ANNUAL REPORT & FINANCIAL STATEMENTS – 31 DECEMBER 2013
AMALGAMATED GROWTH & INCOME FUND

Contents

Report of the Directors

The Directors present their Annual Report and the Audited Financial Statements for the year ended 31 December 2013.

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 and on 18 November 2013, the Company was re-licensed as a Professional Investor Fund targeting Qualifying Investors. The Company has no employees.

Review of Business

In the face of the uncertainties still underpinning the investment climate, the Fund has continued to adopt a low marketing profile in the current year. In 2013, 524,881 shares were redeemed and 512,200 shares were subscribed to by another shareholder.

The total of shareholders' funds as at the end of 2013 reflected the results that have accrued in the said year. At €53,175,762, the total value of shareholder funds on 31 December 2013 represents an increase of 11.02% related to the total of shareholder funds which stood at €47,895,401 as at 31 December 2012. This increase was mainly driven by the increase in the Malta Stock Exchange capitalisation index registered in 2013. Dividend income in 2013 increased by €534,112, an increase of 20.05% when compared to the dividend income in 2012. The extent to which such an increase can be maintained in 2014 depends on the performance of the underlying investments. Dividends from the banks are likely to come under pressure.

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.

Compliance with Standard Licence Conditions

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

Results and Dividends

The results for the year under review can be found in the Statement of Comprehensive Income on page 8. The Directors have on 6 January 2013, 4 May 2013, 1 June 2013 and 11 September 2013 declared interim net dividends of €570,000, €342,000, €525,000 and €475,000 respectively which have been paid, and recommend that the further net interim dividend of €357,000 payable on 9 May 2014 be approved as a final dividend for the year ended 31 December 2013.

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. A. H. Xuereb Director

29 April 2014

pwc

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 2013

We have audited the financial statements of Amalgamated Investments SICAV p.l.c. on pages 6 to 21 which comprise the statement of financial position as at 31 December 2013 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.

Auditor's 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 2013, 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

29 April 2014

Financial Statements

Statement of Financial Position

as at 31 December

	Notes	31.12.2013	31.12.2012
		€	€
Assets			
Current assets			
Financial assets at fair value through profit or loss	3	**51,995,263**	46,991,871
Accrued income		**33,994**	78,912
Cash and cash equivalents	13	**1,233,048**	873,714
Total assets		**53,262,305**	47,944,497
Equity			
Capital and reserves attributable to equity holders of the fund			
Share capital	5	**50,002,422**	50,031,445
Equalisation reserve	6	**243,242**	243,602
Retained earnings		**2,930,098**	(2,379,646)
Total equity		**53,175,762**	47,895,401
Liabilities			
Current liabilities			
Financial liabilities at fair value through profit or loss	3	**-**	235
Outstanding redemptions		**29,383**	-
Accrued expenses	4	**57,160**	48,861
Total liabilities		**86,543**	49,096
Total equity and liabilities		**53,262,305**	47,944,497
Shares in issue as at 31 December 2013	5	**22,946,020**	
Shares in issue as at 31 December 2012		22,958,701	
Shares in issue as at 31 December 2011		23,335,915	
Net asset value as at 31 December 2013		**53,175,762**	
Net asset value as at 31 December 2012		47,895,401	
Net asset value at 31 December 2011		45,490,881	
Net asset value per share as at 31 December 2013	7	**2.317**	
Net asset value per share as at 31 December 2012		2.086	
Net asset value per share at 31 December 2011		1.949	

The accounting policies and notes on pages 10 to 21 are an integral part of these financial statements.

