

ADVANCED INVESTMENT HOLDINGS LIMITED

Report and Financial Statements

For the year ended 30 September 2016

ADVANCED INVESTMENT HOLDINGS LIMITED

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ADVANCED INVESTMENT HOLDINGS LIMITED

REPORT AND FINANCIAL STATEMENTS GENERAL INFORMATION

DIRECTORS:	C Hickling J Lewis D Stephenson
REGISTERED OFFICE:	Sarnia House Le Truchot St Peter Port Guernsey GY1 1GR
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
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

ADVANCED INVESTMENT HOLDINGS LIMITED

REPORT OF THE DIRECTORS

For the year ended 30 September 2016

The Directors present their report and the audited financial statements ("the financial statements") for the year ended 30 September 2016.

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.

Under the terms of the Company's prospectus, in the absence of a special resolution to extend the life of the Company, the Company will terminate on 9 December 2020 and its shares be redeemed.

Results and Dividends

The Statement of Comprehensive Income is set out on page 8. 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

J Lewis

D Stephenson

Directors' and Other Interests

Janine Lewis is a director of Praxis Fund Services Limited ('PFSL'), the Company's Administrator, Secretary, Custodian and Registrar. David Stephenson and Chris Hickling are employees of PFSL. Janine Lewis and Chris Hickling are shareholders in Praxis Fund Holdings Limited, the parent company of PFSL.

During the year, no Director has had any beneficial interest in the shares of the Company.

No Director of the Company, or Investec Corporate and Institutional Banking ('ICIB'), the Investment Advisor to the Company, holds any right, either contingent or otherwise, to subscribe for shares in the Company.

Details of fees paid to PFSL and ICIB during the year are contained in notes 4 and 14 to these Financial Statements.

No fees were paid to the Directors by the Company during the year.

Historical Results

The results and assets and liabilities of the Company during the life of the Company are as follows:

	Total Assets	Total Liabilities	Total Comprehensive Income/(Loss)
	£	£	£
Year ended 30 September 2016	29,290,315	10,561	386,768
Period from 27 February 2015 to 30 September 2015	28,927,136	34,150	(2,118,876)

ADVANCED INVESTMENT HOLDINGS LIMITED

REPORT OF THE DIRECTORS (continued)

For the year ended 30 September 2016

Investment Portfolio

The Company's investment portfolio comprises the following investments:

	Percentage of portfolio	Cost £	Market Value £
Investec Bank Limited Structured Deposit (including embedded derivative)	92.3%	23,214,558	25,274,967
BNP Paribas Index Option	7.7%	5,263,572	2,096,752
		<u>28,478,130</u>	<u>27,371,719</u>

Investec Bank Limited and BNP Paribas are providers of financial services.

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.

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.

ADVANCED INVESTMENT HOLDINGS LIMITED

REPORT OF THE DIRECTORS (continued)

For the year ended 30 September 2016

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

20 February 2017

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 year ended 30 September 2016, 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 page 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

20 February 2017

ADVANCED INVESTMENT HOLDINGS LIMITED

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 September 2016

	Notes	2016 £	2015 £
REVENUE			
Interest income	5	1,865,672	521,424
MOVEMENTS IN FAIR VALUE OF INVESTMENTS			
Investments at fair value through profit and loss	6	(1,336,907)	(2,505,016)
Derivatives at fair value through profit and loss	7	313,808	43,673
		842,573	(1,939,919)
Operating expenses	8	(455,805)	(178,957)
PROFIT/(LOSS) FOR THE YEAR/PERIOD, BEING TOTAL COMPREHENSIVE INCOME		<u>386,768</u>	<u>(2,118,876)</u>
Earnings/(loss) per share			
Basic and diluted earnings/(losses) per ordinary share	9	<u>GBP 12.46</u>	<u>GBP (68.26)</u>

The notes on pages 12 to 22 are an integral part of these financial statements.

