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**ANNUAL REPORT & FINANCIAL STATEMENTS – 31 DECEMBER 2012**  
**A M A L G A M A T E D   G R O W T H   &   I N C O M E   F U N D**

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## **ANNUAL REPORT & FINANCIAL STATEMENTS – 31 DECEMBER 2012**

### **A M A L G A M A T E D   G R O W T H   &   I N C O M E   F U N D**

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#### **Report of the Directors**

The Directors present their Annual Report and the Audited Financial Statements for the year ended 31 December 2012.

#### **Principal Activities**

Amalgamated Investments SICAV p.l.c. is organised under the laws of Malta as a multi-fund investment company with variable share capital (SICAV) pursuant to the Companies' Act, 1995. The Company was registered on the 5 August 2000 with registration number SV13 and consists of one fund, the Amalgamated Growth & Income Fund. On 1 July 2007, the Company was re-licensed as a Professional Investor Fund targeting Experienced Investors. The Company has no employees.

#### **Review of Business**

In the face of the uncertainties still underpinning the investment climate and the new arrangements implemented for the management of the foreign portfolio, the Fund has continued to adopt a low marketing profile in the current year. In 2012, 512,203 shares were redeemed and 134,989 shares were subscribed to by an existing shareholder.

The total of shareholders' funds as at the end of 2012 reflected the results that have accrued in the said year. At €47,895,401, the total value of shareholder funds on 31 December 2012 represents an increase of 5.28% related to the total of shareholder funds which stood at €45,490,881 as at 31 December 2011. This increase was mainly driven by the increase in the Malta Stock Exchange capitalisation index registered in 2012. Dividend income in 2012 increased by €410,147, an increase of 18.22% when compared to the dividend income in 2011. The extent to which such an increase can be maintained in 2013 depends on the performance of the underlying investments.

Given the long term perspective outlined in the Fund's investment objectives, it is still considered that a hold strategy for the local large cap investments that represent the bulk of the Fund's portfolio remains the best option for the Fund.

As reported in Note 9 to the financial statements, on 19 February 2013 the Company was notified that its Fund Administration and Custody Agreements were being terminated. The Company is meanwhile consulting with the MFSA and its legal advisors on alternative arrangements, taking due account of certain further changes being contemplated on the status of the fund that require regulatory and shareholder approval.

#### **Compliance with Standard Licence Conditions**

During the period under the review, no regulatory sanctions were imposed on the Company.

#### **Results and Dividends**

The results for the year under review can be found on the Statement of Comprehensive Income on page 8. The Directors have on 23 January 2012, 30 April 2012 and 17 September 2012 declared interim net dividends of €350,000, €539,000 and €725,000 which have been paid, and recommend that the further net interim dividend of €342,000 payable on 4 May 2013 be approved as a final dividend for the year ended 31 December 2012.

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**Report of the Directors (ctd)**

**Directors**

The Directors of the Company who held office during the year under review were:

Professor Emanuel P Delia B.A. (Hons) Econ, M.A., M.Litt (Oxon)

Mr. Joseph C Caruana ACIB

Mr. Albert H Xuereb ACIB

Mr. Charles J. Farrugia

In accordance with article 22.5 (vi) of the Company's Articles of Association, the office of the Directors shall be vacated by the Directors at the closure of the annual general meeting next following their appointment or at the end of the calendar year during which such annual general meeting should have been held, whichever is the earlier. The Directors are eligible and offer themselves for re-election.

**Statement of Directors' Responsibilities for the financial statements**

The directors are required by the Companies Act, 1995 to prepare financial statements which give a true and fair view of the state of affairs of the company as at the end of each financial period and of the profit or loss for that period.

In preparing the financial statements, the directors are responsible for:

- ensuring that the financial statements have been drawn up in accordance with International Financial Reporting Standards as adopted by the EU;
- selecting and applying appropriate accounting policies;
- making accounting estimates that are reasonable in the circumstances;
- ensuring that the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the company will continue in business as a going concern.

The directors are also responsible for designing, implementing and maintaining internal control as the directors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error, and that comply with the Companies Act, 1995. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Auditors**

PricewaterhouseCoopers have indicated their willingness to continue in office and a resolution for their reappointment will be proposed at the Annual General Meeting.

On behalf of the Board

Prof. E. P. Delia  
Chairman

Mr. C. J. Farrugia  
Director

24 April 2013



## **Independent Auditor's Report**

**To the Shareholders of the Amalgamated Investments SICAV p.l.c.**

### **Report on the Financial Statements for the year ended 31 December 2012**

We have audited the financial statements of Amalgamated Investments SICAV p.l.c. on pages 6 to 22 which comprise the statement of financial position as at 31 December 2012 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

#### *Directors' Responsibility for the Financial Statements*

As explained more comprehensively in the Statement of directors' responsibilities for the financial statements on page 3, the directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the requirements of the Maltese Companies Act, 1995, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinion*

In our opinion the financial statements:

- give a true and fair view of the financial position of the company as at 31 December 2012, and of its financial performance and its cash flows for the year then ended in accordance with IFRSs as adopted by the EU; and
- have been properly prepared in accordance with the requirements of the Maltese Companies Act, 1995.



## **Independent Auditor's Report (ctd)**

### **Report on Other Legal and Regulatory Requirements**

We also have responsibilities under the Maltese Companies Act, 1995 to report to you if, in our opinion:

- The information given in the directors' report is not consistent with the financial statements.
- Adequate accounting records have not been kept, or that returns adequate for our audit have not been received from branches not visited by us.
- The financial statements are not in agreement with the accounting records and returns.
- We have not received all the information and explanations we require for our audit.
- Certain disclosures of directors' remuneration specified by law are not made in the financial statements, giving the required particulars in our report.

We have nothing to report to you in respect of these responsibilities.

