Formulafirst Ltd.

Incorporated in Tortola, British Virgin Islands

Interim Financial Report 2013, six months ended 30 June 2013

www.formulafirst.ch

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.

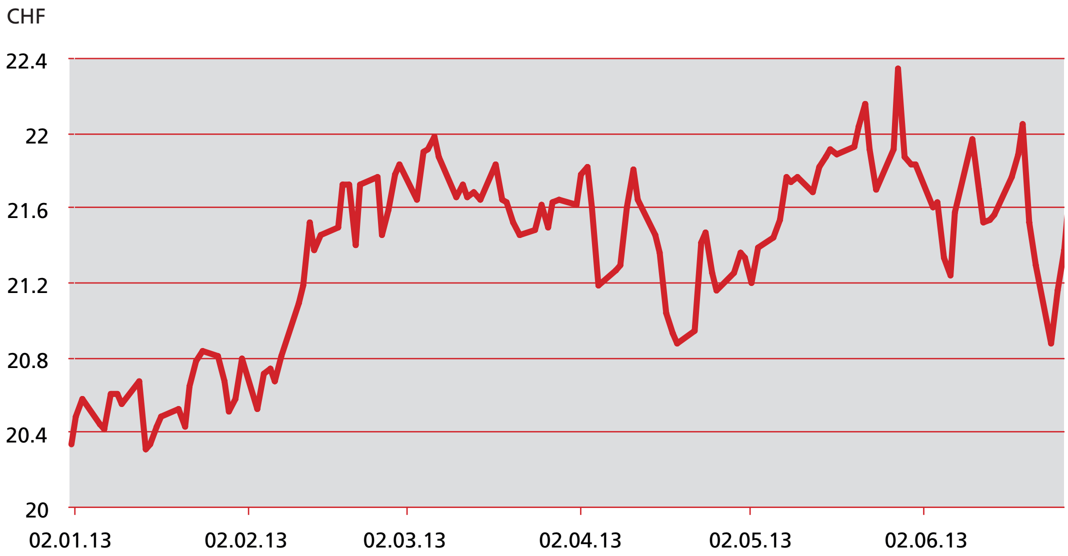
Formulafirst Ltd. invests

In owner-managed companies in Central Europe.

Key Figures as of 30.06.2013

Share price:	CHF 21.40
Year High:	CHF 22.20
Year Low:	CHF 20.10
NAV per share:	CHF 21.42
Discount share price vs. NAV:	0.09%
Performance Ytd:	6.73%
Total market capitalization:	CHF 30,381,730
Net asset value (NAV):	CHF 30,416,473
Liquid funds:	CHF 355,078
	(1.2%)
Number of outstanding shares:	1,419,707

SHARE PRICE DEVELOPMENT FIRST HALF OF 2013



Details concerning our investment philosophy, organisation etc. are published on our homepage:
www.formulafirst.ch

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DEAR SHAREHOLDERS

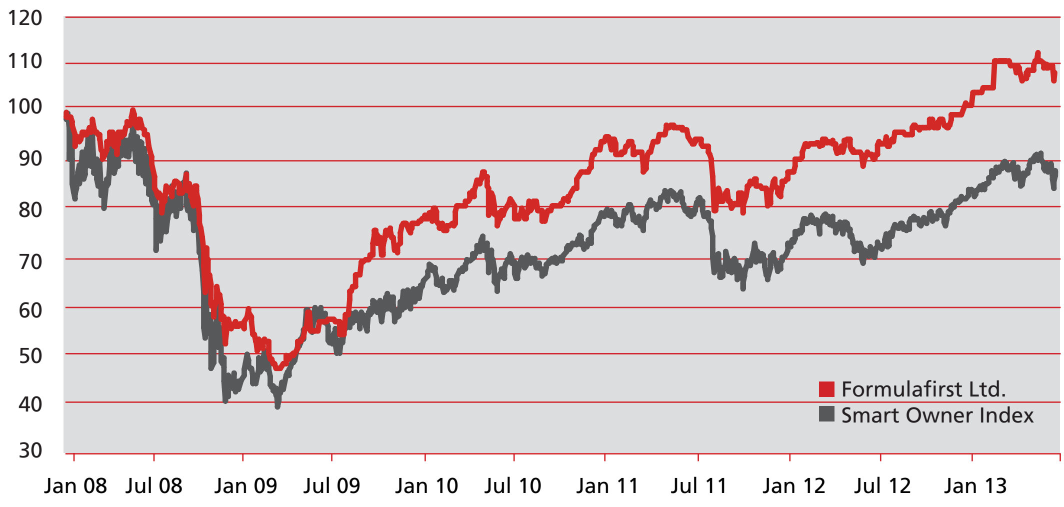
Not long after Abe was elected Prime Minister of Japan, the country's central bank opened the floodgates wide like its counterparts in the West before it. Fueled by ultra loose monetary policy around the world, stock markets surged higher during the early months of 2013. Neither the gridlock in Washington over how to rein in the federal budget deficit nor the financial crisis in Cyprus nor the long and windy road in Rome towards a new coalition government were able to hold back the markets' liquidity-driven momentum. Even downward revisions of economic growth forecasts had little impact on investors – instead they focused on the prospects of further easing from the ECB. Europe's central bank did cut its key lending rates to a record low of 0.5% at the beginning of May, giving the global bull market another leg up. A consolidation set in towards the end of May after China reported disappointing data on its purchasing managers index. Near the end of the first half the Federal Reserve signaled that it might start to taper its quantitative easing under certain conditions and, despite the carefully chosen words, some investors who had become used to a world awash in liquidity became frightened and headed for the exits. We note that the Japanese are set to pump more liquidity into the global financial system in the near future than the Americans will siphon off, even in a rapid tapering scenario. It is therefore unlikely that the actions taken by monetary policymakers will lead to bearish stock markets in the foreseeable future.

At the beginning of the year we reduced the portfolio's defensive exposure somewhat in favor of cyclical stocks because the global flood of liquidity suggested growth would be trending higher.

EUR positions continued to be hedged throughout the period, particularly since hedging costs were very low.

The net asset value of Formulafirst Ltd. increased by 6.73% during the period under review and closed the first half of 2013 at CHF 21.42.

