ADVANCED INVESTMENT HOLDINGS LIMITED

Report and Financial Statements

For the period from incorporation on 27 February 2015 to 30 September 2015

REPORT AND FINANCIAL STATEMENTS
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ADVANCED INVESTMENT HOLDINGS LIMITED

REPORT AND FINANCIAL STATEMENTS
GENERAL INFORMATION

DIRECTORS:	C Hickling J Lewis D Stephenson
ADMINISTRATOR, SECRETARY AND REGISTRAR:	Praxis Fund Services Limited Sarnia House Le Truchot St Peter Port Guernsey GY1 1GR
INVESTMENT ADVISER:	Investec Corporate and Institutional Banking 36 Hans Strijdom Avenue Foreshore Cape Town 8001 South Africa
REGISTERED OFFICE:	Sarnia House Le Truchot St Peter Port Guernsey GY1 1GR
AUDITOR:	Saffery Champness PO Box 141 La Tonnelle House Les Banques St Sampson Guernsey GY1 3HS
BANKERS:	Investec Bank (Channel Islands) Limited PO Box 188 Glategny Court Glategny Esplanade St Peter Port Guernsey GY1 3LP
COMPANY REGISTRATION NO:	59932

REPORT OF THE DIRECTORS
For the period from incorporation on 27 February 2015 to 30 September 2015

The Directors present their report and the audited financial statements ("the financial statements") for the period from incorporation on 27 February 2015 to 30 September 2015.

Principal Activity

The principal activity of the Company is investment holding.

The Company is a Guernsey Registered closed-ended investment scheme and is subject to the Registered Collective Investment Scheme Rules 2015.

Results and Dividends

The Statement of Comprehensive Income is set out on page 7. The Directors do not propose a dividend for the period.

Going concern

These financial statements have been prepared on a going concern basis, as the Company has sufficient working capital and adequate resources to continue in operations and meet its liabilities as they fall due for the foreseeable future.

Directors

The Directors of the Company during the period and to the date of this report are detailed below.

C Hickling (appointed 27 February 2015)

J Lewis (appointed 27 February 2015)

D Stephenson (appointed 27 February 2015)

No Director has a beneficial interest in the shares of the Company.

Statement of Directors' Responsibilities

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company, for safeguarding the assets of the Company, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a Directors' Report, which complies with the requirements of The Companies (Guernsey) Law, 2008.

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with The Companies (Guernsey) Law, 2008. The Directors have chosen to prepare financial statements for the Company in accordance with International Financial Reporting Standards (IFRSs).

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. A fair presentation also requires the Directors to:

- consistently select and apply appropriate accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

Statement of Directors' Responsibilities (continued)

The Directors confirm that:

- so far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- each Director has taken all the steps he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.
- the financial statements give a true and fair view and have been prepared in accordance with International Financial Reporting Standards, with The Companies (Guernsey) Law, 2008 and with The Protection of Investors (Bailiwick of Guernsey) Law, 1987.

Auditor

A resolution to re-appoint Saffery Champness as auditor will be put to the members at the Annual General Meeting.

By Order of the Board

Janine Lewis
Director
22 March 2016

INDEPENDENT AUDITOR'S REPORT
To the members of Advanced Investment Holdings Limited

We have audited the financial statements of Advanced Investment Holdings Limited for the period ended 30 September 2015, which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards.

This report is made solely to the company's members, as a body, in accordance with section 262 of The Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on pages 4 and 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the United Kingdom Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report of the Directors to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view
- are in accordance with International Financial Reporting Standards; and
- comply with The Companies (Guernsey) Law, 2008.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where The Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

- proper accounting records have not been kept by the company;
- the financial statements are not in agreement with the accounting records; or
- we have failed to obtain all the information and explanations, which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

SAFFERY CHAMPNESS

Chartered Accountants

Guernsey

22 March 2016

ADVANCED INVESTMENT HOLDINGS LIMITED

STATEMENT OF COMPREHENSIVE INCOME
For the period from incorporation on 27 February 2015 to 30 September 2015

	Notes	2015 £
REVENUE		
Interest income	5	**521,424**
LOSS ON INVESTMENTS		
Investments at fair value through profit and loss	6	**(2,461,343)**
		(1,939,919)
Operating expenses	7	**(178,957)**
LOSS FOR THE PERIOD, BEING TOTAL COMPREHENSIVE INCOME		**(2,118,876)**
Loss per share		
Basic and diluted loss per ordinary share	8	**GBP (68.26)**

The notes on pages 11 to 20 are an integral part of these financial statements.

