

**SNAEFELL II ALTERNATIVE INVESTMENT FUND PLC**

**Report and audited financial statements  
For the period from incorporation on 17 February 2012 to  
30 June 2013**

## **SNAEFELL II ALTERNATIVE INVESTMENT FUND PLC**

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## **SNAEFELL II ALTERNATIVE INVESTMENT FUND PLC**

**Directory  
for the period ended 30 June 2013**

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**Directors**

S Preskey (appointed 17/02/2012)  
M Balfour (appointed 17/02/2012)  
H Hunt (appointed 17/02/2012, resigned 05/08/2013)  
D Nixon (appointed 17/02/2012)  
P Kneen (appointed 17/02/2012, resigned 05/08/2013)  
A Barber (appointed 05/08/2013)  
D Parekh (appointed 05/08/2013, resigned 18/10/2013)

**Administrator, Registered Agent and  
Registered Office:**

Abacus Financial Services Limited  
2<sup>nd</sup> Floor, Sixty Circular Road  
Douglas  
Isle of Man IM1 1SA

**Investment Manager:**

Thomas Miller Investment (Isle of Man) Limited  
Level 2, Samuel Harris House  
5-11 St Georges Street  
Douglas  
Isle of Man IM1 1AJ

**Custodian:**

BNP Paribas Securities Services S.C.A  
Isle of Man Branch  
24 North Quay  
Douglas  
Isle of Man IM1 4LE

**Auditors:**

Moore Stephens Chartered Accountants  
26-28 Athol Street  
Douglas  
Isle of Man IM99 1BD

**Isle of Man Legal Advisers:**

Appleby (Isle of Man) LLC  
33 – 37 Athol Street  
Douglas  
Isle of Man  
IM1 1LB

**Bermuda Stock Exchange Listing  
Sponsor:**

Appleby Securities (Bermuda) Ltd  
Canon's Court  
PO Box HM 1179  
22 Victoria Street  
Hamilton HM EX  
Bermuda

## **SNAEFELL II ALTERNATIVE INVESTMENT FUND PLC**

### **Directors' report for the period ended 30 June 2013**

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Snaefell II Alternative Investment Fund Plc (the "Company") is incorporated in the Isle of Man under the Companies Act 2006 as an "open-ended investment company" and is a specialist fund complying with the requirements of the Isle of Man Collective Investment Schemes (Specialist Fund) Regulations 2010 (the "Regulations").

#### **Review of business**

The Company was incorporated on 17 February 2012. The statement of comprehensive income is set out on page 7.

#### **Dividends and transfers to reserves**

The dividends proposed and paid for the period totalled \$Nil. The loss for the period has been taken to reserves.

#### **Directors**

The Directors of the Company during the period and to date are as follows:

S Preskey (appointed 17/02/2012)

M Balfour (appointed 17/02/2012)

H Hunt (appointed 17/02/2012, resigned 05/08/2013)

D Nixon (appointed 17/02/2012)

P Kneen (appointed 17/02/2012, resigned 05/08/2013)

A Barber (appointed 05/08/2013)

D Parekh (appointed 05/08/2013, resigned 18/10/2013)

#### **Auditors**

The Directors appointed Moore Stephens Chartered Accountants as the Fund's Auditors. The auditors are appropriate auditors for the purposes of the Regulations.

#### **Post balance sheet events**

All post balance sheet events have been disclosed fully in note 14 to the financial statements.

#### **Statement of Directors' responsibilities**

The Directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable Isle of Man law and regulations.

Company law requires the Directors to prepare financial statements for each financial period. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards.

These financial statements are required by law to 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 period.

## **SNAEFELL II ALTERNATIVE INVESTMENT FUND PLC**

**Directors' report (continued)  
for the period ended 30 June 2013**

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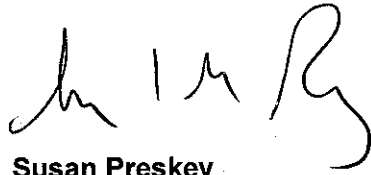
### **Statement of Directors' responsibilities (continued)**

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards have been followed; 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 are responsible for keeping proper records that disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Isle of Man Companies Act 2006, the Principal Constitutional Documents and with the Collective Investment Schemes (Regulated Fund) Regulations 2010. They are also responsible for safeguarding the assets of the Company and hence taking reasonable steps for the prevention and detection of fraud and other irregularities.

