,164)
Available, undrawn credit facility	83,151	66,836
Unfunded commitments to the Partnership	422,992	598,336
Financial assets, less assets pledged as collateral	739,016	554,446
Net liquidity surplus (shortfall)	**(15,682)**	**(68,539)**

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

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

- 'Statement of cash flows – indirect method' is addressed in the financial statements of the Illustrative IFRS financial statements 2016 – Investment funds.
- 'Fund whose shares are equity' is addressed in Appendix II to the Illustrative IFRS financial statements 2016 – Investment funds.
- 'Fund with puttable instruments reclassified from liabilities to equity' is addressed in Appendix III to the Illustrative IFRS financial statements 2016 – Investment funds.
- 'Segment reporting – multiple segments' is addressed in Appendix VII to the Illustrative IFRS financial statements 2016 – Investment funds.
- 'Segment reporting – single segment' is addressed in Appendix VIII to Illustrative IFRS financial statements 2016 – Investment funds.
- 'Investment Entities (amendments to IFRS 10, IFRS 12 and IAS 28' is addressed in Appendix X to the Illustrative IFRS financial statements 2016 – Investments funds.
- 'Investment fund with tax uncertainty' is addressed in Appendix IX to the Illustrative IFRS financial statements 2016 – Investment funds.
- 'Offsetting; Requirements and Disclosures under Amendments to IAS 32 and IFRS 7' is addressed in Appendix XII to the Illustrative IFRS financial statements 2016 – Investment funds.

Appendix IV – 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 2016 (i.e. years ending 31 December 2016) and (b) forthcoming requirements, being standards and amendments that will become effective on or after 1 January 2016.

(a) New standards and amendments – applicable 1 January 2016

The following standards and interpretations apply for the first time to financial reporting periods commencing on or after 1 January 2016:

(All amounts in Euro thousands unless otherwise stated)

Title	Key requirements	Effective Date[1]
IFRS 14 Regulatory Deferral Accounts	IFRS 14 is an interim standard which provides relief for first-time adopters of IFRS in relation to the accounting for certain balances that arise from rate-regulated activities ('regulatory deferral accounts'). The standard permits these entities to continue to apply their previous GAAP accounting policies for the recognition, measurement, impairment and derecognition of regulatory deferral accounts.	1 January 2016
Accounting for Acquisitions of Interests in Joint Operations – Amendments to IFRS 11	The amendments to IFRS 11 clarify the accounting for the acquisition of an interest in a joint operation where the activities of the operation constitute a business. They require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a business. This includes: • measuring identifiable assets and liabilities at fair value • expensing acquisition-related costs • recognising deferred tax, and • recognising the residual as goodwill, and testing this for impairment annually. Existing interests in the joint operation are not remeasured on acquisition of an additional interest, provided joint control is maintained. The amendments also apply when a joint operation is formed and an existing business is contributed.	1 January 2016
Clarification of Acceptable Methods of Depreciation and Amortisation – Amendments to IAS 16 and IAS 38	The amendments clarify that a revenue-based method of depreciation or amortisation is generally not appropriate. The IASB has amended IAS 16 *Property, Plant and Equipment* to clarify that a revenue-based method should not be used to calculate the depreciation of items of property, plant and equipment. IAS 38 *Intangible Assets* now includes a rebuttable presumption that the amortisation of intangible assets based on revenue is inappropriate. This presumption can be overcome if either • The intangible asset is expressed as a measure of revenue (ie where a measure of revenue is the limiting factor on the value that can be derived from the asset), or • It can be shown that revenue and the consumption of economic benefits generated by the asset are highly correlated.	1 January 2016
Equity method in separate financial statements – Amendments to IAS 27	The IASB has made amendments to IAS 27 *Separate Financial Statements* which will allow entities to use the equity method in their separate financial statements to measure investments in subsidiaries, joint ventures and associates. IAS 27 currently allows entities to measure their investments in subsidiaries, joint ventures and associates either at cost or as a financial asset in their separate financial statements. The amendments introduce the equity method as a third option. The election can be made independently for each category of investment (subsidiaries, joint ventures and associates). Entities wishing to change to the equity method must do so retrospectively.	1 January 2016
Agriculture: Bearer Plants – Amendments to IAS 16 and IAS 41	IAS 41 *Agriculture* now distinguishes between bearer plants and other biological asset. Bearer plants must be accounted for as property plant and equipment and measured either at cost or revalued amounts, less accumulated depreciation and impairment losses. A bearer plant is defined as a living plant that: • is used in the production or supply of agricultural produce • is expected to bear produce for more than one period, and • has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.	1 January 2016

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

(All amounts in Euro thousands unless otherwise stated)

