SBM PERPETUAL FUND LTD

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE 2018

CONTENTS

DIRECTORS	Date of Appointment	Date of resignation
Mr. Heberden Edward Vaughan	01 September 2015	-
Mr. Kwet Chee Li Chun Fong	27 July 2015	-
Mr. Mario Gebert	27 July 2015	-
Mr. Parvataneni Venkateswara Rao	09 March 2016	-
Mr. Deeagarajen Manogaren Soondram	09 March 2016	05 February 2018
Mr. Lakshmana Lutchmenarraidoo	17 February 2017	-

INVESTMENT MANAGER

SBM Mauritius Asset Managers Ltd
SBM Tower
1, Queen Elizabeth II Avenue
Port Louis
Mauritius

REGISTRAR & ADMINISTRATOR

SBM Fund Services Ltd
SBM Tower
1, Queen Elizabeth II Avenue
Port Louis
Mauritius

BANKER

SBM Bank (Mauritius) Ltd
SBM Tower
1, Queen Elizabeth II Avenue
Port Louis
Mauritius

REGISTERED OFFICE

SBM Tower
1, Queen Elizabeth II Avenue
Port Louis
Mauritius

AUDITORS

Ernst & Young
9th Floor, Tower 1, NeXTeracom
Cybercity
Ebene
Mauritius

CUSTODIAN

SBM Bank (Mauritius) Ltd
SBM Tower
1, Queen Elizabeth II Avenue
Port Louis
Mauritius

MANAGER'S STATEMENT

Dear Shareholders,

We are pleased to present you with the annual report together with the audited financial statements of SBM Perpetual Fund (the "Fund") for the year ended 30 June 2018.

Financial year 2018 has been challenging as yields on the local market maintained their downtrends with the cut in Key Repo rate from 4.00% to 3.50% in September 2017. Sharp declines in long-term Government of Mauritius yields were noted during the first half of the financial year with yield on 20-year instruments dropping below 6% on the secondary market. With the upturn in short-term yields, the sovereign yield curve flattened.

Despite the low interest rate environment, SBM Perpetual Fund grew significantly over the year, from MUR 1,611.64Mn to MUR 2,417.24Mn. The Fund registered a net return of 4.2% during the financial year against 4.5% in 2017. The benchmark return dropped from 3.7% to 3.2%, reflecting the cut in the Repo rate. However, the Fund maintained its strong outperformance over the benchmark with an asset allocation adapted to the current environment.

Yields have rebounded in 2018 and inflationary pressures have softened. Policy decision-making will be key in the next financial year as several key economies start monetary tightening - which may impact on the Mauritian rupee. However, we remain confident on the Fund's performance going forward.

We would like to thank the management team and all the stakeholders for their contribution towards enhancing the value of the Fund as well as the unit holders for their confidence in us.