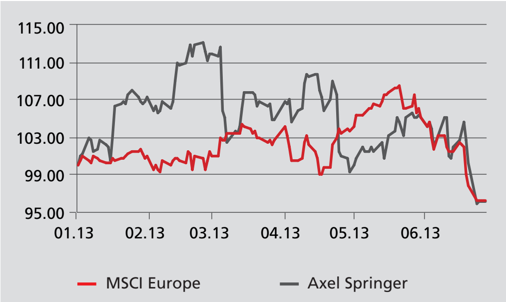
The stocks selected from our investment universe for Formulafirst Ltd. (companies belonging to the Smart Owners Index) delivered a very strong outperformance compared to the Smart Owners Index (consisting of 50 owner-managed companies).

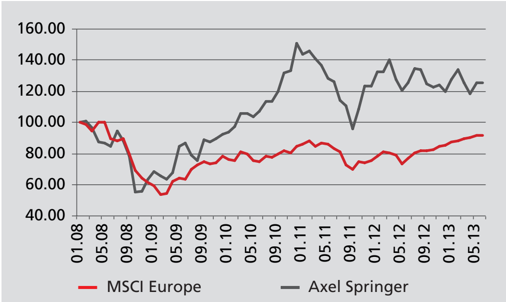


DEAR SHAREHOLDERS – CONTINUED

Below is a summary of interesting news and developments concerning some of the companies Formulafirst Ltd. was invested in during the first half of 2013.

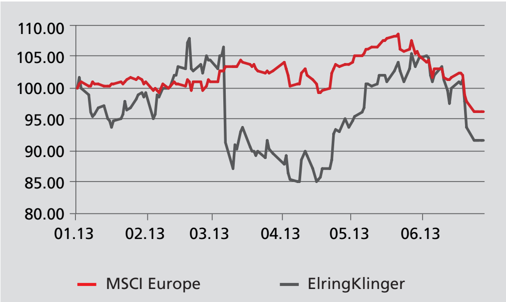
Axel Springer

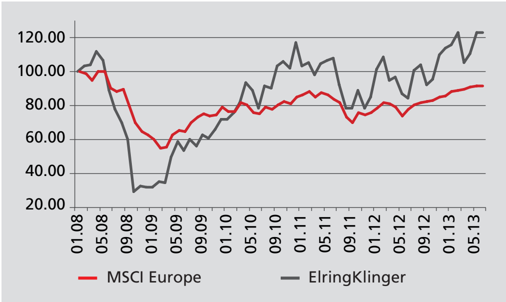




The Digital Media segment at Axel Springer continues to deliver strong growth. First-quarter results from the Performance Marketing division showed how intense its competitive environment is. Zanox is an international player and therefore affected by the weakness in Southern Europe. In the Digital Classifieds division business is going well, even better than expected. Its margin slipped from 43.5% to 41.1% because of the dilutive effect of recent acquisitions. Content Portals reported pleasing organic growth (approx. + 12% in 1Q13).

ElringKlinger

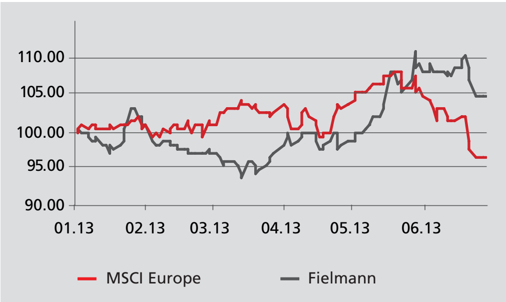


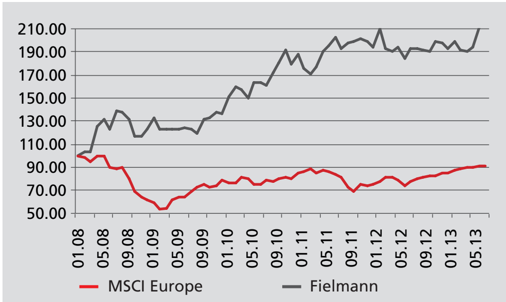


ElringKlinger's capacity utilization rates in China are at very high levels and the company has decided to build another factory there. New car registrations in China climbed another 13% y-o-y in 1Q13 and the trend is pointing up in the USA, too. In Germany car production was 10% lower in 1Q13 compared to the year-ago quarter. Car makers reported steady exports but trimmed their inventories. In the rest of Western Europe car production declined by 12% y-o-y. Nevertheless ElringKlinger increased its European sales by 1% in 1Q13! The second quarter should be better because it has two additional working days and inventories are low. The market in Southern Europe has bottomed out.

DEAR SHAREHOLDERS – CONTINUED

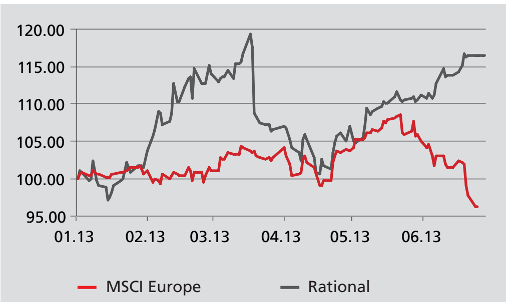
Fielmann

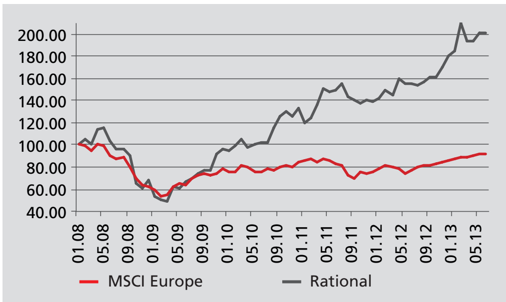




Fielmann is very optimistic about its course of business in 2013. Business was good in April and very good during the early days of May. The gross profit margin improved significantly after management raised sales promotion prices. Last year sunglasses, for example, could be bought on sale for EUR 17.50 but in 2013 the price was raised to EUR 25. Consumer confidence in Germany is very good. High-profile advertising campaigns are not necessary because customers are flocking to its stores anyway. Net profit margins should continue to climb in 2013 as should the EBIT margin. Prices for eyewear are trending up, contact lenses are selling at moderately higher prices and hearing aid prices are moving sideways. Management is aiming to further expand the company's market share in 2013.

Rational





In 1Q13 sales in Russia surged 70%, in China by 80%, in Australia by 40%, in the Middle East by 60% and in Africa sales actually tripled. Whereas Canadian sales grew by 30%, sales in the USA were up by 4% due to a shift in sales to smaller appliances. Growth in the US will eventually pick up again. On the East Coast Rational is increasingly deploying in-house sales staff and it intends to set up a new sales force on the West Coast (huge potential!). In the USA the company is growing with Wal-Mart, Krogers and WaWa, a chain of gas stations. In Canada it is cooperating with the restaurant chain Tim Hortens.