Signed for and on behalf of the Board:



**Susan Preskey**

**Date:** 18 November 2013

## **SNAEFELL II ALTERNATIVE INVESTMENT FUND PLC**

### **Report of the Investment Manager for the period ended 30 June 2013**

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2013 has so far been dominated by macro-economic news. This included further turmoil in Europe to the first indication that the Federal Reserve is considering tapering its quantitative easing (QE) program. The year began in positive fashion as markets were buoyed by the unlimited QE programs announced by the various central banks and the positive conclusion of the sequestration negotiations in USA. Thereafter, the Bank of Japan announced unprecedented QE in order to boost both growth and prices within the country. It was not all good news as in April, negative news started to emerge. Some of this as expected came from Europe as elections in Italy failed to produce a government along with the Cyprus' banking crisis. In response to the banking crisis the ECB stated that in order for Cyprus to receive any bailout funding, bank depositors with account balances greater than €100,000 in the two largest banks would be forced to help with the recapitalisation of the sector. Outside the developed world, economic data points started to suggest a slowing of growth within the Emerging Markets, in particularly, within the BRIC countries. In China, economic data started to show a greater than expected slowdown in the GDP as policy makers battled with trying to slowdown credit growth whilst maintaining a good level of economic activity.

Given the economic backdrop, equities in USA, were the best performers of the year. The S&P500 index return 12.5% during the first half. In contrast, Emerging Market equities were weak with the MSCI EM Index declining 10% over the same period. The key moves have been seen in the fixed income markets where at the beginning of the year high yield credit spreads narrowed significantly as investor shifted more assets into higher yielding securities. However, the second quarter saw a sharp reversal of spreads as expectations and confirmation from the Federal Reserve that it was considering tapering the QE program as early as Q3 2013. This caused volatility and yields in the asset class to rise considerably. In commodity markets, precious metals saw a large decline firstly due to concern that European banks may be forced to sell their assets in order to raise capital and then continued to decline after the announcement regarding QE by the Federal Reserve. Other commodities declined as concern remained about global growth. The US Dollar was a beneficiary of the economic turmoil and it rallied versus its major partners.

Hedge funds began the year in positive fashion mainly due to the strong performance of developed market equities. Other positive aspects came from the decline in the yen versus the dollar and the rally in JGBs following the Bank of Japan's announcement of quantitative easing. Given the rise in developed market equities the Fundamental sector has been a strong performer for the portfolio. There was also an increase in corporate activity as company management continue to make efficient use of their respective balance sheets. The Macro sector was a positive contributor as trends in Japanese equities and the US dollar provided upside for these managers. Protection was a detractor to performance as market volatility continued to decline.

Hedge fund returns were flat in the second quarter as the Federal Reserve took centre stage. Chairman Ben Bernanke announced that the committee was considering tapering its quantitative easing program as early as the third quarter of 2013. This resulted in volatility rising within the financial markets, in particularly, government bonds which saw yields increase significantly. Precious metals also declined sharply during the quarter. Equity markets initially sold off on the news but overall they were positive during the period. The US dollar was a beneficiary of the news, with the Dollar index reaching multi-year highs. Drivers to hedge fund performance during the quarter continued to be the Fundamental and Macro sectors.

**SNAEFELL II ALTERNATIVE INVESTMENT FUND PLC**

**Report of the Investment Manager (continued)  
for the period ended 30 June 2013**

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Given the high correlation to the equity markets, the Fundamental sector continued to perform well as equity markets remained resilient during the quarter. The Macro sector was also a positive contributor as a rise in fixed income bond yields and US dollar benefited these managers. The protection sector was flat for the quarter.

**Thomas Miller Investment (Isle of Man) Limited**

**August 2013**

**Independent Auditors' Report to the Shareholder of Snaefell II Alternative Investment Fund PLC**

We have audited the financial statements of Snaefell II Alternative Investment Fund PLC for the period ended 30 June 2013 which are set out on pages 7 to 24. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs).

This report is made solely to the company's shareholder, as a body, in accordance with the terms of our engagement. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholder as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on pages 2 and 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2013 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs; and
- have been prepared in accordance with the requirements of the Isle of Man Companies Act 2006.