SBM Mauritius Asset Managers Ltd
September 2018

Mr. Pierre D'Unienville / Mr. Lakshmana Lutchmenarraidoo

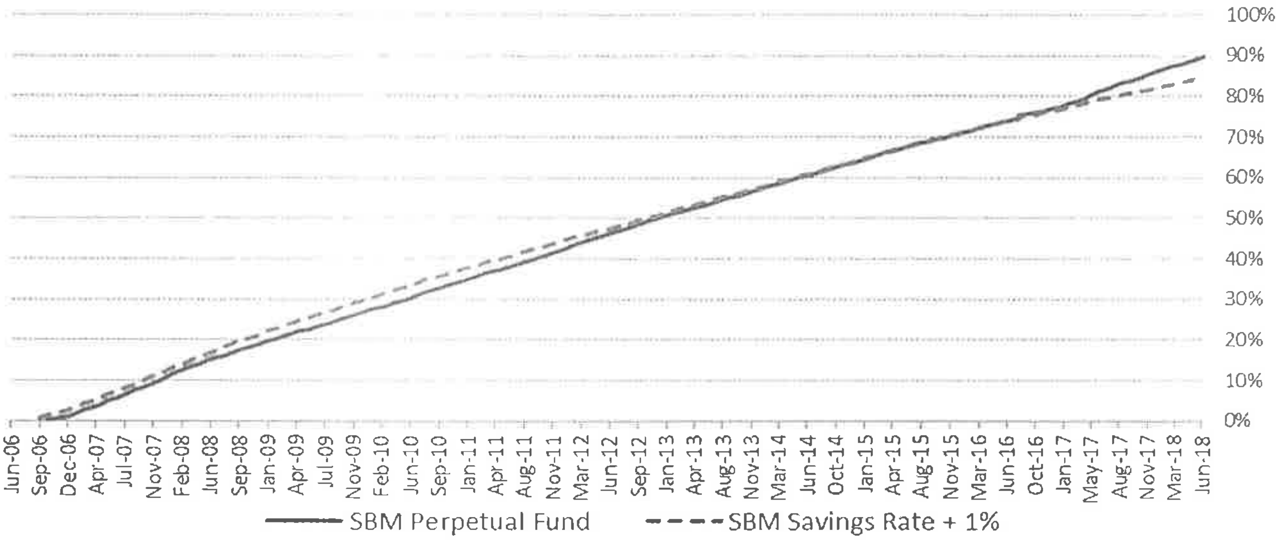
1. PERFORMANCE

1.1 Performance Review

The net assets of SBM Perpetual Fund grew from MUR 1,611.64Mn to MUR 2,417.24Mn over the financial year with Net Asset Value (NAV) per unit rising from MUR 182.02 to MUR 189.68. The Fund registered a return of 4.2% for the year ended 30 June 2018, outperforming its reference index (SBM Savings rate + 1%) which yielded 2.8%. As an indication, current weighted average deposits rate of commercial banks stood at 1.65% as at 30 June 2018 down from 2.15% in June 2017.

The Fund has now cumulated 89.7% since its inception in 2006 against a benchmark return of 84.2%, equivalent to respective annualized returns of 5.6% and 5.4%

Cumulative performance



Cumultive return

%	1 M	3 M	YTD	1 Y	3 Y	5 Y	Inception	Annualized
SBM Perpetual Fund	0.30%	0.92%	1.87%	4.18%	12.97%	23.18%	89.68%	5.64%
SBM Savings + 1%	0.22%	0.67%	1.34%	2.78%	10.03%	19.54%	84.19%	5.37%

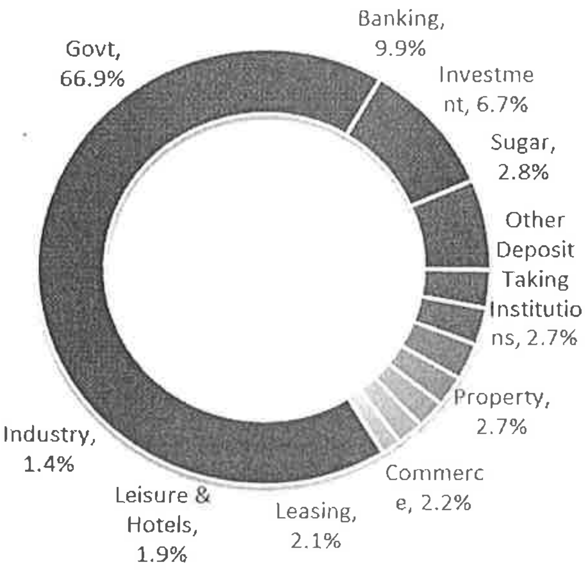
Yearly return (Financial Year)

	2011	2012	2013	2014	2015	2016	2017	2018
SBM Perpetual Fund	5.86%	5.80%	5.00%	4.41%	4.43%	3.78%	4.49%	4.18%
SBM Savings + 1%	5.36%	4.88%	4.48%	4.25%	4.21%	3.73%	3.20%	2.78%

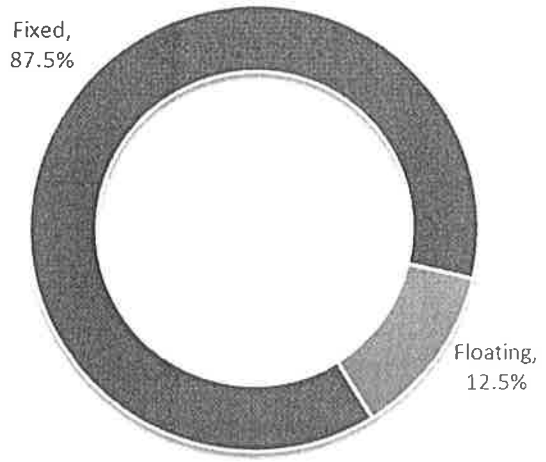
2. BREAKDOWN

SBM Perpetual Fund is well-diversified across different sectors with the major investment in Government of Mauritius (GoM) Bonds representing 66.7% of the portfolio as at June 2018. The Fund has marginally increased its exposure to floating rate instruments from 11.9% to 12.5% over the year ending June 2018, though a greater allocation was desirable.

