

Illustrative IFRS financial statements 2018

Private Equity Funds

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Illustrative IFRS financial statements 2018 – Private equity funds

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, so 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. The Partnership is not traded in a public market. The Partnership'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 2018.

The only standard that applied for the first time in 2018, that required changes to the disclosures or accounting policies in this publication, was IFRS 9, 'Financial instruments'. However, readers should consider whether any of the standards that are mandatory for the first time for financial years beginning 1 January 2018 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.

In compiling the illustrative disclosures, we have made certain assumptions in relation to the adoption of IFRS 9. These assumptions are explained within the commentary boxes in Notes 2.1 and 2.4. In addition to the adoption of IFRS 9, disclosures and commentaries have been updated to address IFRIC 23 (see Appendix VIII to the Illustrative IFRS financial statements 2018 – Investments funds and the IFRS Interpretation Committee's agenda decision on interest income issued in March 2018 (see Note 2.12).

The Partnership is presented as an Investment Entity in accordance with IFRS 10, 'Consolidated financial statements'. 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, having been set up 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, because the Partnership meets the definition of an Investment Entity and, instead, it 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 might 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, because 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, ‘Operating segments’ – have been included in the PwC publication **Illustrative IFRS financial statements 2018 – Investment funds** (see Appendices II, VI, VII, VIII and X for topics that might also be relevant to private equity funds that have been included in the other publication in the Illustrative series). Detailed cross-references to other publications of other topics which might be relevant to private equity funds have been included in Appendix III to this publication.

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 could 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 might 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 might 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 might be required in order to comply with local laws and/or stock exchange regulations.

Format

The references in the left-hand margin of the financial statements represent the paragraph of the standard in which the disclosure or other requirements appears – for example, ‘8p36’ indicates IAS 8 paragraph 36. The reference to IFRS appears in full – for example, ‘IFRS9p2’ indicates IFRS 9 paragraph 2. The designation ‘DV’ (disclosure voluntary) indicates that the relevant standard encourages, but does not require, the disclosure. These financial statements also include disclosures that might 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.

ABC Private Equity LP financial statements 31 December 2018

Statement of financial position

1p54, 60, 113		Note	As at 31 December	
			2018	2017
Assets				
1p60	Non-current assets			
1p54(d), IFRS7p8(a)	Financial assets at fair value through profit or loss – mandatory	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 – mandatory	7, 9	110	70
1p54(d), IFRS7p8	Carried interest clawback	11, 14	3,426	–
1p54(h), IFRS7p8	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(g)	Carried interest	11, 14	–	7,100
1p54(k), (l) IFRS7p8(g)	Other payables and accrued expenses		4,284	3,315
	Total current liabilities		4,284	10,415
1p60	Non-current liabilities			
1p54(m), IFRS7p8(g)	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 54 are an integral part of these financial statements.

Statement of comprehensive income¹ – by nature of expense

1p81, 82, 83,
85, 102, 113

Year ended 31 December

		Notes	2018	2017
1p82(a)	Income			
1p85	Interest income	5	38	32
	Interest from financial assets at fair value through profit or loss	5	2,980	2,080
IFRS9p5.7.1A	Dividend income		4,167	4,375
IFRS7p20 (a)(i)	Other net changes in fair value of financial assets and liabilities 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, 99	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

The notes on pages 5 to 54 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 on which foreign currency gains or losses have arisen during the period.

³ See Notes 2.10 and 4.3 for further information on carried interest.

1p81, 82, 83,
85, 102, 113

Year ended 31 December

	Notes	2018	2017
1p82(b)	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

⁴ Paragraph 82A of IAS 1 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 can be presented separately under finance costs.

Statement of changes in net assets attributable to the partners⁶

		Year ended 31 December					
		2018			2017		
1p6, 106, 113	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 54 are an integral part of these financial statements.

⁶ 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 that 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 relating to equity in either period.

Statement of cash flows

		Year ended 31 December	
1p113	Notes	2018	2017
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)
	Carried interest paid	11, 14	-
	Other operating expenses paid	14	(2,355)
	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
7p17	Distributions to partners	12	(123,915)
	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
7p28	Exchange gains/(losses) on cash and cash equivalents	717	(565)
	Cash and cash equivalents at end of the year	8	64,040

The notes on pages 5 to 54 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 2018 – Investment funds.

Notes to the financial statements

1. General information

1p138(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 can also be dissolved earlier, or its term can 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 can be incorporated for the purpose of holding the underlying investments in which the Partnership might 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 can 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 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.⁷

10p17 The financial statements were authorised for issue by the General Partner on 1 February 2019.

⁷ If instruments are traded in a public market, or where the financial statements are filed with a securities commission or other regulatory organisation for the purpose of issuing any class of instrument in a public market, IFRS 8, 'Operating segments', would be applicable.

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 of the years presented, unless otherwise stated.

1p112(a) **2.1 Basis of preparation**

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 might have a significant impact on the financial statements in the period in which 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 2018**

IFRS 9, 'Financial Instruments', became effective for annual periods beginning on or after 1 January 2018. It addresses the classification, measurement and derecognition of financial assets and liabilities, and it replaces the multiple classification and measurement models in IAS 39.

Classification and measurement of debt assets is 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 the objective of the business model is to hold the financial asset for the collection of the contractual cash flows, and the contractual cash flows under the instrument represent solely payments of principal and interest ('SPPI'). A debt instrument is measured at fair value through other comprehensive income if the objective of the business model is to hold the financial asset both to collect contractual cash flows from SPPI and to sell. All other debt instruments must be recognised at fair value through profit or loss. At initial recognition, however, an entity can irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Derivative and equity instruments are measured at fair value through profit or loss unless, for equity instruments not held for trading, an irrevocable option is taken to measure at fair value through other comprehensive income. IFRS 9 also introduces a new expected credit loss ('ECL') impairment model.

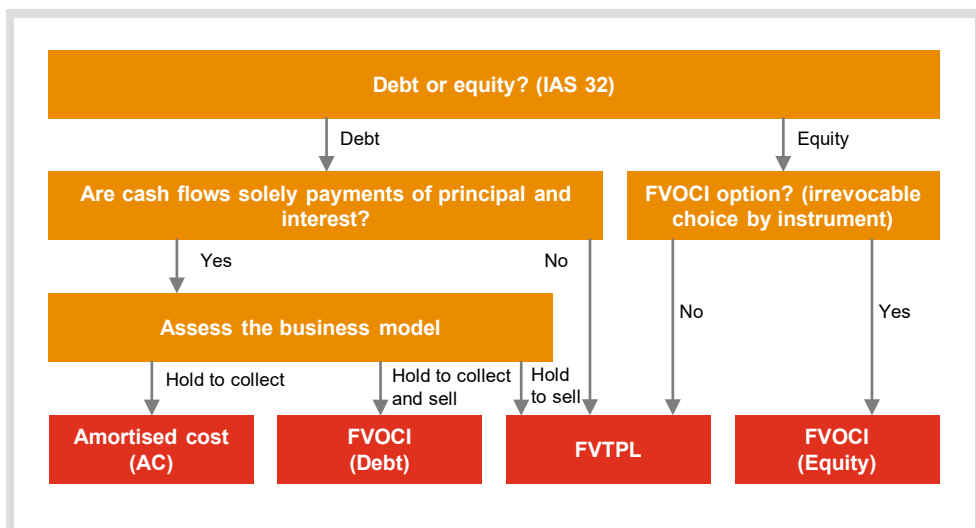
IFRS 9 has been applied retrospectively by the Partnership and did not result in a change to the classification or measurement of financial instruments. The Partnership's investment portfolio continues to be classified as fair value through profit or loss, and other financial assets which are held for collection continue to be measured at amortised cost. There was no material impact, on adoption, from the application of the new impairment model.⁸

There are no other standards, amendments to standards or interpretations that are effective for annual periods beginning on 1 January 2018 that have a material effect on the financial statements of the Partnership.

Commentary – Adoption of IFRS 9

IFRS 9 sets out three potential categories for financial assets which replace the categories applicable under IAS 39: amortised cost, fair value through other comprehensive income, and fair value through profit or loss. The following decision tree summarises the model described in IFRS 9 which determines a financial asset's relevant category:

⁸ We emphasise that each fund should make its own assessment of the impact of IFRS 9 and tailor this disclosure as necessary.



Prior to the adoption of IFRS 9, under the guidance of IAS 39, all of ABC Private Equity LP's investments, comprising equity securities, debt securities and derivatives, were classified as fair value through profit or loss and sub-categorised between those held for trading and those designated at fair value through profit or loss at inception.