ADVANCED INVESTMENT HOLDINGS LIMITED

STATEMENT OF FINANCIAL POSITION

As at 30 September 2016

	Notes	2016 £	2015 £
NON-CURRENT ASSETS			
Investments at fair value through profit and loss	6	27,014,238	26,489,743
Derivatives at fair value through profit and loss	7	357,481	43,673
		<u>27,371,719</u>	<u>26,533,416</u>
CURRENT ASSETS			
Trade and other receivables	10	300,256	256,612
Cash and cash equivalents		1,618,340	2,137,108
		<u>1,918,596</u>	<u>2,393,720</u>
CURRENT LIABILITIES			
Trade and other payables	11	(7,500)	(33,231)
		<u>1,911,096</u>	<u>2,360,489</u>
NET CURRENT ASSETS			
		1,911,096	2,360,489
NON-CURRENT LIABILITIES			
Trade and other payables	11	(3,061)	(919)
		<u>29,279,754</u>	<u>28,892,986</u>
NET ASSETS			
		29,279,754	28,892,986
CAPITAL AND RESERVES			
Share capital	12	320	320
Share premium	13	31,011,542	31,011,542
Retained earnings		(1,732,108)	(2,118,876)
		<u>29,279,754</u>	<u>28,892,986</u>
EQUITY SHAREHOLDERS' FUNDS			
		29,279,754	28,892,986
Number of fully paid Ordinary shares of £ 0.01 each		31,040.00	31,040.00
Net Asset Value per Ordinary Share		GBP 943.29	GBP 930.83

The financial statements were approved and authorised for issue by the Board on 20 February 2017 and signed on its behalf by:

Janine Lewis
Director

The notes on pages 12 to 22 are an integral part of these financial statements.

ADVANCED INVESTMENT HOLDINGS LIMITED

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 September 2016

	Management Shareholders	Ordinary Shareholders			Total
	Share Capital £	Share Capital £	Share Premium £	Retained Earnings £	Total £
Period ended 30 September 2015					
Shares issued (see notes 12,13)	10	310	31,039,690	-	31,040,010
Formation costs (see note 13)	-	-	(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
Year ended 30 September 2016					
Net gain for the year, being total comprehensive income	-	-	-	386,768	386,768
At 30 September 2016	10	310	31,011,542	(1,732,108)	29,279,754

The notes on pages 12 to 22 are an integral part of these financial statements.

ADVANCED INVESTMENT HOLDINGS LIMITED

STATEMENT OF CASH FLOWS

For the year ended 30 September 2016

		2016 £	2015 £
	Notes		
Cash flows from operating activities			
Profit/(loss) for the year/period		386,768	(2,118,876)
Adjustments for:			
Interest income	5	(1,865,672)	(521,424)
Loss on investments at fair value through profit and loss	6	1,336,907	2,505,016
Gain on derivatives at fair value through profit and loss		(313,808)	(43,673)
Increase in trade and other receivables		(45,199)	(254,659)
(Decrease)/increase in trade and other payables		(23,589)	29,341
Net cash outflow from operating activities		<u>(524,593)</u>	<u>(404,275)</u>
Cash flows from investing activities			
Interest income		5,825	2,852
Purchase of investments held at fair value through profit and loss	6	-	(28,478,130)
Net cash inflow/(outflow) from investing activities		<u>5,825</u>	<u>(28,475,278)</u>
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		<u>-</u>	<u>31,016,661</u>
(Decrease)/increase in cash and cash equivalents for the year/period		(518,768)	2,137,108
Cash and cash equivalents at the beginning of the year/period		2,137,108	-
Cash and cash equivalents at the end of the year/period		<u>1,618,340</u>	<u>2,137,108</u>

The notes on pages 12 to 22 are an integral part of these financial statements.

ADVANCED INVESTMENT HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2016

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

There were no new standards relevant to the Company which became effective during the year.

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:

- 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 2018).

In addition, the IASB completed its latest Annual Improvements to IFRS project in September 2014 and its disclosure initiative in December 2014. These projects have amended a number of existing standards and interpretations effective for accounting periods commencing on or after 1 January 2016 and 1 January 2017.

The Directors believe that none of these standards and interpretations will have a material effect on the financial statements of the Company, however IFRS 9 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.

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.

ADVANCED INVESTMENT HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2016

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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

Liquid resources comprise cash and cash equivalents and fixed deposits. 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 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 (2015: £1,200).

Reserves

Gains or losses arising on the revaluation of the Company's available-for-sale investments are taken to the revaluation reserve.

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.

ADVANCED INVESTMENT HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2016

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.