Sector allocation

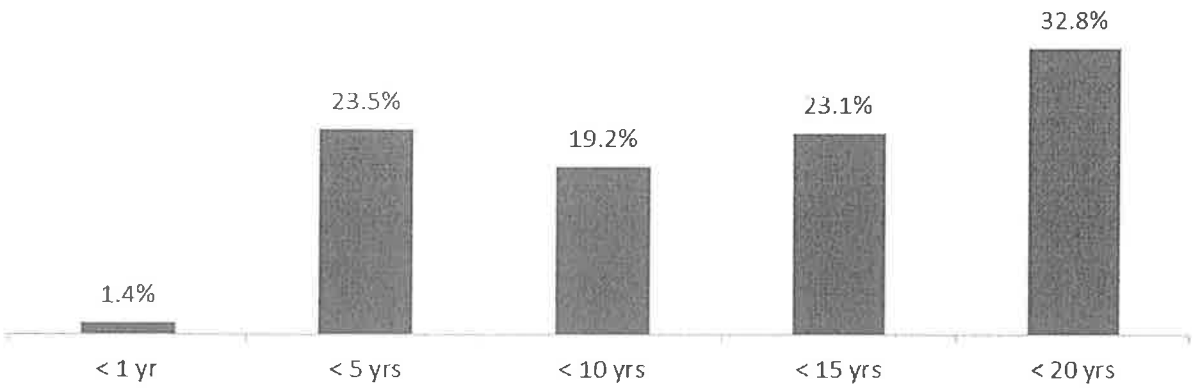


Fixed/Floating allocation



The maturity pattern of the Fund has been revamped during the last two years to adapt to the falling interest rate environment. With the pick-up in yields in 2018, exposure to mid-term securities was raised in view of managing risk and accommodating large inflows to the subscription. However, the Fund maintained a balance between shorter-term and long-term securities for effective risk management.

Maturity pattern



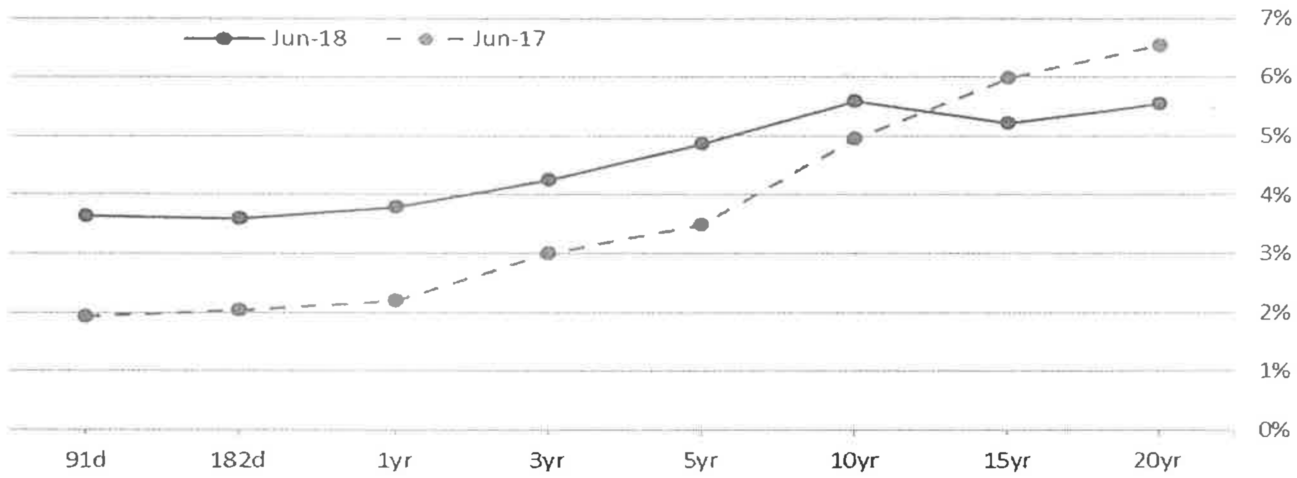
3. LOCAL FIXED INCOME MARKET

The Bank of Mauritius (BoM) reduced the Key Repo rate from 4.00% to 3.50% in September 2017 to stimulate more investment in the productive sectors of the Mauritian economy. Following the cut in Key Repo rate, financing conditions eased as reflected by the drop in lending rates. As an indication, the weighted average prime lending rate of banks moved to 6.28% as compared to 6.84% in September 2016.