For and on behalf of the Board of Formulafirst Ltd.

Kay Reddy, Director

MARKETS

Review of the first half of 2013

Stock markets were pressured by the budget battle in Washington as 2012 came to a close but early January all those worries turned out to be increasingly less worrying. Equities suddenly became more interesting again. The following reasons were cited for this shift: The onset of the "great rotation" from fixed income to equities, the resumption of mergers and acquisitions, which generally means higher share prices; rays of hope regarding China's economic growth and an expanding US economy, albeit not so fast as to bring the unemployment rate down to sharply lower levels. Stock markets corrected in March, though, when the financial crisis in Cyprus hit the headlines and thrust Southern Europe's debt problems back to center stage. After just a few days of volatile trading and some nail-biting about a run on banks in Southern Europe, central banks were able to present a rescue package for Cyprus. The Cypriot banks were recapitalized but large bank depositors were given a big haircut under the terms of the bail-in. Markets calmed down again and resumed their upward trend but it became increasingly apparent that global economic activity was slowing down. Forecasts for Europe were being revised down and data from the US and China was not as strong as expected either. For a while stock markets shrugged this off and instead focused on policy responses from the central banks. In Europe the ECB cut its overnight lending rate to a record low of 0.5%, giving the global stock rally another leg up. After the publication of disappointing PMI data in China and statements from the Fed in May that it might begin to taper its bond purchase activity, markets entered a phase of consolidation. Bernanke's remarks that bond purchase activity might be scaled back already in the current year deepened the correction and simultaneous signs of stress in the Chinese money market added to the downward momentum. Market tension did not begin to ease until the Chinese central bank and Federal Reserve Board members came out with some reassuring comments. The ECB also pledged to maintain its loose monetary policy for a long time. Markets eventually changed direction and then regained most of the ground they had lost.

Outlook for the second half of 2013

The **US** economy can well be a tad firmer through the rest of the year. The negative fiscal impulse has amounted to about 2% of US GDP, but stepping into next year the negative impact will be much smaller. The recent spike in the US equity-to-bond ratio is also consistent with improving growth. The equity-to-bond ratio typically leads the US economy by about 6 months. Private-sector GDP growth has averaged about 3% p.a. since 2009, while public sector spending has been decreasing by 2% p.a. Assuming no new reduction in the public sector's growth contribution next year, overall economic growth will gravitate toward the expansionary pace seen in the private sector. If this is the case, it would represent a significant lift to overall GDP growth. The FED statement with regard to phasing out the QE3 program triggered a selloff in the Treasury bond market. Questions immediately cropped up as to exactly when tapering would begin and what impact such a shift in FED policy could have on the US economy and stock prices. Should the FED decide to taper its asset purchases, it would mean that the FED is easing at a slower rate. Even if the FED completely stops its asset purchase program, the change should be thought of as a switch from rate cuts to a holding pattern. Hence, it is wrong to equate tapering with policy tightening. With the US economy continuing to gain traction, it makes no sense for the FED to continue its asset purchase program as if the economy were still in the doldrums. Although the FED may reduce its asset purchases sooner than expected, it may not change rates for a long time. There will be a long transition period between easing and tightening.

The **euro zone** economy is still mired in recession. There are indications that growth in the entire area is beginning to stabilize, albeit at a very depressed level. The bright spot is Germany, where the sharp growth deceleration appears to be ending and the economy is poised for a rebound. Outside Germany, the rest of the euro zone will continue to struggle. Nonetheless, the sharp fall in borrowing costs, improving business confidence and recovering monetary aggregates have eased the pain and reduced the rate of contraction. The peripherals are still going through a very painful debt deflation process, with price levels, wages and asset prices under severe downward pressure. This process will continue to pose various challenges to euro zone policymakers.

MARKETS – CONTINUED

The **Chinese** economy is hitting a rough ride as the new leaders in Beijing try to address some of the structural problems in the economic system. The outbreak of the interbank liquidity crisis in June is an indication of a change in attitude at the central bank and within the new government toward credit expansion and economic growth. The authorities are concerned about the huge growth of shadow banking activity and the rapid buildup in unsecured provincial government debt. With a markedly expanded banking-system balance sheet since 2009, the People's Bank of China is not willing to allow credit growth to exceed economic expansion. The SHIBOR crunch was orchestrated by the People's Bank of China, which used the exercise to warn state banks of its intentions to squeeze shadow activity. The new government is trying to break up state monopolies and re-orient the economy toward a growth model that is less dependent on capital investment. China has to liberalize its economy because innovation and progress cannot be planned by the central government. It is unrealistic to expect another aggressive stimulus plan from Beijing to spur a quick turnaround in growth.

The US **equities** market is still in the midst of a cyclical bull market that has further to run. Stocks massively underperformed bonds over the last decade and investors suffered two severe bear markets, with price declines in both cases exceeding 50%. This has dramatically skewed the return distribution. Going forward, the forces of mean reversion will more likely push stock prices up rather than down, and for much longer than the average cycle. From a cyclical viewpoint, corporate profits in the US will likely expand in the coming months. Finally, in recent history virtually all major equity bear markets were triggered by the onset of monetary tightening. Today the curve is steepening, which suggests that monetary policy remains highly stimulative and momentum behind the economy will more likely strengthen than weaken. Normally, a major bear market does not develop while the yield curve is positively sloped and steepening.

The trade-weighted **US dollar** will continue to strengthen due to several supportive forces, including: a) a better growth profile for the US economy compared with the rest of the G7, b) FED taper talk and anticipation of a shift in FED policy way ahead of other central banks, c) anxiety over emerging markets, leading to strengthening demand for the dollar from redemption of emerging market assets and d) continued outperformance of the US equity market, reinforcing dollar demand via capital inflows.

The **EUR** will stay under pressure. ECB President Mario Draghi reassured investors that rates will either stay at current levels or move even lower for an extended period of time. As a result, the euribor market is rallying. In the meantime, the political troubles in Portugal may not subside soon, which could undermine investor confidence again.

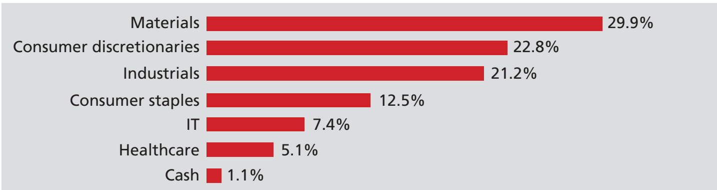
Rising real bond yields, stronger stock prices and a strengthening dollar will continue to pressure **gold** prices lower.

