



Formulafirst Ltd.

Annual Report 2015

[www.formulafirst.vg](http://www.formulafirst.vg)

## AT A GLANCE

Formulafirst Ltd. is an investment company domiciled on the British Virgin Islands that was created in 2002 through the merger of Sucellus Trading Ltd. and Optimum Securities 1000 Ltd. The investment company was incorporated on the British Virgin Islands and is subject to the local laws. As a British Virgin Islands investment company listed on SIX, Formulafirst Ltd. offers considerable advantages compared to other collective investment vehicles with conventional legal structures.

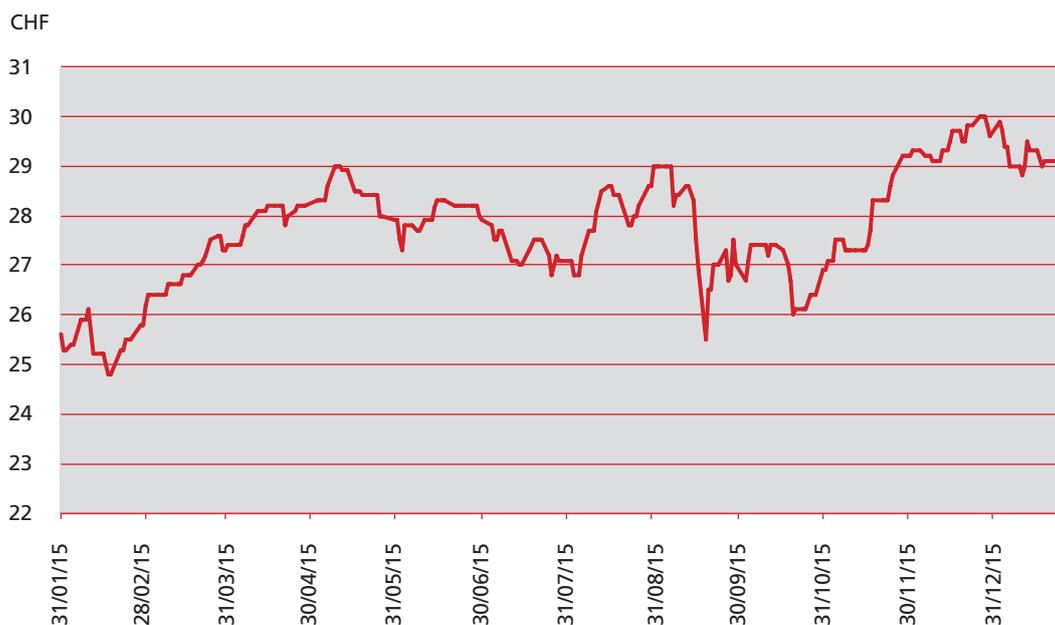
### Formulafirst Ltd. invests

In owner-managed companies in Central Europe

### Key Figures as of 31.12.2015

Share price:	CHF 29.60
Year High:	CHF 30.00
Year Low:	CHF 24.80
NAV per share:	CHF 29.55
Premium vs. NAV:	0.17%
Performance 2015:	15.70%
Performance since Jan. 2013	47.23%
Performance since June 14,95	9.03% p.a
Total market capitalization	CHF 37'567'432
Net Asset Value (NAV)	CHF 37'510'194
Liquid funds	CHF 2'054'622
Number of outstanding shares	1'269'170

## DEVELOPMENT OF NET ASSET VALUE IN 2015



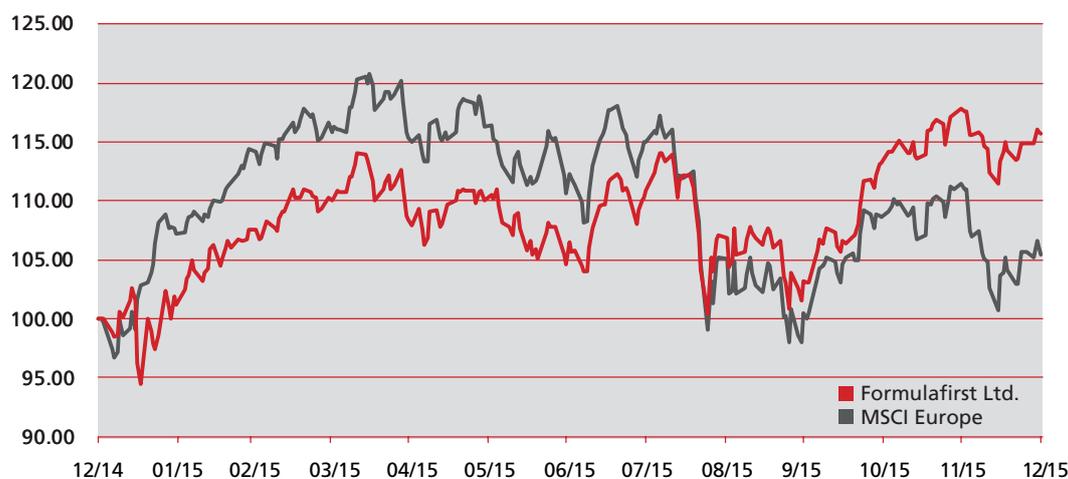
Details concerning our investment philosophy, organisation etc. are published on our homepage:  
[www.formulafirst.vg](http://www.formulafirst.vg)

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## DEAR SHAREHOLDERS

The surge in value of the Swiss franc after the peg to the euro was abandoned in mid-January 2015 led to a precipitous decline on the Swiss stock exchange. Later that month, the ECB's announcement that it was launching a EUR 1.1 trillion bond purchasing program gave stock markets across the Eurozone a big boost. This upward trend and the action taken by Swiss companies to offset the sudden appreciation of the Swiss franc helped the Swiss market to recover rapidly from its sharp sell-off. Expansive monetary policy from the ECB and the Bank of Japan kept markets marching higher until early April. Renewed anxiety about Greece combined with weak macro data from the USA later reversed the trend. In early May expectations of mounting inflationary pressure pushed up bond yields worldwide and led to another brief correction on stock markets. ECB statements that it would frontload its bond purchasing program subsequently eased the pressure on the long end of the curve and sent stock prices higher. Weaker data on China's economy and the fruitless outcome of the poker game in Athens created headwinds for stocks in June. The decision to negotiate a third bailout package for Athens triggered widespread buying in July. In August the surprising decision by the Chinese central bank to devalue the yuan caused a correction, as that move was interpreted as a bad omen for the Chinese economy. The plunge in Chinese shares in the middle of August sent a wave of panic-like selling rippling across global markets. After a brief countermove, September turned out to be another bad month for equity investors. At the beginning of the month, uncertainty about the actual state of the Chinese economy and the Fed's rate lift-off led to a surge in market volatility. In the second half of the September, Volkswagen's diesel emissions scandal put the entire automobile sector into reverse gear. Expectations fanned by the ECB that it would provide more monetary stimulus in December, a stronger dollar, and the sixth consecutive rate cut by Chinese monetary authorities got markets started on the right foot in the fourth quarter. However, the ECB failed to meet the high expectations investors had pinned on its December policy-setting meeting and the euro strengthened considerably against the dollar, triggering another sharp correction in stock markets that the subsequent holiday rally was not quite able to offset. The US central bank did raise its overnight lending rate by 0.25% yet also signaled that interest rates would stay at low levels for some time to come. In such an environment, the Net Asset Value of Formulafirst Ltd. moved in a range from CHF 25 to CHF 29 during the first nine months of the year before rallying in the fourth quarter and ending the year at CHF 29.55. Year to date, Formulafirst Ltd.'s Net Asset Value gained 15.70% while its benchmark, the MSCI Europe Index, rose only 5.47%.



## DEAR SHAREHOLDERS – CONTINUED

Based on the expectations of stronger global growth, the portfolio was largely invested in cyclical stocks last year and that obviously translated into a good return at year-end. Holdings of stocks whose valuations had reached high levels were reduced or sold off completely and the proceeds were reinvested primarily in cyclical stocks as well as stocks that had overcorrected.

Our portfolio of solid, well-managed companies delivered an outstanding performance in 2015 despite the challenging environment. We expect our portfolio to continue to outperform in 2016.

Our selection of stocks from the universe of 50 owner-managed companies represents a robust portfolio of well performing and well managed globally active companies. The average dividend yield is an impressive 2.4%. Valuations are fair (average PE16E of 19.5), balance sheet quality is good (average equity/asset ratio is 50.7%) and the average price/book ratio is a modest 4.2.

More and more, the challenge that companies must contend with is: How can we become more innovative and productive and hold or raise our prices in the face of rising competition? In this race, owner-managed companies are at the head of the pack.

<b>Largest holdings</b>	<b>PE16</b>	<b>Equity ratio</b>	<b>PB16</b>	<b>Description</b>	<b>Market Position</b>
Rational	34.5	73%	11.7	Supplier of combi ovens for commercial kitchens	World market leader, market share > 50%
ElringKlinger	13.2	47%	1.7	Manufacturing cylinder-head gaskets, shielding technology, light weight plastic components	One of the world's leading automotive suppliers
Fuchs Petrolub	22.6	72%	5.0	Supplier of lubricants	Leading producer among the independent companies
Krones	19.8	41%	2.7	Bottling machines	World market leader
Duerr	12.4	21%	2.8	Robot technologies for automatic applications	One of the world's leading mechanical and plant engineering firms
Forbo	16.7	68%	2.8	Focus on floor coverings (linoleum) and belting	Global leader in flooring and movement systems
SAP	17.7	51%	3.5	Enterprise software and software related services	World leader
Fresenius SE	21.7	41%	3.0	Global health care group with products and services for dialysis, the hospital and patients at home	Largest provider of dialysis products and services, European Market leader in infusion therapy
Axel Springer	19.7	39%	2.4	Focus on digital publishing	One of Europe's largest media companies
SGS SA	21.7	30%	7.1	Inspection, verification, testing, certification	World leader

## DEAR SHAREHOLDERS – CONTINUED

After clearly outperforming the broader market during last year's difficult markets, our portfolio of stocks is positioned with the same goal in mind for the coming year. Dividend yields of equities are still much higher than the yields of corporate debt, which are at record lows. Equity risk premiums are still well above the historical averages. Better economic growth in the wake of low oil prices should help corporate earnings to grow. Monetary and fiscal stimulus from Europe, China and Japan should also have a positive impact on stock markets.

For and on behalf of the Board of Formulafirst Ltd.

A handwritten signature in black ink, appearing to read 'Derek P Baudains', written over a horizontal line.

Derek P Baudains, Director

## MARKET OUTLOOK 2016

Looking out, there is little reason to expect the rich global supply of savings to decline much from current levels. The deleveraging cycle will eventually end, but unless there is a new releveraging cycle, household saving rates will remain elevated. Likewise, despite a sharp move towards fiscal deficits in a number of petroleum-exporting economies, the IMF expects cyclically-adjusted budget balances to continue to improve over the coming years. Thus, the public sector's contribution to the global savings glut will, if anything, continue to increase. Where things do seem to be changing is on the investment side. Four factors are decreasing investment demand. First, the debt supercycle in emerging markets is cresting. These countries have been responsible for all of the increase in the global investment-to-GDP ratio over the past 15 years. Second, the drop in commodities prices is prompting companies in the resource sector to slash capex budgets. Third, global potential GDP growth is slowing, partly on account of lower productivity growth, but mainly because the working-age population is expanding more slowly, which means slower future demand growth. Fourth, the move to a "capital-lite" economy is reducing demand for heavy machinery and other big-ticket investment items because value is being derived from making better use of the existing capital stock. Therefore the supply of global savings is likely to remain ample at a time when global investment demand is trending lower. This is a recipe for lower **interest rates**, a point that much of the investment community seems not to have grasped.