Excess cash holdings reached MUR 25.8Bn on 21st June 2018 with the BoM striving to bring down banks' excess reserves to a tolerable level by issuing its own papers and by conducting sterilized foreign exchange interventions. Accordingly, outstanding BoM securities increased from MUR 81Bn as at end of February 2018 to MUR 92Bn as at May 2018.

Yields on the market tumbled over the first half of the financial year 2018 and was further accentuated with the cut in the Key Repo rate in September 2017. The trend on short-term securities reversed in 2018 mainly on account of higher inflation rate expectation. Yields on 91- and 182-days moved from 1.92% and 2.03% to 3.64% and 3.59% correspondingly over the financial year. Yields on 365-days increased from 2.19% to 3.78%. On the longer end of the yield curve, the 20-years GoM bond yield was 5.55% as at 30 June 2018, down from 6.54%.

Sovereign yield curve



4. OUTLOOK

Yields are expected to rise only marginally over the coming year unless the Central Bank raises the Key Repo rate in anticipation of higher inflation rates and monetary tightening in major economies. The local Inflation rate is projected between 4% - 5% by end of 2018 as a result of materials and energy price hikes but which may eventually be offset by lower interest rates on housing loan and lower prices on vegetables. The current short-term yield environment remains positive for liquidity and interest rate management. At such levels, securities issued by corporate bodies become more attractive compared to last year. The Fund will thus target such instruments as well as floating rate notes, subject to market availability.

Corporate Governance Report

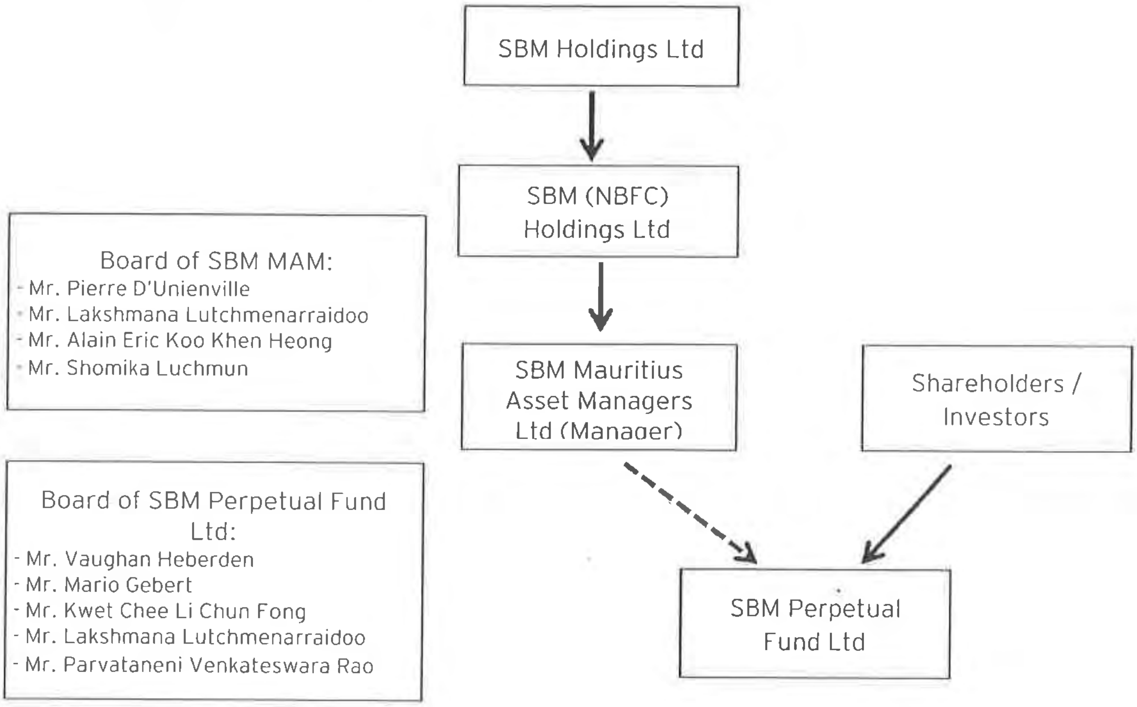
The Board of Directors of SBM Perpetual Fund Ltd (the "Fund") has pleasure in submitting the Corporate Governance Report for the financial year ended 30 June 2018, inclusive of other Statutory Disclosures under Section 221 of the Companies Act.

1. INTRODUCTION

SBM Perpetual Fund Ltd is an open-ended collective investment scheme which was incorporated as a public limited liability company pursuant to the Companies Act 2001 and is licensed by the Financial Services Commission.