*Moore Stephens*

MOORE STEPHENS  
Chartered Accountants  
Douglas  
Isle of Man

27 November 2013



## SNAEFELL II ALTERNATIVE INVESTMENT FUND PLC

### Statement of comprehensive income for the period ended 30 June 2013

	Notes	USD 2013
<b>Income</b>		
Dividend income	5	17,775
<b>Net investment income</b>		<u>17,775</u>
<b>Expenditure</b>		
Investment Management fees	6.1	187,500
Custodian fees	6.4	30,181
Administration fees	6.2	54,421
Other operating expenses	6.5	64,841
Set up costs	12	48,702
<b>Operating expenses</b>		<u>(385,645)</u>
<b>Investment and exchange differences</b>		
Unrealised loss	3.7	(656,656)
Realised gain	3.7	570,540
<b>Investment loss</b>		<u>(86,116)</u>
<b>Net loss from operations</b>		<u>(453,986)</u>
<b>Non-operating expenses</b>		
Auditors' fees	6.3	(8,917)
Taxation	2.10	-
<b>Total comprehensive expense for the period</b>		<u><u>(462,903)</u></u>

All comprehensive losses are attributable to holders of participating shares.

The accompanying notes form an integral part of these financial statements.

**SNAEFELL II ALTERNATIVE INVESTMENT FUND PLC**

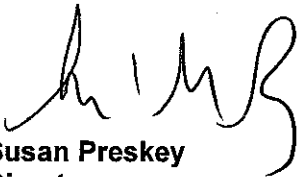
**Statement of financial position  
as at 30 June 2013**


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	Notes	USD 2013
<b>Assets</b>		
<b>Current assets</b>		
Financial assets at fair value	15	29,961,834
Other receivables		53,437
Cash and cash equivalents	2.5	4,585,095
		<hr/>
<b>Total assets</b>		<b>34,600,366</b>
		<hr/>
<b>Current liabilities</b>		
Accrued expenses	2.6	63,169
		<hr/>
<b>Total liabilities</b>		<b>(63,169)</b>
		<hr/>
<b>Net assets</b>		<b>34,537,197</b>
		<hr/>
<b>NAV per participating share</b>		<b>1,002</b>
		<hr/>

The accompanying notes form an integral part of these financial statements.

The financial statements on pages 7 to 24 were approved and authorised for issue by the board of Directors and were duly signed on their behalf by:

  
**Susan Preskey**  
Director

  
**Anthony Barber**  
Director

Date: 18 NOVEMBER 2013

**SNAEFELL II ALTERNATIVE INVESTMENT FUND PLC**

**Statement of changes in equity  
for the period ended 30 June 2013**

	Issued share capital	Share Premium	Retained Earnings	Total
	USD	USD	USD	USD
<b>Management shares</b>				
Balance as at 17 February 2012	-	-	-	-
Issued during the period	100	-	-	100
<b>Balance at 30 June 2013</b>	<b>100</b>	<b>-</b>	<b>-</b>	<b>100</b>
<b>Participating shares</b>				
As at 17 February 2012	-	-	-	-
Issued during the period	845	83,535,718	-	83,536,563
Redeemed during the period	(500)	(48,536,063)	-	(48,536,563)
<b>Balance at 30 June 2013</b>	<b>345</b>	<b>34,999,655</b>	<b>-</b>	<b>35,000,000</b>
<b>Statement of income</b>				
As at 17 February 2012	-	-	-	-
Loss for the period	-	-	(462,903)	(462,903)
<b>Balance at 30 June 2013</b>	<b>-</b>	<b>-</b>	<b>(462,903)</b>	<b>(462,903)</b>
<b>Total at 30 June 2013</b>	<b>445</b>	<b>34,999,655</b>	<b>(462,903)</b>	<b>34,537,197</b>

The accompanying notes form an integral part of these financial statements.

## SNAEFELL II ALTERNATIVE INVESTMENT FUND PLC

### Statement of cash flow for the period ended 30 June 2013

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	Notes	For the period ended 30 June 2013 USD
<b>Cash flows from operating activities</b>		
Net decrease in net assets attributable to holders of participating shares from operations		(462,903)
<b>Adjustments to reconcile net decrease in assets attributable to holders of redeemable participating shares from operations to net cash used in operating activities:</b>		
Net purchase of investments	3.7	(30,047,950)
Proceeds from issue of shares		35,000,100
Net realised gains	3.7	(570,540)
Net change in unrealised losses	3.7	656,656
Change in other receivables		(53,437)
Change in accrued expenses		63,169
<b>Net increase in cash and cash equivalents</b>		4,585,095
Opening balance at 17 February 2012		-
<b>Cash at bank 30 June 2013</b>	8	4,585,095

The accompanying notes form an integral part of these financial statements.