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

IAS 39's treatment of financial liabilities has been carried forward to IFRS 9 with very limited change. In particular, financial liabilities that are held for trading will continue to be measured at fair value through profit or loss.

Since all of the Partnership's investments are either held for trading and/or managed and evaluated on a fair value basis, they have remained classified as fair value through profit or loss on adoption of IFRS 9. The adoption of IFRS 9 has therefore not resulted in any change to the classification or measurement of financial instruments, in either the current or prior period.

Commentary – Transitional disclosures

The transition requirements of IFRS 9 are complex (see Chapter 7.2 of IFRS 9).

Pursuant to paragraph 7.2.15 of IFRS 9, an entity can restate prior periods if, and only if, it is possible without the use of hindsight. ABC Private Equity LP has applied IFRS 9 retrospectively without the use of hindsight, and it has determined that adoption did not result in a change to classification or measurement in either the current or comparative period (that is, IFRS 9 accounting policies have been applied to both the current and comparative periods). If an entity determines that it must continue to apply IAS 39 for its comparative period, these accounting policies will need to be disclosed in addition to the IFRS 9 accounting policies being applied for the current period.

Further guidance on transitional disclosures can be found in PwC's 'VALUE IFRS Plc: Illustrative IFRS consolidated financial statements December 2018' publication on inform.pwc.com. Reference should also be made to PwC's 'What's new in financial instruments accounting for asset management' published on inform.pwc.com in February 2018.

8p30	(b) New standards, amendments and interpretations effective after 1 January 2018 that have not been early adopted
1p119	<p>A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2018, and have not been applied in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Partnership.</p> <p>2.2 Investment entity and consolidation</p> <p>(a) Investment entity</p> <p>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</p>

	<p>Partnership meets the definition of an investment entity, according to IFRS 10, because the following conditions exist:</p> <ul style="list-style-type: none"> • The Partnership has obtained funds for the purpose of providing investors with professional investment management services; • The Partnership's business purpose, which was communicated directly to investors, is investing for capital appreciation and investment income; and • The investments are measured and evaluated on a fair value basis.
	<p>(b) Subsidiaries and consolidation</p>
IFRS12p19C	<p>The Partnership does not have any 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.</p> <p>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, because the holding company is not deemed to be providing investment-related services, as defined by IFRS 10.</p> <p>Where the Partnership is deemed to have control over an underlying portfolio company, either directly or indirectly, and whether the control is 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 profit or loss. The Partnership is directly invested into one such portfolio company.</p>
IFRS12p19B IFRS10p32	<p>Commentary – Subsidiaries of an investment entity subsidiary</p> <p>If the investment entity is the parent of another investment entity (the subsidiary), the parent should also provide the disclosures required by paragraph 19B of IFRS 12 for investments that are controlled by its investment entity subsidiary. The disclosure could be provided by including, in the financial statements of the parent, extracts from the financial statements of the subsidiary that contain the above information. [IFRS 12 para 19C]. For the purpose of these illustrative financial statements, the controlled subsidiary investments are not investment entities and have no subsidiaries.</p> <p>The Amendments to IFRS 10, issued on 18 December 2014, clarify the application of the consolidation exception for investment entities and their subsidiaries.</p> <p>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 where the investment entity parent measures its subsidiaries at fair value.</p> <p>The intermediate parent would also need to meet the other criteria for exception listed in IFRS 10.</p> <p>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.</p> <p>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.</p>
IFRS12p19D (b) IFRS12p19E	<p>As at 31 December 2018, the Partnership controlled one investment directly and one investment through its ownership in a holding company.</p> <p>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 2018 was €404,136 (2017: €105,294). As at 31 December 2018, there were outstanding capital commitment obligations of €3,000 (2017: €2,500) with respect to specific portfolio company acquisitions and no amounts due to the portfolio companies for unsettled purchases.</p>
IFRS12p19D (a)	<p>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 can be paid based</p>

IFRS12p19F	<p>on the portfolio company's operating results, and they 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.</p> <p>Movements in the fair value of the Partnership's portfolio company and the existence of unfunded commitments might expose the Partnership to potential losses.</p>
	<p>Commentary – Disclosures</p> <p>IFRS 12 introduces disclosures that are required for an investment entity. These required disclosures include the following:</p> <ul style="list-style-type: none"> • Significant judgements and assumptions made in determining whether an entity has met the definition of an investment entity [IFRS 12 para 9A]; • Reasons for concluding that an entity is an investment entity in cases where one or more of the typical characteristics do not apply [IFRS 12 para 9A]; • Information on each unconsolidated subsidiary (name, country of incorporation, proportion of ownership interest held) [IFRS 12 para 19B]; • 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 [IFRS 12 para 19D]; • Financial or other support provided to unconsolidated subsidiaries during the year, where there was no contractual obligation to do so [IFRS 12 para 19E]; 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 [IFRS 12 para 19F]. <p>The detailed disclosure requirements are contained in paragraphs 2, 9A–9B and 19A–19G of IFRS 12.</p> <p>An investment entity need not provide the disclosures required by paragraph 24 of IFRS 12 for an unconsolidated structured entity that it controls and for which it presents the disclosures required by paragraphs 19A–19G. [IFRS 12 para 25A].</p>
1p119	(c) Associates
28p13, 11	<p>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.</p> <p>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 might 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 IFRS 9 and IFRS 13, with changes in fair value recognised in the statement of comprehensive income in the period of the change.</p>
1p119, IFRS7p21	2.3 Foreign currency translation
	(a) Functional and presentation currency
21p17, 9, 18 1p51(d)	<p>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 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.</p> <p>The presentation currency of the Partnership is the same as the functional currency of the Partnership.</p>
21p21, 28, 52(a)	(b) Transactions and balances
	<p>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.</p> <p>Foreign exchange gains and losses arising from translation are included in the statement of comprehensive income.</p>

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
IFRS9p4.1.1	(a) Classification
	The Partnership classifies all of its investment portfolio as financial assets or liabilities at fair value through profit or loss.
IFRS9pB4.1.6	(i) Assets
	The Partnership classifies its investments based on both the Partnership's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Partnership is primarily focused on fair value information, and it uses that information to assess the assets' performance and to make decisions. The Partnership has not taken the option to irrevocably designate any equity securities as fair value through other comprehensive income. The contractual cash flows of the Partnership's debt securities are solely principal and interest, but these securities are neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the objective of the Partnership's business model. Consequently, all investments are measured at fair value through profit or loss.
	Commentary – Significant accounting judgements in determining business model The objective of ABC Private Equity LP is to achieve long-term capital appreciation, and its portfolio is managed on a fair value basis. ABC Private Equity LP therefore applies the business model allowed by paragraph B4.1.6 of IFRS 9, which requires its portfolio to be classified at fair value through profit or loss. Determining the appropriate business model, and assessing whether cash flows generated by an asset constitute solely payments of principal and interest ('SPPI'), is sometimes complex and might require significant judgement. Depending on the level of judgement and the amount of financial assets affected by the conclusion, the SPPI and/or business model assessment might require disclosure as a significant judgement in accordance with paragraph 122 of IAS 1.
	(ii) Liabilities
IFRS9p4.2.1(a)	Derivative contracts that have a negative fair value are mandatorily presented as liabilities at fair value through profit or loss.
IFRS9p4.2.1	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 (see 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.
IFRS7p42I(c)	(iii) Investments in financial assets previously designated at fair value through profit or loss
	The Partnership holds equity securities of €327,605 (2017: €372,297) and debt securities of €400,641 (2017: €115,843), which had previously been designated at fair value through profit or loss. On adoption of IFRS 9, these securities are mandatorily classified as at fair value through profit or loss.
	Commentary – Consequential changes to IFRS 7 and impact on note disclosure IFRS 9 includes several consequential changes to IFRS 7 as well as other standards. A relevant change for ABC Private Equity LP is with respect to paragraph 8 of IFRS 7. Previously, under the guidance relevant for IAS 39, the carrying amounts of each of the following categories were required to be disclosed, either in the statement of financial position or in the notes: <ul style="list-style-type: none"> Financial assets at fair value through profit or loss, showing separately (i) those designated as such on initial recognition, and (ii) those classified as held for trading in accordance with IAS 39;

- Held-to-maturity investments;
- Loans and receivables;
- Available-for-sale financial assets;
- Financial liabilities at fair value through profit or loss, showing separately (i) those designated as such on initial recognition, and (ii) those classified as held for trading in accordance with IAS 39; and
- Financial liabilities measured at amortised cost.