ADVANCED INVESTMENT HOLDINGS LIMITED

STATEMENT OF FINANCIAL POSITION
As at 30 September 2015

	Notes	2015 £
NON-CURRENT ASSETS		
Investments at fair value through profit and loss	6	**26,533,416**
		26,533,416
CURRENT ASSETS		
Trade and other receivables	9	**256,612**
Cash and cash equivalents		**2,137,108**
		2,393,720
CURRENT LIABILITIES		
Trade and other payables	10	**(33,231)**
NET CURRENT ASSETS		**2,360,489**
NON-CURRENT LIABILITIES		
Trade and other payables	10	**(919)**
NET ASSETS		**28,892,986**
CAPITAL AND RESERVES		
Share capital	11	**320**
Share premium	12	**31,011,542**
Retained earnings		**(2,118,876)**
EQUITY SHAREHOLDERS' FUNDS		**28,892,986**
Number of fully paid Ordinary shares of £ 0.01 each		**31,040.00**
Net Asset Value per Ordinary Share		**GBP 930.83**

The financial statements were approved and authorised for issue by the Board on 22 March 2016 and signed on its behalf by:

Janine Lewis
Director

The notes on pages 11 to 20 are an integral part of these financial statements.

ADVANCED INVESTMENT HOLDINGS LIMITED

STATEMENT OF CHANGES IN EQUITY
For the period from incorporation on 27 February 2015 to 30 September 2015

	Management Shareholders	Ordinary Shareholders			Total
	Share Capital £	Share Capital £	Share Premium £	Retained Earnings £	Total £
Shares issued (see notes 11,12)	**10**	**310**	**31,039,690**	**-**	**31,040,010**
Formation costs (see note 12)	**-**	**-**	**(28,148)**	**-**	**(28,148)**
Net loss for the period, being total comprehensive income	**-**	**-**	**-**	**(2,118,876)**	**(2,118,876)**
At 30 September 2015	**10**	**310**	**31,011,542**	**(2,118,876)**	**28,892,986**

The notes on pages 11 to 20 are an integral part of these financial statements.

ADVANCED INVESTMENT HOLDINGS LIMITED

STATEMENT OF CASH FLOWS
For the period from incorporation on 27 February 2015 to 30 September 2015

	Notes	2015 £
Cash flows from operating activities		
Operating loss for the period		**(2,118,876)**
Adjustments for:		
Interest income	5	**(521,424)**
Loss on investments at fair value through profit and loss	6	**2,461,343**
Increase in trade and other receivables		**(254,659)**
Increase in trade and other payables		**29,341**
Net cash outflow from operating activities		**(404,275)**
Cash flows from investing activities		
Interest income		**2,852**
Purchase of investments held at fair value through profit and loss	6	**(28,478,130)**
Net cash outflow from investing activities		**(28,475,278)**
Cash flows from financing activities		
Receipts from issue of shares	11,12	**31,040,000**
Capitalised launch costs		**(23,339)**
Net cash inflow from financing activities		**31,016,661**
Increase in cash and cash equivalents for the period		**2,137,108**
Cash and cash equivalents at the end of the period		**2,137,108**

The notes on pages 11 to 20 are an integral part of these financial statements.

1. PRINCIPAL ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

Basis of preparation
The financial statements of Advanced Investment Holdings Limited, with domicile in Guernsey, have been prepared in accordance with International Financial Reporting Standards ('IFRS'). The financial statements comply with IFRS as issued by the International Accounting Standards Board ("IASB").