The Fund was launched with the objective to achieve long term growth by investing in a diversified portfolio of local fixed income instruments, including government issued instruments, cash and term deposits. This Fund is suitable for investors seeking a relatively high level of capital preservation.

The organisation's structure is as follows:



The Fund's corporate governance framework includes its Directors, Manager, Shareholders and other stakeholders.

The Board of Directors and managers of SBM Perpetual Fund Ltd are fully committed to achieving and sustaining the highest standards of corporate governance with the aim of maximising long-term value creation for the shareholders of SBM Perpetual Fund Ltd and all the stakeholders at large. Much emphasis is on the conduct of business practices that display characteristics of good corporate governance namely discipline, integrity, transparency, independence, accountability, fairness, professionalism and social responsibility.

1. INTRODUCTION (CONTINUED)

In addition, the Board of Directors of SBM Perpetual Fund Ltd continuously reviews the implications of corporate governance principles and practices in light of its experience, regulatory requirements and investor expectations. Appropriate Board Committees are set up to assist the Board in the effective performance of its duties. It hereby confirms that the Fund, as set out in this report, has endeavoured to comply in all material aspects with the following legal and regulatory framework:

- Constitution;
- Prospectus;
- The Code of Corporate Governance for Mauritius (the "Code");
- Companies Act 2001;
- Securities Act 2005;
- The Securities (Collective Investment Schemes and Closed-end Funds) Regulations 2008

The Constitution of SBM Perpetual Fund Ltd complies with the provisions of the Companies Act 2001. A copy is available upon written request to the Company Secretary at the Registered Office of the Company, SBM Tower, 1 Queen Elizabeth II Avenue, Port Louis, Mauritius.

Its salient features are:

Article 8.4:	SBM Perpetual Fund Ltd may issue fractional shares
Article 27:	Fully paid-up shares are freely transferable;
Article 42:	The Board may authorise a distribution by the company if it is satisfied on reasonable grounds that the company will satisfy the solvency test immediately after the distribution.

The Board of the Fund is composed of skilled, knowledgeable and experienced professionals, carefully selected to be highly effective in the governance of the organisation. They assume full responsibility for leading and controlling the organisation and for meeting all legal and regulatory obligations. The Board has approved its Charter, Position Statements and Statement of Accountabilities. The Board re-assesses its Charter on a yearly basis.

As a public interest entity, the Board of Directors has made a concerted effort to adopt the new National Code of Corporate Governance by applying the eight principles of the Code.

2. PRINCIPLE ONE: GOVERNANCE STRUCTURE

The Fund is headed by a Board of Directors (the "Board"). The Board of the Fund comprises an appropriate combination of executive Directors, independent Directors and non-executive Directors. Directors are elected (or re-elected, as the case may be) every year at the annual meeting of shareholders. The Board of Directors is the link between the Fund and its stakeholders and Board Members are collectively responsible to lead and control the Fund to enable it to attain its strategic objectives, in line with the legislative and regulatory framework. In discharging its duties, the Board of Directors shall promote the best interests of the Fund and all of its stakeholders. The Board is ultimately accountable to the shareholders of the Fund. Some of their key roles include:

- Implementing a system of corporate governance to assist in safeguarding policies and procedures across the Fund and making changes as needed;
- Delegating authority to and empower the intermediaries of the Fund to implement strategies, policies and plans approved by the Board;
- Reviewing and, where appropriate, approving risk policy, interim and audited financial statements, annual budgets, business plans and Committee's reports;
- Ensuring effective communication with shareholders and relevant stakeholders;
- Reviewing the performance of the Investment Manager and Administrator. The Investment Manager and Administrator will provide such information as may from time to time be reasonably required by the Directors to facilitate such review.

2. PRINCIPLE ONE: GOVERNANCE STRUCTURE (CONTINUED)

Under the regulatory supervision of the Financial Services Commission, all officers and agents of the Fund are expected to maintain a high level of ethics in their behaviour and business transactions. The transactions of the Fund are carried out as per its Manager's and Fund Administrator's Code of Business Conduct and Ethics, applicable to all direct and indirect employees who deal with the matters of the Fund. The Board regularly monitors and evaluates compliance with its Code of Business Conduct and Ethics.

The Fund is involved in the provision of services and its operations do not materially impact on the environment. Investing strategies include investment in sound, ethical and environmental friendly entities.