## **SNAEFELL II ALTERNATIVE INVESTMENT FUND PLC**

### **Notes to the financial statements for the period ended 30 June 2013**

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#### **1 General information**

Snaefell II Alternative Investment Fund Plc (the "Company") is incorporated in the Isle of Man under the Companies Act 2006 as an "open-ended investment company" and is a specialist fund complying with the requirements of the Isle of Man Collective Investment Schemes (Specialist Fund) Regulations 2010 (the "Regulations"). The registered office is 2nd Floor, Sixty Circular Road, Douglas, Isle of Man.

The Company aims to achieve annualised returns of between 6% and 8% with low volatility. The Company invests in both funds of funds, which themselves are investors in alternative or hedge funds or directly in hedge funds.

The Company's administration activities are undertaken by Abacus Financial Services Limited (the "Administrator"). The investment activities are delegated to Thomas Miller Investment (Isle of Man) Limited (the "Investment Manager").

#### **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, unless otherwise stated.

##### **2.1 Statement of compliance**

The financial statements of Snaefell II Alternative Investment Fund Plc have been prepared in accordance with International Financial Reporting Standards (IFRS).

##### **2.2 Basis of preparation**

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 preparation of these 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.

## **SNAEFELL II ALTERNATIVE INVESTMENT FUND PLC**

### **Notes to the financial statements (continued) for the period ended 30 June 2013**

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#### **2 Summary of significant accounting policies (continued)**

##### **2.2 Basis of preparation (continued)**

The following standards and interpretations were issued and available for early application but have not yet been applied by the company in these financial statements:

- IAS 1 (Amended) Presentation of Items of Other Comprehensive Income
- IFRS 7 (Amended) Disclosure: Offsetting Financial Assets and Financial Liabilities
- IFRS 10 Consolidated Financial Statements
- IFRS 10 (Amended) Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 11 (Amended) Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- IFRS 12 (Amended) Disclosure of Interests in Other Entities
- IFRS 13 Fair value Measurement
- IAS 27 (Amended) Separate Financial Statements
- IAS 28 (Amended) Investments in Associates and Joint Ventures
- IFRS 2009-2011 Annual improvements (various standards)

The Directors anticipate that the adoption of the above Standards and interpretations will have no material impact on the financial statements of the company.

The following published standards are effective for the current period but are not applicable to the Company:

##### **Standards effective but not relevant**

- IFRS 1 (amended) Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
- IFRS 1 (Amended) Government Loans

There are no other amendments to published standards effective for the current period which are applicable to these financial statements and therefore require disclosure.

## SNAEFELL II ALTERNATIVE INVESTMENT FUND PLC

### Notes to the financial statements (continued) for the period ended 30 June 2013

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#### 2 Summary of significant accounting policies (continued)

##### 2.3 Foreign currency translation

(a) **Functional and presentation currency**

The board of Directors have decided that the presentational currency of the financial statements is US Dollars as this is the functional currency of the Company.

(b) **Transactions and balances**

Foreign currency transactions are translated into the functional currency using the average exchange rate for the period. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in the statement of comprehensive income.

##### 2.4 Financial assets and financial liabilities at fair value through profit and loss

(a) **Classification**

Financial assets designated at fair value through profit and loss at inception are those that are managed and their performance evaluated on a fair value basis. The Company's policy is for the board of Directors to evaluate the information about these financial assets on a fair value basis together with other related financial information.

(b) **Recognition/Derecognition**

Purchases and sales of investments are recognised on the trade date – the date on which the Company commits to purchase or sell the investment. Investments are derecognised when the rights to receive cash flows from the investments have expired or the Company has transferred substantially all of the risks and rewards of ownership.

(c) **Measurement**

Financial assets and financial liabilities at fair value through profit or loss are recognised at fair value as determined by the Investment Manager, with the change in this value included in net unrealised gain or loss in investments in the Statement of Comprehensive Income. In determining fair value of investments, the Investment Manager utilises the Net Asset Valuations of the Underlying Funds which are drawn from their most recent Net Asset Value provided by the relevant fund administrator which value securities and other financial instruments at fair value. In cases where the Underlying Fund is liquidating and no Net Asset Value is being provided by the Underlying Administrator, the Underlying Funds are valued by the Investment Manager at fair value.