Going concern
These financial statements have been prepared on a going concern basis, as the Company has sufficient working capital and adequate resources to continue in operations and meet its liabilities as they fall due for the foreseeable future.

Adoption of new and revised Standards
The IASB completed its Annual Improvements 2010-2012 Cycle and Annual Improvements 2011-2013 Cycle in December 2013. These projects amended a number of existing standards and interpretations effective for accounting periods commencing on or after 1 July 2014.

The adoption of these amended standards has had no material impact on the Financial Statements of the Company.

New, revised and amended standards and interpretations not yet adopted
At the date of authorisation of these Financial Statements, the following relevant standards and interpretations, which have not been applied in these Financial Statements, were in issue but not yet effective:

- IAS 1, "Presentation of Financial Statements" (effective for periods commencing on or after 1 January 2016);
- IFRS 7 (amended), "Financial Instruments: Disclosures" (amendments effective for periods commencing on or after 1 January 2018, or on application of IFRS 9 if earlier);
- IFRS 9, "Financial Instruments - Classification and Measurement" (effective for periods commencing on or after 1 January 2018);
- IFRS 15, "Revenue from Contracts with Customers" (effective for periods commencing on or after 1 January 2017).

In addition, the IASB completed its latest Annual Improvements to IFRS project in September 2014. This project has amended a number of existing standards and interpretations effective for accounting periods commencing on or after 1 January 2016.

The Directors believe that none of these standards and interpretations will have an effect on the financial statements of the Company, with the exception of IFRS 9 “Financial Instruments – Classification and Measurement” which is not expected to significantly affect the financial position of the Company but may require additional disclosure in future financial statements.

Revenue recognition
Revenue includes interest and other income and is recognised when it is probable that the economic benefits associated with the transaction will flow to the Company and the revenue can be measured reliably. Interest and other revenues are accounted for on an accruals basis.

Expenses
Expenses are accounted for on an accruals basis. All expenses are charged to the Statement of Comprehensive Income, except for expenses incurred in relation to the launch of the Company, which have been charged against share premium.

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Foreign exchange
Foreign currency assets and liabilities are translated into Sterling at the rate of exchange ruling on the year end date. Foreign currency transactions are translated into Sterling at the rate of exchange ruling on the date of the transaction. Foreign exchange gains and losses are included in the Statement of Comprehensive Income in the period in which they arise.

Investments
The Company's Option investment is classified as an investment at fair value through profit or loss.

The Company's Structured Deposit investment has been designated at inception as an investment at fair value through profit or loss.

All investments are measured initially at cost. Transaction costs relating to the acquisition of investments at fair value through profit or loss are expensed as incurred in the Statement of Comprehensive Income. Investments are derecognised when the rights to receive cash flows from the investments have expired or the Company has transferred substantially all risks and rewards of ownership.

After initial recognition, the Company's investments are measured at fair value through profit and loss.

Fair value is calculated using quoted market prices, independent appraisals, discounted cash flow analysis or other appropriate valuation models at the year end date (see note 6). Realised and unrealised gains arising on the investments at fair value through profit or loss are recognised in the Statement of Comprehensive Income. All gains or losses are recognised in the period in which they arise.

Liquid resources
Cash and cash equivalents comprises bank balances and short term deposits with an original maturity of three months or less. Deposits with an original maturity of greater than three months are classified as long-term fixed deposits.

Trade and other receivables
Trade receivables are stated at amortised cost less any impairment. In the opinion of the Directors, there is no material difference between the carrying value of the trade and other receivables and their fair value.

Trade payables
Trade payables are stated at amortised cost. In the opinion of the Directors, there is no material difference between the carrying value of the trade and other payables and their fair value.

Taxation
The Company is exempt from Guernsey income tax under the Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989 and is charged an annual exemption fee £1,200 (2014: £600).