3. PRINCIPLE TWO: THE STRUCTURE OF THE BOARD

The Board has attempted to create the right balance and composition to better meet the objectives of the organisation. The Board is a unitary Board and comprises four Non-Executive Directors, of which three are Independent. The Independent Directors do not have any relationship with the majority shareholders. The Board is led by Mr Vaughan Heberden. All Board members currently reside in Mauritius.

The profile of the current Board members is as follows:

- **Mr. Vaughan Heberden** was educated at St Johns College Johannesburg and graduated with BA and LLB degrees from the University of the Witwatersrand. Mr. Heberden has had a career in financial services spanning twenty five years and has occupied senior roles at UAL Merchant Bank, FirstRand Bank and Barclays International and Private Banking amongst others. From 2008 to 2013, he was the CEO of the Cim Group, one of the larger listed financial groups in Mauritius and was responsible for the focus and significant growth of the group. Mr. Heberden has served as Chairman of the Board of Trustees of Global Finance Mauritius, the apex industry body, has been a Director of the Mauritius Institute of Directors and serves on the boards of a number of organisations.

- **Mr. Mario Gebert** is the founder & Managing Director of Fine Foods Marketing Ltd incorporated in 2003. He has valuable commercial & financial experience having served in senior managerial positions in a few Mauritian conglomerates prior to setting up his own business in 2003. Mr. Gebert holds an MBA from Napier University & has been nominated for the World Entrepreneur Award of Ernst & Young South Africa in 2011. In the same year, he was also a nominee of the Eco Austral Best Entrepreneur Award in Mauritius. He is also a member of the Mauritius Institute of Directors. Mr. Gebert joined the Board of SBM Perpetual Fund Ltd as an independent and non-executive director in August 2015.

- **Mr. Kwet Chee Li Chun Fong** is a Fellow of the Association of Chartered Certified Accountants with more than 35 years in auditing, accounting and corporate finance. He has held the position of Audit Manager at KPMG, Coopers & Lybrand and Price Waterhouse. He was at one time Manager of the Corporate Credit Department of the State Bank of Mauritius and Chief Accountant of the Foods Division of Happy World Ltd. He is presently the partner with Kingston Marks and is licenced by the Financial Reporting Council to act as auditor. He also acts as Company Secretary for National Investment Trust and Hua Lien Bridge Ltd.

- **Mr. Parvataneni Venkateshwara Rao (resigned on 11.09.2018)** has more than 30 years' experience in Retail Banking, International Banking, Financial Markets, and Banking Book investments across Public and private sectors in both India and Mauritius. Mr. Rao holds a B.Sc in Agriculture and MBA. He is also CAIIB, DBM, DIB & DTIRM from Indian Institute of Bankers, Mumbai. He has received intensive trainings in currency swaps from Euro Money UK, Technical Analysis from National Institute of Bank Management, India, Bourse Training Programme by Syndicate Bank and, Financial Engineering and Derivatives Training Programme from the Bankers Training College Reserve Bank of India. His competencies include Treasury & Risk Management and Managing the Bank's Investments.

  Mr. Rao worked for 10 years in Syndicate Bank in the retail banking division. After a decade of Experience In Syndicate Bank's Treasury & International Banking Division, Mr. Rao Joined Indusind Bank Treasury Trading Department reaching the level Head, Foreign Exchange of the Bank. In 2010, Mr. Rao joined SBM Bank Mauritius Ltd (India Operations) and held the post of Head - Treasury. In 2013 Mr. Rao joined SBM Bank (Mauritius) Ltd as Head-Financial Markets Division.

  Mr. Rao was on the Board of Bombay Stock Exchange Currency Derivatives Segment, Vice President of Forex association of India affiliated to ACI Paris before moving to Mauritius. He was Guest Faculty at various national Institutes in Mumbai including National Institute of Bank Management. Currently he is a member of Financial Markets Committee, Bank of Mauritius and MBA Sub Committee on Capital Markets.

3. PRINCIPLE TWO: THE STRUCTURE OF THE BOARD

- **Mr. Lakshmana (Kris) Lutchmenarraidoo** has joined SBM as Chief Executive - SBM (NBFC) Holdings Ltd on the 16th January 2017.

  Mr. Lutchmenarraidoo is a seasoned banking professional with over 40 years' experience across the Banking & Financial services sectors. During the 13 years he spent at SBM, he held various positions across the bank namely Branch Manager, Head of Internal Audit, and Assistant General Manager. He then moved on to occupy the highest positions in various prominent entities such as Mauritius Leasing Company Ltd, Mauritius Post Ltd, Mauritius Post and Cooperative Bank Ltd, La Prudence Mauricienne Assurances Ltée and Mauritius Union Assurance Co. Ltd. More recently, he was the Group Managing Director at Phoenix East Africa Assurance Company Ltd., based in Kenya and supervising operations in Kenya, Tanzania, Uganda and Rwanda.