	Agricultural produce growing on bearer plants remains within the scope of IAS 41 and is measured at fair value less costs to sell with changes recognised in profit or loss as the produce grows.	
Annual Improvements to IFRSs 2012-2014 cycle	The latest annual improvements clarify: • IFRS 5 – when an asset (or disposal group) is reclassified from 'held for sale' to 'held for distribution' or vice versa, this does not constitute a change to a plan of sale or distribution and does not have to be accounted for as such • IFRS 7 – specific guidance for transferred financial assets to help management determine whether the terms of a servicing arrangement constitute 'continuing involvement' and, therefore, whether the asset qualifies for derecognition • IFRS 7 – that the additional disclosures relating to the offsetting of financial assets and financial liabilities only need to be included in interim reports if required by IAS 34 • IAS 19 – that when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important and not the country where they arise • IAS 34 – what is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report'; entities taking advantage of the relief must provide a cross-reference from the interim financial statements to the location of that information and make the information available to users on the same terms and at the same time as the interim financial statements.	1 January 2016
Disclosure Initiative - Amendments to IAS 1	The amendments to IAS 1 Presentation of Financial Statements are made in the context of the IASB's Disclosure Initiative, which explores how financial statement disclosures can be improved. The amendments provide clarifications on a number of issues, including: • Materiality – an entity should not aggregate or disaggregate information in a manner that obscures useful information. Where items are material, sufficient information must be provided to explain the impact on the financial position or performance. • Disaggregation and subtotals – line items specified in IAS 1 may need to be disaggregated where this is relevant to an understanding of the entity's financial position or performance. There is also new guidance on the use of subtotals. • Notes – confirmation that the notes do not need to be presented in a particular order. • OCI arising from investments accounted for under the equity method – the share of OCI arising from equity-accounted investments is grouped based on whether the items will or will not subsequently be reclassified to profit or loss. Each group should then be presented as a single line item in the statement of other comprehensive income. According to the transitional provisions, the disclosures in IAS 8 regarding the adoption of new standards/accounting policies are not required for these amendments.	1 January 2016
Investment entities: Applying the consolidation exception – Amendments to IFRS 10, IFRS 12 and IAS 28	Amendments made to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in associates and joint ventures clarify that: • The exception from preparing consolidated financial statements is also available to intermediate parent entities which are subsidiaries of investment entities. • An investment entity should consolidate a subsidiary which is not an investment entity and whose main purpose and activity is to provide services in support of the investment entity's investment activities. • Entities which are not investment entities but have an interest in an associate or joint venture which is an investment entity have a policy choice when applying the equity method of accounting. The fair value measurement applied by the investment entity associate or joint venture can either be retained, or a consolidation may be performed at the level of the associate or joint venture, which would then unwind the fair value measurement.	1 January 2016

b) Forthcoming requirements

As at 30 September 2016, the following standards and interpretations had been issued but were not mandatory for annual reporting periods ending 31 December 2016. For more recent information please refer to our web site at www.pwc.com/ifrs.

Title	Key requirements	Effective Date[1]
IFRS 9 Financial Instruments and associated amendments to various other standards	IFRS 9 replaces the multiple classification and measurement models in IAS 39 *Financial instruments: Recognition and* measurement with a single model that has initially only two classification categories: amortised cost and fair value. Classification of debt assets will be driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortised cost if: a) the objective of the business model is to hold the financial asset for the collection of the contractual cash flows, and b) the contractual cash flows under the instrument solely represent payments of principal and interest. All other debt and equity instruments, including investments in complex debt instruments and equity investments, must be recognised at fair value. All fair value movements on financial assets are taken through the statement of profit or loss, except for equity investments that are not held for trading, which may be recorded in the statement of profit or loss or in reserves (without subsequent recycling to profit or loss). For financial liabilities that are measured under the fair value option entities will need to recognise the part of the fair value change that is due to changes in the their own credit risk in other comprehensive income rather than profit or loss. The new hedge accounting rules align hedge accounting more closely with common risk management practices. As a general rule, it will be easier to apply hedge accounting going forward. The new standard also introduces expanded disclosure requirements and changes in presentation. IFRS 9 further introduced changes to the classification and measurement rules and a new impairment model. The changes introduce: • a third measurement category (FVOCI) for certain financial assets that are debt instruments • an expected credit loss (ECL) model which involves a three-stage approach whereby financial assets move through the three stages as their credit quality changes. The stage dictates how an entity measures impairment losses and applies the effective interest rate method. A simplified approach is permitted for financial assets that do not have a significant financing component (eg trade receivables). On initial recognition, entities will record a day-1 loss equal to the 12 month ECL (or lifetime ECL for trade receivables), unless the assets are considered credit impaired.	1 January 2018

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

(All amounts in Euro thousands unless otherwise stated)