### **PricewaterhouseCoopers**

78, Mill Street  
Qormi QRM 3101  
Malta

Lucienne Pace Ross  
Partner

24 April 2013

# ANNUAL REPORT & FINANCIAL STATEMENTS – 31 DECEMBER 2012

## AMALGAMATED GROWTH & INCOME FUND

### Financial Statements

#### Statement of Financial Position

as at 31 December

	Notes	31.12.2012 €	31.12.2011 €
<b>Assets</b>			
<b>Current assets</b>			
Financial assets at fair value through profit or loss	3	<b>46,991,871</b>	44,443,752
Accrued income		<b>78,912</b>	101,963
Cash and cash equivalents	13	<b>873,714</b>	1,111,034
<b>Total assets</b>		<b>47,944,497</b>	45,656,749
<b>Equity</b>			
<b>Capital and reserves attributable to equity holders of the fund</b>			
Share capital	5	<b>50,031,445</b>	50,676,436
Equalisation reserve	6	<b>243,602</b>	297,210
Retained earnings		<b>(2,379,646)</b>	(5,482,765)
<b>Total equity</b>		<b>47,895,401</b>	45,490,881
<b>Liabilities</b>			
<b>Current liabilities</b>			
Financial liabilities at fair value through profit or loss	3	<b>235</b>	127,492
Accrued expenses	4	<b>48,861</b>	38,376
<b>Total liabilities</b>		<b>49,096</b>	165,868
<b>Total equity and liabilities</b>		<b>47,944,497</b>	45,656,749
<b>Shares in issue as at 31 December 2012</b>			
Shares in issue as at 31 December 2011	5	<b>22,958,701</b>	23,335,915
Shares in issue as at 31 December 2010			22,500,329
<b>Net asset value as at 31 December 2012</b>			
Net asset value as at 31 December 2011		<b>47,895,401</b>	45,490,881
Net asset value at 31 December 2010			56,424,760
<b>Net asset value per share as at 31 December 2012</b>			
Net asset value per share as at 31 December 2011	7	<b>2.086</b>	1.949
Net asset value per share at 31 December 2010			2.507

The accounting policies and notes on pages 10 to 22 are an integral part of these financial statements.

These financial statements on pages 6 to 22 were authorised for issue by the Board of Directors on 24 April 2013 and were signed on its behalf by:

Prof. E. P. Delia  
Chairman

Mr. C.J. Farrugia  
Director

24 April 2013

## ANNUAL REPORT & FINANCIAL STATEMENTS – 31 DECEMBER 2012

### A M A L G A M A T E D   G R O W T H   &   I N C O M E   F U N D

#### ***Financial statements – continued***

##### ***Statement of Changes in Equity***

for the year ended 31 December

	Share capital €	Equalisation reserve €	Retained earnings €	Total €
At 1 January 2011	49,008,473	171,169	7,245,118	56,424,760
<b>Comprehensive income</b>				
Loss for the year	-	-	(11,166,883)	(11,166,883)
<b>Transactions with owners</b>				
Issue of shares	1,667,963	126,041	-	1,794,004
Dividend distributions	-	-	(1,561,000)	(1,561,000)
	<u>1,667,963</u>	<u>126,041</u>	<u>(1,561,000)</u>	<u>233,004</u>
At 1 January 2012	<u>50,676,436</u>	<u>297,210</u>	<u>(5,482,765)</u>	<u>45,490,881</u>
<b>Comprehensive income</b>				
Profit for the year	-	-	4,717,119	4,717,119
<b>Transactions with owners</b>				
Issue of shares	230,816	19,184	-	250,000
Redemption of shares	(875,807)	(72,792)	-	(948,599)
Dividend distributions	-	-	(1,614,000)	(1,614,000)
	<u>(644,991)</u>	<u>(53,608)</u>	<u>(1,614,000)</u>	<u>(2,312,599)</u>
<b>At 31 December 2012</b>	<b><u>50,031,445</u></b>	<b><u>243,602</u></b>	<b><u>(2,379,646)</u></b>	<b><u>47,895,401</u></b>

The accounting policies and notes on pages 10 to 22 are an integral part of these financial statements.

## ANNUAL REPORT & FINANCIAL STATEMENTS – 31 DECEMBER 2012

### AMALGAMATED GROWTH & INCOME FUND

#### ***Financial statements – continued***

##### ***Statement of Comprehensive Income***

for the year ended 31 December

	Notes	<b>31.12.2012</b> €	31.12.2011 €
<b>Income</b>			
Bank interest		4,551	29,481
Dividend income		2,662,918	2,252,771
Net foreign currency (losses)/gains on cash and cash equivalents		(91)	72,052
Other net changes in fair value on financial assets and financial liabilities at fair value through profit or loss		<b>3,044,083</b>	(12,657,215)
<b>Total net income</b>		<b>5,711,461</b>	(10,302,911)
<b>Expenses</b>			
Fees	8, 9		
- Fund administrator fees		21,000	21,000
- Foreign portfolio management fee		7,000	4,666
- Performance fee		9,314	-
- Custodian fees		7,000	7,000
Transaction costs		6,857	9,538
Directors' remuneration		4,658	4,658
Legal & professional fees		7,735	6,357
License & listing fees		5,738	5,739
Other costs		65	41
<b>Total operating expenses</b>		<b>69,367</b>	58,999
<b>Operating profit/(loss)</b>		<b>5,642,094</b>	(10,361,910)
<b>Finance costs</b>			
Interest payable		(490)	(40,903)
<b>Profit/(loss) before tax</b>		<b>5,641,604</b>	(10,402,813)
Tax expense	10	(924,485)	(764,070)
<b>Profit/(loss) for the year - total comprehensive income</b>		<b>4,717,119</b>	(11,166,883)

The accounting policies and notes on pages 10 to 22 are an integral part of these financial statements.