  Mr. Lutchmenarraidoo holds a Banking Diploma from FinAfrica Institute, Milan, Italy. He has as mandate to drive and transform the Non-Banking Financial Cluster in view of tremendously increasing its share of profits within the SBM Group.

Board committee meetings and attendance

The Board of Directors meets at least once quarterly. The following table shows the list of Board members and the number of Board meetings held during the year and the attendance of individual directors.

		Board	Annual Meeting 2017
No. of meetings held		4	1
Directors	*Note:*		
Mr. V Heberden	a	4	1
Mr. M Gebert	a	4	1
Mr. Ah Vee Li Chun Fong	a	4	1
Mr. L. Lutchmenarraidoo	c	4	1
Mr. P Rao **	b	3	-
Mr. S Soondram *	c	2	1

Note:
'a' - Independent Director
'b' - Non Executive Director
'c' - Executive Director

* Resigned on 5th February 2018
** Resigned on 11th September 2018.

The Board took cognizance of the requirements of the new Code for Corporate Governance on the matter of gender balance and will set out to address this matter.

Company Secretary

The Company Secretary is appointed by the Board in accordance with its Constitution. Mrs Rubina Jhuboo Madhour is the holder of a degree in Accounting and Finance, an Associate of the Institute of Secretaries and Administrators and a Trust and Estate Practitioner. She started her career in the Company Secretarial field in 2003 and joined the SBM Corporate Affairs department in July 2016. She also oversees the Company Secretarial functions of the Non-Banking Financial cluster and Non-Financial cluster of the SBM Group.

4. PRINCIPLE THREE: DIRECTORS APPOINTMENT PROCEDURES

There exists a transparent procedure in place regarding the appointment of prospective Directors which is made in accordance with the skills, knowledge and expertise required on the Board.

The re-election of Directors is made on an annual basis at the Annual Meeting of Shareholders.

New Board members are provided with an Induction Pack to provide them with sufficient knowledge and understanding of the Fund's business comprising of the following:

- Legal Roles and responsibilities of Directors
- Group Structure
- Constitutive documents
- Profile of the Board members
- Minutes of past Board meetings
- Latest Audited Financial Statements
- Directors and Officers Liability Insurance
- Code of Corporate Governance of Mauritius

The Board assumes full responsibility for succession planning within the Company.

5. PRINCIPLE FOUR: DIRECTORS' DUTIES, REMUNERATION AND PERFORMANCE

All Board members are fully apprised of their fiduciary duties as laid out in the Companies Act 2001.

Remuneration philosophy and remuneration of Directors

The non-executive directors and independent directors are remunerated for their knowledge, experience and insight provided to the Board as well as contribution to helping and assisting the intermediaries of the Fund in the performance of their duties. Fees paid to the Directors amounted to Rs. 535,781 for the year ended 30 June 2018 (2017: Rs. 536,211). Directors fees have not been disclosed on an individual basis for confidentiality reasons.

Continuous Development Programme

During the year under review, Directors Development sessions were held in-house.

Annual evaluation of the Board

Board evaluation and self-assessment by the Directors allow the board members to better understand their own roles and responsibilities and how they can more effectively fulfil their duties and obligations.

During the reporting year, the Board underwent a self-assessment exercise in the form of an evaluation questionnaire and the findings were presented to the Board for discussion and further action.

Managing Conflict of Interest and Related Party Transactions

As a public interest entity, the Fund makes every effort to ensure that Directors declare any interest and/or report any related party transactions to the Chairman and the Company Secretary. A register of interests is kept by the Company Secretary and updated on a regular basis. The register is made available to the shareholder upon request to the Company Secretary.

The Company adheres to the Group Conflict of Interest and Related Party Transactions policy to assist the Board in identifying and disclosing actual and potential conflicts and help ensure the avoidance of conflicts of interest, where necessary.

For the related party transaction, please refer to Note 16 of the Financial Statements.

Information, information technology and information security policy

The Board confirms that information, information technology and information security policy exists within the Group.