The bearish factors for the **CRB Index** include: a) a strong dollar, b) a steady increase in supply, c) slower growth in Chinese commodity demand and continued improvement in global energy efficiency.

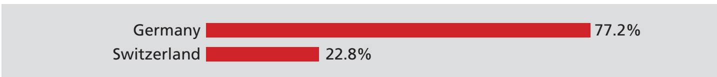
INVESTMENT PORTFOLIO

Details concerning the Equity Portfolio per June 30, 2013 and a summary concerning the implemented transactions during the first half year are available on page 32 (Section: Notes to the Financial Statements; Note 6).

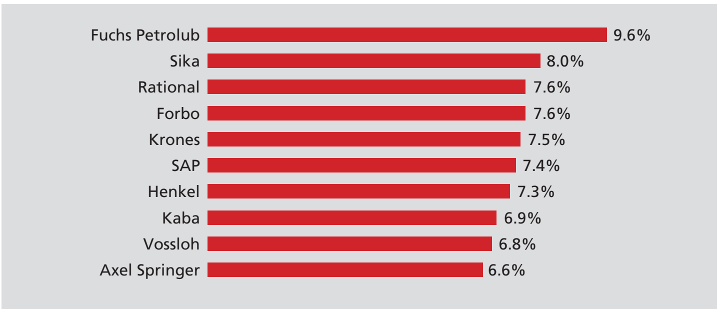
Breakdown by sectors



Breakdown by countries



The largest positions



Currency Allocation

BACKGROUND TO THE COMPANY

Capital structure and shareholders

The Company ("the 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 30 June 2013, 1,419,707 (31 December 2012: 1,617,217) shares were outstanding, while 7,580,293 (31 December 2012: 7,382,783) 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 in equities, 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) 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.

STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2013

	Notes	Unaudited Six months to 30 June 2013 CHF	Unaudited Six months to 30 June 2012 CHF
Investment income			
Dividend income	2(g)	558,536	627,267
Net gain/(loss) on financial assets and liabilities at fair value through profit or loss	7	2,203,378	1,554,451
Net foreign exchange gain/(loss)		10,079	(6,526)
Total net investment income		**2,771,993**	**2,175,192**
Expenses			
Management fees	12	248,295	221,159
Custody fees		32,848	27,702
Directors' fees	12	3,516	3,257
Auditing and accounting fees		24,680	67,363
Administration fees	12	24,525	21,884
Other operating expenses		80,895	43,770
Legal Fees	12	40,903	15,127
Investment transaction costs		27,534	9,435
Total operating expenses		**483,196**	**409,697**
Operating profit		**2,288,797**	**1,765,495**
Finance costs			
Interest expense		–	(92)
Profit before tax		**2,288,797**	**1,765,403**
Withholding taxes		(140,118)	(116,558)
Profit attributable to equity holders of the Company		**2,148,679**	**1,648,845**
Other comprehensive income		–	–
Total comprehensive Income		**2,148,679**	**1,648,845**
Earnings per share, basic	2(l), 11	1.37	1.01
Earnings per share, fully diluted	2(l), 11	1.37	1.01

All amounts arose solely from continuing operations. There are no recognised gains/(losses) other than those dealt with in the Statement of Comprehensive Income.

The accompanying notes on pages 17 to 38 form an integral part of the financial statements.

Approved by the board of directors on 19th August 2013 and signed on its behalf by:

Kay Reddy, Director

STATEMENT OF FINANCIAL POSITION

As at 30 June 2013

	Notes	30 June 2013 CHF	31 December 2012 CHF
Assets			
Current assets			
Cash and cash equivalents	2(h)	355,078	831,943
Financial assets at fair value through profit or loss	6,9	29,908,048	31,902,183
Unrealised appreciation on open forward contracts	7	330,720	–
Total assets		**30,593,846**	**32,734,126**
Liabilities			
Current liabilities			
Unrealised loss on open forward contracts	7,8	–	73,920
Accounts payable and accrued expenses	10	177,373	197,519
Total liabilities		**177,373**	**271,439**
Net assets		**30,416,473**	**32,462,687**
Capital & Reserves attributable to the Company's Equity Shareholders:			
Share capital	11	90,000	90,000
Capital redemption reserve		10,000	10,000
Less treasury shares held	11	(75,803)	(73,827)
Share premium		1,462,167	5,655,084
Retained earnings		28,930,109	26,781,430
Total Capital & Reserves attributable to the Company's Equity Shareholders		**30,416,473**	**32,462,687**
Number of shares outstanding	11	**1,419,707**	**1,617,217**
Net asset value per share		**21.42**	**20.07**

STATEMENT OF FINANCIAL POSITION – CONTINUED

As at 30 June 2013

A reconciliation of the net asset value as reported in the statement of financial position as at 30 June 2013 to the trading net asset value as determined for the purposes of processing sales of shares and buy backs of shares is provided below.

	30 June 2013 CHF	31 December 2012 CHF
Net assets/equity as per statement of financial position*	30,416,473	32,462,687
Price adjustment for financial assets at fair value through profit or loss	–	49,675
Trading net asset value	**30,416,473**	**32,512,362**

*Financial assets as per statement of financial position are valued as at 30 June 2013 at last trading prices and as at 31 December 2012 at current bid price, as per note 2(e). The price adjustment as at 31 December 2012 adjusts from current bid prices to those prices as per the custodian statement on that date.

Approved by the board of directors on 19th August 2013 and signed on its behalf by:

Kay Reddy, Director

The accompanying notes on pages 17 to 38 form an integral part of the financial statements.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the six months ended 30 June 2013

	Share capital CHF	Capital redemption reserve CHF	Treasury shares held CHF	Share premium CHF	Retained earnings CHF	Total CHF
Balance at 1 January 2011	**90,000**	**10,000**	**(68,989)**	**13,671,647**	**25,460,488**	**39,163,146**
Purchase of treasury shares	–	–	(702)	(1,303,660)	–	(1,304,362)
Sale of treasury shares	–	–	–	–	–	–
Total comprehensive Income	–	–	–	–	(69,880)	(69,880)
Balance at 30 June 2011	**90,000**	**10,000**	**(69,691)**	**12,367,987**	**25,390,608**	**37,788,904**
Balance at 1 January 2012	**90,000**	**10,000**	**(73,745)**	**5,810,565**	**21,954,627**	**27,791,447**
Purchase of treasury shares	–	–	(130)	(240,105)	–	(240,235)
Sale of treasury shares	–	–	99	181,134	–	181,233
Total comprehensive Income	–	–	–	–	1,648,845	1,648,845
Balance at 30 June 2012	**90,000**	**10,000**	**(73,776)**	**5,751,594**	**23,603,472**	**29,381,290**
Balance at 1 January 2013	**90,000**	**10,000**	**(73,828)**	**5,655,085**	**26,781,430**	**32,462,687**
Purchase of treasury shares	–	–	(2,078)	(4,404,166)	–	(4,406,244)
Sale of treasury shares	–	–	103	211,248	–	211,351
Total comprehensive Income	–	–	–	–	2,148,679	2,148,679
Balance at 30 June 2013	**90,000**	**10,000**	**(75,803)**	**1,462,167**	**28,930,109**	**30,416,473**

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

The accompanying notes on pages 17 to 38 form an integral part of the financial statements.