2. SEGMENT REPORTING

The Board of Directors considers that the Company is engaged in a single segment of business, being the holding of investments. The Board considers that it is the Company's Chief Operating Decision Maker.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results could differ from such estimates.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate was revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The Directors have determined that the Company's investment in the Investec Bank Limited Structured Deposit should be designated at inception as an investment at fair value through profit or loss, as its performance will be evaluated on a fair value basis, and that the Company's Option investment should be classified as an investment at fair value through profit or loss. The methodologies for establishing the fair value of the Company's investments are detailed in note 6.

4. SIGNIFICANT AGREEMENTS

The following significant agreements have been entered into by the Company:

Administration, Custodian and Secretarial Agreement
Under the Administration, Custodian and Secretarial Agreement, the Company has agreed to pay or procure to be paid to the administrator, for its services as administrator, secretary, custodian and registrar, a fee of 0.15% per annum of the Company's funds (as reduced by any redemptions of Ordinary Shares prior to the Redemption Date, which attract a redemption fee of 0.5% of the value of the redemption). In addition the administrator is entitled to receive interest earned by the Company on the unpaid element of the fees. See notes 7, 9 and 10 for details of administration fees and interest paid in the year and balances outstanding at the year end.

Investment Advisory Agreement
Under the Investment Advisory Agreement, the Company has agreed to pay or procure to be paid to the advisor, for its services as advisor, a fee of 0.6% per annum of the Company's funds (as reduced by any redemptions of Ordinary Shares prior to the Redemption Date, which attract a redemption fee of 0.5% of the value of the redemption). In addition the advisor is entitled to receive interest earned by the Company on the unpaid element of the fees. See notes 7, 9 and 10 for details of investment advisory fees and interest paid in the year and balances outstanding at the year end. The Investment Advisor, Investec Corporate and Institutional Banking, is a division of Investec Bank Limited, the issuer of the Company's Structured Deposit.

Distribution Agreement
Under the Distribution Agreement, the Company has agreed to pay or procure to be paid to the Distributors a fee of 0.65% per annum of that portion of the Company's funds that is derived from the subscription amount subscribed for by Subscribers introduced by the Distributor (as reduced by any redemptions of such Ordinary Shares prior to the Redemption Date). Investec Corporate and Institutional Banking, the Company's Investment Advisor, is also one of a number of Distributors for the Company. See notes 7, 9 and 10 for details of distribution fees paid in the year and balances outstanding at the year end.

All fees described above are payable annually in advance on the anniversary of the Trade Date (the date of investment of the Company's funds) each year until the Termination Date (the date of compulsory redemption of the Ordinary shares).

5. INTEREST INCOME

	2015
	£
Structured Deposit interest	516,629
Bank interest	4,795
	521,424

6. INVESTMENTS AT FAIR VALUE THROUGH PROFIT AND LOSS

	2015
	£
BNP Paribas Index Option	
Purchased during the period	5,263,572
Fair value adjustment for the period	(2,356,752)
Fair value carried forward	2,906,820
Investec Bank Limited Structured Deposit	
Purchased during the period	23,214,558
Interest for the period	516,629
Fair value adjustment for the period	(104,591)
Fair value carried forward	23,626,596
Total	26,533,416

The BNP Paribas Index Option (the "Option") is a Call Option referenced to the Euro Stoxx 50 index.

The Directors determine the fair value of the Option based on valuations provided by BNP Paribas. These valuations are calculated using a formula specified in the Option contract, which is based on the movements in the closing price of the above index from the issue date of the Option to the reporting date.

The Option has been classified as a level 2 investment in the fair value hierarchy.

The Investec Bank Limited Structured Deposit (the "Structured Deposit") is a hybrid instrument comprising the following components:

- A holding of Investec plc 9.625% bonds maturing in 2022 (the "Investec bonds"). The Investec bonds were purchased in the market, and, in order to guarantee investors' capital protection at the termination date of the Company, their sale proceeds are fixed by means of a Put Option Agreement entered into between the Company and Investec Bank Limited;
- An accreting bank deposit, which commences on the date of the first coupon payment from the Investec bonds, receives all subsequent coupon payments during the life of the Company, and earns interest on a quarterly compounding basis;
- An interest rate swap, which fixes the interest rate on the accreting deposit.