These financial statements on pages 6 to 21 were authorised for issue by the Board of Directors on 29 April 2014 and were signed on its behalf by:

Prof. E. P. Delia
Chairman

Mr. A. H. Xuereb
Director

Financial statements – continued

Statement of Changes in Equity
for the year ended 31 December

	Share capital €	Equalisation reserve €	Retained earnings €	Total €
At 1 January 2012	50,676,436	297,210	(5,482,765)	45,490,881
Comprehensive income				
Profit for the year	-	-	4,717,119	4,717,119
Transactions with owners				
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)
	(644,991)	(53,608)	(1,614,000)	(2,312,599)
At 1 January 2013	50,031,445	243,602	(2,379,646)	47,895,401
Comprehensive income				
Profit for the year	-	-	7,221,744	7,221,744
Transactions with owners				
Issue of shares	1,092,523	10,244	-	1,102,767
Redemption of shares	(1,121,546)	(10,604)	-	(1,132,150)
Dividend distributions	-	-	(1,912,000)	(1,912,000)
	(29,023)	(360)	(1,912,000)	(1,941,383)
At 31 December 2013	**50,002,422**	**243,242**	**2,930,098**	**53,175,762**

The accounting policies and notes on pages 10 to 21 are an integral part of these financial statements.

Financial statements – continued

Statement of Comprehensive Income
for the year ended 31 December

	Notes	31.12.2013	31.12.2012
		€	€
Income			
Bank interest		**8,305**	4,551
Dividend income		**3,197,030**	2,662,918
Net currency losses on cash and cash equivalents		**-**	(91)
Other net changes in fair value on financial assets and financial liabilities at fair value through profit or loss		**5,165,418**	3,044,083
Total net income		**8,370,753**	5,711,461
Expenses			
Fees	8, 9		
- Fund administrator fees		**18,510**	21,000
- Foreign portfolio management fee		**7,000**	7,000
- Performance fee		**7,540**	9,314
- Custodian fees		**6,427**	7,000
Transaction costs		**2,126**	6,857
Directors' remuneration		**4,910**	4,658
Legal & professional fees		**6,665**	7,735
License & listing fees		**5,738**	5,738
Other costs		**171**	65
Total operating expenses		**59,087**	69,367
Operating profit		**8,311,666**	5,642,094
Finance costs			
Interest payable		**(53)**	(490)
Profit before tax		**8,311,613**	5,641,604
Tax expense	10	**(1,089,869)**	(924,485)
Profit for the year - total comprehensive income		**7,221,744**	4,717,119

The accounting policies and notes on pages 10 to 21 are an integral part of these financial statements.

Financial statements – continued

Statement of Cash Flows
for the year ended 31 December

	Notes	31.12.2013	31.12.2012
		€	€
Cash flows from operating activities			
Dividend income received		**3,196,874**	2,659,016
Interest received		**150,876**	196,319
Interest paid		**(53)**	(490)
Operating expenses paid		**(50,788)**	(58,781)
Purchase of investments		**(5,395,821)**	(2,429,185)
Proceeds from sale of investments		**5,460,115**	1,934,377
Cash generated from operating activities		**3,361,203**	2,301,256
Tax paid		**(1,089,869)**	(924,485)
Net cash generated from operating activities		**2,271,334**	1,376,771
Cash flows from financing activities			
Proceeds from creation of shares		**1,102,767**	250,000
Amounts paid on redemption of shares		**(1,102,767)**	(250,000)
Advance from related party		**-**	75,000
Repayment of advance from related party		**-**	(75,000)
Dividend distributions	11	**(1,912,000)**	(1,614,000)
Net cash used in from financing activities		**(1,912,000)**	(1,614,000)
Net movements in cash and cash equivalents		**359,334**	(237,229)
Cash and cash equivalents at beginning of the year		**873,714**	1,111,034
Exchange gains on cash and cash equivalents		**-**	(91)
Cash and cash equivalents at end of the year	13	**1,233,048**	873,714

The accounting policies and notes on pages 10 to 21 are an integral part of these financial statements.

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 Qualifying 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).

(a) Standards and amendments to existing standards effective 1 January 2013

IFRS 13, 'Fair value measurement' improves consistency and reduces 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 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 within IFRS. If an asset or a liability measured at fair value has a bid price and an ask price, the standard requires valuation to be based on a price within the bid-ask spread that is most representative of fair value and allows the use of mid-market pricing or other pricing conventions that are used by market participants as a practical expedient for fair value measurement within a bid-ask spread.

On adoption of the standard, the Fund changed its valuation inputs for listed financial assets and liabilities to last traded prices to be consistent with the inputs prescribed in the Fund's offering document for the calculation of its per share trading value for subscriptions and redemptions. The use of last traded prices is recognised as a standard pricing convention within the industry. In the prior year, the Fund utilised bid and ask prices for its listed financial assets and liabilities in accordance with IAS 39. The change in valuation inputs is considered to be a change in estimate in accordance with IAS 8.