CASH FLOW STATEMENT

For the six months ended 30 June 2013

	Unaudited Six months Ended 30 June 2013 CHF	Unaudited Six months Ended 30 June 2012 CHF
Cash flows from operating activities		
Net profit/(loss) on ordinary activities	2,148,679	1,648,845
Adjustment for		
Dividend income	(558,536)	(627,267)
Witholding taxes	140,118	116,558
Interest income	–	–
Interest expense	–	92
Net decrease in investments	1,994,135	1,562,663
Net decrease/(increase) in open forward contracts	(404,640)	53,187
Net (decrease) in accounts payable and accrued expenses	(20,146)	(18,650)
Cash generated from operating activities	**3,299,610**	**2,735,428**
Dividends received	558,536	627,267
Witholding taxes paid	(140,118)	(116,558)
Interest received	–	–
Interest paid	–	(92)
Net cash generated by operating activities	**3,718,028**	**3,246,045**
Cash flows from financing activities:		
Subscriptions received in advance	–	–
Sale of treasury shares	211,351	181,233
Purchase of treasury shares	(4,406,244)	(240,235)
Net cash (used)/generated in financing activities	**(4,194,893)**	**(59,002)**
Net (decrease)/increase in cash and cash equivalents	**(476,865)**	**3,187,043**
Cash and cash equivalents – beginning of period	831,943	464,311
Cash and cash equivalents – end of period	**355,078**	**3,651,354**
Included on the balance sheet as follows:		
Cash and cash equivalents	**355,078**	**3,651,354**

The accompanying notes on pages 17 to 38 form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2013

1 General information

The Background to Formulafirst "the Company" can be found on page 10 and 11. Formulafirst was incorporated in the British Virgin Islands on December 29, 1994 (the Company changed it's name from Optimum Securities 1000 Ltd. To Formulafirst on 18 December, 2002) 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 SIX Swiss Exchange 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, futures contracts. The sole objective of the Company's business is the appreciation of its assets through the investment and speculative trading in herein 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 statutory and financial statements are expressed in CHF and the financial statements are prepared in conformity with IFRS (International Financial Reporting Standards).

The principles of accounting applied in the financial statements for the six months ended 30 June 2013 correspond to those of the financial statements of 31 December 2012, unless otherwise stated.

2 Summary of significant accounting policies

The principles of accounting applied in the financial statements for the period ended 30 June 2013 correspond to those of the financial statements of 31 December 2012, unless otherwise stated.

a) Basis of preparation

The financial statements for the period ended 30 June 2013 are prepared in accordance with International Financial Reporting Standards (IFRS) and are in accordance with the accounting provisions as laid down in the Rules for the Listing of Investment Companies for the SIX Swiss Exchange. 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 financial statements are prepared in line with IAS34 in relation to interim financial statement preparation. The Company has adopted all new and revised IFRS effective for the period ended 30 June 2013.

(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 involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

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

- IFRS 7 'Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities' (Amendments to IFRS 7). An entity shall apply amendments for annual periods beginning on or after 1 January 2013, the amended standard requires

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

For the six months ended 30 June 2013

disclosures to include information that will enable users of the entity's financial statements to evaluate the effect of potential effect of netting arrangements, including rights of set off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position. To comply with the new amendment for IFRS 7 the Company has spilt the gain and loss on each derivative contract as detailed in note 8 to the financial statements.

- IFRS 10, 'Consolidated financial statements', effective for annual periods beginning on or after 1 January 2013 and endorsed by the EU for use no later than annual periods beginning on or after 1 January 2014, builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The new standard does not have any impact on the Company's financial position or performance.

- IFRS 11, 'Joint arrangements' IFRS 11 is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and therefore accounts for its share of assets, liabilities, revenue and expenses. Joint ventures arise where the joint venturer has rights to the net assets of the arrangement and therefore equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed. This is effective from 1 January 2013. The new standard does not have any impact on the Company's financial position or performance.

- IFRS 12, 'Disclosures of interests in other entities', effective for annual periods beginning on or after 1 January 2013, includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The new standard does not have any impact on the Company's financial position or performance.

- IFRS 13, 'Fair value measurement', effective for annual periods beginning on or after 1 January 2013. The standard improves consistency and reduces complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS. If an asset or a liability measured at fair value has a bid price and an ask price, the standard requires valuation to be based on a price within the bid-ask spread that is most representative of fair value and allows the use of mid-market pricing or other pricing conventions that are used by market participants as a practical expedient for fair value measurement within a bid-ask spread. On adoption of the standard, the Company changed its valuation inputs for listed financial assets and liabilities to last traded prices to be consistent with the inputs prescribed in the Company's offering document for the calculation of its per share trading value for sale of shares and buy back of shares. The use of last traded prices is recognised as a standard pricing convention within the industry. In the prior year, the Company utilised bid and ask prices for its listed financial assets and liabilities in accordance with IAS 39. The change in valuation inputs is considered to be a change in estimate in accordance with IAS 8.

- Amendment to IAS 1, 'Financial statement presentation', regarding other comprehensive income The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. The amendment is applicable to annual periods beginning on or after 1 July 2012 but does not have an impact on the disclosures of these financial statements.

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

(iii) New Standards, effective after 1 January 2013 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.

(iv) 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 2015, 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.

- IFRS 10 (amendment) as issued provides an exception to consolidation requirements for entities that meet the definition of an investment entity. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss in accordance with IFRS 9 Financial Instruments. The standard is effective for annual periods beginning on or after 1 January 2014. The Company expects no impact from the adoption of the amendment on its financial position or performance.

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

b) Functional currency and presentational 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. The Financial Statements are presented in CHF, which is the Company's functional and presentational currency.