Currently, under the guidance relevant for IFRS 9, the carrying amounts of each of the following categories are required to be disclosed, either in the statement of financial position or in the notes:

- Financial assets measured at fair value through profit or loss, showing separately (i) those designated as such on initial recognition, and (ii) those mandatorily measured at fair value in accordance with IFRS 9;
- [Deleted]
- Financial liabilities at fair value through profit or loss, showing separately (i) those designated as such on initial recognition, and (ii) those that meet the definition of held for trading in IAS 39;
- Financial assets measured at amortised cost;
- Financial liabilities measured at amortised cost; and
- Financial assets measured at fair value through other comprehensive income.

For ABC Private Equity LP, under IAS 39, its financial assets measured at fair value through profit or loss were split between two sub-categories: (i) financial assets held for trading; and (ii) financial assets designated at fair value through profit or loss. Under IFRS 9, all of the Partnership's financial assets measured at fair value through profit or loss are mandatorily measured at fair value in accordance with IFRS 9, with no assets being designated. Consequently, with the adoption of IFRS 9, there would no longer be a requirement for the Partnership to present separate disclosure between assets held for trading and assets designated at fair value. In the case of its financial liabilities at fair value through profit or loss, there has been no change on adoption of IFRS 9, because these are derivative instruments that were previously classified as held for trading in accordance with IAS 39.

In the reporting period that included the date of initial application of IFRS 9, paragraph 42I of IFRS 7 requires an entity to disclose the following information for each class of financial assets and financial liabilities as at the date of initial application:

- the original measurement category and carrying amount determined in accordance with IAS 39;
- the new measurement category and carrying amount determined in accordance with IFRS 9; and
- the amount of any financial assets and financial liabilities in the statement of financial position that were previously designated as measured at fair value through profit or loss but are no longer so designated, distinguishing between those that IFRS 9 requires an entity to reclassify and those that an entity elects to reclassify at the date of initial application.

For ABC Private Equity LP, there was no change in measurement category on adoption of IFRS 9.

Further illustrative guidance on the disclosure requirements of IFRS 9 can be found in PwC's 'VALUE IFRS Plc: Illustrative IFRS consolidated financial statements December 2018' publication, which is supplemented by 'IFRS 9 disclosures for corporates: a practice aid'. Both are available on inform.pwc.com.

IFRS7B5(c)	(b) Recognition, derecognition and measurement
IFRS7p21 IFRS9p3.2.2, 3.1.2, 5.1.1	Regular purchases and sales of investments are recognised on the trade date – that is, the date on which the Partnership commits to purchase or sell the investment. Financial assets and financial liabilities at FVTPL are initially recognised at fair value. Transaction costs are expensed as incurred in the statement of comprehensive income, and they 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.
IFRS9p3.3.1	Financial liabilities are derecognised when they are extinguished – that is, when the obligation specified in the contract is discharged or cancelled or expires.
IFRS9p5.2.1, 5.7.1	Subsequent to initial recognition, all financial assets and financial liabilities at FVTPL are measured at fair value. Gains and losses arising from changes in the fair value of the 'Financial assets and liabilities at fair value through profit or loss' category are presented in the statement of comprehensive income within 'Other net changes in fair value of financial assets and liabilities at fair value through profit or loss' in the period in which they arise.

IFRS9p5.7.1A	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 from financial assets at fair value through profit or loss.
IFRS7	
AppxB5(e)	

(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 ⁹ (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 ¹⁰ . On 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.
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Commentary – IFRS 13 and fair value estimation

According to paragraphs 70–71 of IFRS 13, if an asset or a liability measured at fair value has a bid price and an ask price (for example, an input from a dealer market), the price within the bid-ask spread that is most representative of fair value in the circumstances should be used to measure fair value, regardless of where the input is categorised within the fair value. The use of bid prices for asset positions and ask prices for liability positions is permitted, but it 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

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 quotations¹¹.

IFRS13p61, 93(d)	Fair values for unlisted equity securities are determined by the General Partner using valuation techniques. Such valuation techniques might 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, and market risk differences in operations relative to the peer multiples. 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 could 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 that the Partnership could realise in a current transaction, the final realisation might be different, because 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.
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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
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⁹ The existence of published price quotations in an active market is the best evidence of fair value and, where 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. [IFRS 13 para 16]. The quoted market price cannot be adjusted for transaction costs. [IFRS 13 para 25]. The quoted market price cannot be adjusted for 'blockage' factors. [IFRS 13 para 69].

¹⁰ If investments are restricted (that is, they are a particular class of instrument with a restriction in the terms of that class or issued with 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.

¹¹ If a 'significant event' (for example, corporate action, corporate or regulatory news, suspension of trading, natural disaster, market fluctuations) occurs, the General Partner should consider whether the valuation model would reflect a more current value of the securities held by the Partnership.

the Partnership is based on the risk-free rate of the economic environment in which portfolio companies operate, and it is adjusted for 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 the agreed price of selling or buying the financial instruments on a future date and the price quoted on the year-end date for selling or buying the same or similar financial instruments.

1p119,
IFRS7p21

2.5 Receivables

IFRS9p5.1.1,5.4.1, 5.5

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables are recognised initially at fair value and are subsequently measured at amortised cost.

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

Commentary

The Partnership's impairment policy has been updated to align with the requirements of the IFRS 9 expected credit loss model. Certain factors, such as what is deemed a 'significant increase in credit risk' and what is deemed to be an impairment, are inherently judgemental. Entities should develop their own policies for such factors, with consideration given to the application guidance and rebuttable presumptions contained in IFRS 9.

Additional guidance can be found in PwC's 'IFRS 9: What's new in financial instruments accounting for asset management', published on inform.pwc.com in February 2018.

Commentary

For entities that qualify as a financial counterparty in accordance with the European Market Infrastructure Regulation ('EMIR'), consider including the following description for receivable amounts attributable to cash paid in relation to variation margin balances:

"Receivables can include variation margin balances paid to counterparties on derivative liability positions, which are due back from those counterparties on settlement of the derivatives."

As at 31 December 2018 and 2017, 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 where there is currently a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to 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 (i) in the normal course of business; (ii) in the event of default; and (iii) in the event of insolvency or bankruptcy of the Partnership and all of the counterparties.

1p119
IFRS7p21

2.7 Cash and cash equivalents

7p45, 46

Cash and cash equivalents include cash on hand, demand deposits, other short-term highly liquid investments with original maturities of three months or less¹², and bank overdrafts.

¹² Only non-restricted margin accounts should be included as part of cash and cash equivalents.

	<p>Commentary</p> <p>For entities that qualify as a financial counterparty in accordance with EMIR, consider including the following description for cash amounts attributable to cash received in relation to variation margin balances:</p> <p>“Cash and cash equivalents can include unrestricted variation margin balances received from counterparties as collateral on derivative asset positions, which are due back to those counterparties on settlement of the derivative.”</p>
	<p>As at 31 December 2018 and 2017, the carrying amounts of cash and cash equivalents approximate their fair values.</p>
1p119 IFRS7p21	2.8 Borrowings
IFRS9p4.2.1	<p>Borrowings are recognised initially at fair value, plus directly attributable transaction costs, and they 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.</p>
1p60, 61	<p>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.</p> <p>As at 31 December 2018 and 2017, the carrying amounts of borrowings approximate their fair values.</p>
1p119 IFRS7p21	2.9 Payables and accrued expenses
IFRS9p4.2.1	<p>Payables and accrued expenses are recognised initially at fair value and are subsequently stated at amortised cost.</p>
	<p>Commentary</p> <p>For entities that qualify as a financial counterparty in accordance with EMIR, consider including the following description for payable amounts attributable to cash received in relation to variation margin balances:</p> <p>“Payables and accrued expenses can include variation margin balances received as cash from counterparties on derivative asset positions, which are payable back to those counterparties on the settlement of the derivatives.”</p>
	<p>As at 31 December 2018 and 2017, the carrying amounts of payables and accrued expenses approximate their fair values.</p>
1p119 IFRS7p21	2.10 Carried interest expense/recovery (and carried interest clawback)
IFRS9p4.2.1	<p>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 can 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 it is further described in Note 2.15. An expense results from an increase in carried interest due to the General Partner, and a recovery of previously expensed carried interest results from a decrease in carried interest due to the General Partner at the reporting date.</p> <p>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 would have been met if the investments were 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 the 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.</p> <p>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 if the investments were realised at their fair values, as presented at the reporting date. The clawback receivable is</p>