Looking out, the performance of US **stocks** will hinge on whether incoming economic data validates the FED's decision to hike rates. Stretched valuations and a challenging earnings outlook dampen the picture somewhat. US stocks now trade at a Shiller P/E of 24, ca. 20% above the post-1960 median. However, a low discount rate implies a higher present value of future cash flows, and hence a higher P/E for stocks. Equity valuations outside the USA generally have a lower valuation, and corporate profit margins have more scope to rise. As such, non-US stocks are likely to outperform their US peers over the long haul. European equities are quite cheap, trading at a Shiller P/E of just 14. This, combined with accelerating profit growth and improving business confidence, should give euro area stocks a lift. Emerging markets have clearly gotten cheaper over the past few years, but have yet to reach washed-out levels to become a compelling buy. The Chinese H-shares are quite cheap, trading at a forward P/E of 6, and at a price-to-book ratio of only 0.9. This is below the valuations that US stocks traded at in 1982, the start of the 18-year bull market. Earnings-per-share, as well as dividends, have increased more rapidly in China than in the USA over the past nine years.

## MARKET OUTLOOK 2016 – CONTINUED

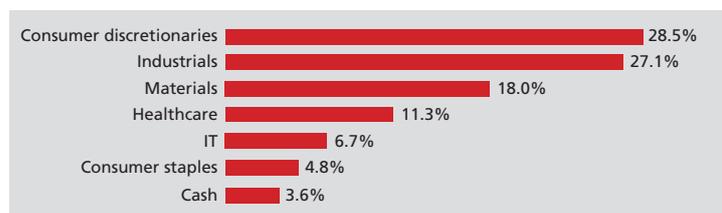
The **dollar's** slide between 2000 and 2008 was likely influenced by a growing reluctance among foreign investors to continue shoveling ever more money into the USA. The global financial crisis and subsequent euro crisis reversed this trend, as it made US assets seem attractive relative to all other alternatives. The shale boom also helped reduce the US petroleum import bill, narrowing the trade deficit in the process. Nevertheless, the dollar will ultimately need to fall substantially in order to eliminate what would otherwise end up being a persistent current account deficit. Working against the valuation drag on the dollar are cyclical forces, which remain dollar supportive. This is most clearly the case in the emerging market world, where weak growth and capital outflows are likely to keep emerging market currencies under pressure. To a lesser extent it is also the case in the developed market space, where the FED remains the only major central bank contemplating raising rates further. The market expects US rates to exceed rates in the euro area and Japan for a very long time. This means that investors will only buy lower-yielding bunds and Japanese government bonds if they expect the euro and the yen to appreciate against the dollar for many years to come. However, for that to happen, the euro and yen must first undershoot their fair value. With the FED still guiding for four rate hikes this year – compared with the market's expectation of two hikes – the risk is that rate expectations drift higher before they drift lower. This means that the dollar could strengthen some more in the next few months, before coming back down later this year.

The steep decline in the **oil** price was a result of the growth in shale oil production which made it impossible for OPEC to maintain its hold over prices. In addition Saudi Arabia could have cut production to make way for increased shale output, but this would have benefited Iran and Russia, something the Saudis did not want to do. The central role played by certain governments in the production and ownership of oil creates situations where the state is primarily interested in maintaining a stable level of revenue from oil sales. Crude prices are now being set in the free market, and in a free-market equilibrium, the price of oil will be driven down to the cost of production for marginal producer. The marginal producer is in the shale space, where break even prices are in the mid-USD 50 range. However, due to continued technological progress, the breakeven price has been steadily trending lower, and could reach the low-USD 40s by the end of the decade. The long dated oil prices, which are still close to the mid-USD 50s, could fall further from current levels.

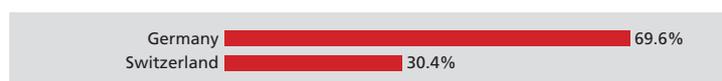
## INVESTMENT PORTFOLIO

Details concerning the Equity Portfolio per December 31, 2015 and a schedule of the investments during 2015 are listed in detail on page 34 (Section: Notes to the Financial Statement: Note 6).

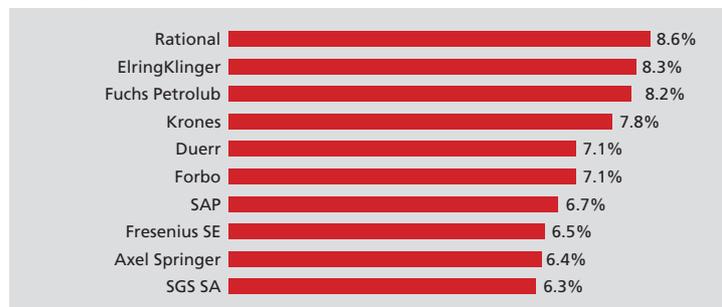
### Breakdown by sectors



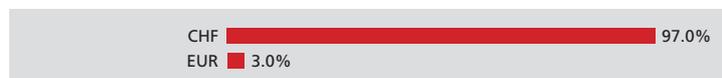
### Breakdown by countries



### The largest positions



### Currency Allocation



## BACKGROUND TO THE COMPANY

### Capital structure and shareholders

The Company ("Company" or "Formulafirst") has an authorised share capital which is comprised of nine million bearer shares with a nominal value of CHF 0.01 per share. As of 31 December 2015, 1,269,170 (31 December 2014: 1,324,158) shares were outstanding, while 7,730,830 (31 December 2014: 7,675,842) were held by the Company as treasury shares.

Formulafirst Ltd.'s shareholders are mainly Swiss and European institutions.

### Objectives and strategy

Formulafirst was founded as Optimum Securities 1000 Ltd. on 29 December 1994 in Tortola/British Virgin Islands. Since 5 May 1999 the Company has been quoted on the SIX Swiss Exchange. The Company's business activities focus on trading and investing in financial instruments. The Company changed its name from Optimum Securities 1000 Ltd. to Formulafirst Ltd. on 18 December 2002.

### Investment Guidelines of Formulafirst Ltd.

Experience shows that owners generally invest more successfully than employees. The investment company Formulafirst focuses on Smart Owners as they are known. The investment universe includes owner-managed companies in Central Europe (Switzerland, Austria or Germany). Owner-managed companies and those that are controlled by owner-oriented groups of investors are generally distinguished by their consistent strategy of long-term and sustainable growth. Since owner-managers have a substantial share of their wealth and, in most cases, of their working time invested in the company, their strategic business orientation includes goals such as maintaining the company's independence, a smooth transfer to the next generation as well as safeguarding and growing the company's assets. The long-term perspective, in some cases spanning several generations, is a major reason why these companies are more focused on their long-term strategic positioning rather than on the short-term maximization of returns.

### Investment Criteria

For owner-managed companies to be included in the investment universe of Formulafirst, the following conditions must be met: a) headquarters in Central Europe (Switzerland, Austria or Germany), b) listed on a regular stock exchange, c) minimum market capitalization of EUR 100 million, d) managed by owner-managers holding at least 15% but no more than 75% of voting rights. The universe of owner-managed companies from which the best stocks are picked by Formulafirst for investment includes the 50 such companies with the highest market capitalization. The companies selected form the basis for Formulafirst's investments.

### Investment Strategy

Made up of the 50 owner-managed companies the investment universe is screened by a thorough fundamental analysis in a primarily "bottom-up" approach and the most promising stocks are identified. Formulafirst invests currently in equities and forwards, but may also invest in convertible instruments, options (managing existing positions), futures (to hedge currency and market risks) and shares of holding companies and funds. Investment exposure is 100% of the Company assets. The investment horizon is long-term and the selection of portfolio positions is limited to a reasonable number. The size of individual investments may not exceed 10% of the portfolio when purchased (cost). The investment style is primarily based on the "value" approach and investments are made in an anti-cyclical manner. The maximum sector weighting in the portfolio should not exceed 30% of investments.

Formulafirst is striving for 10% to 20% growth in assets under management (AuM) in the short to medium term. High net worth individuals and institutional investors are the primary targeted groups, although the listing on SIX Swiss Exchange means retail customers can also easily invest in the Company.

## BACKGROUND TO THE COMPANY – CONTINUED

### Market Positioning

The positioning of Formulafirst offers several advantages compared to conventional mutual funds and investment companies. The key advantage over conventional mutual funds is the very high degree of flexibility Formulafirst has in selecting financial instruments or in which markets to invest. Compared to other investment companies, it is distinguished by lower-than-average price variation from net asset value. The fact that Formulafirst is historically trading at little or no discount to NAV underscores these advantages.

### Information Policy

Investors can visit the homepage of Formulafirst ([www.formulafirst.ch](http://www.formulafirst.ch)) to obtain up-to-date information on all of its activities. In addition to periodic reporting (annual and semi-annual reports), a monthly report containing information about major portfolio positions and important events is published each month. The Corporate Governance Section of the Annual Report is also available on request.

The Company periodically publishes general market reports and background information that are reflected in the selected portfolio structure. Investors may submit specific questions to the responsible Investment Manager (2trade group Ltd.) through the Company's website. Formulafirst Ltd. is committed to meeting the individual information needs of its investors and all potentially interested parties to the maximum extent possible.

For the sake of transparency, the performance of Formulafirst is compared with that of the MSCI Europe Index in CHF as well as with the Smart Owners Index in the Monthly Report publications.

### Fees

Formulafirst is distinguished by an extremely attractive and transparent fee structure. Management fees amount to 1.5% p.a. A performance fee of 20% is also paid after the high watermark has been exceeded. Details of the performance fee can be found in note 12 of the financial statements.

## DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31 December 2015.

### Directors' responsibilities

The directors are responsible for the preparation of the Annual Report and financial statements for each financial year that give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- apply applicable accounting standards, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors confirm that they have complied with the requirements in preparing the financial statements. The directors are responsible for keeping proper books of account which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements are prepared in accordance with British Virgin Islands Law. 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.

### Results and dividends

The results for the year are set out in the Statement of Comprehensive Income on page 14. The directors do not propose to declare a dividend for 2015. There was no dividends paid in 2014.

### Directors

The names of the persons who were directors at any time during the year ended 31 December 2015 are set out below:

Derek P. Baudains  
Markus Gresch  
Christopher David Parish

### Directors' and company secretary's interests

Mr. Markus Gresch held 1,000 shares in the Company at 31 December 2015 and 2014. Neither the company secretary nor any of the other directors and their families had an interest in the shares of the Company at 31 December 2015 and 2014.

As disclosed in note 12, certain directors had a material interest in a significant contract during the year in relation to the business of the Company.

The Investment Manager monitors the Company's liquidity position on a daily basis, and the Board of Directors review it on a semi-annual basis.

### Review of Business

Please see the Letter to shareholders.

### Risk Management

This is contained in note 3 of the financial statements.

### Events since year end

Please see note 17 of the financial statements.

### Publication of financial statements

The financial statements will be published on the website [www.formulafirst.vg](http://www.formulafirst.vg) upon completion. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

On behalf of the Board



Derek P Baudains  
Director

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FORMULAFIRST LTD.



Independent auditor's report  
to the shareholders of  
Formulafirst Ltd  
Tortola, British Virgin Islands

### Report of the independent auditors on the financial statements

We have audited the financial statements of Formulafirst Ltd, which comprise the statement of financial position, statement of comprehensive income, cash flow statement, statement of changes in shareholders' equity and notes (pages 14 to 41), for the year ended 31 December 2015.