However, some Underlying Funds may invest in non-marketable securities, such as non-publically traded securities, or investments in limited partnerships whose value is determined in good faith by the investment advisor in those funds. Appreciation or depreciation of investments in underlying funds is net of all fees paid to their investment managers.

## **SNAEFELL II ALTERNATIVE INVESTMENT FUND PLC**

**Notes to the financial statements (continued)  
for the period ended 30 June 2013**

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### **2 Summary of significant accounting policies (continued)**

#### **2.4 Financial assets and financial liabilities at fair value through profit and loss (continued)**

##### **(c) Measurement (continued)**

Transaction costs are expensed in the statement of comprehensive income. Gains and losses arising from changes in fair value of the "financial assets or financial liabilities at fair value through the profit or loss" category are presented in the statement of comprehensive income in the period in which they arise. Dividend and interest income is reflected through the statement of comprehensive income.

##### **(d) Fair value estimation**

The fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction. The fair value of financial instruments is based on their market price sourced from a reputable administrator.

#### **2.5 Cash and cash equivalents**

Cash and cash equivalents represent amounts held at bank, overdrafts and money market funds with daily liquidity.

#### **2.6 Expenses**

All expenses, including Investment Management fees, Administration fees and Fiduciary Custodian fees, are recognised in the statement of income on an accruals basis.

#### **2.7 Redeemable participating shares**

Redeemable participating shares are redeemable at the shareholder's option and are classified as equity in accordance with International Accounting Standard ("IAS") 32: Financial Instruments "Presentation". The redeemable participating shares are carried at the redemption amount that is payable at the date of the Statement of Financial Position if the shareholder exercised its right to put the shares back to the Company.



## **SNAEFELL II ALTERNATIVE INVESTMENT FUND PLC**

### **Notes to the financial statements (continued) for the period ended 30 June 2013**

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#### **2 Summary of significant accounting policies (continued)**

##### **2.8 Income**

Income is accounted for on an accruals basis and is shown gross of any irrecoverable withholding tax where applicable.

##### **2.9 Distributions payable to holders of participating shares**

Proposed distributions to holders of participating shares are recognised in the statement of changes in equity when they are ratified by the board of Directors. The distributions relating to these participating shares are recognised in the statement of changes in equity as a distribution to holders of participating shares.

##### **2.10 Taxation**

The Company is subject to Isle of Man income tax at 0% pursuant to Section 14A of the Isle of Man Income Tax Act 1970 (as amended). No charge to Isle of Man taxation arises on capital gains.

#### **3 Financial risk management**

##### **3.1 Risk exposure & categorisation of financial instruments**

The Company maintains positions in a variety of non-derivative financial instruments as dictated by its Investment Management strategy. The nature and extend of the financial instruments outstanding at the Statement of Position date and the risk management policies are discussed later.

The Company has categorised its investments into three levels based upon the hierarchy defined in IFRS7. Financial instruments are categorised by their inputs used to derive the fair value. Level 1 investments use inputs from unadjusted quoted prices from active markets. Level 2 investments reflect inputs rather than quoted prices, but use observable market data, including the published prices of managed investment funds where those funds may be redeemed at that price. Level 3 investments are valued using unobservable inputs.

The Company invests in managed investment funds which are not quoted in active markets and may be subject to restrictions on redemptions such as lock-up periods, redemption gates and side pockets. Investments in these managed investment funds are valued based on the Net Asset Value per share as determined by the underlying fund administrators.

## SNAEFELL II ALTERNATIVE INVESTMENT FUND PLC

### Notes to the financial statements (continued) for the period ended 30 June 2013

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#### 3 Financial risk management (continued)

##### 3.1 Risk exposure & categorisation of financial instruments (continued)

The investments that the Company is able to redeem at Net Asset Value as at the measurement date have been classified as Level 3 investments. Investments classified within Level 3 include funds with net asset values which may not be readily realisable in the near term due to lock-up periods, funds with redemption fees, withdrawal periods greater than quarterly, or periods in which redemptions and/or net asset values of the underlying managed investment fund are suspended due to adverse market conditions.

Investments may be split between Level 2 and Level 3 if different share classes have different redemption terms.