The Directors regard the Structured Deposit as a single financial instrument, the fair value of which is determined according to the following methodologies:

- The capital element of the Investec bonds is measured on an amortising cost basis, apportioning the revaluation on a straight-line basis from the bonds' clean purchase cost to the clean closing value (as determined by the Put Option Agreement) over the life of the Company. Interest on the Investec bonds is calculated on an accruals basis;
- The value of the accreting deposit is determined as the balance of the deposit plus accrued interest;
- The interest rate swap is measured at its mark-to-market value, based on valuations provided by the swap issuer.

The Structured Deposit has been classified as a level 2 investment in the fair value hierarchy, as the main constituents of the product, being interest on the Investec bonds and interest on the accreting deposit account, have observable inputs.

7. OPERATING EXPENSES

	2015
	£
Distributors' fees	62,425
Investment advisory fees	58,517
Administration fees	15,722
Audit fee	6,750
Guernsey Financial Services Commission licence fees	1,375
Listing & sponsorship fees	1,123
Statutory fees	1,200
Interest payable	919
Foreign exchange loss	29,341
Sundry expenses	1,585
	178,957

8. LOSS PER ORDINARY SHARE

The calculation of the basic and diluted loss per share is based on the following data:

	2015
Loss attributable to Ordinary shares:	£
Loss for purpose of calculation of basic and diluted loss per share being loss for the period attributable to Ordinary shareholders	(2,118,876)
Number of shares:	
Weighted average number of Ordinary shares for the purpose of basic loss per share	31,040.00
Loss per share attributable to Ordinary shares	GBP (68.26)

During the period 31,040 Ordinary shares were issued.

A weighted average number of shares has been calculated to enable users to gain a fairer understanding of the loss generated per share through the period. The weighted average has been calculated with reference to the number of days shares have actually been in issue in the period since the Company commenced activities, and hence their ability to influence income generated.

9. TRADE AND OTHER RECEIVABLES

	2015
	£
Bank interest receivable	1,943
Prepaid administration fees	31,588
Prepaid distributors' fees	91,567
Prepaid investment advisory fees	127,722
Other debtors and prepayments	3,792
	256,612

10. TRADE AND OTHER PAYABLES

	2015
	£
Current	
Audit fee	**6,750**
Distributors' fees	**20,472**
Launch fees	**4,809**
Statutory fees	**1,200**
	33,231
Non-current	
Interest payable	**919**

11. SHARE CAPITAL

	2015
	£
Authorised:	
10 Management shares of £1.00 each	**10**
999,000 Ordinary shares of £0.01 per share	**9,990**
	10,000

	2015
	£
Issued:	
10 unpaid Management shares of £1.00 each	**10**
31,040 fully paid Ordinary shares of £0.01 each	**310**
	320

31,040 Ordinary shares of £0.01 each were issued at a price of £1,000 per share. 10 Management share of £1 were issued at a price of £1 per share.

Ordinary shares are entitled to 1 vote each at a general meeting of the Company. The Ordinary shares may be compulsorily redeemed on the termination date, 16 December 2020. Ordinary shareholders are entitled to receive any dividends or distributions from the Company and any surplus arising on the winding up of the Company after the payment of creditors and redemption of the Management shares at their nominal value.

Management shares are entitled to 10,000 votes each at a general meeting of the Company. Management shares may only be owned by The Basket Trust (see note 13) or its nominee. Management shareholders are not entitled to receive any dividends or distributions from the Company nor any surplus arising on the winding up of the Company in excess of the nominal value of the Management shares.

12. SHARE PREMIUM

	2015
	£
Ordinary shares issued during the period	**31,039,690**
Capitalised launch costs	**(28,148)**
Balance carried forward	**31,011,542**

13. ULTIMATE CONTROLLING PARTY AND RELATED PARTY TRANSACTIONS

The immediate controlling party at the year end date is PraxisIFM Trust Limited as trustee of The Basket Trust, which owns the Management shares in the Company, and the ultimate controlling party is PraxisIFM Group Limited ('PGL'), a company incorporated in Guernsey. PGL is also the ultimate controlling party of Praxis Fund Services Limited ('PFSL'), the administrator of the Company.