Amendments to IFRS 7, 'Disclosures – Offsetting financial assets and financial liabilities' require additional disclosures to enable users of financial statements to evaluate the effect or the potential effects of netting arrangements, including rights of set-off associated with an entity's recognised financial assets and recognised financial liabilities, on the entity's financial position. The amendments did not have any impact on the Fund's financial position or performance, but it has resulted in additional disclosure in the notes to the financial statements.

There are no other standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 January 2013 that would be expected to have a material impact on the Fund.

(b) New standards, amendments and interpretations effective after 1 January 2013 and have not been early adopted

Amendments to IAS 32, 'Offsetting financial assets and financial liabilities' is effective for annual periods beginning on or after 1 January 2014. These amendments clarify the offsetting criteria in IAS 32 and address inconsistencies in their application. This includes clarifying the meaning of 'currently has a legally enforceable right of set-off' and that some gross settlement systems may be considered equivalent to net settlement. This amendment is not expected to have a significant effect on the financial statements of the Fund.

There are no other standards, interpretations or amendments to existing standards that are effective for annual periods beginning after 1 January 2013 that would be expected to have a material impact on the Fund.

Accounting policies (ctd)

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.

Loans and receivables are non-derivative financial assets with fixed and determinable payments that are not quoted in an active market. Loans and receivables consist of accrued income and cash and cash equivalents.

(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'.

Accounting policies (ctd)

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 securities) are based on quoted market prices at the close of trading on the reporting date. Prior to 1 January 2013, the quoted market price used for financial assets held by the Fund was the current bid price; the quoted market price for financial liabilities was the current asking price. The Fund adopted IFRS 13, 'Fair value measurement', from 1 January 2013; it changed its fair valuation input to utilise the last traded market price for both financial assets and financial liabilities where the last traded price falls within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, management will determine the point within the bid-ask spread that is most representative of fair value.

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 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.

Accounting policies (ctd)

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 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 above mentioned strict criteria, 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.

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 equilisation credits over debits. Any fluctuations between redemptions and creations of shares that 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.

Notes to the financial statements

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 and on 18 November 2013, the Company was re-licensed as a Professional Investor Fund targeting Qualifying 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 2013	**% of net assets**	Fair value 2012	% of net assets
Financial assets designated at fair value through profit or loss				
Equity investments	**48,460,974**	**91.13%**	43,309,154	90.44%
Collective investment schemes	**74,800**	**0.14%**	67,133	0.14%
Exchange traded funds	**263,524**	**0.50%**	260,609	0.54%
Debt securities	**3,194,781**	**6.01%**	3,354,975	7.01%
	51,994,079	**97.78%**	46,991,871	98.13%
Financial assets held for trading				
Forward exchange contracts	**1,184**	**0.00%**	-	0.00%
	51,995,263	**0.00%**	46,991,871	98.13%
Financial liabilities held for trading				
Forward exchange contracts	**-**	**0.00%**	(235)	0.00%

b) Loans and receivables

As at 31 December 2013, loans and receivables consisting of accrued income and cash and cash equivalents amounted to €1,267,042 (2012: €952,626).

4. ACCRUED EXPENSES

	2013 €	2012 €
Accrued expenses		
Unpaid custodian fees	**594**	1,750
Unpaid foreign portfolio management fees	**1,751**	1,167
Unpaid performance fees	**16,853**	9,314
Other unpaid expenses	**37,962**	36,630
	57,160	48,861

Notes to the financial statements (ctd)

5. SHARE CAPITAL

a) Authorised share capital

	2013 Shares	2012 Shares
40,000,000 shares	**40,000,000**	40,000,000

b) Issued and fully paid

	2013 Shares	2012 Shares
Shares in issue at beginning of the year	**22,958,701**	23,335,915
Issue of shares	**512,200**	134,989
Redemption of shares	**(524,881)**	(512,203)
Shares in issue at end of the year	**22,946,020**	22,958,701

During 2013, both the issue and redemption of shares were settled in cash.