	measured at amortised cost, and it is calculated as (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) the 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 can be recovered by the Partnership (i) by offsetting this amount against future realised gains attributed to the General Partner as additional carried interest, or (ii) by 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 are classified as a financial liability, due to a finite life and contractual payment provisions to each of the partners within the LPA. Net assets attributable to partners are carried at amortised cost, consistent with other amounts classified as borrowings.
1p119 IFRS7p21	2.12 Interest income and interest from financial assets at fair value through profit or loss
IFRS9p5.4.1	Interest is recognised on a time-proportion basis, using the effective interest method. Interest income includes interest from cash and cash equivalents. Interest from financial assets at fair value through profit or loss includes interest from debt securities.
	<p>Commentary – IFRIC agenda decision on interest income</p> <p>IFRS 9 introduced a consequential amendment to paragraph 82(a) of IAS 1, which is effective for accounting periods beginning on or after 1 January 2018. Under this amendment, interest revenue calculated using the effective interest method should be separately presented as a component of revenue on the face of the income statement.</p> <p>The IFRS Interpretations Committee (the 'Committee') has issued an agenda decision which concludes that this separate line item can be used only for interest on those financial assets that are measured at amortised cost or fair value through other comprehensive income (subject to the effect of applying hedge accounting to derivatives in designated hedge relationships).</p> <p>This means that interest income on items that are not measured at amortised cost or fair value through other comprehensive income will no longer be able to be included in the same line item.</p> <p>Some entities might wish, as a matter of accounting policy, to present additional line items, on the face of the income statement, for 'interest' on instruments measured at fair value through profit or loss. Whilst not addressed by the Committee, IAS 1 permits an entity to present additional line items where doing so is relevant to an understanding of the entity's financial performance. If such a presentation is adopted, the additional line items should be appropriately presented and labelled. Also, the entity's accounting policy, including how such amounts are calculated and on which instruments, should be disclosed.</p>
	2.13 Dividend income
IFRS9p5.7.1A	Dividend income is recognised when the right to receive a payment is established.
1p119 IFRS7p21	2.14 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 purposes. These costs are immediately recognised in the statement of comprehensive income as an expense.
1p119 IFRS7p21	2.15 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 the statement of comprehensive income as an expense.
1p119 IFRS7p21	2.16 Distributions
	Distributions of net assets attributable to the partners and repayments of funded committed capital are shown in the statement of changes in net assets attributable to the partners.

32p35, 40	<p>In accordance with 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.</p> <p>Subsequent distributions are allocated 80% to the General Partner and 20% to the limited partners, until the General Partner has received aggregate distributions equalling 20% of net cash flow from partnership investments (the 'catch-up amount').</p> <p>All remaining distributions above the catch-up amount will be allocated (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.</p> <p>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.</p>
1p119 IFRS7p21	2.17 Taxation
1p119 IFRS7p21	2.18 Unfunded committed capital
IFRS9BC5.276	<p>The Partnership is domiciled in Eurania. Under the current laws of Eurania, there is no income, estate, corporation, capital gains or other taxes payable by the Partnership. Any other tax liability arising on the activities of the Partnership will be borne by the individual partners.</p> <p>The Partnership currently incurs only withholding tax imposed by certain countries on dividend income, which is recorded gross of withholding tax, with the 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.</p> <p>Unfunded committed capital from the partners is not presented in the statement of financial position, since unfunded committed capital represents an undrawn financial instrument, where an effective interest rate in accordance with IFRS 9 Financial instruments would not be applicable.</p>
1p119 IFRS7p21	2.19 Transfers between levels of the fair value hierarchy
IFRS13p95	<p>Transfers between levels of the fair value hierarchy are deemed to have occurred at the beginning of the reporting period.</p>

3. Financial risk management

IFRS7p33	3.1 Financial risk factors
IFRS7p31	<p>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.</p> <p>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.</p>
IFRS7p33	3.1.1 Market risk
IFRS7p33(a)-(b)	<p>Price risk</p> <p>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 Adviser, 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 regularly to the General Partner.</p> <p>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 it is reported, assessed and reviewed by the General Partner on a quarterly basis.</p> <p>The Partnership's investment restrictions prohibit it from investing more than 30% of its committed contributions into any single company.</p> <p>As at 31 December, the fair value of financial assets exposed to price risk were as follows:</p>

IFRS7p8(a), 34	Fair value						
	The following instruments are subject to direct price risk:	2018			2017		
	Financial assets subject to general price risk	USA	Euro-zone	UK	USA	Euro-zone	UK
	Equity securities not traded in an active market	119,022	155,126	53,457	17,467	280,074	74,756
	The following instruments are not subject to direct price risk:						
	Financial assets subject to foreign currency risk						
	Forward foreign exchange contracts	-	110	-	-	70	-
	Financial assets subject to interest rate risk						
	Debt securities not traded in an active market	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 the direct investment, 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 2018. This cash in escrow has been recognised during the year by the Partnership, and no impairment provision has been made, because it is the opinion of the General Partner that the full amount will be received, since all restriction conditions have been fulfilled.

As at 31 December 2018, 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 paragraphs (b) and (c) respectively.

IFRS7p40 As at 31 December 2018, the impact on the net assets attributable to the partners due to a 6.5% (2017: 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 (2017: Nil). Regression analysis has been used to estimate the historical correlation; it uses historical information consisting of 60 monthly data points. The historical correlation might not be representative of the future correlation, and the impact of actual performance could be materially different from 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**

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 considers the foreign exchange exposure relating to non-monetary assets and liabilities to be a component of market price risk, not foreign currency risk.

The Partnership holds assets (both monetary and non-monetary) denominated in currencies other than the functional currency (Euro). It is therefore exposed to currency risk, because the value of the financial instruments denominated in other currencies will fluctuate due to 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 2018	31 December 2017
US dollar	1.1145	1.2155
British pound	0.7281	0.7825

The table below provides an analysis of foreign currency exposure between monetary and non-monetary items in order to meet the requirements of IFRS 7.

As mentioned above, 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.

	USD'000 2018	USD'000 2017	GBP'000 2018	GBP'000 2017
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	–
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,
IG36**

As at 31 December 2018, if the exchange rate between the US dollar and the Euro had increased or decreased by 10% compared to the actual rate of 1.1145 as of 31 December 2018 (2017: 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 (2017: €3,507), of which €26,108 (2017: €1,760) is attributable to monetary items¹³. 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 2018, if the exchange rate between the British pound and the Euro had increased or decreased by 8% compared to the actual rate of 0.7281 as of 31 December 2018 (2017: 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 (2017: €8,666), of which €119 (2017: €2,765) is 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 of 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 repricing and maturity dates.

¹³ Non-monetary sensitivity analysis is voluntary. In accordance with paragraph B23 of IFRS 7, currency risk does not arise from financial instruments that are non-monetary.

As at 31 December 2018
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

Liabilities

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 2017
Assets

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

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 2018, if interest rates had changed by 25 basis points (2017: 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 (2017: €1,052). The sensitivity of net assets attributable to the partners to movements in interest rates is higher in 2018 than in 2017 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 might 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 valuations 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 might 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.

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 instruments, other receivable balances or the interest due on loans given to portfolio companies.

IFRS7p34(c), 36(b)-(c) The Partnership has no significant concentration of credit risk. Cash transactions are limited to financial institutions with a 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 might 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 below¹⁴.

IFRS7p36(a), 34	2018	2017
Carried interest clawback	3,426	–
Other receivables	653	2,196
Forward foreign exchange contracts	110	70
Cash and cash equivalents	17,093	64,040
Financial assets at fair value through profit or loss – Debt investments	400,641	115,843
Other assets	300	–
Total	422,223	182,149

IFRS9pC35 (f) The Partnership measures credit risk and expected credit losses using probability of default, exposure at default and loss given default. The General Partner considers both historical analysis and forward-looking information in determining any expected credit loss.

As at 31 December 2018 and 31 December 2017, cash and short-term deposits are held with counterparties with a credit rating of AA/Aa or higher and are due to be settled within one week. The General Partner considers the probability of default to be close to zero, because these

¹⁴ 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.

instruments have a low risk of default and the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month expected credit losses, since any such impairment would be wholly insignificant to the Partnership.

Commentary – Consequential changes to IFRS 7 and impact on note disclosure

There are significant disclosure requirements surrounding credit risk and impairment that are not relevant for ABC Private Equity LP but which might be relevant for other entities. Further illustrative guidance on the disclosure requirements of IFRS 9 can be found in PwC's 'VALUE IFRS Plc: Illustrative IFRS consolidated financial statements December 2018' publication, which is supplemented by 'IFRS 9 disclosures for corporates: a practice aid'. Both are available on inform.pwc.com.