PFSL is deemed to be a related party, as Janine Lewis is a director of PFSL and a shareholder in Praxis Fund Holdings Limited ('PFHL'), the immediate controlling party of PFSL; Chris Hickling is a shareholder in PFHL; and David Stephenson is an employee of PFSL. During the period PFSL received £15,722 for their services as administrator. At the period end date administration fees of £31,588 had been paid to PFSL in advance. At the year end date interest on outstanding fees of £175 was payable to PFSL.

14. FINANCIAL INSTRUMENT RISK FACTORS

The Company is exposed to market risk, credit risk and liquidity risk from the financial instruments it holds. The Company has a fixed modus operandi, as stated in its prospectus, which is to invest its capital in a zero coupon bond (or other structured product with similar characteristics) and an option or options on a specified index or basket of indices; and to retain a certain element of cash to cover expenses to be incurred over the specified period of its life. As a result of this, the Company's flexibility in dealing with the risks associated with these instruments is somewhat limited. However, the risk management policies that are employed by the Company to manage these risks are discussed below.

(i) Market risk

(a) Currency risk
Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Company's measurement currency.

The Company is exposed to currency risk because the BNP Paribas Index Option is denominated in US dollar, whilst the Company's measurement currency is Sterling. At 30 September 2015, the foreign currency exposure of the Company represented 10.1% of Equity Shareholder's Funds. The Company's policy is not to manage the Company's exposure to foreign exchange movements by entering into any foreign exchange hedging transactions. If the Sterling/US Dollar exchange rate at the year end date had been 5% higher/lower, this would have resulted in an increase/decrease in the year end net asset value of £145,341.

The Company had no other material currency exposures as at 30 September 2015.

(b) Interest rate risk
Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk as it invests cash and bank balances at short term interest rates. At 30 September 2015, the Company held cash on a call account of £2,137,108 which earns interest at a floating rate.

Had this balance existed for the whole of the period, the effect on the Statement of Comprehensive Income of an increase/decrease in short term interest rates of 0.5% per annum would have been an increase/decrease in the year end net asset value of £10,686.

The investment in the Structured Deposit is exposed to fair value interest rate risk in respect of the interest rate swap that forms a part of the instrument. However, whilst changes in market interest rates may give rise to short-term fluctuations in fair value, if the Structured Deposit is held to maturity its maturity value is fixed and is therefore not subject to interest rate risk.

The Company had no other material interest rate exposures as at 30 September 2015.

14. FINANCIAL INSTRUMENT RISK FACTORS (continued)

(i) Market risk (continued)

(c) Price risk

Price risk is the risk that the value of an instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market. The Company's investment at fair value through profit and loss is directly affected by changes in market prices.

Price risk is managed at inception by investing in a combination of two financial instruments: a holding of zero coupon bonds (or other structured product with similar characteristics) that will provide capital protection for investors; and a call option on an index or basket of indices that the investment advisor believes is most likely to provide positive performance during the life of the Company. In order to provide capital protection, the amount of bonds acquired is calculated to ensure that the maturing amount will be sufficient to guarantee that all investors who remain in the Company to maturity will at minimum get back the amount that they invested. The call option provides the potential for significant upside performance, should the relevant indices perform well, with the downside limited to loss of the initial option premium.

The investment premise of the Company involves participation in the potential upside afforded by the Option, whilst enjoying the capital protection afforded by the Structured Deposit. Therefore, whilst the Board monitors the performance of the Option and Structured Deposit, it is unlikely that the Board would consider redeeming these at any stage, other than in relation to the redemption of investors' shares. As a result, the management of price risk effectively occurs at the inception of the Company in the selection of investments, and is not an active ongoing process during the remainder of the life of the Company.