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).

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 (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])). 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 2013 amounted to €50,002,422 (2012: €50,031,445) with 22,946,020 shares in issue as shown above (2012: 22,958,701 shares).

6. EQUALISATION RESERVE

	2013 €	2012 €
Year ended 31 December		
At beginning of the year	**243,602**	297,210
Equalisation created upon issue of shares (Note 5 refers)	**10,244**	19,184
Equalisation created upon redemption of shares (Note 5 refers)	**(10,604)**	(72,792)
Balance at end of year	**243,242**	243,602

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.

The trading net asset value per share for subscriptions and redemptions was determined in accordance with the provisions of the Fund's Offering Memorandum. Accordingly, investment positions were based on the latest available dealing price or (if bid and offered quotations are made) the latest available middle market quotation.

In 2012, for the purposes of the statutory financial statements prepared in accordance with IFRSs as adopted by the EU, the Fund utilised bid and ask prices for its listed financial assets and liabilities in accordance with IAS 39. This resulted in a difference with the per share trading value calculated by the Fund using average traded weighted prices. Accordingly, Note 7 of the 2012 Annual Report disclosed the adjustment of €156,653 necessary to adjust from current bid market prices to average traded weighted prices.

In 2013, the Fund adopted IFRS 13 and has accordingly changed its valuation inputs for listed financial assets and liabilities to last traded prices. This is consistent with the inputs prescribed in the Fund's offering document for the calculation of its per share trading value. This change has therefore eliminated the difference between the offering document and IFRS measurement of financial instruments as at 31 December 2013.

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.

	2013	2012
	€	€
Net asset value attributable to equity holders of the fund as quoted in Financial Statements	**53,205,145**	47,895,401
Adjustment from current bid market prices to average traded weighted prices		156,653
Net asset value attributable to equity holders of the fund used for trading share subscriptions/redemptions	**53,205,145**	48,052,054

8. FEES

a) *Fund administrator fees*

Under the terms of an agreement dated 10 October 2013, the Company appointed Valletta Fund Services Ltd as Fund Administrator. The Fund Administrator is entitled to receive from the Company a fee of 0.0125% per annum of the net asset value of the Fund subject to a minimum of €6,250 per annum (2012: €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 (2012: €7,000) per annum. Total performance fee for the year under review amounted to €7,540 (2012: €9,314).

c) *Custodian fees*

The Custodian, Bank of Valletta p.l.c., receives, for safekeeping of the foreign portfolio assets of the Fund and other services, a custody fee of 0.04% on market value of foreign investments, with a minimum of €3,500 per annum (2012: €7,000).

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 (excluding VAT) during the financial year ended 31 December relate to:

	2013	2012
	€	€
Annual statutory audit	**4,300**	4,300
Tax compliance services	**2,000**	1,485
	6,300	5,785

Notes to the financial statements (ctd)

9. AGREEMENTS

a) Under the terms of an agreement dated 5 September 2000, the Company had 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 subsequently following HSBC's global commercial review and their decision to terminate certain service lines in certain countries. Arrangements were then set in train whereby local listed securities are held with the Central Security Depository (CSD) of the Malta Stock Exchange and for Bank of Valletta p.l.c. to act as Custodian with respect to the foreign portfolio assets of the Fund.

b) Under the terms of an agreement dated 1 July 2007, the Company had 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. Under the terms of an agreement dated 10 October 2013, the Company, subsequently appointed Valletta Fund Services Limited as Fund Administrator with effect from 1 November 2013.

c) 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 2013 and 2012 amounted in total to €1,912,000 (€0.0833 per share) and €1,614,000 (€0.0697 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 2013 comprise a net interim dividend of €570,000 (€0.0248 per share) which was paid on 6 January 2013, €342,000 (€ 0.0149 per share) which was paid on 4 May 2013, a net interim dividend of €525,000 (€0.0229 per share) that was paid on May 2013 and a further net interim dividend of €475,000(€0.0207 per share) was paid on September 2013

A further net interim dividend of €630,000 (€0.0275 per share) was paid on 16 January 2014. These financial statements do not reflect this dividend payable.