IFRS7p9(c) For debt instruments classified as financial assets at FVTPL, the change of the credit quality is reflected in the fair value of the instrument. For the year ended 31 December 2018, unrealised losses of €886 (2017: €1,016) are attributable to changes in credit risk of these debt instruments. As at 31 December 2018, total accumulated unrealised gains amounting to €9,293 are recognised for debt instruments (2017: €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.

3.1.3 Liquidity risk

IFRS7p33(a)-(b), 39(c) Liquidity risk is the risk that the Partnership might not be able to generate sufficient cash resources to settle its obligations in full as they fall due, or it 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 can periodically invest in equity and debt securities and derivative contracts traded over the counter or that are not traded in an organised market and might be illiquid. As a result, the Partnership might 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 2018, the Partnership held €713,754 in investments that it considered to be illiquid (2017: €488,210).

IFRS7B11E The Partnership manages its liquidity risk by a combination of (i) contractual uncalled committed capital, which can be called on 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 commitments¹⁵:

As at 31 December 2018	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 2017				
Total assets and undrawn capital commitments	746,424	–	66,306	488,140

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

¹⁵ Paragraph B11E of IFRS 7 states that an entity should disclose a maturity analysis of financial assets that it holds for managing liquidity risk if that information is necessary to enable users of its financial statements to evaluate the nature and extent of liquidity risk. It is acceptable to present this analysis in narrative format or tabular format.

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

**IFRS7p39
(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, insofar as they can be distributed, will be disclosed in the appropriate liquidity category, as noted below*.

	On demand	Less than 1 year	Between 1 and 3 years	More than 3 years	Total
As at 31 December 2018					
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
As at 31 December 2017					
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 versus contractual maturity

Amended paragraph 39(b) of IFRS 7 states: "the maturity analysis shall include the remaining contractual maturities for those derivative financial liabilities for which contractual maturities are essential for an understanding of the timing of the cash flows". Where more relevant, the information will be presented based on expected maturities rather than contractual maturities.

Commentary – Asset liquidity

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

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

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 can 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).

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 2018¹⁶.

All fair value measurements disclosed are recurring fair value measurements¹⁷.

¹⁶ Valuation hierarchy disclosures must be given by class of asset and liability measured at fair value. [IFRS 13 para 93]. The concept of disclosure by 'class' existed prior to IFRS 13; 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 or liability, as well as the level of the fair value hierarchy in which the measurement is categorised. Greater disaggregation of classes might be needed for Level 3 due to the degree of uncertainty and subjectivity. [IFRS 13 para 94].

¹⁷ This table follows the illustrative guidance in paragraph IE60 of IFRS 13.

	Level 1	Level 2	Level 3	Total
Assets				
Financial assets:				
• Derivatives	–	110	–	110
• Equity securities	14,492	–	313,113	327,605
• Debt securities	–	–	400,641	400,641
• Unfunded committed capital to investee companies ¹⁸	–	–	–	–
Total assets at fair value through profit or loss	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 2017:

	Level 1	Level 2	Level 3	Total
Assets				
Financial assets:				
• Derivatives	–	70	–	70
• Equity securities	–	–	372,297	372,297
• Debt securities	–	–	115,843	115,843
• Unfunded committed capital to investee companies ¹⁹	–	–	–	–
Total assets at fair value through profit or loss	–	70	488,140	488,210

Commentary – Classes of assets

Paragraph 94 of IFRS 13 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 might need to be greater for fair value measurements categorised within Level 3 of the fair value hierarchy, because those measurements have a greater degree of uncertainty and subjectivity. An entity should provide information sufficient to permit reconciliation to the line items presented in the statement of financial position.

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

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.

¹⁸ The unfunded capital commitments to purchase further equity in portfolio investments are classified as derivative financial instruments in accordance with paragraph 4(b) of IAS 39.

¹⁹ The unfunded capital commitments to purchase further equity in portfolio investments are classified as derivative financial instruments in accordance with paragraph 4(b) of IAS 39.

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 sources²⁰ 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, because they trade infrequently. Since 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 a rolling 12-month basis of the issuer and equivalent corresponding EBITDA multiples of comparable listed companies), quality of earnings assessments, assessments of third-party external debt, marketability discounts, cost of capital adjustments and probabilities of default. The Partnership also considers the original transaction price, recent transactions in the same or similar instruments, and completed third-party transactions in comparable companies' instruments, and it 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 the original transaction price, recent transactions in the same or similar instruments, and completed third-party transactions in comparable instruments, and it adjusts the model as deemed necessary.

**IFRS13p93
(g)**

In order to assess Level 3 valuations according to 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.

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, which 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 can 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 can 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). [IFRS 13 para 93(g)]. To satisfy this requirement, the illustrative example provided in IFRS 13 states that an entity might disclose information, such as the group within the entity that decides the entity's valuation policies and procedures, to whom that group reports, the frequency and methods for calibration, and back-testing and other testing procedures of pricing models. [IFRS 13 para IE65].

²⁰ In cases where partnerships use broker quotes to assess valuation, it is important to identify whether the quotes are binding and executable, or indicative and not executable. Binding quotes would support a Level 2 classification; however, if a quote is just indicative, this might result in a Level 3 classification.

**IFRS13p93
(d), (h)**

In determining the valuation recommended to the General Partner for the Partnership's equity instruments, the Investment Adviser uses 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 regard 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 uses 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, and 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 of those assumptions behind the valuation techniques adopted, based on reasonable possible alternative assumptions.

31 December 2018

Description	Fair value at 31 Dec 2018	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)

Description	Fair value at 31 Dec 2018	Valuation Technique	Unobservable Inputs	Weighted average input*	Reasonable possible shift +/- (absolute value)	Change in Valuation +/-
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)
			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 2017

Description	Fair value at 31 Dec 2017	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)
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)

Description	Fair value at 31 Dec 2017	Valuation Technique	Unobservable Inputs	Weighted average input*	Reasonable possible shift +/- (absolute value)	Change in Valuation +/-
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)

IFRS13p93(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 value².

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 capital³.

Commentary – Level 3 disclosure

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

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

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

The following table presents the transfers between levels for the year ended 31 December 2018:

	Level 1	Level 2	Level 3
Transfers between Levels 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 2018. 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 2017.

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 Level 1, 2 and 3 fair value hierarchy of the Partnership.

IFRS13p95

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

Commentary – Transfers

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

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

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

IFRS13p93(e)

The following table presents the movement in Level 3 instruments for the year ended 31 December 2018 by class of financial instrument:

	Consumer Goods	Technology	Health-care	Financial Services	Total 2018
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

	Consumer Goods	Technology	Health-care	Financial Services	Total 2018
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 of financial assets at fair value through profit or loss	(8,118)	7,839	48,129	62,595	110,445

The following table presents the movement in Level 3 instruments for the year ended 31 December 2017 by class of financial instrument:

	Consumer Goods	Technology	Health-care	Financial Services	Total 2018
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

	Consumer Goods	Technology	Health-care	Financial Services	Total 2018
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 of 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. [IFRS 13 para 93(f)].

IFRS13p97

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

The following table analyses, within the fair value hierarchy, the Partnership's assets and liabilities (by class) not measured at fair value at 31 December 2018 but for which fair value is disclosed²¹:

	Level 1	Level 2	Level 3	Total balance
Assets				
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

²¹ 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, paragraph 97 of IFRS 13 requires the entity to 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.

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 2017 but for which fair value is disclosed:

	Level 1	Level 2	Level 3	Total balance
Assets				
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 2018, the fair values of the drawdown on the loan facility and the borrowings on BB Limited were €16,959 and €14,492 respectively (2017: €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 (see Note 12). Level 3 is deemed to be the most appropriate categorisation 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. [IFRS 13 para 97].

The example that 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 according to 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, because paragraph 29(a) of IFRS 7 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 Partnership might hold. For most derivatives, the notional or contract value of the instrument would determine the total 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 2018 and 2017, 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 is 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.

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

	A	B	C = A - B	D		E = C - D
				Related amounts not offset in the statement of financial position		
	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities offset in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	D(i) and D(ii) Financial Instruments	D(ii) Cash collateral	Net amount
Description						
2018: Derivative assets	120	10	110	–	–	110
2017: 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 above 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

Commentary

For entities qualifying as a financial counterparty in accordance with EMIR, consider including the following description in the table header:

"D(i) and D(ii) Financial Instruments (including variation margin balances receivable)."