## ANNUAL REPORT & FINANCIAL STATEMENTS – 31 DECEMBER 2012

### A M A L G A M A T E D   G R O W T H   &   I N C O M E   F U N D

#### ***Financial statements – continued***

##### ***Statement of Cash Flows***

for the year ended 31 December

	Notes	31.12.2012	31.12.2011
		€	€
<b>Cash flows from operating activities</b>			
Dividend income received		2,659,016	2,250,488
Interest received		196,319	19,097
Interest paid		(490)	(75,002)
Operating expenses paid		(58,781)	(54,567)
Purchase of investments		(2,429,185)	(3,852,089)
Proceeds from sale of investments		1,934,377	42,080
Cash generated from/(used in) operating activities		<b>2,301,256</b>	(1,669,993)
Tax paid		(924,485)	(764,070)
<b>Net cash generated from/(used in) operating activities</b>		<b>1,376,771</b>	(2,434,063)
<b>Cash flows from financing activities</b>			
Proceeds from creation of shares		250,000	-
Amounts paid on redemption of shares		(250,000)	-
Advance from related party		75,000	210,000
Repayment of advance from related party		(75,000)	(210,000)
Dividend distributions	11	(1,614,000)	(1,561,000)
<b>Net cash used in from financing activities</b>		<b>(1,614,000)</b>	(1,561,000)
<b>Net movements in cash and cash equivalents</b>			
Cash and cash equivalents at beginning of the year		(237,229)	(3,995,063)
Exchange gains on cash and cash equivalents		1,111,034	5,034,045
		(91)	72,052
<b>Cash and cash equivalents at end of the year</b>	13	<b>873,714</b>	1,111,034

The accounting policies and notes on pages 10 to 22 are an integral part of these financial statements.

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# ANNUAL REPORT & FINANCIAL STATEMENTS – 31 DECEMBER 2012

## A M A L G A M A T E D G R O W T H & I N C O M E F U N D

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### Accounting policies

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

#### **1 Basis of preparation**

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the requirements of the Companies Act, 1995. They have been prepared in accordance with the requirements of the Malta Financial Services Authority's Investment Services Rules for Professional Investor Funds targeting Experienced Investors. They have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss.

The preparation of financial statements in conformity with IFRSs as adopted by the EU requires the use of certain accounting estimates. It also requires the Directors to exercise their judgement in the process of applying the Fund's accounting policies (note 2).

#### *Standards, interpretations and amendments to published standards effective in 2012*

In 2012, the company adopted new standards, amendments and interpretations to existing standards that are mandatory for the company's accounting period beginning on 1 January 2012. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in substantial changes to the company's accounting policies.

Standards, interpretations and amendments to published standards that are not yet effective

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements but are mandatory for the company's accounting periods beginning after 1 January 2012. The company has not early adopted these revisions to the requirements of IFRSs as adopted by the EU and the company's directors are of the opinion that, with the exception of the below pronouncements, there are no requirements that will have a possible significant impact on the company's financial statements in the period of initial application.

IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting, but provide guidance on how it should be applied where its use is already required or permitted by other standards.

IFRS 9, 'Financial instruments', addresses the classification and measurement of financial assets, and replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value. Classification under IFRS 9 is driven by the reporting entity's business model for managing the financial assets and the contractual characteristics of the financial assets. IFRS 9, 'Financial instruments', also addresses the classification and measurement of financial liabilities, and retains the majority of the requirements in IAS 39 in relation to financial liabilities. Subject to adoption by the EU, IFRS 9 is effective for financial periods beginning on, or after, 1 January 2015. The company is considering the implications of the standard and its impact on the company's financial results and position, together with the timing of its adoption taking cognisance of the endorsement process by the European Commission, and will also consider the impact of the remaining phases of IFRS 9 when completed.

There are no other standards, interpretations or amendments to existing standards that are not yet effective that would be expected to have a significant impact on the Fund.

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## ANNUAL REPORT & FINANCIAL STATEMENTS – 31 DECEMBER 2012

### AMALGAMATED GROWTH & INCOME FUND

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#### **Accounting policies (continued)**

##### **2 Foreign currency translation**

###### *(a) Functional and presentation currency*

The Fund's investors are mainly from the Eurozone, with the subscriptions and redemptions of the redeemable shares denominated in Euro. The performance of the Fund is measured and reported to the investors in Euro. The Directors consider the Euro as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The financial statements are presented in Euro, which is the Fund's functional and presentation currency.

###### *(b) Transactions and balances*

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

Foreign exchange gains and losses arising from translation are included in the statement of comprehensive income as follows:

- (i) Foreign exchange gains and losses relating to cash and cash equivalents are presented in the statement of comprehensive income within 'net foreign currency gains on cash and cash equivalents'.
- (ii) Foreign exchange gains and losses relating to the financial assets carried at fair value through profit or loss are presented in the statement of comprehensive income within 'other net changes in fair value on financial assets and financial liabilities at fair value through profit or loss'.

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

###### *(a) Classification*

The Fund classifies its investments in debt and equity securities, and derivatives, as financial assets or financial liabilities at fair value through profit or loss.

This category has two sub-categories: financial assets or financial liabilities held for trading; and those designated at fair value through profit or loss at inception.

###### *(i) Financial assets and liabilities held for trading*

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

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

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

The Fund's policy requires the Board of Directors to evaluate the information about these financial assets and liabilities on a fair value basis together with other related financial information.

###### *(b) Recognition, derecognition and measurement*

Regular purchases and sales of investments are recognised on the trade date – the date on which the Fund commits to purchase or sell the investment. Financial assets and financial liabilities at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed as incurred in the statement of comprehensive income.

Financial assets are de-recognised when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.

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

Dividend income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income within dividend income when the Fund's right to receive payments is established. Other gains and losses, including interest on debt securities at fair value through profit or loss are recognised in the statement of comprehensive income in the year in which they arise within 'other net fair value movements on financial assets and liabilities at fair value through profit or loss'.