The following table analyses within the fair value hierarchy the Company's Investments measured at fair value at the period end:

	Period ended 30 June 2013 USD
Level 1	-
Level 2	29,961,834
Level 3	-
Total investments	<u>29,961,834</u>

The changes in financial assets measured at fair value for which the Company has used Level 3 inputs to determine fair value are as follows:

	Period ended 30 June 2013 USD
Opening balance	-
Purchases	-
Sales	-
Realised & unrealised gains/losses	-
Total investments	<u>-</u>

There were no transfers between levels during the period.

## SNAEFELL II ALTERNATIVE INVESTMENT FUND PLC

### Notes to the financial statements (continued) for the period ended 30 June 2013

#### 3 Financial risk management (continued)

##### 3.2 Market price risk

The Company invests in a limited number of funds of funds and hedge funds. Managers of hedge funds are selected with complementary investment strategies in mind. Non-directional strategies are emphasised. The Fund monitors the managers of these funds and their activity. Managers of funds of funds are selected by the fund based on their perceived ability to select and monitor underlying hedge fund managers (including continuous review and active risk management).

There is a risk that the value of Shares may go down as well as up and there can be no assurance that investors will receive back the amount originally invested. If the price of financial assets of the Company moved by 0.1% this could have a positive or negative impact of \$29,962 on total assets.

##### 3.3 Interest rate risk

The majority of the Company's financial assets are interest bearing. As a result, the Company is subject to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest income is directly sensitive to interest rate movements.

The table below summarises the Company's exposure to liquidity rate risks:

	<b>Matures in less than 1 year USD</b>	<b>Matures in more than 1 year USD</b>	<b>Non- interest bearing USD</b>	<b>Total USD</b>
<b>As at 30 June 2013</b>				
Financial assets at fair value through profit or loss	29,961,834	-	-	29,961,834
Other receivables and prepayments	-	-	53,437	53,437
Cash at bank	4,585,095	-	-	4,585,095
<b>Total assets</b>	<b>34,546,929</b>	<b>-</b>	<b>53,437</b>	<b>34,600,366</b>

## SNAEFELL II ALTERNATIVE INVESTMENT FUND PLC

Notes to the financial statements (continued)  
for the period ended 30 June 2013

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### 3 Financial risk management (continued)

#### 3.3 Interest rate risk (continued)

	<b>Marketable Instruments USD</b>
<b>As at 30 June 2013</b>	<b>29,961,834</b>

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#### 3.4 Credit risk

Credit risk is the risk that an issuer or counterparty will be unable to meet a commitment that it has entered into with the Company.

The Company is exposed to credit risk related to transactions awaiting settlement. Risk relating to unsettled transactions is considered small due to the short settlement period involved and the high credit quality of the counterparties. The Company monitors the credit rating and financial positions of the counterparties to further mitigate this risk. At 30 June 2013, all of the Company's assets were exposed to credit risk.

The carrying amounts of the financial assets best represent the maximum credit risk at 30 June 2013.

The Company monitors its risk by monitoring the credit quality and financial position of the Bank.

The Underlying Funds' managers analyse credit concentration based on the counterparty, industry and geographical location of the financial assets that they hold.

#### 3.5 Liquidity risk

Shareholders may redeem their Shares in accordance with the Articles. Substantial redemptions could require the Fund to liquidate investments more rapidly than otherwise desirable in order to raise the necessary cash to fund the redemptions. This may have an impact on the value of the Shares.

In accordance with the Company's policy, the Administrator monitors the Company's liquidity position on a daily basis.

## SNAEFELL II ALTERNATIVE INVESTMENT FUND PLC

### Notes to the financial statements (continued) for the period ended 30 June 2013

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#### 3 Financial risk management (continued)

##### 3.6 Currency risk

The value of non-US dollar currency denominated securities of issuers will be affected by changes in currency exchange rates or exchange control regulations. A decline in the exchange rate would reduce the value of certain portfolio securities. Currency fluctuations relative to the US dollar of an investor's currency of reference may adversely affect the value of an investor's investments.

##### 3.7 Investment movements

	USD
As at 17 February 2012	-
Purchase of investments	64,724,825
Sale of investments	(34,676,875)
Realised gains	570,540
Unrealised loss	(656,656)
	<hr/>
<b>As at 30 June 2013</b>	<b>29,961,834</b>
	<hr/> <hr/>

#### 4 Critical accounting estimates and judgements

The preparation of Financial Statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses in the financial statements and accompanying notes during the period.