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

	2016	2015
	£	£
Structured Deposit interest	1,861,402	516,629
Bank interest	4,270	4,795
	<u>1,865,672</u>	<u>521,424</u>

ADVANCED INVESTMENT HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2016

6. INVESTMENTS AT FAIR VALUE THROUGH PROFIT AND LOSS	2016	2015
	£	£
BNP Paribas Index Option		
Fair value brought forward	2,906,820	-
Purchased during the year/period	-	5,263,572
Fair value adjustment for the year/period	<u>(810,068)</u>	<u>(2,356,752)</u>
Fair value carried forward	<u>2,096,752</u>	<u>2,906,820</u>
Investec Bank Limited Structured Deposit		
Fair value brought forward	23,582,923	-
Purchased during the year/period	-	23,214,558
Interest for the year/period	1,861,402	516,629
Fair value adjustment for the year/period	<u>(526,839)</u>	<u>(148,264)</u>
Fair value carried forward	<u>24,917,486</u>	<u>23,582,923</u>
Total	<u>27,014,238</u>	<u>26,489,743</u>

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. Notwithstanding that the Company regards the interest rate swap as a fundamental part of the Structured Deposit, in accordance with IAS 39 "Financial Instruments: Recognition and Measurement", this instrument is now classified separately in the Statement of Financial Position under the heading 'Derivatives at fair value through profit and loss', and movements in the fair value thereof are recognised separately in the Statement of Comprehensive Income. For further details please refer to note 7.

ADVANCED INVESTMENT HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2016

6. INVESTMENTS AT FAIR VALUE THROUGH PROFIT AND LOSS (continued)

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. DERIVATIVES AT FAIR VALUE THROUGH PROFIT AND LOSS

	2016	2015
	£	£
Fair value brought forward	43,673	-
Fair value adjustment for the year/period	313,808	43,673
Fair value carried forward	<u>357,481</u>	<u>43,673</u>

Derivatives at fair value through profit and loss comprises an interest rate swap utilised to fix the interest rate on the accreting deposit component of the Structured Deposit (see note 6). The interest rate swap is measured at its mark-to-market value, based on valuations provided by the swap issuer, less a provision for unwind costs, estimated by the Investment Advisor, and has been classified as Level 2 in the fair value hierarchy.

8. OPERATING EXPENSES

	2016	2015
	£	£
Distributors' fees	199,402	62,425
Investment advisory fees	186,400	58,517
Administration fees	46,933	15,722
Audit fee	9,750	6,750
Guernsey Financial Services Commission licence fees	3,474	1,375
Listing & sponsorship fees	4,467	1,123
Legal & professional fees	446	-
Statutory fees	1,272	1,200
Professional indemnity insurance	422	-
Interest payable	2,142	919
Foreign exchange loss	-	29,341
Sundry expenses	1,097	1,585
	<u>455,805</u>	<u>178,957</u>

ADVANCED INVESTMENT HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2016

9. EARNINGS/(LOSSES) PER ORDINARY SHARE

The calculation of the basic and diluted earnings/(losses) per share is based on the following data:

	2016	2015
	£	£
Earnings/(losses) attributable to Ordinary shares:		
Earnings/(losses) for purpose of calculation of basic and diluted earnings/(losses) per share being earnings/(losses) for the year/period attributable to Ordinary shareholders	<u>386,768</u>	<u>(2,118,876)</u>
Number of shares:		
Weighted average number of Ordinary shares for the purpose of basic earnings/(losses) per share	31,040.00	31,040.00
Earnings/(losses) per share attributable to Ordinary shares	<u>GBP 12.46</u>	<u>GBP (68.26)</u>

A weighted average number of shares has been calculated to enable users to gain a fairer understanding of the earnings/(losses) 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.

10. TRADE AND OTHER RECEIVABLES

	2016	2015
	£	£
Bank interest receivable	388	1,943
Prepaid administration fees	31,890	31,588
Prepaid distributors' fees	136,383	91,567
Prepaid investment advisory fees	127,562	127,722
Other debtors and prepayments	4,033	3,792
	<u>300,256</u>	<u>256,612</u>

11. TRADE AND OTHER PAYABLES

	2016	2015
	£	£
Current		
Audit fee	7,500	6,750
Distributors' fees	-	20,472
Launch fees	-	4,809
Statutory fees	-	1,200
	<u>7,500</u>	<u>33,231</u>
Non-current		
Interest payable	<u>3,061</u>	<u>919</u>

ADVANCED INVESTMENT HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 September 2016

12. SHARE CAPITAL	2016	2015
	£	£
Authorised:		
10 Management shares of £1.00 each (2015: 10 shares of £1 each)	10	10
999,000 Ordinary shares of £0.01 per share (2015: 999,000 ordinary shares of £0.01 each)	9,990	9,990
	10,000	10,000
	2016	2015
	£	£
Issued:		
10 unpaid Management shares of £1.00 each (2015: 10 unpaid shares of £1)	10	10
31,040 fully paid Ordinary shares of £0.01 each	310	310
	320	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.