#### Board of Directors' responsibility

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standards (IFRS) and Article 14 of the Directive on Financial Reporting (DRF) of SIX Swiss Exchange. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

#### 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 Swiss Auditing Standards and International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance 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 judgment, 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 the internal control system relevant to the entity's preparation of the financial statements 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 system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, 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 for the year ended 31 December 2015 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with the Article 14 of the Directive on Financial Reporting (DRF) of SIX Swiss Exchange.

### Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

PricewaterhouseCoopers AG

Adrian Keller  
Audit expert  
Auditor in charge

Martin Gubler  
Audit expert

Zurich, 31 March 2016

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## STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Notes	31 December 2015 CHF	31 December 2014 CHF
<b>Investment income</b>			
Dividend income	2(f), 4	837,930	711,313
Net gain on financial assets and liabilities at fair value through profit or loss	7	7,447,551	2,182,117
Net foreign exchange (loss)		(1,232,634)	(268,557)
<b>Total net investment income</b>		<b>7,052,847</b>	<b>2,624,873</b>
<b>Expenses</b>			
Management fees	12	550,514	501,089
Performance fees	12	851,700	–
Custody fees		69,887	63,751
Directors' fees	12	7,242	6,890
Auditing and accounting fees		52,316	65,592
Administration fees	13	50,901	48,890
Legal fees	12	16,477	26,364
Other operating expenses		74,387	74,884
Investment transaction costs		40,152	53,153
<b>Total operating expenses</b>		<b>1,713,576</b>	<b>840,613</b>
<b>Operating profit</b>		<b>5,339,271</b>	<b>1,784,260</b>
<b>Finance costs</b>			
Interest expense		157	–
<b>Profit before tax</b>		<b>5,339,114</b>	<b>1,784,260</b>
Withholding taxes	2(i)	168,723	181,538
<b>Increase in net assets attributable to holders of shares from operations</b>		<b>5,170,391</b>	<b>1,602,722</b>
<b>Total comprehensive income</b>		<b>5,170,391</b>	<b>1,602,722</b>
Earnings per share, basic	2(k), 11	3.96	1.18
Earnings per share, fully diluted	2(k), 11	3.96	1.18

All amounts arose solely from continuing operations. There are no recognised gains/(losses) other than those dealt with in the Statement of Comprehensive Income – see Page 36, Note 7 of the financial statements.

Approved by the board of directors on 31 March 2016  
and signed on its behalf by:



Derek P Baudains  
Director

The accompanying notes on pages 18 to 41 form an  
integral part of the financial statements.

## STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Notes	31 December 2015 CHF	31 December 2014 CHF
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	2(h)	2,054,622	1,476,419
Financial assets at fair value through profit or loss	6,9	36,198,685	32,582,644
<b>Total assets</b>		<b>38,253,307</b>	<b>34,059,063</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable and accrued expenses	10	653,395	207,341
Unrealised loss on open forward contracts	8	89,718	26,642
<b>Total liabilities</b>		<b>743,113</b>	<b>233,983</b>
<b>Net assets</b>		<b>37,510,194</b>	<b>33,825,080</b>
<b>Capital &amp; Reserves attributable to the Company's Equity Shareholders:</b>			
Share capital	11	90,000	90,000
Capital redemption reserve	2(n)	10,000	10,000
Less treasury shares held	11	(77,308)	(76,758)
Share premium	2(n)	(2,204,867)	(720,140)
Retained earnings		39,692,369	34,521,978
<b>Total Capital &amp; Reserves attributable to the Company's Equity Shareholders</b>		<b>37,510,194</b>	<b>33,825,080</b>
<b>Number of shares outstanding</b>	11	<b>1,269,170</b>	<b>1,324,158</b>
<b>Net asset value per share</b>		<b>29.55</b>	<b>25.54</b>

Approved by the board of directors on 31 March 2016  
and signed on its behalf by:



Derek P Baudains  
Director

The accompanying notes on pages 18 to 41 form an  
integral part of the financial statements.

## STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2015

	Note	Share capital CHF	Capital redemption reserve CHF	Treasury shares CHF	Share premium account CHF	Retained earnings CHF	Total CHF
<b>Balance at 1 January 2013</b>		<b>90,000</b>	<b>10,000</b>	<b>(73,828)</b>	<b>5,655,085</b>	<b>26,781,430</b>	<b>32,462,687</b>
Purchase of treasury shares		–	–	(2,672)	(5,722,627)	–	(5,725,299)
Sale of treasury shares		–	–	106	218,047	–	218,153
Total comprehensive income		–	–	–	–	6,088,152	6,088,152
Change in adjustment for difference in valuation inputs		–	–	–	–	49,674	49,674
<b>Balance at 31 December 2013</b>		<b>90,000</b>	<b>10,000</b>	<b>(76,394)</b>	<b>150,505</b>	<b>32,919,256</b>	<b>33,093,367</b>
<b>Balance at 1 January 2014</b>	11	<b>90,000</b>	<b>10,000</b>	<b>(76,394)</b>	<b>150,505</b>	<b>32,919,256</b>	<b>33,093,367</b>
Purchase of treasury shares		–	–	(478)	(1,151,435)	–	(1,151,913)
Sale of treasury shares		–	–	114	280,790	–	280,904
Total comprehensive profit for the year		–	–	–	–	1,602,722	1,602,722
<b>Balance at 31 December 2014</b>		<b>90,000</b>	<b>10,000</b>	<b>(76,758)</b>	<b>(720,140)</b>	<b>34,521,978</b>	<b>33,825,080</b>
<b>Balance at 1 January 2015</b>	11	<b>90,000</b>	<b>10,000</b>	<b>(76,758)</b>	<b>(720,140)</b>	<b>34,521,978</b>	<b>33,825,080</b>
Purchase of treasury shares		–	–	(614)	(1,649,626)	–	(1,650,240)
Sale of treasury shares		–	–	64	164,899	–	164,963
Total comprehensive income		–	–	–	–	5,170,391	5,170,391
<b>Balance at 31 December 2015</b>		<b>90,000</b>	<b>10,000</b>	<b>(77,308)</b>	<b>(2,204,867)</b>	<b>39,692,369</b>	<b>37,510,194</b>

The capital redemption reserve arose as a result of the cancellation of treasury shares during 2001.

The accompanying notes on pages 18 to 41 form an integral part of the financial statements.

## CASH FLOW STATEMENT

For the year ended 31 December 2015

	2015 CHF	2014 CHF
<b>Cash flows from operating activities</b>		
Increase in net assets attributable to holders of shares from operations	5,170,391	1,602,722
<i>Adjustment for</i>		
Dividend income	(837,930)	(711,313)
Withholding taxes	168,723	181,538
Interest expense	157	–
Net increase in investments	(3,616,041)	(511,420)
Net decrease/(increase) in open forward contracts	63,076	(82,694)
Net increase in accounts payable and accrued expenses	446,054	3,304
Cash from operating activities	1,394,430	482,137
Dividends received	837,930	711,313
Withholding taxes paid	(168,723)	(181,538)
Interest paid	(157)	–
<b>Net cash from operating activities</b>	<b>2,063,480</b>	<b>1,011,912</b>
<b>Cash flows from financing activities:</b>		
Sale of treasury shares	164,963	280,904
Purchase of treasury shares	(1,650,240)	(1,151,913)
<b>Net cash used in financing activities</b>	<b>(1,485,277)</b>	<b>(871,009)</b>
<b>Net increase in cash and cash equivalents</b>	<b>578,203</b>	<b>140,903</b>
Cash and cash equivalents – beginning of year	1,476,419	1,335,516
<b>Cash and cash equivalents – end of year</b>	<b>2,054,622</b>	<b>1,476,419</b>

The accompanying notes on pages 18 to 41 form an integral part of the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

### 1 General information

The Background to Formulafirst Ltd. ("the Company") can be found on page 10 and 11. Formulafirst Ltd. was incorporated in the British Virgin Islands on December 29, 1994 (the Company changed its name from Optimum Securities 1000 Ltd. to Formulafirst Ltd. on 18 December, 2002, address: Formulafirst Ltd., P.O. Box 3483, Road Town, Tortola, British Virgin Islands) as such it is subject to the company law of the British Virgin Islands. It is a limited liability investment company. The Company is quoted on the Swiss Exchange (SIX) as and from 5 May, 1999.

The investment objective of the Company is to invest its assets and to achieve a long term capital growth for the shareholders. The Company may effect such investment through an asset manager who allocates the Company's assets by using a wide range of investment techniques and styles as follows:

- (a) To trade, buy, sell and otherwise acquire, hold, dispose of, and deal in securities (in international markets) such as listed stocks, convertible securities, money market obligations, options as well as futures contracts. The sole objective of the Company's business is the appreciation of its assets through the investment and speculative trading in above mentioned instruments.
- (b) The Company will, in conjunction with the asset manager, establish investment guidelines that set forth the investment objectives and restrictions.
- (c) To engage in any other business whatsoever, or in any acts or activities, which are not prohibited under any law for the time being in force in the British Virgin Islands.
- (d) To do all such other things as are incidental to or the Company may think conducive to the attainment of all or any of the above subjects.

The ultimate goal of the Company is to increase the Net Asset Value of the Company's shares.

The Company's business year commences on January 1 and ends on December 31 of each year. The Company's financial statements are expressed in CHF and the financial statements are prepared in conformity with International Financial Reporting Standards ("IFRS"). The principles of accounting applied in the financial statements for the year ended 31 December 2015 correspond to those of the financial statements of 31 December 2014, unless otherwise stated.

### 2 Summary of significant accounting policies

The principal accounting policies applied 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.

#### a) Basis of preparation

The financial statements for the year ended 31 December 2015 are prepared in accordance with IFRS and are in accordance with Swiss law to the extent applicable and the accounting guidelines of SIX. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative financial instruments) at fair value through profit and loss. The Company has adopted all new and revised IFRS effective for the year ended 31 December 2015.

#### (i) Use of estimates

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the Board of Directors to exercise its judgement in the process of applying the Company's accounting policies. The areas where significant assumptions and estimates are made in regards to the financial statements are set out in note 5.

## NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

### For the year ended 31 December 2015

#### (ii) New Standards, effective for annual periods beginning after 1 January 2016 that have been early adopted

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

#### (iii) New Standards, that are not yet effective and not early adopted

- IFRS 9, 'Financial instruments', effective for annual periods beginning on or after 1 January 2018, specifies how an entity should classify and measure financial assets and liabilities, including some hybrid contracts. The standard improves and simplifies the approach for classification and measurement of financial assets compared with the requirements of IAS 39. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged. The standard applies a consistent approach to classifying financial assets and replaces the numerous categories of financial assets in IAS 39, each of which had its own classification criteria. The standard is not expected to have a significant impact on the Company's financial position or performance, as it is expected that the Company will continue to classify its financial assets and financial liabilities (both long and short) as being at fair value through profit and loss.

Classification of debt assets will be driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortised cost if: a) the objective of the business model is to hold the financial asset for the collection of the contractual cash flows, and b) the contractual cash flows under the instrument solely represent payments of principal and interest.

All other debt and equity instruments, including investments in complex debt instruments and equity investments, must be recognised at fair value.

As a general rule, all fair value movements in the assets measured at fair value are recognised in the statement of profit and loss. IFRS 9 defines criteria, based on which fair value movements for certain debt and equity instruments are recognised in the other comprehensive income.

For financial liabilities that are measured under the fair value option entities will need to recognise the part of the fair value change that is due to changes in their own credit risk in other comprehensive income rather than profit or loss.