Fair value estimates are made at a specific point in time, based on market conditions and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgement and therefore, cannot be determined with precision.

#### 5 Income

	2013 USD
Dividend income	17,775
<b>Net investment income</b>	<hr/> <b>17,775</b> <hr/>

## **SNAEFELL II ALTERNATIVE INVESTMENT FUND PLC**

### **Notes to the financial statements (continued) for the period ended 30 June 2013**

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#### **6 Fees**

##### **6.1 Investment Manager fees**

The Investment Manager receives a monthly investment management fee (the "Investment Management Fee") equal to \$12,500 per month which is payable monthly in arrears. The Investment Manager may also recover any expenses which are reasonable and properly incurred by it on behalf of the Fund.

The Investment Manager does not receive any performance or incentive fees from the Fund. During the period Investment Manager fees of \$187,500 were charged and an amount of \$12,500 was outstanding at the period end.

##### **6.2 Administrator fees**

The Administrator is paid a fee of 0.10% per annum of the Net Asset Value of the Fund which is calculated and accrued monthly, subject to a minimum of one twelfth of £20,000 per month, paid monthly in arrears.

In addition, the Administrator is paid charges for accounts preparation, corporate secretarial and other services as agreed from time to time. During the period Administration fees of \$54,421 were charged and an amount of \$5,614 was outstanding at the period end.

##### **6.3 Auditors' fees**

The fees of the Auditors shall be determined by the Administrator and approved by the Directors. During the period Auditors' fees of \$8,917 were charged. Fees outstanding at the period end amounted to \$8,628.

##### **6.4 Fiduciary Custodian fees**

The Custodian is entitled to receive fees from the Company in accordance with its customary charges. The fees, which are accrued and payable monthly in arrears are based on the Net Asset Value of the Company (plus borrowings if any) and are charged at a rate of 5 basis points per annum subject to a minimum fee of £1,250 per month in respect of safe keeping. In addition, transactional fees will be chargeable together with charges for administrative requests and out of pocket expenses.

During the period Fiduciary Custodian fees of \$30,181 were charged and an amount of \$3,809 was outstanding at the period end.

##### **6.5 Other operating expenses**

Other operating expenses include Director fees (see note 11).

## **SNAEFELL II ALTERNATIVE INVESTMENT FUND PLC**

### **Notes to the financial statements (continued) for the period ended 30 June 2013**

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#### **7 Distributions payable**

The dividends payable in the period ended 30 June 2013 amounted to \$Nil. The amount declared but not paid at the period end was \$Nil. An effective dividend of \$0.00 per share.

#### **8 Cash and cash equivalents**

All cash balances are held with the Bank. Cash and cash equivalents also includes investments in BNP Paribas Securities Services and TMI Liquidity Fund PLC.

The Company and TMI Liquidity Fund PLC are related through common Investment Manager and Directors. The Company has \$1,961,375 invested in TMI Liquidity Fund PLC as of 30 June 2013.

#### **9 Share capital**

The Authorised share capital of the Company is \$100 divided into 100 management shares of \$1 and an unspecified number of Shares without par value. Shares may be redeemed on a redemption day with 30 days' written notice.

Movements in the share capital during the period can be seen in the Statement of Changes in Equity on page 9.

The number of redeemable participating shares outstanding at 30 June 2013 is 34,469. The Net Asset Value per share at 30 June 2013 is \$1,002.

#### **10 Commission**

The average rate of dealing commission, including mark up and mark down added to the cost of investments purchased and deducted from the proceeds of investments sold, was 0% as no commissions were paid.

## **SNAEFELL II ALTERNATIVE INVESTMENT FUND PLC**

### **Notes to the financial statements (continued) for the period ended 30 June 2013**

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#### **11 Related party transactions**

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 regarding financial or operational decisions.

##### **(a) Investment Manager fees**

As well as being Directors of the Company, S Preskey and M Balfour are also Directors of the Investment Manager. The total fees paid to the Investment Manager in the period and outstanding at the period end are disclosed in note 6.

##### **(b) Administrator fees**

As well as being a Director of the Company (until his resignation), Paul Kneen is also a director of the Administrator. The total fees paid to the Administrator in the period and outstanding at the period end are disclosed in note 6.

##### **(c) Directors' fees**

The Company pays D Nixon and P Kneen (up until his resignation post year end) £6,000 each per annum. The remuneration of the Directors is determined by the Company in a general meeting. The other directors receive no remuneration from the Company. No director has any interest in the shares of the Company.