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 gain/(loss)'. 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 gain/(loss) 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:

	30 June 2013	31 Dec 2012
US Dollar	0.94595	0.92795
Euro	1.23045	1.207315

The table below details the Company's derivative financial assets and liabilities.

At 30 June 2013				Gross amount not offset in the Statement of Financial Position		
Description	Gross amount of recognised asset	Gross amount offset in the Statement of Financial Position	Net amounts of assets presented in the Statement of Financial Position	Financial Instruments	Cash collateral received	Net amount
Derivative Financial Asset						
Forward contract	–	–	–	330,720	–	330,720
Total	**–**	**–**	**–**	**330,720**	**–**	**330,720**

At 31 December 2012				Gross amount not offset in the Statement of Financial Position		
Description	Gross amount of recognised asset	Gross amount offset in the Statement of Financial Position	Net amounts of assets presented in the Statement of Financial Position	Financial Instruments	Cash collateral received	Net amount
Derivative Financial Liability						
Forward contract	–	–	–	(73,920)	–	(73,920)
Total	**–**	**–**	**–**	**(73,920)**	**–**	**(73,920)**

d) Offsetting financial instruments

Financial assets and liabilities are offset and the net amounts reported on the Statement of Financial Position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. There is no master netting agreement in place between the Company and Neue Helvetische Bank. All derivative instruments are held with Neue Helvetische Bank.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

For the six months ended 30 June 2013

e) 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.

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

f) Futures and forward contracts

Futures are contracts for delayed delivery of commodities, securities or money market instruments in which the seller agrees to make delivery at a specified future date of a specified commodity or instrument, at a specified price or yield. Gains and losses on futures are recorded by the Company based upon market fluctuations and are recorded as realised or unrealised gains or losses in the statement of comprehensive income. The fair value of futures is based on quoted market prices. Please refer to note 8 for further details.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

For the six months ended 30 June 2013

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.

g) Interest income and dividend income

Interest income is recognised in the Statement of Comprehensive Income for all interest bearing instruments on an effective yield basis.

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).

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.

j) Accrued Expenses

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

k) Dividends

The Company does not intend to pay any dividends.

l) Earnings per share

Basic earnings per share 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.

m) 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.

n) Segment reporting

2trade group ltd., 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.

o) 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 included in equity 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 assets value per ordinary share at the date of the transaction.

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, forwards and futures. 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 futures and 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 price risk, liquidity risk, credit risk and foreign exchange risk.

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 investments 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 derivative instruments the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. Possible losses from financial futures can be unlimited, while possible losses on forward contracts will not exceed the nominal value of the obligation entered into by the Company. The Company's overall market positions are monitored on a line by line basis by the Investment Manager. The Board of Director's check the exposures on a half yearly basis. The Director's have continuous discussions on risk and market positions. On special occasions the Directors meet on 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 29,908,048 at 30 June 2013 (31 December 2012: CHF 31,902,183). 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 from 1st July 2008 to 30st June 2013 was 17.23% (standard deviation) on an annualized basis, for the period from 1st January 2008 to 31st December 2012 17.95%. If the benchmark index had increased/decreased by a standard deviation this would have increased/decreased the assets by approximately CHF 5,153,157at 30 June 2013 (31 December 2012: CHF 5,726,442).

Sensitivity analysis are 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 30 June 2013 the fair value of equities exposed to price risk was as follows:

	30 June 2013 Fair value CHF	31 December 2012 Fair value CHF
Equity securities designated at fair value through profit or loss	29,908,048	31,902,183
	29,908,048	**31,902,183**

(b) Interest rate risk

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 six months ended 30 June 2013

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

At 30 June 2013	Interest Bearing Less than 1 month CHF	Interest Bearing 1 month to 2 years CHF	Non-Interest Bearing CHF	Total CHF
Assets				
Cash at bank	355,078	–	–	355,078
Financial assets at fair value through profit or loss	–	–	29,908,048	29,908,048
Unrealised gain on forwards contracts	–	330,720	–	330,720
Total Assets	**355,078**	**330,720**	**29,908,048**	**30,593,846**
Liabilities				
Unrealised loss on forwards contracts	–	–	–	–
Other Liabilities	–	–	177,373	177,373
Total Liabilities	**–**	**–**	**177,373**	**177,373**

At 31 December 2012	Interest Bearing Less than 1 month CHF	Interest Bearing 1 month to 2 years CHF	Non-Interest Bearing CHF	Total CHF
Assets				
Cash at bank	831,943	–	–	831,943
Financial assets at fair value through profit or loss	–	–	31,902,183	31,902,183
Total Assets	**831,943**	**–**	**31,902,183**	**32,734,126**
Liabilities				
Unrealized loss on open forwards contracts	–	73,920	–	73,920
Other Liabilities	–	–	197,519	197,519
Total Liabilities	**–**	**73,920**	**197,519**	**271,439**

Changes in interest rates neither on the upside nor on the downside have a material impact on the Company's net asset value both on 30 June 2013 and at 31 December 2012.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

For the six months ended 30 June 2013

(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 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 July 2008 to 30st June 2013 was 8.80% (standard deviation) on an annualized basis and 8.86% for the period from 1st January 2008 to 31st December 2012. If the EUR had increased/decreased by a standard deviation against the CHF this would have decreased/increased net assets by approximately CHF 87,250in the first half of 2013. (Increased/decreased net assets by approximately CHF 67,631 in the year 2012).

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

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 30 June 2013	CHF CHF	EUR CHF	USD CHF	Total CHF
Assets				
Monetary assets	144,792	210,286	–	355,078
Non-monetary assets	7,137,680	23,101,088	–	30,238,768
Liabilities				
Monetary liabilities	(134,716)	(36,900)	(5,757)	(177,373)
Non-monetary liabilities	–	–	–	–
Total	**7,147,756**	**23,274,474**	**(5,757)**	**30,416,473**

At 31 December 2012	CHF CHF	EUR CHF	USD CHF	Total CHF
Assets				
Monetary assets	831,943	–	–	831,943
Non-monetary assets	8,891,675	23,010,508	–	31,902,183
Liabilities				
Monetary liabilities	(178,110)	(82,682)	(10,647)	(271,439)
Non-monetary liabilities	–	–	–	–
Total	**9,545,508**	**22,927,826**	**(10,647)**	**32,462,687**

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

For the six months ended 30 June 2013

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 is a regulated entity. The bank is regulated by the Swiss Financial Market Supervisory Authority called FINMA, it is not listed on an exchange and has no credit rating.