The net dividends paid in 2012 comprised 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.

12. RELATED PARTIES

The immediate and ultimate parent company of Amalgamated Investments SICAV plc (AIS) is Mercury plc, whose Directors are also appointed on the Board of AIS. Mercury plc is a public company incorporated in Malta with its registered address at Aragon House - Business Centre, Dragonara Road, St Julians, Malta.

In 2012, Mercury plc granted an advance of €75,000 on an unsecured basis at the rate of 4.05% which was settled on 25 May 2012.

Besides the transaction mentioned above there were no other monetary transactions between Mercury p.l.c and Amalgamated Investments SICAV plc (AIS) (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 €4,910 for 2013 (€4,658 for 2012). There were no other payments to key management personnel as defined in IAS 24.

Notes to the financial statements (ctd)

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:

	2013	2012
	€	€
Bank balances - Euro denominated	**1,089,614**	750,787
Bank balances - other	**143,434**	122,927
	1,233,048	873,714

Deposits held with banks earn interest as follows:

At floating rates	**1,233,048**	873,714
At fixed rates	**-**	-
	1,233,048	873,714

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.

(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.

	2013	2012
	€	€
Financial assets at fair value through profit or loss - debt securities	**3,194,781**	3,354,975
Accrued income	**33,994**	78,912
Cash & cash equivalents	**1,233,048**	873,714
	4,461,823	4,307,601

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.

Notes to the financial statements (ctd)

14. FINANCIAL INSTRUMENTS (ctd)

A Risk management (ctd)

	2013	2012
	€	€
Debt securities by rating category	**3,194,781**	3,354,975
A	**75%**	-
A -	**9%**	25%
BBB+	**12%**	-
BBB	**-**	8%
BBB-	**4%**	43%
BB+	**-**	19%
BB	**-**	-
CCC+	**-**	5%
The maturity of the debt securities are as follows:		
Up to 1 year	**-**	-
1 to 5 years	**804,841**	1,193,975
5 to 15 years	**2,389,940**	2,161,000
	3,194,781	3,354,975

As at the reporting date, the Company was also exposed to credit risk on forward exchange contracts. As at 31 December 2013, the company had one (2012: one) open transaction in forward exchange contracts. This consisted of a purchase of EUR 1,000,000 (2012: EUR 1,000,000) against USD with maturity date 31 January 2014 (2012: 30 April 2013). As at 31 December 2013, the forward exchange contract had a positive fair value of EUR 1,184 (2012: (EUR 235)) and the Company had a collateral amounting to EUR40,000 in relation to the forward exchange contract (2012: a floating pledge over the Amalgamated Growth and Income Fund 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 quality financial institutions.

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

(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 cash redemptions of shares, albeit that it has the right to, and will typically, effect all redemptions in specie whether or not the investment was originally made in cash or in specie. Redemptions are processed on the Fund's dealing day, which is the last buisness day in the month of December or, in the case of redemption requests during the year, the first Wednesday immediately following the date of receipt of the redemption request. 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 s

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 (2013: 2.94%; 2012: 2.33%) 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.

Notes to the financial statements (ctd)

14. FINANCIAL INSTRUMENTS (ctd)

A Risk management (ctd)

(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 (2013: 4.49%, 2012: 6.53%). 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 (2013: 3.83%, 2012: 2.30%). 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.

(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 €2,900,000 (2012: €3,440,000). 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 ensuring that the issuer or counterparty is a reputable and creditworthy institution. At 31 December 2013, 74% (2012: 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).

	2013			
	Level 1	**Level 2**	**Level 3**	**Total**
	€	**€**	**€**	€
Assets				
Financial assets at fair value through profit or loss	**51,994,079**	**1,184**	**-**	**51,995,263**
	51,994,079	**1,184**	**-**	**51,995,263**

	2012			
	Level 1	Level 2	Level 3	Total
	€	€	€	€
Assets				
Financial assets at fair value through profit or loss	46,991,871	-	-	46,991,871
Liabilities				
Financial liabilities at fair value through profit or loss	-	(235)	-	(235)
	46,991,871	(235)	-	46,991,636

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 2013 and 2012, 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 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.