The total fees paid to the directors in the period were \$23,778 with \$4,602 outstanding at 30 June 2013.

All balances owed to the related parties above are interest free and repayable within 12 months.

#### **12 Preliminary Expenses**

During the period there were preliminary expenses incurred in connection with the establishment and listing of the Fund.

For the purpose of valuing the Fund, and to avoid penalising early investors, the preliminary expenses are being amortised on a straight-line basis over 36 months commencing on the Initial Offering Day. The unamortised portion of the Fund's preliminary expenses has been treated as an asset of the Fund for the purposes of determining its Net Asset Value for the time being. As a result of the application of IFRS, this treatment of the preliminary expenses has resulted in a difference between the Net Asset Value of the Fund and the net asset value as set out in the annual audited financial statements of the fund as these costs have been written off in the period to 30 June 2013 as incurred.

#### **13 Ultimate Controlling Party**

At 30 June 2013, Thomas Miller Investment (Isle of Man) Limited owns the issued management shares. After the period end, these shares were transferred to BCB Paragon Trust Limited as Trustees of the Horseshoe Purpose Trust.



## **SNAEFELL II ALTERNATIVE INVESTMENT FUND PLC**

**Notes to the financial statements (continued)  
for the period ended 30 June 2013**

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### **14 Post balance sheet events**

#### **Transfer of management shares**

On 5 August 2013 a total of 100 management shares of US\$1.00 each were transferred from Thomas Miller Investment (Isle of Man) Limited to BCB Paragon Trust Limited as Trustees of the Horseshoe Purpose Trust. Accordingly, BCB Paragon Trust Limited became the ultimate controlling party holding all the management shares in issue.

#### **Listing**

Following the period end an application was submitted to the Listing Committee of the Bermuda Stock Exchange. This application was approved on 4<sup>th</sup> September and consists of an unlimited number of non-voting participating redeemable preference shares under the regulations governing collective investment schemes and restricted to qualified investors as defined in Section I of the Bermuda Stock Exchange Listing regulations, being that the fund is marketed only to specialist investors, as required by the Isle of Man Collective Investment Schemes (Specialist Fund) Regulations 2010.

**SNAEFELL II ALTERNATIVE INVESTMENT FUND PLC**

**Notes to the financial statements (continued)  
for the period ended 30 June 2013**

**15 Valuation of financial assets as at 30 June 2013**

Investment	Fair Value	Percentage of Net Assets USD
BHR Offshore Fund Ltd Class A Series Jan 2010	1,964,668	5.69%
Conquest Macro Fund Ltd - Class 1X Series 0412	1,255,187	3.63%
Contrarian Emerging Markets Class A Series 1 2010	1,875,248	5.43%
Cyril Systematic USD Fund Class USD	1,901,015	5.50%
ECF Value Fund International Ltd - Series 1	1,751,237	5.07%
Emil Van Essen Spread Arbitrage Fnd Class B 0412	1,581,497	4.58%
Finisterre Sovereign Debt Fund - Class A Series 1	198,534	0.57%
Finisterre Sovereign Debt Fund - Class A Series 46	909,637	2.63%
Finisterre Sovereign Debt Fund - Class A Series 48	893,601	2.59%
Force Capital II Limited 04/12	1,967,707	5.70%
Forum Global Opportunities Class A1 Series 04/12	2,177,983	6.31%
Harvey S MidCap Offshore Fund Ltd Series 1 Class A1	1,969,785	5.70%
JANA Nirvana Offshore Ltd Class A Series 01/2007	1,603,967	4.64%
Linden International Ltd - Class A Series 04/12	1,304,688	3.78%
Lioneye Offshore Fund Ltd Class A Series 2013-05	752,617	2.18%
Omni Macro Fund I Ltd Ordinary Share Class 01 2012	1,954,746	5.66%
P/E Fund Ltd - Class F2 The Global Aggressive Fund	2,160,746	6.26%
SYW (Cayman) Ltd Class C Series 2013-04	615,033	1.78%
The Mulvaney Global Markets Fund 1XL Sub Fund	1,535,378	4.45%
Vardana Fund Limited Class A S14	1,588,560	4.60%
<b>Total investments at fair value through profit or loss</b>	<b>29,961,834</b>	<b>86.75%</b>