IFRS 15 *Revenue from contracts with customers* and associated amendments to various other standards	The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. A new five-step process must be applied before revenue can be recognised: • identify contracts with customers • identify the separate performance obligation • determine the transaction price of the contract • allocate the transaction price to each of the separate performance obligations, and • recognise the revenue as each performance obligation is satisfied. Key changes to current practice are: • Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. • Revenue may be recognised earlier than under current standards if the consideration varies for any reasons (such as for incentives, rebates, performance fees, royalties, success of an outcome etc) – minimum amounts must be recognised if they are not at significant risk of reversal. • The point at which revenue is able to be recognised may shift: some revenue which is currently recognised at a point in time at the end of a contract may have to be recognised over the contract term and vice versa. • There are new specific rules on licenses, warranties, non-refundable upfront fees and, consignment arrangements, to name a few. • As with any new standard, there are also increased disclosures. These accounting changes may have flow-on effects on the entity's business practices regarding systems, processes and controls, compensation and bonus plans, contracts, tax planning and investor communications. Entities will have a choice of full retrospective application, or modified retrospective application with additional disclosures.	1 January 2018
IFRS 16 *Leases*	IFRS 16 will affect primarily the accounting by lessees and will result in the recognition of almost all leases on balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases. The income statement will also be affected because the total expense is typically higher in the earlier years of a lease and lower in later years. Additionally, operating expense will be replaced with interest and depreciation, so key metrics like EBITDA will change. Operating cash flows will be higher as cash payments for the principal portion of the lease liability are classified within financing activities. Only the part of the payments that reflects interest can continue to be presented as operating cash flows. The accounting by lessors will not significantly change. Some differences may arise as a result of the new guidance on the definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.	1 January 2019 Early adoption is permitted only if IFRS 15 is adopted at the same time.
Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12	Amendments made to IAS 12 in January 2016 clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. Specifically, the amendments confirm that: • A temporary difference exists whenever the carrying amount of an asset is less than its tax base at the end of the reporting period. • An entity can assume that it will recover an amount higher than the carrying amount of an asset to estimate its future taxable profit. • Where the tax law restricts the source of taxable profits against which particular types of deferred tax assets can be recovered, the	1 January 2017

	recoverability of the deferred tax assets can only be assessed in combination with other deferred tax assets of the same type. • Tax deductions resulting from the reversal of deferred tax assets are excluded from the estimated future taxable profit that is used to evaluate the recoverability of those assets.	
Disclosure Initiative – Amendments to IAS 7	Going forward, entities will be required to explain changes in their liabilities arising from financing activities. This includes changes arising from cash flows (eg drawdowns and repayments of borrowings) and non-cash changes such as acquisitions, disposals, accretion of interest and unrealised exchange differences. Changes in financial assets must be included in this disclosure if the cash flows were, or will be, included in cash flows from financing activities. This could be the case, for example, for assets that hedge liabilities arising from financing liabilities. Entities may include changes in other items as part of this disclosure, for example by providing a 'net debt' reconciliation. However, in this case the changes in the other items must be disclosed separately from the changes in liabilities arising from financing activities. The information may be disclosed in tabular format as a reconciliation from opening and closing balances, but a specific format is not mandated.	1 January 2017
'Share based payments', on clarifying how to account for certain types of share-based payment transactions – Amendments to IFRS 2	This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority.	1 January 2018
'Insurance contracts' regarding the implementation of IFRS 9, 'Financial instruments' – Amendments to IFRS 4	These amendments introduce two approaches: an overlay approach and a deferral approach. The amended standard will: give all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 is applied before the new insurance contracts standard is issued; and . give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying IFRS 9 until 2021. The entities that defer the application of IFRS 9 will continue to apply the existing financial instruments standard – IAS 39.	1 January 2018
Sale or contribution of assets between an investor and its associate or joint venture – Amendments to IFRS 10 and IAS 28	The IASB has made limited scope amendments to IFRS 10 Consolidated financial statements and IAS 28 Investments in associates and joint ventures. The amendments clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a 'business' (as defined in IFRS 3 Business Combinations). Where the non-monetary assets constitute a business, the investor will recognise the full gain or loss on the sale or contribution of assets. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor only to the extent of the other investor's investors in the associate or joint venture. The amendments apply prospectively. ** In December the IASB decided to defer the application date of this amendment until such time as the IASB has finalised its research project on the equity method.	n/a **

About PwC's Asset Management practice

The asset management industry faces challenging markets, new regulatory reform measures, and competition for clients and talent

All against a backdrop of heightened expectations from investors, regulators, industry partners, and other stakeholders. Our Asset Management partners and staff can assist in meeting these key industry challenges.

PwC helps organisations and individuals create the value they're looking for. We're a network of firms in 157 countries with more than 195,000 people who are committed to delivering quality in assurance, tax, and advisory services.

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Questions?

PwC clients who have questions about this publication should contact their engagement partner. Engagement teams that have questions should contact members of the Asset Management team in Accounting Consulting Services.

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