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## ANNUAL REPORT & FINANCIAL STATEMENTS – 31 DECEMBER 2012

### AMALGAMATED GROWTH & INCOME FUND

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#### **Accounting policies (continued)**

##### **3 Financial assets and financial liabilities at fair value through profit or loss (ctd)**

###### **(c) Fair value estimation**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and trading securities) are based on quoted market prices at the close of trading on the reporting date. The quoted market price used for financial assets held by the Fund is the current bid price.

##### **4 Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

##### **5 Other receivables and payables**

Other receivables and payables represent amounts receivable and payable respectively, for transactions contracted for but not yet delivered by the end of the period.

These amounts are initially recognised at fair value and subsequently measured at amortised cost less any provision for impairment. A provision for impairment of amounts due is established when there is an objective evidence that the fund will not be able to collect all amounts due.

##### **6 Cash and cash equivalents**

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

##### **7 Accrued expenses**

Accrued expenses are recognised initially at fair value and subsequently stated at amortised cost using the effective interest method, where the effect is material.

##### **8 Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings 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 borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the fund has an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

##### **9 Share Capital**

The Fund issues redeemable shares, which are redeemable at the holder's option. Certain criteria exist which require puttable financial instruments that meet the definition of a financial liability to be classified as equity. These criteria include: the puttable financial instruments must entitle the holder to a pro-rata share of net assets; the puttable instruments must entitle the holder to a pro-rata share of net assets; the puttable instruments must be the most subordinated class and that class's features must be identical; there must be no contractual obligations to deliver cash or another financial asset other than the obligation on the issuer to repurchase; and the total expected cash flows from the puttable instrument over its life must be based substantially on the profit or loss of the issuer. The Fund's redeemable shares meet the above criteria and accordingly are classified as equity.

Should the redeemable shares' terms or conditions change such that they do not comply with the strict criteria contained in the amendment, the redeemable shares would be reclassified to a financial liability from the date the instrument ceases to meet the criteria. The financial liability would be measured at the instrument's fair value at the date of reclassification. Any difference between the carrying value of the equity instrument and fair value of the liability on the date of reclassification would be recognised in equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

Redeemable shares can be put back to the Fund at any time for cash or in specie equal to a proportionate share of the Fund's trading net asset value calculated in accordance with the Fund's regulations.

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## **ANNUAL REPORT & FINANCIAL STATEMENTS – 31 DECEMBER 2012**

### **A M A L G A M A T E D   G R O W T H   &   I N C O M E   F U N D**

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#### **Notes to the financial statements**

##### **10 Equalisation reserve**

The Company operates an equalisation account to ensure that the amount distributed in respect of each share will be the same for all shares notwithstanding different dates of issue of those shares. Accordingly, a sum equal to that part of the issue/redemption price of a share, which reflects income (if any) accrued up to the date of issue/redemption, will be deemed to be equalisation payment/charge and credited (in the case of share issues)/debited (in the case of share redemptions) by the Directors to the equalisation account. Part of the first distribution to holders in respect of which equalisation payments are made, will be paid out of these amounts. Therefore, on distribution, these amounts are transferred to retained earnings. The closing balance of this reserve represents amounts that were not distributed by the year end.

However, in the absence of significant fluctuations between the redemption and issue or creation of shares, it is not expected to consider equalisation when determining distributions to Shareholders nor to pay to Shareholders any excess of equalisation credits over debits. Any fluctuations between redemptions and creations of shares that could have an effect could have an effect of 1 per cent or more on the Net Asset Value per share shall be considered significant.

##### **11 Dividend distributions**

In the absence of unforeseen circumstances, subject to the availability of distributable profits and in the absence of exceptional market conditions, the Directors shall distribute to shareholders all Malta taxed dividend income received by the Fund. The Directors may, if they consider it in the best interests of shareholders to also distribute part or all of the Fund's other income after deduction of related expenses.

Dividend distribution to the Fund's shareholders is recognised as a liability in the Fund's financial statements in the period in which the dividends are approved by the Fund's shareholders.

##### **12 Interest income**

Interest income is recognised on a time-proportionate basis using the effective interest method. It includes interest income from cash and cash equivalents.

##### **13 Transaction costs**

Transaction costs are costs incurred on acquisition/disposal of financial assets at fair value through profit and loss. They include the bid-ask spread, fees and commissions paid to agents, advisers, brokers and dealers. Transaction costs, when incurred, are immediately recognised in the statement of comprehensive income as an expense.

# ANNUAL REPORT & FINANCIAL STATEMENTS – 31 DECEMBER 2012

## AMALGAMATED GROWTH & INCOME FUND

### Notes to the financial statements (ctd)

#### 1. GENERAL

Amalgamated Investments Sicav p.l.c. ("the Company") is an open-ended investment company and was incorporated with limited liability in Malta on 5 August 2000. On 1 July 2007, it was re-organised as a Professional Investor Fund targeting Experienced Investors.

The Company is licensed by the Malta Financial Services Authority as a Collective Investment Scheme under the Investment Services Act, 1994. The Amalgamated Growth & Income Fund is listed on the Official List of the Malta Stock Exchange.

The investment objective of the Fund is to endeavour to maximise the total return to Investors while minimising risks associated with investment in particular securities, primarily through investment in a portfolio of Maltese listed equity securities as well as securities listed on foreign exchanges issued by entities at the time of investment by the fund having a market capitalisation in excess of €60,000,000.

#### 2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

In the opinion of the Directors, the accounting estimates and judgements made generally in the course of preparing these financial statements, and in particular the accounting policies adopted as disclosed therein, are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1.