- IFRS 15, 'Revenue from contracts with customers and associated amendments to various other standards' effective for annual periods beginning on or after 1 January 2018.

The IASB has issued a new standard for the recognition of revenue. This will replace IAS18 which covers contracts for goods and services and IAS11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. A new process to identify the separate performance obligation must be applied before revenue can be recognised.

Key changes to current practice are:

Revenue may be recognised earlier than under current standards if the consideration varies for any reasons (such as for incentives, rebates, performance fees, royalties, success of an outcome etc) – minimum amounts must be recognised if they are not at significant risk of reversal.

## NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

For the year ended 31 December 2015

### b) Functional currency

The functional and presentation currency of the Company is CHF. The Company is incorporated in the British Virgin Islands and the currency of the British Virgin Islands is USD. The use of CHF as the functional currency reflects the primary economic exposure of the Company to CHF. The performance of the Company is measured and reported to investors in CHF.

The Board of Directors considers CHF as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions.

### c) Foreign currency translation

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 Statement of Financial Position date. Foreign exchange gains and losses arising from translation are included in the Statement of Comprehensive Income.

Foreign exchange gains and losses relating to cash and cash equivalents are presented in the Statement of Comprehensive Income within 'net foreign exchange (loss)/gain'. Foreign exchange gains or losses relating to the financial assets and liabilities carried at fair value through profit or loss are presented in the Statement of Comprehensive Income within 'net (loss)/gain' on financial assets and liabilities at fair value through profit or loss'.

The following exchange rates have been used to translate assets and liabilities in other currencies to CHF:

	31 December 2015	31 December 2014
US Dollar	0.9965	0.9930
Euro	1.0849	1.2022

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

#### Classification

The Company classifies its investments in equity securities, and related derivatives, as financial assets or financial liabilities at fair value through profit or loss. These financial assets and financial liabilities are classified as held for trading or designated by the Board of Directors at fair value through profit or loss at inception.

Financial assets or financial liabilities held for trading are those acquired or incurred principally for the purposes of selling or repurchasing in the short term. Derivatives are also categorised as financial assets or financial liabilities held for trading. The Company does not classify any derivatives as hedges in a hedging relationship.

Financial assets and financial liabilities designated at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the Company's documented investment strategy. The Company's policy is for the Investment Manager and the Board of Directors to evaluate the information about these financial assets on a fair value basis together with other related financial information.

## NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

For the year ended 31 December 2015

### Recognition/derecognition

Regular-way purchases and sales of investments are recognised on the trade date – the date on which the Company 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 derecognised when the right to receive cash flows from the investments have expired or the Company has transferred substantially all risks and rewards of ownership.

Realised gains and losses on investment disposals are calculated using the first-in first-out (FIFO) method.

### Measurement

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 'net gain/(loss) on financial assets and liabilities at fair value through profit or loss'.

### 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 fair value price is 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.

### e) Forward contracts

Forward contracts are fair valued at the difference between the original contract amount and the market value of open forward contract positions at the balance sheet date. The movement in fair value of open contract positions is recorded in net gain/(loss) on financial assets and liabilities at fair value through profit or loss in the Statement of Comprehensive Income. Realised gains or losses are recognised on the maturity date of the contract and are included as income in net gain/(loss) on financial assets and liabilities at fair value through profit or loss in the Statement of Comprehensive Income.

### f) Dividend income

Dividend income is recognised in the Statement of Comprehensive Income gross of withholding taxes when the Company's right to receive payment is established (the ex-dividend date)

### g) Transaction costs

Transaction costs are legal and professional fees incurred to structure a deal to acquire the Company's investments designated as financial assets at FVTPL. They include the upfront fees and commissions paid to agents, advisers, brokers and dealers and due diligence fees. Transaction costs, when incurred are immediately recognized in profit and loss as an expense.

### h) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank overdrafts, plus current accounts held with banks and money market deposits with a maturity of three months or less from the date of acquisition. The carrying amounts are a reasonable approximation to fair value due to their short-term maturity.

### i) Taxation

The Company is registered as an International Business Company in the British Virgin Islands under the provisions of the International Business Company Ordinance (Cap 291). Accordingly, no tax is payable in this jurisdiction on its profits. The only tax suffered by the Company is withholding tax deducted at source.

## NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

For the year ended 31 December 2015

### j) Accrued Expenses

Expenses are accounted for on an accruals basis. All expenses are charged to the Statement of Comprehensive Income.

### k) Earnings per share

Basic earnings per share at the year end is calculated using the weighted average number of shares in issue, net of treasury shares held. Diluted earnings per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential ordinary shares.

### l) Net asset value per share

The net asset value per share is calculated by dividing the net assets included in the Statement of Financial Position by the number of shares outstanding at year end.

### m) Segment reporting

2trade group limited, the Investment Manager makes the strategic resource allocations on behalf of the Company. The Company has determined only one operating segment as there are no sub portfolios, which are managed separately.

### n) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds, net of tax. Incremental costs directly attributable to the issue of new ordinary shares or options, or for the acquisition of a business, are included in the cost of acquisition as part of the purchase consideration.

Where the Company re-purchases its own ordinary shares (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company's equity holders until the ordinary shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is recognized as an increase in equity and the resulting surplus or deficit on the transaction is presented within share premium attributable to the Company's equity holders.

The consideration received or paid for ordinary shares issued or re-purchased respectively is based on the value of the Company's net asset value per ordinary share at the date of the transaction.

The capital redemption reserve arose as a result of the cancellation of treasury shares during 2001.

## 3 Risks and risk management

### i) Strategy in using financial instruments

In the normal course of its business the Company enters into various financial instruments which expose it to certain risks. These financial instruments include investments in common stock and forwards. The Company enters into derivatives in order to achieve the desired risk profile. The derivatives used are usually speculative in nature and are not usually used for hedging purposes. Generally, these financial instruments represent future commitments to purchase or sell other financial instruments at specific terms on specified future dates.

The contract amounts of forward contracts reflect the extent of the Company's involvement in the particular class of financial instrument and do not represent the Company's risk of loss due to counterparty non-performance. These financial instruments expose the Company to market risk, liquidity risk, credit risk and currency risk.

## NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

For the year ended 31 December 2015

The Company's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. The Company selectively uses derivative financial instruments to moderate certain risk exposures. For the Company's investment strategy please refer to background to the Company on page 10 and 11.

### ii) Market risk

The Company is exposed to equity securities price risk and derivative price risk. This arises from investments held by the Company for which prices in the future are uncertain. Where non-monetary financial instruments – for example, equity securities – are denominated in currencies other than CHF, the price initially expressed in the foreign currency and then converted into CHF will also fluctuate because of changes in foreign exchange rates.

All security investments present a risk of loss of capital. The Investment Manager moderates the risk through the careful selection of securities and other financial instruments. Except for financial futures and forward contracts the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. Possible losses from financial futures and forward contracts can be unlimited. The Company's overall market positions are monitored on a line by line basis by the Investment Manager. The Board of Directors check the exposures on a half yearly basis. The Directors have continuous discussions on risk and market positions. On special occasions the Directors meet at short notice to discuss the Company's overall market position.

### (a) Market price risk

The Company's market price risk is managed through diversification of the investment portfolio. Formulafirst invests in owner-managed companies and those that are controlled by owner-oriented groups of investors. These companies are generally distinguished by their consistent strategy of long-term and sustainable growth. Since owner-managed companies have a substantial share of their wealth and in most cases, of their working time invested in the company, their strategic business orientation includes goals such as maintaining the company's independence, a smooth transfer to the next generation as well as safeguarding and growing the company's assets. The long-term perspective, in some cases spanning several generations, is a major reason why these companies are more focused on their long-term strategic positioning rather than on the short-term maximization of returns. The weight of a single stock in the portfolio of Formulafirst can equal 10% of the assets (at cost) at most. The Company also follows a sector diversification approach. The portion of one sector cannot exceed more than 30% of total assets. The securities held by the Company and their proportion of net asset value is disclosed in note 6.

The Company classifies its investments in equity securities and related derivatives, as financial assets or financial liabilities at fair value through profit or loss. The overall market exposures of securities were CHF 36,198,685 at 31 December 2015 (2014: CHF 32,582,644). The notional exposures of the future and forward contracts are disclosed in note 8 to the financial statements.

The volatility of the benchmark MSCI Europe Index for the period 1st January 2011 to 31st December 2015 was 13.3% (standard deviation) on an annualized basis, for the period from 1st January 2010 to 31st December 2014 it was 11.8%. The impact of an increase/decrease of a standard deviation increases/decreases the Net Asset Value by CHF 4,814,425, as at December 2015 (2014: CHF 3,844,752), all other items remain unchanged.

## NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

For the year ended 31 December 2015

Sensitivity analysis is based on historical data and cannot take account of the fact that future market price movements, correlations between markets and levels of market liquidity in conditions of market stress may bear no relation to historical patterns. The market price risk information is a relative estimate of risk rather than a precise and accurate number. The market price risk information represents a hypothetical outcome and is not intended to be predictive. Future market conditions could vary significantly from those experienced in the past.

At 31 December the fair value of equities exposed to price risk were as follows:

	31 December 2015 Fair value CHF	31 December 2014 Fair value CHF
Equity securities designated at fair value through profit or loss	36,198,685	32,582,644
	<b>36,198,685</b>	<b>32,582,644</b>

### (b) Interest rate risk

Interest rate risk arises from the effects of fluctuations in the prevailing levels of markets interest rates on the fair value of financial assets and liabilities and future cash flow. The majority of the Company's financial assets and liabilities are non-interest bearing. As a result, the Company is not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates. Any excess cash is invested at short-term market interest rates. The Company's interest-bearing financial assets and liabilities expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

## NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

For the year ended 31 December 2015

The table below summarizes the Company's exposure to interest rate risks.

At 31 December 2015	Interest Bearing Less than 1 month CHF	Interest Bearing 1 month to 2 years CHF	Non-Interest Bearing CHF	Total CHF
<b>Assets</b>				
Cash at bank	2,054,622	–	–	2,054,622
Financial assets at fair value through profit or loss	–	–	36,198,685	36,198,685
<b>Total Assets</b>	<b>2,054,622</b>	<b>–</b>	<b>36,198,685</b>	<b>38,253,307</b>
<b>Liabilities</b>				
Unrealized loss on open forward contracts	–	–	89,718	89,718
Other Liabilities	–	–	653,395	653,395
<b>Total Liabilities</b>	<b>–</b>	<b>–</b>	<b>743,113</b>	<b>743,113</b>

At 31 December 2014	Interest Bearing Less than 1 month CHF	Interest Bearing 1 month to 2 years CHF	Non-Interest Bearing CHF	Total CHF
<b>Assets</b>				
Cash at bank	1,476,419	–	–	1,476,419
Financial assets at fair value through profit or loss	–	–	32,582,644	32,582,644
<b>Total Assets</b>	<b>1,476,419</b>	<b>–</b>	<b>32,582,644</b>	<b>34,059,063</b>
<b>Liabilities</b>				
Unrealized loss on open forward contracts	–	–	26,642	26,642
Other Liabilities	–	–	207,341	207,341
<b>Total Liabilities</b>	<b>–</b>	<b>–</b>	<b>233,983</b>	<b>233,983</b>

Changes in interest rates neither on the upside nor on the downside have a material impact on the Company's net asset value at 31 December 2015 or at 31 December 2014.

## NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

For the year ended 31 December 2015

### (c) Foreign exchange risk

The Company's policy is to enter into hedging transactions when it is appropriate for a certain currency but does not apply hedge accounting. The Company holds both monetary and non-monetary assets denominated in currencies other than the CHF, the functional currency. Currency risk as defined in IFRS 7 is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is exposed to currency risk as monetary assets and liabilities of the Company may be denominated in a currency other than the functional currency.