To mitigate the risks the Company is exposed to 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.

The Company manages counterparty credit risk by using top quality counterparties with state guarantee whenever possible. 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 30 June 2013

Broker	Financial Assets at fair value CHF	Financial Liabilities at fair value CHF	Cash CHF	Total CHF
Neue Helvetische Bank	30,238,768	–	355,078	30,593,846
Total	**30,238,768**	**–**	**355,078**	**30,593,846**

At 31 December 2012

Broker	Financial Assets at fair value CHF	Financial Liabilities at fair value CHF	Cash CHF	Total CHF
Neue Helvetische Bank	31,902,183	(73,920)	831,943	32,660,206
Total	**31,902,183**	**(73,920)**	**831,943**	**32,660,206**

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 European stock exchanges. 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 quickly its investments in these instruments 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.

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.

At 30 June 2013

Non-Derivative Liabilities:

	Less than 1 Month CHF	1–3 Months CHF	3–12 Months CHF	Total CHF
Accounts payable and accrued expenses	(134,716)	–	(42,657)	(177,373)
Total non-derivative financial liabilities	**(134,716)**	**–**	**(42,657)**	**(177,373)**

Derivative Liabilities:

	Less than 1 Month CHF	1–3 Months CHF	3–12 Months CHF	Total CHF
Forward contracts	–	–	–	–
Total derivative financial liabilities	**–**	**–**	**–**	**–**

At 31 December 2012

Non-Derivative Liabilities:

	Less than 1 Month CHF	1–3 Months CHF	3–12 Months CHF	Total CHF
Accounts payable and accrued expenses	(129,172)	(68,347)	–	(197,519)
Total non-derivative financial liabilities	**(129,172)**	**(68,347)**	**–**	**(197,519)**

Derivative Liabilities:

	Less than 1 Month CHF	1–3 Months CHF	3–12 Months CHF	Total CHF
Forward contracts	–	(73,920)	–	(73,920)
Total derivative financial liabilities	**–**	**(73,920)**	**–**	**(73,920)**

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.

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.

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.

The Company complies with IFRS 7. This requires the Company to classify fair value measurements 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 (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 six months ended 30 June 2013

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

At 30 June 2013

Assets	Level 1 CHF	Level 2 CHF	Level 3 CHF	Total CHF
Financial assets designated at fair value through profit or loss at inception:				
– Equity securities	29,908,048	–	–	29,908,048
– Derivatives	–	330,720	–	330,720
Total assets	**29,908,048**	**330,720**	**–**	**30,238,768**

Liabilities	Level 1 CHF	Level 2 CHF	Level 3 CHF	Total CHF
Financial liabilities held at fair value through profit/loss:				
– Derivatives	–	–	–	–
Total liabilities	**–**	**–**	**–**	**–**

At 31 December 2012

Assets	Level 1 CHF	Level 2 CHF	Level 3 CHF	Total CHF
Financial assets designated at fair value through profit or loss at inception:				
– Equity securities	31,902,183	–	–	31,902,183
Total assets	**31,902183**	**–**	**–**	**31,802,183**

Liabilities	Level 1 CHF	Level 2 CHF	Level 3 CHF	Total CHF
Financial liabilities held at fair value through profit/loss:				
– Derivatives	–	(73,920)	–	(73,920)
Total liabilities	**–**	**(73,920)**	**–**	**(73,920)**

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

Financial instruments that 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 period.

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 ltd.

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 interest income, dividend income and investments at fair value by their respective countries of origin:

Country	Dividend income for six months ended 30 June 2013 CHF	Interest income for six months ended 30 June 2013 CHF	Investments at fair value 30 June 2013 CHF
Switzerland	103,080	–	6,806,960
Germany	455,456	–	23,101,088
Total	**558,536**	**–**	**29,908,048**

Country	Dividend income for six months ended 30 June 2012 CHF	Interest income for six months ended 30 June 2012 CHF	Investments at fair value 31 December 2012 CHF
Switzerland	252,540	–	8,891,675
Germany	374,727	–	23,010,508
Total	**627,267**	**–**	**31,902,183**

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

For the six months ended 30 June 2013

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.

Functional Currency

The Board of Directors considers the CHF the currency that most faithfully represents the economic effect of the underlying transactions, events and conditions. The CHF is the currency in which the Company measures its performance and reports its results. This determination also considers the competitive environment in which the Company is compared to other European investment products.

Taxation

The judgements in relation to taxation have been set out in note 13.

6 Schedule of investments

	Number of shares at 30 June 2013
Long listed financial assets at fair value through profit or loss:	
Axel Springer AG	49,300
Beiersdorf AG	19,300
Elringklinger AG	33,400
Fielmann AG	15,500
Forbo Holding AG	3,830
Fresenius SE & Co KGaA	13,200
Fuchs Petrolub AG	38,700
Henkel AG & Co. KGaA	24,700
Holcim Ltd	–
Kaba Holding AG	5,900
Krones AG	33,800
Rational AG	7,300
SAP AG	32,500
SIKA Ltd.	985
Vossloh AG	22,900
Wacker Chemie AG	19,800
Total long listed financial instruments	
Total Investment in securities	

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED
For the six months ended 30 June 2013

Number of shares at 31 December 2012	Local currency	Price in local currency at 30 June 2013	Fair value in CHF at 30 June 2013	% of net asset value at 30 June 2013	Fair value in CHF at 31 December 2012	% of net asset value at 31 December 2012
40,000	EUR	32.78	1,988,170	6.53	1,557,436	4.80%
42,000	EUR	67.00	1,591,096	5.23	3,130,157	9.64%
–	EUR	25.64	1,053,728	3.46	–	–
17,600	EUR	80.30	1,531,480	5.04	1,554,346	4.79%
3,520	CHF	602.50	2,307,575	7.59	2,053,920	6.33%
15,000	EUR	94.71	1,538,274	5.06	1,580,074	4.87%
44,000	EUR	61.15	2,911,866	9.57	2,984,917	9.19%
28,000	EUR	72.25	2,195,830	7.22	2,097,927	6.46%
34,000	CHF	–	–	–	2,271,200	7.00%
5,700	CHF	354.25	2,090,075	6.87	2,204,475	6.79%
38,400	EUR	54.69	2,274,514	7.48	2,172,472	6.69%
12,800	EUR	257.55	2,313,388	7.61	3,348,802	10.32%
–	EUR	56.26	2,249,816	7.40	–	–
1,120	CHF	2,446.00	2,409,310	7.92	2,362,080	7.28%
26,000	EUR	72.55	2,044,263	6.72	2,345,789	7.23%
37,500	EUR	57.82	1,408,663	4.63	2,238,588	6.90%
			29,908,048	**98.33**	**31,902,183**	**98.27%**
			29,908,048	**98.33**	**31,902,183**	**98.27%**