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. According to the terms of the master netting agreement, a default event 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; or
- bankruptcy of a party.

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

The illustrative disclosure provided above is minimal, and it 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', see Appendix XII in the Illustrative IFRS financial statements

2018 – Investment Funds.

4. Critical accounting estimates and judgements

1p122, 125

4.1 Critical accounting estimates and assumptions

The Partnership makes estimates and assumptions that affect the reported amounts of assets and liabilities in the future. Estimates and assumptions 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.

(a) 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 historical equity returns for other entities operating in the same industry for which market returns are observable. The General Partner 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.

(b) Fair value of derivative financial instruments

The Partnership can, 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.

4.2 Critical judgements

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.

Commentary – Significant accounting judgements in determining business model

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

Determining the appropriate business model, and assessing whether cash flows generated by an asset constitute solely payments of principal and interest ('SPPI'), is sometimes complex and might require significant judgement.

Depending on the level of judgement and the amount of financial assets affected by the conclusion, the SPPI and/or business model assessment might require disclosure as a significant judgement, in accordance with paragraph 122 of IAS 1.

4.3 Carried interest and clawback

The accounting for carried interest is a critical judgement. 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 on 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 might be significantly different from the carried interest reported at the reporting date.

4.4 Investment entity status

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

- c) the Partnership has raised the commitments from a number of investors in order to raise capital for investment in private equity investments and to provide management services to the investors with respect to these private equity investments;
- d) 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
- e) 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 Partner 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 – that is, 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 (that is, 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 management's conclusion thereon.

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

		2018	2017
IFRS7p20(b) DV	Interest income from cash and cash equivalents	38	32
DV	Interest from debt securities at fair value through profit or loss	2,980	2,080
	Total interest income	3,018	2,112

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

		2018	2017
IFRS7p20 (a)(i)	Fair value through profit or loss	16,025	115,582
	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 2018 were €42,356 (2017: €18,954).

Commentary – Centrally cleared derivative instruments

In many instances, where variation margin is posted on centrally cleared derivatives, the payment (or receipt) of variation margin is legally characterised as collateral. The cash is payment of collateral, which might have to be repaid, depending on future changes in the value of the trade being collateralised, and it should be separately recognised as a collateral asset/liability.

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

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

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

Several Central Clearing Counterparties, including the London Clearing House (LCH) and Chicago Mercantile Exchange (CME), have implemented rule amendments designed to change the legal nature of variation margin so that it is considered a settlement payment, rather than the posting of collateral. Care should therefore be taken to ensure that the accounting reflects the most up-to-date terms and conditions, including any recent changes.

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:

		2018	2017
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)

Description	Sector	%	2018		2017				
			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	2018				2017			
		%	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

Description	Sector	2018				2017			
		%	No. of shares/ face value (000's)	Cost	Fair value	%	No. of shares/ face value (000's)	Cost	Fair value
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
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 profit or loss				707,259	728,246			425,631	488,140

Description	Sector	%	2018			%	2017		
			No. of shares/ face value (000's)	Cost	Fair value		No. of shares/ face value (000's)	Cost	Fair value
Forward foreign exchange contracts				-	110			-	70
Unfunded capital commitments to portfolio investee companies				-	-			-	-
Total current financial assets at fair value through profit or loss				-	110			-	70
Total financial assets at fair value through 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 its financial position and performance.

IFRS 12 requires an entity to disclose information that enables users of its financial statements to evaluate both the nature of, and risks associated with, its interests in other entities, and also the effects of those interests on its financial position, financial performance and cash flows. IFRS 12 also requires an entity to prepare 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 those 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 additional clarity to the users 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 might be a number of ways in which an entity could disclose this information, because it might 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.

10. Borrowings

	Loan facility from DEF Bank	2018 Borrowing on BB Limited	Loan facility from DEF Bank	2017 Borrowing on BB Limited
Borrowings as at 1 January	33,164	-	29,154	-
Proceeds	-	20,000	4,010	-
Repayments	(16,315)	-	-	-
Borrowings as at 31 December	16,849	20,000	33,164	-

IFRS7p31	The Partnership obtained a €50 million loan facility from DEF Bank in February 2011. The loan facility expires in December 2020. As at 31 December 2018, the loan facility has been drawn down to €16.849 million (2017: €33.164 million). The agreed interest rate is Euribor +5 basis points.
IFRS7p14	<p>As at 31 December 2018, the Partnership had borrowings of €20,000 (2017: 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.</p> <p>As at 31 December 2018, the fair values of the drawdown on the loan facility and the borrowings were €16,959 and €14,492 respectively (2017: €33,500 and Nil).</p>
IFRS7p18, 1	<p>Commentary – Disclosures on borrowings</p> <p>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.</p>

11. Carried interest

	2018	2017
Carried interest net at 1 January	7,100	11,883
Carried interest paid to the General Partner	-	(5,678)
Carried interest repaid by the General Partner	-	-
Carried interest expense/(recovery)	(10,526)	895
(Clawback receivable)/Carried interest net at 31 December	(3,426)	7,100

	2018	2017
Total accumulated carried interest at 31 December	8,777	19,303
Total accumulated carried interest paid at 31 December ¹	(12,203)	(12,203)
(Clawback receivable)/Carried interest at 31 December	(3,426)	7,100

¹ Carried interest of €6,525 has been paid to the General Partner prior to 31 December 2018

IFRS7p31	Carried interest is the General Partner's share of the realised profits of the Partnership. Since 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 the 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.
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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.

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
2018			
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
2017			
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 expense	(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 might be a difference between the net assets attributable to the partners disclosed on the statement of financial position and the 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 (2017: Nil), while the fair value of the investment in BB Limited is €14,492 (2017: €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 (2017: €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 (2017: 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.

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 is 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 the aggregate acquisition cost of investments as determined at the investment period expiry date, 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 2018 of €22,500 (2017: €22,500). The balance due to the General Partner as at 31 December 2018 is Nil (2017: 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 2018 (2017: €5,678). As at 31 December 2018, the Partnership had a receivable balance of €3,426 (2017: payable balance of €7,100).

24p14

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 2018, €1,230 (2017: €1,155) was charged and is included in 'Other operating expenses'. The balance due to JKL Limited as at 31 December 2018 is Nil (2017: Nil).

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 associate or subsidiary, other than the transactions in the shares of these to unconnected third parties.

10p21

On 13 January 2018, equity securities of C Limited were listed on the country A Stock Exchange. The carrying amount as at 31 December 2018 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 on completion of the audit of the financial statements. Because the wording of the report is likely to differ from country to country, we have not included an illustrative report in this publication.

ISA700

Independent auditor's report

Form and content of audit report

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

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

This appendix illustrates some of the additional disclosures that can 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 they 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

IFRS13p91 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 Adviser, 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 of 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 2018, 100% (2017: 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 of recovering 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 might 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 Funds, as reported by the general partner of the Investee Fund. The Partnership can make adjustments to the value, based on considerations such as the underlying investments of the Investee Funds, the value date of the net asset value provided, cash flows since the last value date, 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 2018:

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 2017:

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 markets²². 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 might 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

²² 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.

one reported by the Investee Fund's general partner. These differences might arise for a number of reasons including, but not limited to:

- a. the report received from the Investee Fund's general partner might be non-coterminous with the Partnership's reporting date;
- b. the report received by the Investee Fund's general partner might be based on principles that are not aligned with the fair value principles set out in IFRS 13 or those of the Partnership; and
- c. the Investment Adviser and General Partner of the Partnership might 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 the Investee Fund's general partner.

The Investment Adviser 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 were 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 the advice of the Investment Adviser, as discussed above.