The table below summarises the Company's assets and liabilities, monetary and non-monetary which are denominated in a currency other than Swiss Franc (all figures in Swiss Franc).

The Company's currency risk is mainly concentrated in movements between the CHF and the EUR.

The volatility of the EUR against the CHF for the period from 1st January 2011 to 31 December 2015 was 8.60% (standard deviation) on an annualized basis and 7.80% for the period from 1st January 2010 to 31st December 2014. If the EUR had increased/decreased by a standard deviation against the CHF this would have increased/decreased net assets by approximately CHF 99,124 in the year 2015 (CHF 69,031 in the year 2014).

As can be seen from these tables the Company's currency exposure on monetary assets and liabilities is not significant in the current or prior year.

At 31 December 2015	CHF CHF	EUR CHF	USD CHF	Total CHF
<b>Assets</b>				
Monetary assets	2,054,622	–	–	2,054,622
Non-monetary assets	10,957,622	25,241,063	–	36,198,685
<b>Liabilities</b>				
Monetary liabilities	(732,705)	(5,424)	(4,984)	(743,113)
Non-monetary liabilities	–	–	–	–
Less nominal value of forward exchange contract	24,088,460	(24,088,460)	–	–
<b>Total</b>	<b>36,367,999</b>	<b>1,147,179</b>	<b>(4,984)</b>	<b>37,510,194</b>

At 31 December 2014	CHF CHF	EUR CHF	USD CHF	Total CHF
<b>Assets</b>				
Monetary assets	1,476,419	–	–	1,476,419
Non-monetary assets	11,301,028	21,281,616	–	32,582,644
<b>Liabilities</b>				
Monetary liabilities	(223,007)	(6,011)	(4,965)	(233,983)
Non-monetary liabilities	–	–	–	–
Less nominal value of forward exchange contract	20,396,600	(20,396,600)	–	–
<b>Total</b>	<b>32,951,040</b>	<b>879,005</b>	<b>(4,965)</b>	<b>33,825,080</b>

## NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

For the year ended 31 December 2015

### iii) Credit risk

Credit risk represents the potential loss that the Company would incur if the counterparties failed to perform pursuant to the terms of their obligations to the Company.

Substantially all of the assets and cash of the Company are held by Neue Helvetische Bank. The Company is exposed to credit risk through the use of Neue Helvetische Bank as the Custodian. Neue Helvetische Bank is a private company and is regulated by the Swiss Financial Market Supervisory Authority called FINMA. Since February 2011, Neue Helvetische Bank is listed on the SIX Swiss Exchange.

To mitigate the risks to which the Company is exposed from the use of the Custodian, the Investment Manager employs specific procedures to ensure that the counterparties to the Company are reputable institutions and that the credit risk is acceptable to the Company. The Company only transacts with custodians that are regulated entities subject to prudential supervision, or with high credit-ratings assigned by international credit-rating agencies. In addition the Company's securities are maintained in segregated accounts. Thus in the event of insolvency or bankruptcy of the Custodian, the assets are segregated and protected. The Company will however be exposed to credit risk on cash balances held by the Custodian. In the event of the insolvency or bankruptcy of the Custodian, the Company will be treated as a general creditor of the Custodian in relation to cash holdings of the Company

Derivative transactions are entered on a covered basis. All transactions in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation. The Investment Manager monitors the Company's credit position on a daily basis, and the Board of Directors reviews it on a half yearly basis.

### Counterparty Exposures

At 31 December 2015

Broker	Financial Assets at fair value CHF	Financial Liabilities at fair value CHF	Cash CHF	Total CHF
Neue Helvetische Bank	–	(89,718)	2,054,622	1,964,904
<b>Total</b>	<b>–</b>	<b>(89,718)</b>	<b>2,054,622</b>	<b>1,964,904</b>

At 31 December 2014

Broker	Financial Assets at fair value CHF	Financial Liabilities at fair value CHF	Cash CHF	Total CHF
Neue Helvetische Bank	–	(26,642)	1,476,419	1,449,777
<b>Total</b>	<b>–</b>	<b>(26,642)</b>	<b>1,476,419</b>	<b>1,449,777</b>

### iv) Liquidity risk

Liquidity risk is the risk that the Company may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous. The Company's listed securities are considered readily realisable, as the majority are listed on the stock exchange. The Company may periodically invest in derivative contracts traded over the counter, which are not traded in an organised market and may be illiquid. As a result, the Company may not be able to liquidate its investments in these instruments quickly at an amount close to their fair value to meet its liquidity requirements, or be able to respond to specific events such as deterioration in the creditworthiness of any particular issuer.

The Investment Manager monitors the Company's liquidity position on a daily basis, and the Board of Directors review it on a semi-annual basis.

## NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

### For the year ended 31 December 2015

The Company may at its absolute discretion purchase, redeem or otherwise acquire any of its shares for such consideration as it considers appropriate, and either cancel or hold such shares as treasury stock. The price paid by the Company for such shares must be equal or less than the Net Asset Value effective at the time of acquisition. The Shareholders have no right to ask for the redemption of their shares.

The table below analyses the Company's financial liabilities into relevant maturity groups, on an undiscounted basis.

At 31 December 2015

#### Non-Derivative Liabilities:

	Less than 1 Month CHF	1–3 Months CHF	3–12 Months CHF	Total CHF
Accounts payable and accrued expenses	(613,913)	(39,482)	–	(653,395)
<b>Total non-derivative financial liabilities</b>	<b>(613,913)</b>	<b>(39,482)</b>	<b>–</b>	<b>(653,395)</b>

#### Derivative Liabilities:

	Less than 1 Month CHF	1–3 Months CHF	3–12 Months CHF	Total CHF
Forward contracts	–	(89,718)	–	(89,718)
<b>Total derivative financial liabilities</b>	<b>–</b>	<b>(89,718)</b>	<b>–</b>	<b>(89,718)</b>

At 31 December 2014

#### Non-Derivative Liabilities:

	Less than 1 Month CHF	1–3 Months CHF	3–12 Months CHF	Total CHF
Accounts payable and accrued expenses	(141,826)	(65,515)	–	(207,341)
<b>Total non-derivative financial liabilities</b>	<b>(141,826)</b>	<b>(65,515)</b>	<b>–</b>	<b>(207,341)</b>

#### Derivative Liabilities:

	Less than 1 Month CHF	1–3 Months CHF	3–12 Months CHF	Total CHF
Forward contracts	–	(26,642)	–	(26,642)
<b>Total derivative financial liabilities</b>	<b>–</b>	<b>(26,642)</b>	<b>–</b>	<b>(26,642)</b>

#### v) Managing Capital

The Company defines its reported equity as capital to be managed. The objective of the Board of Directors is to increase the equity on a net asset value basis through the Company's investment strategy. There were no external requirements regarding capital during the year 2015. (2014: CHF Nil)

#### vi) Fair Value Measurements

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 year end date. The quoted market price used for financial assets held by the Company is the last traded price; the appropriate quoted market price for financial liabilities is the last traded price. The Company uses mid-market prices as a basis for establishing fair values for derivatives held.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

For instruments for which there is no active market, the Company may use internally developed models, which are usually based on valuation methods and techniques generally recognised as standard within the industry. Valuation models are used primarily to value unlisted equity, for which markets were or have been inactive during the financial year. Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions.

## NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

For the year ended 31 December 2015

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Company holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors including model risk, liquidity risk and counterparty risk.

The carrying value less impairment provision of other receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

Fair value measurements are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgement by the Company. The Company considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

## NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

### For the year ended 31 December 2015

The following tables analyse within the fair value hierarchy the Company's financial assets and liabilities (by class) measured at fair value:

At 31 December 2015

	Level 1 CHF	Level 2 CHF	Level 3 CHF	Total CHF
<b>Assets</b>				
Financial assets designated at fair value through profit or loss at inception:				
– Equity securities	36,198,685	–	–	36,198,685
<b>Total assets</b>	<b>36,198,685</b>	<b>–</b>	<b>–</b>	<b>36,198,685</b>

	Level 1 CHF	Level 2 CHF	Level 3 CHF	Total CHF
<b>Liabilities</b>				
Financial liabilities held at fair value through Profit/Loss:				
– Derivatives	–	(89,718)	–	(89,718)
<b>Total liabilities</b>	<b>–</b>	<b>(89,718)</b>	<b>–</b>	<b>(89,718)</b>

At 31 December 2014

	Level 1 CHF	Level 2 CHF	Level 3 CHF	Total CHF
<b>Assets</b>				
Financial assets designated at fair value through profit or loss at inception:				
– Equity securities	32,582,644	–	–	32,582,644
<b>Total assets</b>	<b>32,582,644</b>	<b>–</b>	<b>–</b>	<b>32,582,644</b>

	Level 1 CHF	Level 2 CHF	Level 3 CHF	Total CHF
<b>Liabilities</b>				
Financial liabilities held at fair value through Profit/Loss:				
– Derivatives	–	(26,642)	–	(26,642)
<b>Total liabilities</b>	<b>–</b>	<b>(26,642)</b>	<b>–</b>	<b>(26,642)</b>

Investments whose values are based on quoted market prices in active markets, and therefore classified within level 1, include active listed equities.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing

sources' supported by observable inputs are classified within level 2. These include over-the-counter derivatives. There were no transfers between any of the levels in the current or prior year.

The company held no level 3 investments at any stage during the period or at the period end.

## NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

For the year ended 31 December 2015

The following table analyses within the fair value hierarchy the Company's assets and liabilities not measured at fair value but for which fair value is disclosed:

At 31 December 2015

<b>Assets</b>	Level 1 CHF	Level 2 CHF	Level 3 CHF	Total CHF
Cash and cash equivalents	2,054,622	–	–	2,054,622
<b>Total assets</b>	<b>2,054,622</b>	<b>–</b>	<b>–</b>	<b>2,054,622</b>

<b>Liabilities</b>	Level 1 CHF	Level 2 CHF	Level 3 CHF	Total CHF
Accruals	–	(653,395)	–	(653,395)
Net assets attributable to holders of redeemable shares	–	(37,510,194)	–	(37,510,194)
<b>Total liabilities</b>	<b>–</b>	<b>(38,163,589)</b>	<b>–</b>	<b>(38,163,589)</b>

At 31 December 2014

<b>Assets</b>	Level 1 CHF	Level 2 CHF	Level 3 CHF	Total CHF
Cash and cash equivalents	1,476,419	–	–	1,476,419
<b>Total assets</b>	<b>1,476,419</b>	<b>–</b>	<b>–</b>	<b>1,476,419</b>

<b>Liabilities</b>	Level 1 CHF	Level 2 CHF	Level 3 CHF	Total CHF
Accruals	–	(207,341)	–	(207,341)
Net assets attributable to holders of redeemable shares	–	(33,825,080)	–	(33,825,080)
<b>Total liabilities</b>	<b>–</b>	<b>(34,032,421)</b>	<b>–</b>	<b>(34,032,421)</b>

The assets and liabilities included in the above table are carried at amortised cost; their carrying values are a reasonable approximation of fair value. Cash and cash equivalents include cash in hand, deposits held with banks and other short-term investments in an active market. Accruals represent the contractual amounts and obligations due by the Company for settlement of expenses. The puttable value of net assets attributable to holders of redeemable shares is calculated based on the

net difference between total assets and all other liabilities of the Company. The net assets attributable to holders of redeemable shares disclosed in the statement of financial position represent net assets that would be distributed in accordance with the Company's offering memorandum in a theoretical liquidation scenario, at values reflected in the financial statements. These shares are not traded on an active market, therefore Level 2 is deemed to be the most appropriate categorisation.

## NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

For the year ended 31 December 2015

### 4 Segment reporting

Analysis between activities is not presented as the Company's operations comprise a single class of business and are not focused on specific geographical regions. IFRS 8 requires disclosures in respect of the chief operating decision maker and certain disclosures in respect of the country of origin of income. Management have determined that the chief operating decision maker is the Investment Manager, 2trade group limited.

All revenues are derived from financial assets and are attributed to a country based on the domiciliation of the issuer of the instrument. The following tables show the breakdown of dividend income and investments at fair value by their respective countries of origin:

<b>Country</b>	Dividend income for year ended 31 Dec 2015 CHF	Investments at fair value 31 Dec 2015 CHF
Switzerland	435,200	10,957,622
Germany	402,730	25,241,063
<b>Total</b>	<b>837,930</b>	<b>36,198,685</b>

<b>Country</b>	Dividend income for year ended 31 Dec 2014 CHF	Investments at fair value 31 Dec 2014 CHF
Switzerland	312,959	11,301,028
Germany	398,354	21,281,616
<b>Total</b>	<b>711,313</b>	<b>32,582,644</b>

## NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

For the year ended 31 December 2015

### 5 Critical judgements in applying the Company's accounting policies

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial period. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are outlined below.

#### Taxation

The judgements in relation to taxation have been set out in note 14.

#### Fair value of derivative financial instruments

The Company may, from time to time, hold financial instruments that are not quoted in active markets, such as over-the-counter derivatives. Fair values of such instruments are determined by using valuation techniques.

#### Fair value of securities not quoted in an active market

The fair value of such securities not quoted in an active market may be determined by the Company using reputable pricing sources (such as pricing agencies) or indicative prices from bond/debt market makers. Broker quotes as obtained from the pricing sources may be indicative and not executable or binding. The Company would exercise judgement and estimates on the quantity and quality of pricing sources used. Where no market data is available, the Company may value positions using its own models, which are usually based on valuation methods and techniques generally recognised as standard within the industry.

## NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

For the year ended 31 December 2015

### 6 Schedule of investments

	Number of shares at 31 December 2015	Number of shares at 31 December 2014
<b>Long listed financial assets at fair value through profit or loss:</b>		
Axel Springer AG	43,480	48,120
Duerr AG	33,240	23,500
Elringklinger AG	123,000	48,000
Forbo Holding AG	2,233	2,233
Fresenius SE & Co KGaA	34,230	38,145
Fuchs Petrolub AG	65,000	70,000
Galenica AG	–	2,050
Henkel AG & Co. KGaA	16,270	16,270
Dorma & Kaba Holding AG	3,216	5,746
Krones AG	24,500	24,500
Rational	7,087	7,087
Roche Holding AG	6,500	6,500
SAP AG	31,663	31,663
SGS Ltd.	1,235	710
The Swatch Group AG	5,600	3,100
Wacker Chemie AG	12,000	12,000
<b>Total long listed financial instruments</b>		
<b>Total Investment in securities</b>		

#### Forward Currency Contracts:

Purchase CHF	Sell EUR	Maturity	Fair value in CHF 31.12.2015	% of net asset value 31.12.2015	Fair value in CHF 31.12.2014	% of net asset value 31.12.2014
24,088,460	22,300,000	18.03.16	(89,718)	(0.24%)	(26,642)	(0.08%)

## NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

For the year ended 31 December 2015

Fair value in CHF at 31 December 2015	% of net asset value at 31 December 2015	Fair value in CHF at 31 December 2014	% of net asset value at 31 December 2014
2,421,782	6.46%	2,897,121	8.57%
2,654,169	7.07%	2,069,719	6.12%
3,135,904	8.36%	1,661,633	4.91%
2,639,406	7.04%	2,220,718	6.57%
2,449,870	6.53%	1,979,228	5.85%
3,067,555	8.17%	2,801,907	8.28%
–	–	1,623,600	4.80%
1,821,617	4.86%	1,749,037	5.17%
2,198,136	5.86%	2,887,365	8.54%
2,931,780	7.82%	2,378,697	7.03%
3,228,479	8.61%	2,213,068	6.54%
1,798,875	4.80%	1,740,375	5.15%
2,520,690	6.72%	2,217,682	6.56%
2,360,085	6.29%	1,451,950	4.29%
1,961,120	5.23%	1,377,020	4.07%
1,009,217	2.69%	1,313,524	3.88%
<b>36,198,685</b>	<b>96.51%</b>	<b>32,582,644</b>	<b>96.33%</b>
<b>36,198,685</b>	<b>96.51%</b>	<b>32,582,644</b>	<b>96.33%</b>

## NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

For the year ended 31 December 2015

### 7 Net (loss)/gain on financial assets and liabilities at fair value

	Year ended 31 December 2015 CHF	Year ended 31 December 2014 CHF
Realised gains on investments held at fair value	2,774,374	2,293,397
Realised gains on forwards	1,683,730	168,170
Change in unrealised (losses)/gains on investments held at fair value	1,957,025	(632,838)
Change in unrealised (gains)/ losses on forwards	(63,076)	82,694
Realised currency (losses)/gains on investments held at fair value	(134,055)	16,488
Unrealised currency gains on investments held at fair value	1,229,553	254,206
<b>Total</b>	<b>7,447,551</b>	<b>2,182,117</b>

### 8 Forward contracts

Forward contracts are contractual obligations to buy or sell financial instruments on a future date at a specified price established in an Over the Counter (OTC) transaction. The Company enters into these exchange contracts agreeing to buy or sell foreign currency at a pre-determined rate on a specified date in the future. Changes in the contracts value are accounted for as either unreal-

ised gain/(loss) until the contract has matured at which time the gain/(loss) is realised. Realised and unrealised gain/(loss) on contracts is accounted for in the Statement of Comprehensive Income through net (loss)/gain on financial assets and liabilities at fair value through profit and loss. The following table shows the value of the forward contracts held.

	Year ended 31 December 2015 CHF	Year ended 31 December 2014 CHF
Unrealised (loss) on open forward contracts	(89,718)	(26,642)
<b>Unrealised net gain/(loss) on open forward contracts</b>	<b>(89,718)</b>	<b>(26,642)</b>

## NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

For the year ended 31 December 2015

The notional open forward contracts at the period/year end are set out below:

At 31 December 2015

Purchase CHF	Sell EUR	Maturity	Counterparty
24,088,460	22,300,000	18.03.16	Neue Helvetische Bank

At 31 December 2014

Purchase CHF	Sell EUR	Maturity	Counterparty
20,396,600	17,000,000	18.03.15	Neue Helvetische Bank

### 9 Financial assets designated at fair value through profit or loss

	Year ended 31 December 2015 CHF	Year ended 31 December 2014 CHF
<b>Listed investments:</b>		
Financial assets at fair value through profit or loss at beginning of the year	32,582,644	32,071,224
Additions during the year at purchase price	5,385,126	9,036,704
Sales during the year at selling price	(6,366,429)	(10,202,331)
Change in unrealised (losses)/gains on investments held at fair value	1,957,025	(632,838)
Realised gains/(losses) on investments held at fair value	2,774,374	2,293,397
Realised currency gains on investments held at fair value	(134,055)	16,488
<b>Financial assets designated at fair value through profit or loss at end of the year</b>	<b>36,198,685</b>	<b>32,582,644</b>

## NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

For the year ended 31 December 2015

### 10 Accounts payable and accrued expenses

Total accrued expenses at the end of the year, are detailed below:

	As at 31 December 2015 CHF	As at 31 December 2014 CHF
Administration fees	10,460	15,226
Audit fees	22,000	54,000
Directors fees	4,983	4,965
Performance fees	459,741	–
Management fees	143,712	126,600
Other fees	12,499	6,550
<b>Total accounts payable and accrued expenses</b>	<b>653,395</b>	<b>207,341</b>

### 11 Shareholders' equity and earnings per share

<b>Authorised share capital</b>	Year ended 31 December 2015 No. of shares	Year ended 31 December 2015 CHF	Year ended 31 December 2014 No. of shares	Year ended 31 December 2014 CHF
<b>At the beginning and end of the year</b>	<b>9,000,000</b>	<b>90,000</b>	<b>9,000,000</b>	<b>90,000</b>
<b>Treasury shares</b>				
At the beginning of the year	7,675,842	76,758	7,639,415	76,394
Purchase of treasury shares	61,356	614	47,801	478
Sale of treasury shares	(6,368)	(64)	(11,374)	(114)
<b>At the end of the year</b>	<b>7,730,830</b>	<b>77,308</b>	<b>7,675,842</b>	<b>76,758</b>
<b>Number of ordinary shares outstanding at the end of the year (nominal value per share is CHF0.01).</b>	<b>1,269,170</b>	<b>12,692</b>	<b>1,324,158</b>	<b>13,242</b>

## NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

### For the year ended 31 December 2015

The Company's share capital is divided into bearer shares with a par value of CHF 0.01 each. All shares not issued are held as treasury shares. Treasury shares are available for issue but until such time they are not entitled to participate in the profits of the Company and do not carry any voting rights.

Each issued outstanding share ranks equally as to dividends and all other pecuniary rights associated with the

ownership of the issued shares in accordance with their par value. Each issued share entitles the holder to exercise one vote. Voting rights are exercised at the general meetings at which resolutions must be passed by an absolute majority of the votes allocated to the shares represented at the shareholders' meeting, except as provided otherwise by the Memorandum and Articles of Association or by British Virgin Islands Law for certain resolutions.

<b>Earnings per share</b>	Year ended 31 December 2015	Year ended 31 December 2014
Weighted average number of shares in issue during the year	1,307,228	1,358,600
Net profit for the year (in CHF)	5,170,391	1,602,722
Earnings per share (in CHF), basic	3.96	1.18

As of 31 December 2015 and 2014, there are no items of a potentially dilutive effect and therefore, there is no difference between the basic and diluted earnings per share.

The Company did not pay any dividends in 2015 (2014: CHF Nil).

#### 12 Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party when making financial or operational decisions.

#### Investment manager

The Company is managed by 2trade Group Ltd., based in Switzerland. Pursuant to the terms of an Investment Management Agreement, since 1 February 2006 the Company pays 2trade Group Ltd. a management fee equivalent to 1.5% per annum of the net asset value of the Company, payable quarterly in arrears. Management fees for the year were CHF 550,514 (2014: CHF 501,089) of which CHF 143,712 remains payable (2014: CHF 126,600) at the year end.

The Investment Manager is also entitled to a performance fee based upon the performance of the net asset value of the shares, accrued daily and payable quarterly in arrears. The performance fee is equal to 20% of the amount, if any, by which the net asset value of the shares (after deduction of the management fee and before deduction of the performance fee) exceeds the High Water Mark and the hurdle rate of 3% applicable on the high water mark for that year. Starting 1 February 2006 this new calculation modus was introduced. From 1st of April 2015 the hurdle rate was removed. High Water Mark means an amount equal to the higher of (i) the High Water Mark on the immediately preceding quarter end or (ii) the net asset value on the immediately preceding quarter end at which a performance fee was payable by Formulafirst Ltd. The High Water Mark as at 31 December 2015 was CHF 28.11 (2014: CHF 26.73). The High Water Mark at the end of the first quarter of 2015 was CHF 26.93 and CHF 28.11 at the end of the second, third and fourth quarters respectively. Performance fees for the year were CHF 851,700 (2014: CHF nil) of which CHF 459,740 remains payable (2014: CHF nil) at the year end.

## NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

For the year ended 31 December 2015

### Legal advisors

Gresch & Schwab is the legal advisor to the Company. Markus Gresch, director of the Company, is a senior partner of Gresch & Schwab. During the year the Company received advisory services amounting to CHF 16,477 (2014: CHF 26,364) of which CHF Nil remains payable at the year-end (2014: CHF Nil).

### Directors

Directors' remuneration for the year was CHF 7,242 (2014: CHF 6,890) of which CHF 4,984 remains payable (2014: CHF 4,965) at the year end. Mr. Marcus Gresch also held 1,000 shares in the Company at 31 December 2015 (2014: 1,000).

### Company Secretary

Louvre Fund Management Limited is Company Secretary to the Company. Derek Baudains, director of the Company is a director of Louvre Fund Management Limited. During the year the Company received company secretarial services amounting to CHF 9,943 (2014: CHF 12,533) of which CHF Nil remained payable at the year-end (2014: CHF Nil).

### 13 Significant Agreement

Swiss Financial Services (Ireland) Ltd acts as Administrator of the Company. The Administrator is entrusted with administrative matters such as bookkeeping and correspondence, and calculation of the NAV, and liaises between the Board of Directors, the Auditors and the Investment Manager.

The administration fee is charged monthly in Euros, fixed at the EUR/CHF foreign exchange rate prevailing at the end of the respective month. The fee is paid quarterly. The administration fee is calculated as follows, 0.11% p.a. on the first CHF 75 million in net assets and 0.10% p.a. on the net assets exceeding CHF 75 million but is subject to a minimum fee per month of EUR 1,000. Net Assets for purposes of such fee calculation are defined as the Company's assets less its liabilities before accrued liabilities for management and incentive fees as well as audit fees, banking expenses and other accrued expenses. The Administrator also receives EUR 5,000 for the preparation of the annual financial statements and EUR 5,000 for the preparation of the semi-annual financial statements.

During the year Administration fee amounted to CHF 50,901 (2014: CHF 48,890) of which CHF 10,460 remained payable at the year-end (2014: CHF 15,226).

### 14 Taxation

The Company invests in securities issued by entities which are virtually all domiciled in countries other than the British Virgin Islands. Many of these foreign countries have tax laws which indicate that capital gains taxes may be applicable to non-residents, such as the Company. Typically, these capital gains taxes are required to be determined on a self-assessment basis and, therefore, such taxes may not be deducted by the Company's broker on a "withholding" basis.

## NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

For the year ended 31 December 2015

In accordance with IAS 12 – Income Taxes, the Company is required to recognize a tax liability when it is probable that the tax laws of foreign countries require a tax liability to be assessed on the Company's capital gains sourced from such foreign country, assuming the relevant taxing authorities have full knowledge of all the facts and circumstances. The tax liability is then measured at the amount expected to be paid to the relevant taxation authorities using the tax laws and rates that have been enacted or substantively enacted by the end of the reporting year. There is sometimes uncertainty about the way enacted tax law is applied to offshore investment funds. This creates uncertainty about whether or not a tax liability will ultimately be paid by the Company. Therefore when measuring any uncertain tax liabilities management considers all of the relevant facts and circumstances available at the time which could influence the likelihood of payment, including any formal or informal practices of the relevant tax authorities.

At 31 December 2015 and 31 December 2014, the Company has measured uncertain tax liabilities with respect to foreign capital gains taxes at CHF Nil and while this represents management's best estimate, the estimated value could differ significantly from the amount ultimately payable.

### 15 Employees

The Company had no employees during the current or previous year.

### 16 Significant events during the year

There were no significant events during the year.

### 17 Post balance sheet events

There were no material subsequent events which have a bearing on the understanding of the financial statements.

### 18 Approval of financial statements

The Directors approved the financial statements on 31 March 2016.

### 19 Authorisation for issue

The Financial statements were authorised for issue by the Board of Directors on 31 March 2016.

## CORPORATE GOVERNANCE

The information in the following sections is based on the Corporate Governance Directive of SIX Swiss Exchange. For the sake of clarity and completeness, certain information might be given more than once in these sections. The numbers given in parentheses refer to the respective provision of SIX Swiss Exchange. SIX Swiss Exchange provisions that are not relevant to Formulafirst Ltd. (the "Company") are not being referred to.

References are also made to relevant passages in the annual report or the [www.formulafirst.vg](http://www.formulafirst.vg) website.

### Group structure (1.1)

The Company is a pure investment company. It has no subsidiaries. All investments are owned directly by the Company.

<b>Domicile:</b>	Formulafirst Ltd. P.O. Box 3483, Road Town, Tortola, British Virgin Islands
<b>Listing:</b>	SIX Swiss Exchange CH-8021 Zurich, Segment Investment Companies
<b>Market capitalisation:</b>	CHF 37,567,432 per 31.12.2015
<b>Valor:</b>	1462983
<b>ISIN Code:</b>	VGG3637V1094

### Significant shareholders (1.2)

The Company's shareholders mainly consist of institutional investors based in Switzerland and other European countries. The shares held by Neue Helvetische Bank, Zurich, are required by virtue of its market-making activities. The Company is not aware of any existing shareholder pooling agreements or of any significant groups of shareholders.

### Cross-Shareholdings (1.3)

The Company maintains no cross-shareholdings.

### Capital structure (2-2.2)

For details about capital structure, shares outstanding, authorized capital see Notes to the Financial Statement, Note 11 shareholders' equity and earnings (loss) per share, pages 38 to 39.

As per December 31, 2015, the Company maintains no conditional or authorized capital.

### Changes in capital (2.3)

See statement of Changes in Shareholders' Equity, page 16.

### Shares and participation certificates (2.4)

The ordinary share capital of the Company amounts to CHF 90,000, consisting of nine million bearer shares, with par value of CHF 0.01 each. Of this total, 1,269,170 were outstanding and fully paid in as of December 31, 2015. There are no participation certificates outstanding.

All outstanding shares are equally entitled to dividends and all other financial rights. The holders of outstanding shares are entitled to one vote per share at the general meetings of shareholders, where resolutions are passed by an absolute majority of the votes cast. The Company is entitled to repurchase some or all outstanding shares at any time, provided the price paid per share does not exceed the applicable Net Asset Value per share on the date of purchase.

The remaining 7,730,830 bearer shares are held by the Company as Treasury shares. These shares have no par value. They are not entitled to a share of the company's profits and carry neither voting rights nor the right to any dividend payments.

The company is entitled at any time to offer these shares or to allocate them or write options on them, provided that the issue price per share is not less than the applicable Net Asset Value per share on the date of issue.

### Profit sharing certificates (2.5)

There exist no profit sharing certificates.

### Limitations on transferability and nominee registrations (2.6)

There exist no limitations on transferability and nominee registrations.

### Convertible bonds and warrants/options (2.7)

There are no convertible bonds and warrants/options existing.

## CORPORATE GOVERNANCE

### Board of directors (3.1)

#### Derek Baudains, Chairman (executive)

(MBA FCIS TEP FSI) British citizen, born 1957, residing in Guernsey, Member of the Board of Directors since 2002), completed his studies with the Master of Business Administration (MBA). He was engaged as Managing Director of Midland Bank Trust Corporation (Guernsey) Limited from 1985 to 1991. Afterwards he became Director and Chief Executive of Viking Trust Group Limited as well as Director of Leopold Joseph & Sons (Guernsey) Executor and Trustee Company Limited. Since 1994 he has been the Chief Executive Officer of the Louvre Group Limited, with offices in the United Kingdom, Guernsey CI, Liechtenstein, Geneva, Hong Kong and Dubai.

Derek Baudains was elected to the Board of Directors of Formulafirst Ltd. on June 28, 2002. Derek Baudains is also the CEO of Louvre Group Limited. Louvre Fund Services Limited acts as Company Secretary to the Company.

#### Christopher David Parish, Director (executive)

British citizen, born 1964, residing in Dubai, has joined Louvre Middle East DMCC in 2014 as Senior Relationship Manager from HSBC Private Bank where he worked for 9 years most recently in wealth planning in their London and Dubai offices principally for the Middle East market. Christopher is a degree educated senior trust professional/Trust Relationship Manager with over 20 years related experience. He holds the STEP Diploma as well as the IAQ and ACIB qualification.

Christopher David Parish has been a member of the Board of Directors since May 16, 2014.

#### Markus Gresch, Director (executive)

(lic. iur., LL. M., Swiss citizen, born 1958, residing in Pfäffikon/SZ, Member of the Board of Directors since 1994), completed his studies of Law at the University of Zurich. Afterwards he was engaged as consultant for multinational companies with Winterthur Life Insurance where he was responsible for pension planning services. Since 1990 he's been working in different law offices before founding his own lawyer's office Gresch&Schwab in 1999.

In addition to his function as member of the Board, Mr. Markus Gresch acts as legal advisor to the Company. Markus Gresch is member of the Board of Directors since the beginning of the company in December 29, 1994.

### Activities and functions (3.2)

No member of the Board of Directors sits on governing or supervisory bodies of important corporations, institutions or foundations established under private and public law, exercises a permanent management or consultancy function for important interest groups or holds a public or political office.

### Elections and terms of office (3.4)

The Articles of Association stipulate that the shareholders present or duly represented at the ordinary general meeting shall elect the members of the Board of Directors for a specific term of office. The current practice since the establishment of the Company has been to elect the persons to the Board for a term of one year at a time. The members of the Board are elected individually. There are no term limits for Board members. The members of the Board of Directors were elected for a term of one year by the general meeting on May 22, 2015.

The first-time election of the individual members is specified in paragraph 3.1.

### Internal organization structure (3.5.1–3.5.2)

Allocation of tasks within the board (3.5.1), members list and area of responsibility for each committee of the board of directors (3.5.2):

Derek Baudains	Chairman of the Board
Christopher David Parish	Member
Markus Gresch	Member

For details regarding the members of the Board see also section (3/3.1).

There are no specific Board committees with assigned tasks. The Board of Directors takes all decisions in corpore. The minimum quorum requirement is two Directors.

## CORPORATE GOVERNANCE

### Work methods of the Board of Directors and its committees (3.5.3)

The Board of Directors constitutes itself and elects a Chairman from among its members. The Chairman sets the agenda of the Board of Directors meetings. The members of the Board of Directors are provided with adequate documentation to prepare for deliberation of the items on the agenda in advance of Board meetings.

The Board of Directors meets as often as necessary but at least once every business year. It shall meet when convened by the Chairman or at the request of any member. Resolutions of the Board of Directors are decided by a majority of votes cast. Circular resolutions are permitted. Minutes of the deliberations of the Board of Directors and the resolutions passed shall be kept. The average duration of the Board meetings is one hour.

Mr. Derek Baudains is an Executive Director of Louvre Fund Services Limited, the secretary of the Company. Through this function Mr. Derek Baudains has immediate access to all relevant information concerning the Company.

The Board of Directors met 7 times during the business year 2015.

### Definition of areas of responsibility (3.6)

The Board of Directors is responsible for the operational management of the Company. It also monitors the investment activity of third parties contractually bound to manage the Company's investment assets and ensures adherence to the investment guidelines. All matters that are not reserved for other governing bodies or third parties by law or by the Articles of Association or by agreements signed with third parties fall within the authority of the Board of Directors.

All duties, power, proceedings and responsibilities of the Directors are described in detail in the Articles 46 to 78 of the Association of the Company on its website.