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

For the six months ended 30 June 2013

7 Net gain/(loss) on financial assets and liabilities at fair value through profit or loss

	Six months ended 30 June 2013 CHF	Six months ended 30 June 2012 CHF
Realised gain/(loss) on investments held at fair value	1,334,325	(98,607)
Realised loss on forwards	(980,783)	–
Realised gains on futures	–	–
Change in unrealised gains on investments held at fair value	1,445,196	1,706,245
Change in unrealised gains/(losses) on forwards	404,640	(53,187)
Total	**2,203,378**	**1,554,451**

8 Futures and Forward contracts

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

	Six months ended 30 June 2013 CHF	Year ended 31 December 2012 CHF
Unrealised gain on open forward contracts	330,720	–
Unrealised (loss) on open forward contracts	–	(73,920)
Unrealised net gain/(loss) on open forward contracts	**330,720**	**(73,920)**

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

At 30 June 2013

Purchase CHF	Sell EUR	Maturity	Counterparty
24,302,850	19,500,000	30.09.13	Neue Helvetische Bank

At 31 December 2012

Purchase CHF	Sell EUR	Maturity	Counterparty
22,247,175	18,500,000	28.02.13	Neue Helvetische Bank

9 Financial assets at fair value through profit or loss

	Six months ended 30 June 2013 CHF	Year ended 31 December 2012 CHF
Listed investments:		
Financial assets at fair value through profit or loss at beginning of the period	31,902,183	27,504,421
Additions during the year at purchase price	5,546,929	4,635,038
Sales during the year at selling price	(10,320,586)	(5,566,768)
Change in unrealised gains/(losses)	1,445,196	5,772,466
Realised (losses)/gains on investments sold during the period	1,334,326	(442,974)
Financial assets at fair value through profit or loss at end of the period at fair value	**29,908,048**	**31,902,183**

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

For the six months ended 30 June 2013

10 Accounts payable and accrued expenses

Total outstanding accrued expenses due at the end of the period, are detailed below:

	As at 30 June 2013 CHF	As at 31 December 2012 CHF
Administration fees	14,785	14,787
Audit fees	25,800	51,600
Directors fees	5,757	4,622
Management fees	119,931	120,410
Other fees	11,100	6,100
Total accounts payable and accrued expenses	**177,373**	**197,519**

11 Shareholders' equity and earnings per share

Authorised share capital	Period ended 30 June 2013 No. of shares	Period ended 30 June 2013 CHF	Year ended 31 Dec 2012 No. of shares	Year ended 31 Dec 2012 CHF
At the beginning and end of the period	**9,000,000**	**90,000**	**9,000,000**	**90,000**
Treasury shares				
At the beginning of the period	7,382,783	73,827	7,374,565	73,745
Purchase of treasury shares	207,760	2,078	18,119	181
Sale of treasury shares	(10,250)	(103)	(9,901)	(99)
At the end of the period	**7,580,293**	**75,802**	**7,382,783**	**73,827**
Number of shares outstanding at the end of the period (nominal value per share is CHF 0.01)	**1,419,707**	**14,198**	**1,617,217**	**16,173**

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 and have no book value. 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.

Earnings per share	Six months ended 30 June 2013	Six months ended 30 June 2012
Weighted average number of shares in issue during the period	1,563,582	1,624,687
Net profit/(loss) (in CHF)	2,148,679	1,648,845
Earnings/(loss) per share (in CHF), basic	1.37	1.01

As of 30 June 2013 and 2012, there are no items of a potentially dilutive effect and therefore, there is no difference between the basic and diluted earnings per share.

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. (the "Investment Manager"), 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 period were CHF 248,295 (period ended 30 June 2013: CHF 221,159) of which CHF 119,931 remains payable (31 December 2012: CHF 120,410) at the period 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 period. 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 2012 was 25.21. The High Water Mark at the end of the first and second quarter of 2013 was CHF 25.40 and CHF 25.59 respectively. Performance fees for the period were CHF nil (period ended 30 June 2012: CHF nil) of which CHF nil remains payable (31 December 2012: CHF nil) at the period end.

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 period the Company received advisory services amounting to CHF 40,903 (period ended 30 June 2012: CHF 15,127) of which CHF Nil remains payable at the period end (31 December 2012: CHF Nil).

Directors' remuneration

Directors' remuneration for the period was CHF 3,516 (period ended 30 June 2012: CHF 3,257) of which CHF 5,757 remains payable (31 December 2012: CHF 4,622) at the period end. Mr. Markus Gresch also held 1,000 shares in the Company at the end of the period (31 December 2012: 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 period the Company received company secretarial services amounting to CHF 4,802 (period ended 30 June 2012: CHF 4,802) of which CHF Nil remained payable at the period end (31 December 2012: CHF Nil).

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

For the six months ended 30 June 2013

Administration Fee

Swiss Financial Services (Ireland) Ltd acts as Administrator of the Company. The Administrator is entrusted with administrative matters such as bookkeeping and correspondence, and calculating 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 months. 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, 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 period Administration fee amounted to CHF 24,525 (period ended 30 June 2012: CHF 21,884) of which CHF 14,785 remained payable at the period end (31 December 2012: CHF 14,787).

13 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.

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 period. 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 30 June 2013 and 31 December 2012, the Company has measured uncertain tax liabilities with respect to foreign capital gains taxes at nil and while this represents management's best estimate the estimated value could differ significantly from the amount ultimately payable.

14 Employees

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

15 Post Balance Sheet Events

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

16 Significant events during the period

There were no significant events during the period.

17 Approval of financial statements

The Directors approved the financial statements on 19th August 2013.

18 Authorisation for issue

The financial statements were authorised for issue by the Board of Directors on 19th August 2013.

SHAREHOLDERS' INFORMATION

BOARD OF DIRECTORS

Derek P Baudains	(Guernsey)
Kay Reddy	(British Virgin Islands)
Markus Gresch	(Switzerland)

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PUBLICATION OF NET ASSET VALUE
Bloomberg: FFI SW <Equity> NAV
Finanz und Wirtschaft
www.formulafirst.ch

TICKER/SECURITY CODES
Reuters: FFI.S
Bloomberg: FFI SW <Equity>
CH Valorennummer: 1 462 983
ISIN: VGG3637v1094