13. SHARE PREMIUM	2016	2015
	£	£
Balance brought forward	31,011,542	-
Ordinary shares issued during the period	-	31,039,690
Capitalised launch costs	-	(28,148)
Balance carried forward	31,011,542	31,011,542

14. 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 year PFSL received £46,933 (2015: £15,722) for their services as administrator. At the year end date administration fees of £31,890 had been paid to PFSL in advance (2015: £31,588). At the year end date interest on outstanding fees of £600 (2015: £175) was payable to PFSL.

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For the year ended 30 September 2016

14. ULTIMATE CONTROLLING PARTY AND RELATED PARTY TRANSACTIONS (continued)

The Investment Advisor, Investec Corporate and Institutional Banking, a division of Investec Bank Limited, the issuer of the Company's Structured Deposit, is deemed to be a related party. During the year Investec Corporate and Institutional Banking received £186,400 (2015: £58,517) for their services as investment advisor. At the year end date advisory fees of £127,562 (2015: £127,722) had been paid to Investec Corporate and Institutional Banking in advance and interest on outstanding fees of £2,461 (2015: £744) was payable to Investec Corporate and Institutional Banking.

15. 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 2016, the foreign currency exposure of the Company represented 7.2% (2015: 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 20% higher/lower, this would have resulted in an increase/decrease in the year end net asset value of £419,350 (2015: £581,364). The sensitivity rate of 20% is regarded as reasonable due to the recent volatility of sterling against other currencies.

The Company had no other material currency exposures as at 30 September 2016 or 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 2016, the Company held cash on a call account of £1,618,340 (2015: £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 0.25% per annum would have been an increase/decrease in the year end net asset value of £4,046 (2015: £5,343). The sensitivity rate of 0.25% is regarded as reasonable in relation to the current sterling base rate of 0.25%, as interest rates on sterling bank accounts are not currently volatile.

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 either 30 September 2016 or 30 September 2015

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For the year ended 30 September 2016

15. 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:

	2016	2015
	£	£
BNP Paribas Index Option	2,096,752	2,906,820
Investec Bank Limited Structured Deposit (including embedded derivative)	<u>25,274,967</u>	<u>23,626,596</u>
	<u>27,371,719</u>	<u>26,533,416</u>

A 50 per cent increase/decrease in the value of the Option at 30 September 2016 would have increased/decreased the Net Asset Value of the Company by £1,048,376 (2015: £1,453,410). The sensitivity rate of 50% is regarded as reasonable due to the potential volatility of European stock markets, to which the Option is linked, which is magnified by the participation rate of 200% attached to the Option.

A 5 per cent increase/decrease in the value of the Structured Deposit at 30 September 2016 would have increased/decreased the Net Asset Value of the Company by £1,263,748 (2015: £1,181,330). The lower sensitivity rate of 5% is regarded as reasonable, as the rate at which interest is earned on the instrument, which forms the main part of the annual uplift in value, is largely fixed, and the instrument is not significantly subject to the volatility of investment markets.

(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.

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15. FINANCIAL INSTRUMENT RISK FACTORS (continued)

(ii) Credit risk (continued)

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.

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 (2015: BBB). The Option is held with BNP Paribas, which has a Fitch long-term rating of A+ (2015: A+). The cash and cash equivalents are held with Investec Bank (Channel Islands) Limited, which has a Fitch long term rating of BBB (2015: 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 2016 the total balance of cash on call and on short-term deposit was £1,618,340 (2015: £2,137,108) which is considered by the Board to be sufficient to meet all of the Company's short-term obligations.

	Less than 6 months	6-12 months	1 - 5 years
	£	£	£
30 September 2016			
Trade and other payables	7,500	-	3,061
Net exposure	7,500	-	3,061
	Less than 6 months	6-12 months	1 - 5 years
	£	£	£
30 September 2015			
Trade and other payables	33,231	-	919
Net exposure	33,231	-	919

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15. FINANCIAL INSTRUMENT RISK FACTORS (continued)

(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 2016	Level 1	Level 2	Level 3	Total
	£	£	£	£
Investments at fair value through profit and loss	-	27,371,719	-	27,371,719
	-	27,371,719	-	27,371,719
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 year.

16. 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.

17. POST BALANCE SHEET EVENTS

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