### Information and control instruments vis-à-vis the Senior Management (3.7)

Executive management of the Company is performed by the Board of Directors (see 3.5.3 and 3.6). The Board of Directors monitors the activity of the Investment Manager and the Administrator. The Chairman of the Board of Directors informs the other Board members about the course of business during the conduct of Board meetings. If any extraordinary events occur, all other Board members will be informed immediately.

The control instruments of the Board of Directors are the daily NAV and the monthly report. This publication includes the NAV, the performance figures, risk statistics, assumptions on the financial markets and the most important positions as well as general information about the Company. The Extraordinary General Meeting on March 28, 2013 amended the Articles of Association to waive the obligation to make an offer according to Art. 32 and Art. 52 of the Swiss Federal Act on Stock Exchanges and Securities Trading ("opting-out").

### Senior Management (4)

#### Members of the Senior Management (4.1)

See section 3.1.

#### Other activities and functions (4.2)

See section 3.2.

#### Management contracts (4.3)

**Investment Manager:** The Investment Management Agreement with 2trade, Baarerstrasse 2, 6301 Zug is disclosed in note 12 to the financial statements. The Investment Management Agreement between the Investment Manager and the Company can be terminated at any time in writing.

**Secretary:** Louvre Fund Services Limited, Guernsey, is the Company's Secretary. The Louvre Fund Services Limited renders trust and fiduciary services for international

## CORPORATE GOVERNANCE

corporate and private clients. The Secretary of the Company is responsible for correspondence and the organization and holding of shareholder meetings and serves as the point of contact with the authorities. The respective agreement was concluded for an indefinite period and can be terminated by either party giving to the other no less than 30 days written notice. It is paid compensation of GBP 3,000 each year. Including a payment for extraordinary items (e.g. organization annual general meeting) and legal charges, the total amount paid was CHF 9,943.– during the fiscal year 2015.

**Administrator:** Swiss Financial Services (SFS) (Ireland) Ltd., Old Kilmeaden Road, Waterford, Ireland, is the designated Administrator. SFS is specialized in administration and accounting services especially for U.S. and offshore domiciled investment products. The Administrator is responsible for the Company's accounting and serves as the interface between the Board of Directors, the Auditors and the Investment Manager. Remuneration for the services rendered by the Administrator amount to 0.11% p.a. for the first CHF 75 million of net assets and 0.10% p.a. for the amount over and above this mark, subject to a minimum fee of EUR 1,000 a month. Plus EUR 5,000, for the preparation of the annual financial statements, and EUR 5,000 for the preparation of the semi-annual financial statements. The respective agreement was concluded for an indefinite period with a minimum duration of 12 months and can be terminated by either party subject to a notice period of 90 days. Compensation paid for fiscal year 2015 amounts to CHF 50,901.

### Compensation, shareholdings and loans (5)

#### Content and method of determining the compensation and stock ownership programs (5.1)

The Board of Directors decides every year on compensation, share ownership programs and loans granted to members of the Board. Compensation is paid in cash and amounts to a flat-rate fee of USD 2,500 per member. No options or shares in the Company are distributed as compensation. The entitlement of each member to compensation lapses at the end of that member's term of office.

#### Compensation for acting members of governing bodies (5.2)

Every member is entitled to a flat-rate compensation of USD 2,500 for fiscal 2015. These payments due were accounted for in the 2015 accounts and entered under accounts payable. The payment of this compensation will be transacted in the new fiscal year.

A total of USD 7,500 was accrued in 2015 financials in relation to the acting members of the Board of Directors as compensation.

In addition to his function as member of the Board, Mr. Markus Gresch acts as legal advisor to the Company (as mentioned in 3.1). Mr. Gresch was conferred additional compensation for his services rendered as legal advisor (details see 5.7).

#### Compensation for former members of governing bodies (5.3)

The company paid no compensation during Fiscal Year 2015 to former executive or non-executive members.

#### Share allotment in the year under review (5.4)

There was no distribution or allocation of shares to members of the Board in the reporting period.

#### Share ownership (5.5)

The number of Formulafirst Ltd. shares held by members of the Board as of the reporting date was as follows:

(a) executive members:

Derek Baudains	none
Christopher David Parish	none
Markus Gresch	1,000 shares

(b) non-executive members:

There are no non-executive members on the Board.

#### Options (5.6)

No option rights are distributed or allocated to members of the Board.

## CORPORATE GOVERNANCE

### Additional fees and remunerations (5.7)

Mr. Markus Gresch acts as legal advisor to the Company in addition to his function as Board member (see 3.1). The compensation paid to Mr. Gresch for his services as legal advisor to the Company in fiscal year 2015 amounted to CHF 16,477.

Mr. Derek Baudains is also the Managing Director of Louvre Fund Services Limited. Louvre Fund Services Limited acted as Secretary of Formulafirst in 2015 and received total compensation of CHF 9,943 for services rendered (flat fee).

### Loans to members of governing bodies (5.8)

In principle no loans are granted to members of the Board. Thus, as of December 31, 2015, no such loans were outstanding.

### Compensation (5.9)

Each member of the Board of Directors receives an equal flat-rate of compensation as stated in 5.2, 5.4 and 5.6 (USD 2,500 per Board member). Including additional fees and remunerations as stated in 5.7 the total compensations are the following:

Name	Flat rate Fee CHF	Additional Fee & Re- munerations CHF	Total CHF
Derek Baudains	2,414	9,943	12,357
Chris D. Parish	2,414	–	2,414
Markus Gresch	2,414	16,477	18,891
<b>Total</b>	<b>7,242</b>	<b>26,420</b>	<b>33,662</b>

### Shareholders' participation (6)

#### Voting-rights and representation restrictions (6.1)

There are no voting rights restrictions. The Articles of Association do not contain any regulations on participation at the general meeting other than those provided by British Virgin Islands law.

#### Statutory quorums (6.2)

According to Art. 20, Section 5 of the Articles of Association, a change in the purpose of the Company or its dissolution with subsequent liquidation requires the affirmative vote of two-thirds of the votes cast at a general meeting. The required quorum therefore exceeds the legal minimum requirement stipulated under British Virgin Islands law.

#### Convocation of the general meeting of shareholders (6.3)

The ordinary general meeting is held annually in London within the first six months after the close of the fiscal year. The time and place are determined by the Board of Directors. Invitations to shareholders to participate at the general meeting are published at the latest twenty days prior to the meeting in a Zurich, Geneva and British Virgin Islands newspaper.

Shareholders or shareholder groups who own more than 10% of the Company's outstanding shares can submit a written request to the Board of Directors requesting that an extraordinary general meeting be convened.

#### Agenda (6.4)

Shareholders or shareholder groups that own more than 10% of the Company's outstanding shares can submit a written request to the Board of Directors requesting that additional items be added to the agenda for the general meeting. Requests need to be submitted not later than 40 days before the general meeting.

#### Registrations in the share register (6.5)

No registered shares are present with the Company's capital structure.

#### Changes of control and defense measures (7)

##### Duty to make an offer (7.1)

The Company is domiciled in the British Virgin Islands. On March 28, 2013 the Company's Articles of Association were amended by adding new Article 12 A as follows: The obligation to make an offer according to Art. 32 and Art. 52 of the Swiss Federal Act on Stock Exchanges and Securities Trading will be waived entirely (opting out).

## CORPORATE GOVERNANCE

### Clauses on changes of control (7.2)

There are no clauses on changes of control in agreements or plans in favor of members of the Board.

### Auditors (8)

#### Duration of mandate and term of office of head auditor (8.1)

The auditors of the Company are elected for a term of one year at a time. For the 2015 reporting year the Company was audited by PricewaterhouseCoopers AG, Birchstrasse 160, CH-8050 Zurich. The mandate was assigned on December 12, 2003.

Mr. Adrian Keller has been the auditor in charge of the auditing mandate for the Company since Fiscal Year 2010.

#### Auditing fees (8.2)

PricewaterhouseCoopers charged for Fiscal Year 2015 CHF 51,816 for services rendered in connection with auditing the financial statements of the Company.

#### Additional fees (8.3)

In relation with the desk review of the interim report the Company paid additional fees of CHF 2,500 to PricewaterhouseCoopers. The fees were paid for professional services in respect of specific procedures in relation to the interim financial statements of the Company for the period ended 30 June 2015.

#### Supervisory and control instruments pertaining to the audit (8.4)

The auditor report to the Board of Directors describes in a Long Form report all examined issues. Members of the Board had one meeting during the audit process with Pricewaterhouse Coopers. This meeting takes place before the Annual General Meeting. The Board of Directors annually assesses the performance, compensation and independence of the auditors. The Board of Directors annually controls the extent of the external auditing, the auditing plans and the respective programs and discusses auditing results with the external auditors at the occasion of the Board of Directors' meeting following the audit.

### Information policy (9)

The Company maintains a website. All relevant information is available at [www.formulafirst.vg](http://www.formulafirst.vg).

<b>Share price</b>	Bloomberg, Reuters, Homepage (daily/intraday)
<b>NAV/Share</b>	Bloomberg, Homepage Finanz & Wirtschaft (Wednesday/Saturday)
<b>Performance</b>	monthly update (it is published in the Monthly Report of Formulafirst which appears on the first working day of each month on the web page of the Company)

The Annual/Semi-Annual report is published on the Company's Website or may be sent upon request by e-mail or by post.

Price-relevant information is announced in accordance with the ad-hoc communications guidelines of SIX Swiss Exchange. Invitations to the annual general meetings of shareholders are communicated via a calling notice published in a British Virgin Islands (The BVI Beacon), Zurich (NZZ) and Geneva (Le Temps) newspaper.

<b>Reuters</b>	FFI.S
<b>Bloomberg</b>	FFI SW <Equity>
<b>CH Valorennummer</b>	1 462 983
<b>ISIN</b>	VGG3637V1094

## SHAREHOLDERS' INFORMATION

### BOARD OF DIRECTORS

Derek P Baudains (Guernsey)  
Chris D. Parish (Dubai)  
Markus Gresch (Switzerland)

### REGISTERED OFFICE

Formulafirst Ltd.  
PO Box 3483  
Road Town, Tortola  
British Virgin Islands

### COMPANY SECRETARY

Louvre Fund Services Limited  
St. Peters House  
Le Bordage, St. Peter Port  
Guernsey, GY1 1BR  
Channel Islands

### ADMINISTRATOR

Swiss Financial Services (Ireland) Ltd.  
Block 4B, Cleaboy Business Park  
Old Kilmeaden Road  
Waterford  
Ireland

### CUSTODIAN & PAYING AGENT

Neue Helvetische Bank AG  
Seefeldstrasse 215  
CH-8008 Zurich  
Switzerland

### LEGAL ADVISORS

Gresch & Schwab  
Staldenbachstrasse 9b  
P.O. Box  
CH-8808 Pfaeffikon/SZ  
Switzerland

### INVESTMENT MANAGER

2trade group ltd.  
Baarerstrasse 2  
P.O. Box 330  
CH-6301 Zug  
Switzerland

### INDEPENDENT AUDITORS

PricewaterhouseCoopers AG  
Birchstrasse 160  
CH-8050 Zurich  
Switzerland

### INVESTOR RELATIONS

Dynamics Group AG  
Utoquai 43  
CH-8024 Zurich  
Switzerland

### PUBLICATION OF NET ASSET VALUE

Bloomberg: FFI SW <Equity> NAV  
Finanz und Wirtschaft  
[www.formulafirst.vg](http://www.formulafirst.vg)

### TICKER/SECURITY CODES

Reuters: FFI.S  
Bloomberg: FFI SW <Equity>  
CH Valorenummer: 1 462 983  
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