#### 3. FINANCIAL ASSETS AND LIABILITIES

##### a) Financial assets and liabilities at fair value through profit or loss

	Fair value 2012	% of net assets	Fair value 2011	% of net assets
<b>Financial assets designated at fair value through profit or loss</b>				
Equity investments	43,309,154	90.44%	41,510,487	91.25%
Collective investment schemes	67,133	0.14%	76,296	0.17%
Exchange traded funds	260,609	0.54%	215,199	0.47%
Debt securities	3,354,975	7.01%	2,641,770	5.81%
	<b>46,991,871</b>	<b>98.13%</b>	44,443,752	97.70%
<b>Financial liabilities held for trading</b>				
Forward exchange contracts	(235)	0.00%	(127,492)	(0.28%)

##### b) Loans and receivables

As at 31 December 2012, loans and receivables consisting of accrued income and cash and cash equivalents amounted to €952,626 (2011: €1,212,997).

# ANNUAL REPORT & FINANCIAL STATEMENTS – 31 DECEMBER 2012

## AMALGAMATED GROWTH & INCOME FUND

### Notes to the financial statements (ctd)

#### 5. SHARE CAPITAL

##### a) Authorised share capital

	<b>2012</b>	2011
	<b>Shares</b>	Shares
40,000,000 shares	<b>40,000,000</b>	40,000,000

##### b) Issued and fully paid

	<b>2012</b>	2011
	<b>Shares</b>	Shares
<b>Shares in issue at beginning of the year</b>	<b>23,335,915</b>	22,500,329
Issue of shares	<b>134,989</b>	835,586
Redemption of shares	<b>(512,203)</b>	-
<b>Shares in issue at end of the year</b>	<b>22,958,701</b>	23,335,915

During 2012, the issue of shares was subscribed for through a cash consideration amounting to €250,000, while the redemption of shares was settled partly in cash (€250,000) and partly in specie (€698,599). On 25 July 2011, the outstanding borrowings and accrued interest were applied towards a subscription of shares in the Company.

The Fund's capital is represented by the redeemable shares with no par value and with each carrying one vote. They are entitled to dividends and to payment of a proportionate share based on the Fund's net asset value per share on the redemption date. The Directors may mandatorily redeem all outstanding shares where the Net Asset Value of the shares in the Company or any Fund falls below €6,988,120 (or its equivalent). The relevant movements are shown in the statement of changes in equity under transactions with owners, recorded directly in equity. In accordance with the objective outlined in Note 1 and the risk management policies in Note 14, the Fund endeavours to invest the subscriptions received in appropriate investments. The Company typically will, and in any event may, at all times in its sole discretion, satisfy any redemption instructions by the transfer to that Shareholder of assets of the Fund in specie, other than in respect of the investors at launch (see 14 (A [b] refers)). As at the date at which these financial statements are rendered, the Fund has the option to redeem shares in specie in respect of 99.15% of the total redeemable shares in issue.

The company's issued share capital as at 31 December 2012 amounted to €50,031,445 (2011: €50,676,436) with 22,958,701 shares in issue as shown above (2011: 23,335,915 shares).

#### 6. EQUALISATION RESERVE

	<b>2012</b>	2011
	<b>€</b>	€
<b>Year ended 31 December</b>		
At beginning of the year	<b>297,210</b>	171,169
Equalisation created upon issue of shares (Note 5 refers)	<b>19,184</b>	126,041
Equalisation created upon redemption of shares (Note 5 refers)	<b>(72,792)</b>	-
<b>Balance at end of year</b>	<b>243,602</b>	297,210

This is a distributable reserve.

#### 7. NET ASSET VALUE PER SHARE

The consideration received or paid for shares issued or re-purchased respectively is based on the value of the Fund's net asset value per redeemable share at the date of the transaction. In accordance with the provisions of the Fund's regulations, investment positions are valued based on the average traded weighted price for the purpose of determining the trading net asset value per share for subscriptions and redemptions.

The Fund's net asset value per redeemable share as quoted in these financial statements is calculated by dividing the value of the Fund's net assets herein as disclosed with the total number of outstanding ordinary shares. As described in the accounting policies, and consistent with the requirements of IAS 39, in preparing the statement of financial position at 31 December 2012, the quoted market price used for financial assets held by the Fund is the current bid price. The difference between the valuation of investment positions as prescribed by IAS 39 and as disclosed in the accounting policies, and the methodology indicated in the Fund's regulations for the purpose of determining the trading net asset value per share for subscriptions and redemptions results in a change in the net asset value of €156,653 (2011: €108,105) as of 31 December 2012.

# ANNUAL REPORT & FINANCIAL STATEMENTS – 31 DECEMBER 2012

## AMALGAMATED GROWTH & INCOME FUND

### Notes to the financial statements (ctd)

#### 7. NET ASSET VALUE PER SHARE (ctd)

A reconciliation of the net asset value as reported in the statement of financial position to the net asset value as determined for the purposes of processing subscriptions and redemptions is provided below.

	2012 €	2011 €
Net asset value attributable to equity holders of the fund (at current bid market prices)	<b>47,895,401</b>	45,490,881
Adjustment from current bid market prices to average traded weighted prices	<b>156,653</b>	108,105
	<hr/>	<hr/>
Net asset value attributable to equity holders of the fund (at average traded weighted prices)	<b>48,052,054</b>	45,598,986

#### 8. FEES

##### a) *Fund administrator fees*

Under the terms of an agreement dated 1 July 2007, the Company appointed HSBC Securities Services (Malta) Ltd as Fund Administrator. The Fund Administrator is entitled to receive from the Company a fee of €21,000 per annum. (2011: €21,000).

##### b) *Foreign portfolio management fees*

On 20 April 2011, Charles J. Farrugia was appointed Head Investment Manager with the responsibility of undertaking the day-to-day investment management of certain assets forming part of the foreign portfolio (the "Designated Investment Portfolio") as may be stipulated from time to time at the discretion of the company acting through the Investment Committee. The agreement provides for a fixed management fee payable to the Head Investment Manager and a performance fee payable to the Head Investment Manager provided certain pre-established investment performance targets are achieved. The management fee is €7,000 (2011: €4,666) per annum. Total performance fee for the year under review amount to €9,314 (2011: Nil) .