31 December 2018

Description	Fair value at 31 Dec 2018 2018 (€000's)	Average Committed Capital ²³ (€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 (9,403)	303	NAV – Adjusted	NAV	N/A	5%	11,755/(11,755)
				Fair Value Adjustments	N/A	2%	188/(188)
Private Debt	201,387 (8,055)	287	NAV – Adjusted	NAV	N/A	4%	8,055/(8,055)
				Fair Value Adjustments	N/A	1%	81/(81)
Private Infrastructure	109,131 (6,548)	265	NAV – Adjusted	NAV	N/A	7%	7,639/(7,639)
				Fair Value Adjustments	N/A	2.1%	138/(138)
Europe							
Private Equity	100,915 (4,037)	227	NAV – Adjusted	NAV	N/A	10%	10,091/(10,091)
				Fair Value Adjustments	N/A	2%	81/(81)
Private Debt	135,316 (2,705)	165	NAV – Adjusted	NAV	N/A	3%	4,059/(4,059)
				Fair Value Adjustments	N/A	0.5%	14/(14)
Private Infrastructure	92,276 (5,537)	175	NAV – Adjusted	NAV	N/A	8%	7,382/(7,382)
				Fair Value Adjustments	N/A	4%	222/(222)

²³ 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 2017

Description	Fair value at 31 Dec 2017 2017 (€000's)	Average Committed Capital ²⁴ (€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 (9,919)	240	NAV – Adjusted	NAV	N/A	6%	11,903/(11,903)
				Fair Value Adjustments	N/A	2.5%	248/(248)
Private Debt	190,100 (7,604)	198	NAV – Adjusted	NAV	N/A	3%	5,703/(5,703)
				Fair Value Adjustments	N/A	2%	152/(152)
Private Infrastructure	116,187 (4,648)	140	NAV – Adjusted	NAV	N/A	9%	10,457/(10,457)
				Fair Value Adjustments	N/A	3%	139/(139)
Europe							
Private Equity	46,925 (1,407)	78	NAV – Adjusted	NAV	N/A	10%	4,692/(4,692)
				Fair Value Adjustments	N/A	1%	14/(14)
Private Debt	109,036 (2,181)	136	NAV – Adjusted	NAV	N/A	3%	3,271/(3,271)
				Fair Value Adjustments	N/A	1%	22/(22)
Private Infrastructure	112,412 (5,621)	139	NAV – Adjusted	NAV	N/A	8%	8,993/(8,993)
				Fair Value Adjustments	N/A	3%	169/(169)

²⁴ Average committed capital reflects the average size of the underlying funds by reference to the original total committed capital of the underlying Investee Funds.

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 2018 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 of 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 of 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 2017 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	24,5615	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 of 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 of financial assets 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 2018 (2017: 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 they 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 Adviser, under instruction from the General Partner of the Partnership, reviews the details of the reported information and can make adjustments to the reported net asset value (NAV) based on considerations such as:

- i. the valuation of the Investee Fund's underlying investments;
- ii. the value date of the 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 of 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 Adviser, under instruction from the General Partner of the Partnership. The carrying values of the Investee Funds might 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 Adviser 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 Partner 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 from 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 Adviser's standing data and experience.

(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 with 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, and that 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 partners 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:

	2018		2017	
	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 Services	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

IFRS7
p33(c)

There were no significant changes in the Partnership's exposure to market price risk, or its management and measurement, during the period (2017: none).

IFRS7
p33(b)

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

IFRS7
p34, 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 table below 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 that their fair value fluctuates on the basis of the calculated volatility of the LPX50:

	2018	2017
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 a variety of market risk factors, which might change significantly over time. In addition, the Partnership's investments in private equity funds, which in turn invest also in private equity investments, might not be well represented by listed private equity companies included in the LPX50. Furthermore, historical volatility might not be representative of volatility in the future. As a result, a sensitivity analysis is deemed of limited explanatory value or might 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 might 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 where 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 the possibility that management might encounter difficulties liquidating those assets and might 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, the Partnership 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 Partnership²⁵.

31 December 2018

Description	Fair value at 31 Dec 2018 (€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 2017

Description	Fair value at 31 Dec 2017 (€000's)	Total Commitment (€m's)	Uncalled Commitment (€m's)
Fund Investments			
United States of America			
Private Equity	188,467	240	40
Private Debt	182,492	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

²⁵ If the Partnership is running an over-commitment strategy (that is, 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.

Appendix II – Private equity ‘fund of funds’ with significant leverage

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

The amounts used in these disclosures are for illustration purposes only, and they 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, 47 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 drawdown occurs. To the extent that 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 prepayment 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 it 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 it 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 (2017: €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, in accordance with paragraph 14(b) of IFRS 7.

IFRS7p18, 19 There have been no defaults or breaches related to the credit facility during the year ended 31 December 2018 (2017: none).

7p50
DV The undrawn credit facility that might be available for future operating activities and to settle capital commitments is €83,151 as at 31 December 2018 (2017: €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 might 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 that leverage is employed. The cumulative effect of the use of leverage in a market that moves adversely to a leveraged investment could result in a substantial loss, which would be greater than if leverage were not used.

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. An 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 might 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. Because unfunded commitments can be drawn at any time, the Partnership's over-commitment strategy could result in 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 can 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.

1. Since the majority of the Partnership's investments are not traded regularly in an active market, the liquidation prices generated in such secondary market sales might significantly differ from the carrying value of those investments.
2. 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 they 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 it 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 might 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 might result in the lender requiring the Partnership to post additional collateral or, otherwise, to sell assets at a time when it might 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 disposal of Partnership 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 a claim would rank higher to the rights of the partners.

IFRS7p33(c) There are no changes in the risk exposures of the Partnership, or in the Investment Adviser's processes related to liquidity risk management compared to 2017.

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:

	2018	2017
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 2018 – Investment funds.
- 'Fund whose shares are equity' is addressed in Appendix II to the Illustrative IFRS financial statements 2018 – Investment funds.
- 'Fund with puttable instruments reclassified from liabilities to equity' is addressed in Appendix III to the Illustrative IFRS financial statements 2018 – Investment funds.
- 'Funds that invest in other investment funds' is addressed in Appendix IV to the Illustrative IFRS financial statements 2018 – Investment funds.
- 'Segment reporting – multiple segments' is addressed in Appendix VI to the Illustrative IFRS financial statements 2018 – Investment funds.
- 'Segment reporting – single segment' is addressed in Appendix VII to the Illustrative IFRS financial statements 2018 – Investment funds.
- 'Investment fund with tax uncertainty' is addressed in Appendix VIII to the Illustrative IFRS financial statements 2018 – Investment funds.
- 'Impact of IFRS 12 on funds that invest in other investment funds' is addressed in Appendix IX to the Illustrative IFRS financial statements 2018 – Investment funds.
- 'Offsetting Requirements and Disclosures under Amendments to IAS 32 and IFRS 7' is addressed in Appendix X to the Illustrative IFRS financial statements 2018 – Investment funds.
- 'Funds whose shares are transacted using a different measurement basis for certain assets or liabilities, when compared to IFRS' is addressed in Appendix XI to the Illustrative IFRS financial statements 2018 – 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 2018 (that is, years ending 31 December 2018), and (b) forthcoming requirements, being standards and amendments that will become effective on or after 1 January 2018.

a. New standards and amendments – Applicable 1 January 2018

The following standards and interpretations apply for the first time to financial reporting periods commencing on or after 1 January 2018:

Title	Key requirements	Effective Date ²⁶
IFRS 9, 'Financial Instruments', and associated amendments to various other standards	<p>IFRS 9 replaces the multiple classification and measurement models in IAS 39, 'Financial instruments: Recognition and measurement', with a single model that has three classification categories: amortised cost, fair value through other comprehensive income, and fair value through profit or loss.</p> <p>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 the objective of the business model is to hold the financial asset for the collection of the contractual cash flows, and the contractual cash flows under the instrument represent solely payments of principal and interest ('SPPI'). A debt instrument is measured at fair value through other comprehensive income (with recycling through profit or loss) if the objective of the business model is to hold the financial asset both to collect contractual cash flows from SPPI and to sell. All other debt instruments must be recognised at fair value through profit or loss. An entity can, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency.</p> <p>Derivative and equity instruments are measured at fair value through profit or loss unless, for equity instruments not held for trading, an irrevocable option is taken to measure at fair value through other comprehensive income (without subsequent recycling to profit or loss).</p> <p>IFRS 9 also introduces a new 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. On initial recognition, entities will record a day-1 loss equal to the 12-month ECL, unless the assets are considered credit impaired.</p>	1 January 2018
IFRS 15, 'Revenue from contracts with customers', and associated amendments to various other standards	<p>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.</p> <p>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'.</p> <p>A new five-step process must be applied before revenue can be recognised:</p>	1 January 2018