The investments at fair value through profit and loss expose the Company to price risk. The details are as follows:

	2015
	£
BNP Paribas Index Option	**2,906,820**
Investec Bank Limited Structured Deposit	**23,626,596**
	26,533,416

A 10 per cent increase/decrease in the value of the Option at 30 September 2015 would have increased/decreased the Net Asset Value of the Company by £290,682.

A 3 per cent increase/decrease in the value of the Structured Deposit at 30 September 2015 would have increased/decreased the Net Asset Value of the Company by £708,798.

(ii) Credit risk

Credit risk arises when a failure by counter-parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the year end date. These financial assets include cash and cash equivalents, fixed deposits, debtors and investments at fair value through profit and loss. The Company's exposure to credit risk arises from default of the counterparty with a maximum exposure equal to the carrying value or fair value of these instruments.

The Company aims to manage credit risk by holding its securities and cash assets with reputable banking institutions with an investment grade long-term credit rating, ie a Fitch rating in the range AAA+ to BBB-. In the event of any downgrading in the long-term credit rating of any issuer below this level, the Company in its absolute discretion would consider the following courses of action: selling the relevant securities to third party purchasers and reinvesting the proceeds in the purchase of securities of another issuer, such that the new securities would replicate as closely as possible the terms and conditions of the original securities; and transferring cash to another banking institution. The Directors would only seek to sell the relevant securities or transfer cash if they consider on the advice of the investment advisor that such would be in the best interests of the Company and its shareholders.

14. FINANCIAL INSTRUMENT RISK FACTORS (continued)

(ii) Credit risk (continued)

The Company monitors the creditworthiness of its counterparties on an ongoing basis.

The majority of the Company's trade and receivables consist of prepayments and there is no credit risk associated with these balances.

The Structured Deposit is held with Investec Bank Limited, which has a Fitch long-term rating of BBB. The Option is held with BNP Paribas, which has a Fitch long-term rating of A+. The cash and cash equivalents are held with Investec Bank (Channel Islands) Limited, which has a Fitch long term rating of BBB.

(iii) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet financial liability obligations as they fall due, which may cause financial losses to the Company. The Company places its cash and cash equivalents with financial institutions on a short-term basis in order to maintain a high level of liquidity. This ensures that the Company is able to complete transactions in a timely manner, thus minimising the Company's exposure to such losses.

The following table analyses the Company's financial liabilities, which will be settled on a net basis, into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

The Board reviews the cash resources of the Company on an ongoing basis to ensure that sufficient monies are held on call account to meet the Company's short-term obligations. At 30 September 2015 the total balance of cash on call and on short-term deposit was £2,137,108 which is considered by the Board to be sufficient to meet all of the Company's short-term obligations.

30 September 2015	**Less than 6 months** £	**6-12 months** £	**1 - 5 years** £
Trade and other payables	**33,231**	**-**	**919**
Net exposure	**33,231**	**-**	**919**

(iv) Fair value hierarchy

The following table analyses instruments carried at fair value, by level of the fair value hierarchy. The different levels have been defined as follows:

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

30 September 2015	**Level 1** £	**Level 2** £	**Level 3** £	**Total** £
Investments at fair value through profit and loss	**-**	**26,533,416**	**-**	**26,533,416**
	-	**26,533,416**	**-**	**26,533,416**

There have been no transfers between levels of the fair value hierarchy during the period.

15. MANAGEMENT OF CAPITAL

The Company's capital comprises the funds it has raised through the issue of share capital.

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to ensure that the Company will be able to continue as a going concern, the Board continuously monitors forecast and actual cash flows and matches the maturity profiles of assets and liabilities. The Company has no external borrowings.

Shareholders may be able to redeem their Ordinary Shares prior to the Redemption Date, however such redemptions are wholly at the discretion of the Directors and any request for redemption may be refused in whole or in part. No early redemptions will be permitted unless the Directors are satisfied that they have complied with all applicable law, including satisfaction of the solvency test as required by The Companies (Guernsey) Law, 2008.

16. POST BALANCE SHEET EVENTS

There were no significant post period events requiring disclosure in these financial statements.