##### c) *Custodian fees*

The Custodian, HSBC Bank (Malta) p.l.c., receives, for safekeeping of the assets of the Fund and other services, a custody fee not exceeding €7,000 per annum (2011: €7,000). The Custody fee is reviewable annually by agreement between the Custodian and the Company.

##### d) *Investment advisory fees*

Investment Advisory Fees are incurred under arrangements whereby the Investment Committee may seek advice from reputable organisations in respect of the Fund's investments.

##### e) *Auditor's fees*

Fees charged by the auditor for services rendered during the financial year ended 31 December relate to:

	2012 €	2011 €
Annual statutory audit	<b>5,074</b>	5,428
Tax compliance services	<b>1,485</b>	1,695
	<hr/>	<hr/>
	<b>6,559</b>	7,123



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## ANNUAL REPORT & FINANCIAL STATEMENTS – 31 DECEMBER 2012

### AMALGAMATED GROWTH & INCOME FUND

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#### ***Notes to the financial statements (ctd)***

##### **9. AGREEMENTS**

- a) Under the terms of an agreement dated 5 September 2000, the Company appointed HSBC Bank (Malta) p.l.c. as Custodian. On 19 February 2013, HSBC Bank (Malta) p.l.c. notified the Company that it was terminating the Fund Custody and Fiduciary Services provided to the Company following HSBC's global commercial review and their decision to terminate certain service lines in certain countries. The Custody Agreement provided for a six month notice period such that the termination will become effective on 19 August 2013.
- b) Under the terms of an agreement dated 1 July 2007, the Company appointed HSBC Fund Management (Malta) Limited as Fund Administrator. On 24 September 2007, the Company entered into a tripartite novation agreement whereby it was agreed that with effect from 1 October 2007, HSBC Securities Services (Malta) Limited will take on the role of Fund Administrator, assuming all the duties and obligations previously undertaken and assumed by HSBC Fund Management (Malta) Limited in terms of the agreement dated 1 July 2007 between the Company and HSBC Fund Management (Malta) Limited. On 19 February 2013, HSBC Securities Services (Malta) Limited notified the Company that it was terminating its Fund Administration services provided to the Company for the same reason as outlined above. The Fund Administration agreement provides for a three month notice period such that the termination will become effective on 19 May 2013.
- c) In view of the aforementioned agreements being terminated, the Company is meanwhile consulting with the MFSA and its legal advisors on alternative arrangements, taking due account of certain further changes being contemplated in the status of the fund that require regulatory and shareholder approval.
- d) On 20 April 2011, Charles J. Farrugia was appointed Head Investment Manager with the responsibility of undertaking the day-to-day investment management of certain assets forming part of the foreign portfolio (the "Designated Investment Portfolio") as may be stipulated from time to time at the discretion of the company acting through the Investment Committee. The agreement provides for a fixed management fee payable to the Head Investment Manager and a performance fee payable to the Head Investment Manager provided certain pre-established investment performance targets are achieved.

##### **10. TAX EXPENSE**

The tax regime for collective investment schemes is based on the classification of funds into prescribed or non-prescribed funds in terms of the conditions set out in the Collective Investment Schemes (Investment Income) Regulations, 2001 (as amended). In general, a prescribed fund is defined as a resident fund, which has declared that the value of its assets situated in Malta amount to at least 85% of the value of the total assets of the fund.

On the basis that the Amalgamated Growth & Income Fund is currently classified as a prescribed fund for income tax purposes, it is subject to Maltese tax on its investment income as defined in the Income Tax Act at a rate of 10% or 15% depending on the nature of the income. Taxed dividends received from Maltese-resident companies may be subject to tax at source at the applicable rates of up to 35%. In the case of the Fund's foreign investments, capital gains, dividends, interest and other gains or profits may be subject to tax imposed by the foreign country concerned and such taxes may not be recoverable by the Fund or by its unit holders.

Distributions of profits allocated to the Maltese Taxed Account should not be subject to further tax in the hands of the shareholders, whilst distributions from other sources of income or from the Equalisation Reserve may be subject to a 15% withholding tax in certain circumstances. No tax on capital gains should be incurred by investors upon the disposal of units in such a fund.

##### **11. DIVIDEND DISTRIBUTIONS**

Net dividends paid in 2012 and 2011 amounted in total to €1,614,000 (€0.0697 per share) and €1,561,000 (€0.0669 per share) respectively and are presented as transactions with owners, recorded directly in equity within the Statement of Changes in Equity.

The net dividends paid in 2012 comprise a net interim dividend of €350,000 (€ 0.0150 per share) which was paid on 23 January 2012, a net interim dividend of €539,000 (€0.0235 per share) that was paid on 30 April 2012 and a further net interim dividend of €725,000 (€0.0316 per share) was paid on 17 September 2012.

A further net interim dividend of €570,000 (€0.0248 per share) was paid on 6 January 2013. These financial statements do not reflect this dividend payable.

The net dividends paid in 2011 comprise a net interim dividend of €475,000 (€ 0.0211 per share) which was paid on 23 January 2011, a net interim dividend of €586,000 (€0.0260 per share) that was paid on 6 May 2011 and a further net interim dividend of €500,000 (€0.0214 per share) was paid on 26 September 2011.

A further net interim dividend of €350,000 (€0.0150 per share) was paid on 23 January 2012.

# ANNUAL REPORT & FINANCIAL STATEMENTS – 31 DECEMBER 2012

## AMALGAMATED GROWTH & INCOME FUND

### Notes to the financial statements (ctd)

#### 12. RELATED PARTIES

The immediate and ultimate parent company of Amalgamated Investments SICAV p.l.c. (AIS) is Mercury p.l.c., whose Directors are also appointed on the Board of AIS. Mercury p.l.c. is a public company incorporated in Malta with its registered address at The Edwin England Sant Fournier Building, St. George's Park, St. Julians, Malta.