²⁶ Applicable to reporting periods commencing on or after the given date

Title	Key requirements	Effective Date ²⁶
	<ul style="list-style-type: none"> • 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. <p>Key changes to current practice are as follows:</p> <ul style="list-style-type: none"> • 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 can 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 might shift: some revenue which is currently recognised at a point in time at the end of a contract might have to be recognised over the contract term, and vice versa. • There are new specific rules on licences, warranties, non-refundable upfront fees, and consignment arrangements, amongst others. • As with any new standard, there are also increased disclosures. <p>These accounting changes might 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.</p> <p>Entities will have a choice of full retrospective application, or prospective application with additional disclosures.</p>	
IFRIC 22, 'Foreign Currency Transactions and Advance Consideration'	<p>The interpretation clarifies how to determine the date of transaction for the exchange rate to be used on initial recognition of a related asset, expense or income where an entity pays or receives consideration in advance for foreign currency-denominated contracts.</p> <p>For a single payment or receipt, the date of the transaction should be the date on which the entity initially recognises the non-monetary asset or liability arising from the advance consideration (the prepayment or deferred income/contract liability).</p> <p>If there are multiple payments or receipts for one item, a date of transaction should be determined as above for each payment or receipt.</p> <p>Entities can choose to apply the interpretation:</p> <ul style="list-style-type: none"> • retrospectively for each period presented; • prospectively to items in scope that are initially recognised on or after the beginning of the reporting period in which the interpretation is first applied; or • prospectively from the beginning of a prior reporting period presented as comparative information. 	1 January 2018
Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2	<p>The amendments made to IFRS 2 in July 2016 clarify the measurement basis for cash-settled share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. They also introduce an exception to the classification principles in IFRS 2. 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, the whole award will be treated as if it was</p>	1 January 2018

Title	Key requirements	Effective Date ²⁶
	<p>equity-settled, provided that it would have been equity-settled without the net settlement feature.</p> <p>Entities with the following arrangements are likely to be affected by these changes:</p> <ul style="list-style-type: none"> • equity-settled awards that include net settlement features relating to tax obligations; • cash-settled share-based payments that include performance conditions; and • cash-settled arrangements that are modified to equity-settled share-based payments. 	
Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – Amendments to IFRS 4	<p>In September 2016, the IASB published an amendment to IFRS 4 which addresses the concerns of insurance companies about the different effective dates of IFRS 9 and the forthcoming new insurance contracts standard. The amendment provides two different solutions for insurance companies: a temporary exemption from IFRS 9 for entities that meet specific requirements (applied at the reporting entity level); and the 'overlay approach'. Both approaches are optional.</p> <p>IFRS 4 (including the amendments) will be superseded by the forthcoming new insurance contracts standard. Accordingly, both the temporary exemption and the 'overlay approach' are expected to cease to be applicable when the new insurance contracts standard becomes effective.</p>	1 January 2018 or when the entity first applies IFRS 9
Annual Improvements 2014–2016 Cycle	<p>The following improvements were finalised in December 2016:</p> <ul style="list-style-type: none"> • IFRS 1 – deleted short-term exemptions covering transition provisions of IFRS 7, IAS 19 and IFRS 10 which are no longer relevant. • IAS 28 – clarifies that the election by venture capital organisations, mutual funds, unit trusts and similar entities to measure investments in associates or joint ventures at fair value through profit or loss should be made separately for each associate or joint venture at initial recognition. 	1 January 2018
Transfers of Investment Property – Amendments to IAS 40	<p>The amendments clarify that transfers to, or from, investment property can only be made if there has been a change in use that is supported by evidence. A change in use occurs when the property meets, or ceases to meet, the definition of investment property. A change in intention alone is not sufficient to support a transfer.</p> <p>The list of evidence for a change of use in the standard was re-characterised as a non-exhaustive list of examples to help illustrate the principle.</p> <p>The Board provided two options for transition:</p> <ul style="list-style-type: none"> • prospectively, with any impact from the reclassification recognised as adjustment to opening retained earnings as at the date of initial recognition; and • retrospectively – only permitted without the use of hindsight. <p>Additional disclosures are required if an entity adopts the requirements prospectively.</p>	1 January 2018

b. Forthcoming requirements

As at 30 September 2018, the following standards and interpretations had been issued but were not mandatory for annual reporting periods ending 31 December 2018. For more recent information, see www.pwc.com/ifrs.

Title	Key requirements	Effective Date ²⁷
IFRS 16, 'Leases'	<p>IFRS 16 will affect primarily the accounting by lessees and will result in the recognition of almost all leases on the balance sheet. The standard removes the current distinction between operating and financing leases and, for virtually all lease contracts, it requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals. An optional exemption exists for short-term and low-value leases.</p> <p>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 such as EBITDA will change.</p> <p>Operating cash flows will be higher, because 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.</p> <p>The accounting by lessors will not significantly change. Some differences might 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.</p>	<p>1 January 2019</p> <p>Early adoption is permitted only if IFRS 15 is adopted at the same time.</p>
IFRIC 23, 'Uncertainty over Income Tax Treatments'	<p>This Interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 where there is uncertainty over income tax treatments. In such a situation, an entity should recognise and measure its current or deferred tax asset or liability, applying the requirements in IAS 12, based on taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates determined applying this Interpretation.</p> <p>Where there is uncertainty over income tax treatments, this Interpretation addresses:</p> <ol style="list-style-type: none"> whether an entity considers uncertain tax treatments separately; the assumptions that an entity makes about the examination of tax treatments by taxation authorities; how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and how an entity considers changes in facts and circumstances. 	<p>1 January 2019</p>
IFRS 17, 'Insurance Contracts'	<p>IFRS 17 was issued in May 2017 as a replacement for IFRS 4, 'Insurance Contracts'. It requires a current measurement model, where estimates are remeasured each reporting period. Contracts are measured using the building blocks of:</p> <ul style="list-style-type: none"> discounted probability-weighted cash flows; an explicit risk adjustment; and a contractual service margin ('CSM') representing the unearned profit of the contract which is recognised as revenue over the coverage period. <p>The standard allows a choice between recognising changes in discount rates either in the income statement or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under IFRS 9.</p>	<p>1 January 2021</p>

²⁷ Applicable to reporting periods commencing on or after the given date

Title	Key requirements	Effective Date ²⁷
	<p>An optional, simplified 'premium allocation approach' is permitted for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers.</p> <p>There is a modification of the general measurement model called the 'variable fee approach' for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the CSM. The results of insurers using this model are therefore likely to be less volatile than under the general model.</p> <p>The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features.</p>	
Prepayment Features with Negative Compensation – Amendments to IFRS 9	<p>The narrow-scope amendments made to IFRS 9 Financial Instruments in December 2017 enable entities to measure certain pre-payable financial assets with negative compensation at amortised cost. These assets, which include some loan and debt securities, would otherwise have to be measured at fair value through profit or loss.</p> <p>To qualify for amortised cost measurement, the negative compensation must be 'reasonable compensation for early termination of the contract', and the asset must be held within a 'held to collect' business model.</p>	1 January 2019
Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28	<p>The amendments clarify the accounting for long-term interests in an associate or joint venture, which in substance form part of the net investment in the associate or joint venture, but to which equity accounting is not applied. Entities must account for such interests under IFRS 9, 'Financial Instruments', before applying the loss allocation and impairment requirements in AASB 128, 'Investments in Associates and Joint Ventures'.</p>	1 January 2019
Annual Improvements 2015–2017 Cycle	<p>The following improvements were finalised in December 2017:</p> <ul style="list-style-type: none"> • IFRS 3 – clarified that obtaining control of a business that is a joint operation is a business combination achieved in stages. • IFRS 11 – clarified that the party obtaining joint control of a business that is a joint operation should not remeasure its previously held interest in the joint operation. • IAS 12 – clarified that the income tax consequences of dividends on financial instruments classified as equity should be recognised according to where the past transactions or events that generated distributable profits were recognised. • IAS 23 – clarified that, if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings. 	1 January 2019
Plan Amendment, Curtailment or Settlement – Amendments to IAS 19	<p>The amendments to IAS 19 clarify the accounting for defined benefit plan amendments, curtailments and settlements. They confirm that entities must:</p> <ul style="list-style-type: none"> • calculate the current service cost and net interest for the remainder of the reporting period after a plan amendment, curtailment or settlement, by using the updated assumptions from the date of the change; • recognise any reduction in a surplus immediately in profit or loss, either as part of past service cost, or as a gain or loss on settlement; in other words, a reduction in a surplus must be recognised in profit or loss even if that surplus was not previously recognised because of the impact of the asset ceiling; and • separately recognise any changes in the asset ceiling through other comprehensive income. 	1 January 2019

Title	Key requirements	Effective Date ²⁷
Amendments to References to Conceptual Framework in IFRS Standards	The IASB has issued a revised Conceptual Framework for financial reporting that underpins IFRS standards. The Conceptual Framework sets out the fundamental concepts of financial reporting that guide the Board in developing IFRS standards. It helps to ensure that the standards are conceptually consistent and that similar transactions are treated the same way, providing useful information for investors and others.	1 January 2020

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