Issuer	Global Fixed Income Realisation Limited
Report type	Annual financial statements
Reporting period	Year ended 31 December 2014
Financial reporting framework	IFRS-EU
Applicable financial reporting standards	IFRS 7 *Financial Instruments: Disclosures* IFRS 8 *Operating Segments* IFRS 13 *Fair Value Measurement*

Summary
IAASA performed an unlimited scope examination of the annual financial statements of Global Fixed Income Realisation Limited ('the issuer') for the year ended 31 December 2014.

The main enforcement action concerns the absence of disclosure of certain liquidity risk information in the financial statements that IAASA considered did not fully comply with IFRS 7.

The issuer provided IAASA with undertakings to enhance its liquidity risk disclosures in future periodic financial statements. In addition to the undertakings mentioned above, the issuer also provided IAASA with a further eleven undertakings to enhance disclosures in future periodic financial statements, with regard to, amongst other matters, price risk, credit risk, fair value measurement and operating segments.

Background
The issuer is a closed-ended limited liability investment company incorporated in Guernsey. The issuer is in the process of realising its investments in an orderly manner and winding down its operations which is projected to occur over a number of years. Up until February 2012, the issuer invested substantially all of its assets through sub-funds of another fund. At an Extraordinary General Meeting in 2012 the shareholders voted in accordance with the issuer's Articles of Incorporation to orderly wind down the company. In such circumstances, the Articles of Incorporation require the directors to put forward proposals to wind up the issuer. During 2012 and 2013, the following decisions were approved by the issuer's shareholders:

a) the objective of the issuer was amended by the shareholders to manage its existing portfolio with a view to realising the existing investments in an orderly manner and distributing the proceeds to shareholders; and

b) a new investment manager was appointed to manage the orderly wind-down of the issuer.

The issuer's investment portfolio consists of illiquid investment funds and private equity holdings.

Outline of financial reporting treatment applied by the issuer
The issuer's liquidity risk note in the financial statements did not disclose:

a) a description as to how it manages liquidity risk [IFRS 7.39(c)];

b) a maturity analysis of investments maturing during the medium-term time frame (e.g. three to five years) [IFRS 7.39(a)]. The issuer disclosed the following time bands in its liquidity risk disclosure but without further analysis:

   - less than one month;

   - after more than one and within twelve months; and

- after more than one year; and

c) other relevant information, for example:

- the fact that the issuer is being wound down in an orderly manner and the liquidity risk of assets is a relevant disclosure point; and
- the investment manager's process for the realisation of the issuer's investments.

The issuer informed IAASA that its rationale for not providing the disclosures was that:

a) the objective of the issuer in relation to liquidity risk is to retain sufficient liquidity to enable the issuer to continue operations for sufficient time so as to be able to realise the investment portfolio in an orderly manner;

b) in order to achieve (a), the issuer has retained relatively large cash balances;

c) other than the administration expenses, future liabilities arising will result from the obligation to distribute any proceeds to shareholders arising from the realisation of investments and no liquidity risk arises in these circumstances; and

d) the issuer was also of the opinion that the maturity analysis which it did disclose was sufficient.

Outline of findings made by IAASA

IAASA did not agree with the issuer's rationale for providing neither a detailed maturity analysis of the liquidity of the issuer's investments nor providing a description of the objectives, polices and processes which are in place to manage liquidity risk as outlined in the preceding section for the following reasons:

a) the issuer is being wound down in an orderly manner and in order to understand how and when the issuer is in a position to realise its remaining investments, the issuer's policy to manage the liquidation of the remaining highly illiquid investments is considered by IAASA to be important information for the users of the financial statement [IFRS7.39(c)]; and

b) the current maturity analysis of issuer's investments is not analysed into time bands after more than 1 year. As a result, the maturity analysis is considered by IAASA to be of limited value to users of the financial statements. The maturity analysis of investments was disclosed by issuer to indicate how *"quickly the Company's assets can be liquidated to meet the obligation of maturing liabilities"*. Given that the realisation of the issuer's investments are expected to mature over a number of years and the return to the shareholders is linked to the realisation of investments, IAASA considers that a more detailed maturity analysis of investments to be important information for the users of the financial statements [IFRS7.39 (a), IFRS 7.31, IFRS 7.35 and IAS 1.17(c)].

Outline of corrective actions undertaken or to be undertaken

Following their engagement with IAASA, the directors undertook to provide in future periodic financial statements:

a) a description of its policies for the management of the liquidation of the issuer's remaining investments [IFRS 7.39(c); and

b) a maturity analysis of the issuer's investments into time bands after more than one year. Should circumstances arise where it is not meaningful to provide a more detailed maturity analysis, the directors undertook to clearly disclose this fact. [IFRS 7.39(a)].

<u>Other undertakings provided by the issuer on foot of other findings</u>
In addition, the issuer provided further undertakings to IAASA to enhance disclosures in its future periodic financial statements, namely to:

a) clarify in more explicit terms that the issuer no longer has the ability to manage price risk [IFRS 7.33(b)];

b) expand its disclosures in the cash credit risk section of the financial statements to include a statement that the carrying amount of the cash balances best represents the maximum exposure to credit risk[IFRS 7.36(a)];

c) expand its disclosures for the credit risk at the custodian level to include a statement quantifying the maximum exposure arising from this risk [IFRS 7.36(a)];

d) disclose the comparative credit ratings for all counterparties holding the issuer's cash balances [IFRS 7.36(c)];

e) disclose the quantitative information on all available significant unobservable inputs used in the fair value measurement of its investments [IFRS 13.93(d)];

f) amend the wording of its valuation policy relating to one of its investments to clarify that the realisation of the issuer's investment was not being conducted on a forced sale basis [IFRS 13.11];

g) enhance the descriptions of the terms in the valuations model table in the notes to financial statements [IAS 1.112(c)];

h) provide a definition of the term "Market Approach Using Comparable Multiples" [IAS 1.112(c)];

i) disclose geographical information relating to the source of fund returns [IFRS 8.32 – 34];

j) include appropriate cross references from the segmental note to other locations in the Annual Report for the disclosure of the relevant quantitative information [IFRS 8.20 – 22]; and

k) review its disclosures relating to the foreign exchange rate sensitivity of the Brazilian Real [IFRS 7.40(b)];

IAASA will conduct a follow-up examination of the issuer's annual financial statements for the year ended 31 December 2015 to evaluate the extent to which the undertakings have been met by the directors.