In 2009, Mercury p.l.c. granted a loan to AIS on an unsecured basis amounting to €1,753,669 at an interest rate of 4% which was based on a margin of 1.5% over the bank's base rate. On 26 July 2011, the outstanding borrowings and accrued interest was applied towards a subscription of new shares in the Company (Note 5 refer)

Furthermore, in 2010 Mercury p.l.c., granted an advance of €210,000 on an unsecured basis at the rate of 4.05% in view of the temporary cash deficit resulting upon the full payment of the dividend distribution in May 2011, amounting to €586,000. This advance was settled on 26 May 2011. In 2012, a further advance of €75,000 was granted on an unsecured basis at the rate of 4.05% which was settled on 25 May 2012.

Besides the transactions mentioned above there were no other monetary transactions between the two entities (including subsidiaries of Mercury p.l.c.), albeit that certain human and physical resources have to date been made available to AIS free of charge from time to time, as required.

Furthermore, in compliance with the requirement of IAS 24, the remuneration paid to directors, as disclosed separately on the face of the statement of comprehensive income, is reiterated here at €4,658 for 2012 (€4,658 for 2011). There were no other payments to key management personnel as defined in IAS 24.

#### 13. CASH AND CASH EQUIVALENTS

For the purposes of the statement of cash flows, the year end cash and cash equivalents comprise bank balances held at call as follows:

	2012	2011
	€	€
Bank balances - Euro denominated	<b>750,787</b>	816,776
Bank balances - other	<b>122,927</b>	294,258
	<b>873,714</b>	1,111,034

Deposits held with banks earn interest as follows:

At floating rates	<b>873,714</b>	788,909
At fixed rates	-	322,125
	<b>873,714</b>	1,111,034

As at 31 December 2011, the Company had a pledge over a Term deposit with HSBC Bank Malta plc amounting to €320,000, to cover a SWAP deed involving EURO/USD forward exchange contracts.

#### 14. FINANCIAL INSTRUMENTS

##### **A Risk management**

The Fund's activities potentially expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk). The Fund's overall risk management strategy focuses on minimising potential adverse effects on the Fund's financial performance. The Fund made use of a forward exchange contract to hedge currency risk exposure during the current financial year.

# ANNUAL REPORT & FINANCIAL STATEMENTS – 31 DECEMBER 2012

## AMALGAMATED GROWTH & INCOME FUND

### Notes to the financial statements (ctd)

#### 14. FINANCIAL INSTRUMENTS (ctd)

##### A Risk management (ctd)

###### (a) Credit Risk

The Fund is exposed to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Credit risk is managed through investment limits in any particular security falling within the parameters established in the Offering Memorandum and through ensuring that the issuer or counterparty is a reputable and creditworthy institution.

The main concentration to which the Fund is exposed arises from the Fund's investments in debt securities. The Fund is also exposed to counterparty credit risk on derivative financial instruments, cash and cash equivalents, and other receivable balances.

The maximum exposure to credit risk at 31 December is the carrying amount of the financial assets as set out below.

	2012	2011
	€	€
Financial assets at fair value through profit or loss		
Debt securities	3,354,975	2,641,770
Accrued income	78,912	101,963
Cash & cash equivalents	873,714	1,111,034
	<b>4,307,601</b>	<b>3,854,767</b>

The following table provides information regarding the Fund's aggregated credit risk exposure in relation to debt securities. The credit rating analysis below takes into account the rating of the respective financial asset and is categorised by external credit rating agencies.

	2012	2011
	€	€
Debt securities by rating category	3,354,975	2,641,770
A2	-	22%
A3	25%	10%
Baa1	-	28%
Baa2	8%	31%
Baa3	43%	3%
Ba1	19%	6%
Caa3	5%	0%

The maturity of the debt securities are as follows:

	2012	2011
	€	€
Up to 1 year	-	-
1 to 5 years	1,193,975	755,825
5 to 15 years	2,161,000	1,885,945
	<b>3,354,975</b>	<b>2,641,770</b>

As at the reporting date, the Company was also exposed to credit risk on forward exchange contracts. As at 31 December 2012, the company had one (2011: one) open transaction in forward exchange contracts. This consisted of a purchase of EUR 1,000,000 against USD with maturity date 30 April 2013. As at 31 December 2012, the forward exchange contract had a negative fair value of EUR 235 (2011: EUR 127,492). A floating pledge over the Amalgamated Growth and Income Fund was entered into in 2012 in connection with the forward exchange contract with a limit being the amount of the Fund's liabilities with the bank plus a margin of 100%.

All bank balances and forward exchange contracts are held and transacted with a quality financial institution (HSBC Bank Malta plc).

At the reporting date, none of these assets are impaired or past due but not impaired.

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## ANNUAL REPORT & FINANCIAL STATEMENTS – 31 DECEMBER 2012

### AMALGAMATED GROWTH & INCOME FUND

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#### **Notes to the financial statements (ctd)**

##### **14. FINANCIAL INSTRUMENTS (ctd)**

###### **A Risk management (ctd)**

###### *(b) Liquidity Risk*

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities. The Fund is exposed to weekly cash redemption of shares. The Fund's listed securities are considered to be readily realisable as they are listed on recognised stock exchanges. Despite the fact that such securities are listed, the market in such securities may be illiquid in view of the fact that the trading volumes on the Malta Stock Exchange, which is a relatively new market when compared to more established markets, are limited. The Fund has the ability to borrow to meet short term liquidity requirements. Additionally, the Fund has the option to redeem shares in specie in respect of 99.15% of the total redeemable shares in issue as at the date at which these financial statements are rendered.

Redeemable shares are redeemable on demand at the holders' option. However, the directors do not envisage that the contractual maturity disclosed above will be representative of the actual cash outflows, as holders of these instruments typically retain them for the medium to long term. All other liabilities are payable within one year.

###### *(c) Market Risk*

###### *(i) Currency Risk*

Currency risk is the risk that the fair value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Currency fluctuations between the functional currency of the Fund and the currency of the underlying investments of the Fund, may adversely affect the value of the investments and the income derived therefrom.

The currency exposure of the Amalgamated Growth & Income Fund is managed by ensuring that foreign investments are made primarily in major currencies. In any event, the Fund primarily holds assets denominated in its functional currency with a relatively low percentage of assets (2012: 2.33%; 2011: 2.31%) denominated in foreign currencies.

Furthermore, foreign exchange fluctuations are partially hedged through forward exchange contracts.

The Fund is not significantly exposed to currency risk accordingly, a sensitivity analysis for foreign exchange risk disclosing how net assets attributable to shareholders would have been affected by changes in foreign exchange rates that were reasonably possible at the reporting date is not deemed necessary.

###### *(ii) Interest Rate Risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Assets issued at variable rates expose the Fund to cash flow interest rate risk. Assets issued at fixed rates expose the Fund to fair value interest rate risk.

The Fund holds fixed interest securities that expose the Fund to fair value interest rate risk (2012: 6.53%, 2011: 5.81%). The Fund also holds a limited amount of floating rate debt and cash and cash equivalents that expose the Fund to cash flow interest rate risk (2012: 2.30%, 2011: 2.45%). The majority of the Fund's financial assets are non-interest bearing. As a result, the Fund is not subject to significant amounts of risks due to fluctuations in the prevailing levels of market interest rates.

Based on the above, the potential impact on profit or loss of a defined interest rate shift that is reasonably possible at the reporting date is not considered to be material.

# ANNUAL REPORT & FINANCIAL STATEMENTS – 31 DECEMBER 2012

## AMALGAMATED GROWTH & INCOME FUND

### Notes to the financial statements (ctd)

#### 14. FINANCIAL INSTRUMENTS (ctd)

##### A Risk management (ctd)

###### *(iii) Price risk*

Price risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instruments or its issuer, or factors affecting all similar financial instruments traded in the market. As the majority of the Fund's financial instruments are carried at fair value with fair value changes recognised in profit or loss, all changes in market conditions will directly affect the profit or loss.

Given the predominance of local listed equities in the Fund's portfolio, an increase or decrease in the MSE equity index, with all other variables held constant, would result in an increase or decrease in the net assets attributable to holders of redeemable shares. To illustrate this sensitivity, if the MSE equity index, with all other variables held constant, increases or decreases by 10%, the net assets attributable to holders of redeemable shares would increase or decrease by circa €3,440,000 (2011: €2,950,000). This sensitivity is based on a simplistic scenario and in practice, effects may not be linear. Furthermore, it does not allow for future investment decisions that may be taken to take advantage or mitigate these effects, nor do they take into account wider macro-economic factors.

Investments that can be made on the Malta Stock Exchange are limited and this may lead to concentration of risk by having an exposure to a particular security or industry sector, which is higher than that normally associated with a diversified portfolio. The risk is managed through investment limits in any one particular security falling within the parameters established in the Offering Memorandum and through ensuring that the issuer or counterparty is a reputable and creditworthy institution. At 31 December 2012, 76% (2011: 76%) of the Amalgamated Growth and Income Fund's total assets were held in two equity instruments.

Furthermore, the Fund's performance is also influenced by the level of dividends receivable from its underlying equity securities. Consequently, any significant downturn in the dividend policy adopted by the underlying investments will accordingly impact the Fund's performance by reducing the amount of distributable profits available to be paid to shareholders.

##### B Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. 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).

	2012			Total €
	Level 1 €	Level 2 €	Level 3 €	
<b>Assets</b>				
Financial assets at fair value through profit or loss	46,991,871	-	-	46,991,871
<b>Liabilities</b>				
Financial liabilities at fair value through profit or loss	-	(235)	-	(235)
	<b>46,991,871</b>	<b>(235)</b>	-	<b>46,991,636</b>
	2011			
	Level 1 €	Level 2 €	Level 3 €	Total €
<b>Assets</b>				
Financial assets at fair value through profit or loss	44,443,752	-	-	44,443,752
<b>Liabilities</b>				
Financial liabilities at fair value through profit or loss	-	(127,492)	-	(127,492)
	44,443,752	(127,492)	-	44,316,260

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## **ANNUAL REPORT & FINANCIAL STATEMENTS – 31 DECEMBER 2012**

### **A M A L G A M A T E D   G R O W T H   &   I N C O M E   F U N D**

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#### ***Notes to the financial statements (ctd)***

##### **14. FINANCIAL INSTRUMENTS (ctd)**

###### ***B Fair value hierarchy (ctd)***

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

Financial instruments that trade in markets that are not considered to be active but are valued based on alternative pricing sources supported by observable inputs are classified within Level 2. These include over-the-counter derivatives.

As at 31 December 2012 and 2011, the carrying amounts of the Fund's other financial assets and liabilities reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period of time between the origination of the instrument and their expected realisation.

###### ***C Capital risk management***

The capital of the Fund is represented by the net assets attributable to equity holders of the fund. The amount of net asset attributable to equity holders of the fund can change significantly on a weekly basis, as the Fund is subject to weekly subscriptions and redemptions at the discretion of shareholders. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns for equity holders of the fund and maintain a strong capital base to support the development of the investment activities of the Fund.

The Board of Directors monitor capital on the basis of the value of net assets attributable to equity holders of the fund.

In order to maintain or adjust the capital structure, the Fund's policy is to monitor the level of weekly subscriptions and redemptions relative to the assets it expects to be able to liquidate within 7 days and adjust the amount of distributions the Fund pays to redeemable shareholders.