6. PRINCIPLE FIVE: RISK GOVERNANCE AND INTERNAL CONTROL

The Board acknowledges its responsibility for internal control and works closely together with the Fund Administrator to put in place a system of internal control which is designed to provide the Fund with reasonable assurance that the assets are safeguarded; that operations are carried out effectively and efficiently; that the financial controls are reliable and in compliance with applicable laws and regulations and that material frauds and other irregularities are either prevented or detected within a reasonable time.

The Manager and Fund Administrator prepare compliance and risk monitoring reports that are submitted to the Board of the Fund and the Investment Manager's Audit and Risk Committee on a quarterly basis for their review, following which recommendations are made to the Manager on an on-going basis. The independent Compliance and Risk Management teams regularly review the various processes of the Fund, including fund administration and registry, and the investment process. Preventive and corrective actions are then duly implemented to address internal control deficiencies and opportunities for improving the systems.

Risk Management

The Board is responsible for the risk management practice and procedures in place within the operating structure of the Fund for risk management. It also defines the overall strategy for risk tolerance and is responsible for the design, implementation and review of a risk management framework, processes and management of risk as performed by the intermediaries and service providers of the Fund.

The Fund's policy on risk management encompasses all business risks including operational, technology, business continuity, financial, compliance and reputational risks which could influence the achievement of the Fund's objectives. In context, a due diligence exercise is undertaken in collaboration with nominated intermediaries to ensure that they have the capability to commit on the implementation of appropriate customised procedures and controls for the purpose of the Fund.

The risk management mechanisms in place include:

- A system for the ongoing identification and assessment of risk;
- Development of strategies in respect of risk and definition of acceptable and non-acceptable levels of risk;
- The communication of risk management policies across the multiple parties and functionaries involved in the processes;
- The implementation of a documented system of processes with appropriate controls and approval mechanism that closely align the control effort to the nature and importance of the risk;
- Processes to reduce or mitigate identified risks and contain them within the levels of tolerance defined and agreed by the Board;
- Compliance reports that are prepared and presented to the Board; and
- Internal audit functions at the level of the Manager and Fund Administrator.

Risk exposure of the Fund falls within the following areas of risk:

Operational risks

Operational risk is defined as risk of direct or indirect loss resulting from inadequate or failed internal process, people and systems or from external events. Assets of the Fund are properly safeguarded and reporting infrastructures are adequate and effective for timely and accurate data collection.

Compliance risks

Compliance risk is defined as risk of loss from failure to comply with regulations governing the conduct of an organisation's business. It is a composite risk made up of risk of legal or regulatory sanctions, financial loss, or loss of reputation. The Investment Manager's operations are overseen by compliance and risk management teams to ensure that the Fund's operations are within regulatory frameworks.

6. PRINCIPLE FIVE: RISK GOVERNANCE AND INTERNAL CONTROL

Technology risks

Technology risks include hardware and software failures, system development and infrastructure issues. To varying degrees, the Fund is reliant upon certain technologies and systems for the smooth and efficient running of its operations. Disruption to these technologies could adversely affect its efficiency.

Political, economic and financial markets risks

The primary sources of financial risks faced by the Fund are risks inherent to its investment activities. Investment values and returns are dependent on the performance of financial markets and may adversely affect the Fund's financial results. The financial risks faced by the Fund and management of these risks are further discussed in the notes to the financial statements.

Reputational risks

This relates to losses due to unintentional or negligent failure to meet a professional obligation to specific clients or from the nature or design of a product.

Business continuity risks

This relates to losses from failed transaction processing and process management.

These risks are managed and mitigated through the various policies and methods as described in the above section.

Whistleblowing policy

In order to enhance good governance and transparency, the Group has a Whistleblowing policy. The main aims of the policy are to provide an avenue for raising concerns related to fraud, corruption and any other misconduct. The policy addresses the following:

- Protection of and Remedies for Whistleblowers and Complainants;
- Channels and Procedures;
- Hotline, Email and PO Box facilities

Reports can be made through the following channels:

Hotline (Toll free numbers)

Territory	International Dial Number
Kenya	0800221832
India	0008000402246
Mauritius	8002111
Madagascar	336545559*

E-mail: whistleblowing@sbmgroup.mu

PO Box: 11, Caudan, Port Louis, Mauritius

7. PRINCIPLE SIX: REPORTING WITH INTEGRITY

The Board is required to ensure that adequate accounting records are maintained so as to disclose at any time, and with reasonable adequacy, the financial position of the Fund. They are also responsible for taking reasonable steps to safeguard the assets of the Fund and to prevent and detect fraud and other irregularities.

They must present financial statements for each financial year, which give a true and fair view of the affairs of the Fund, and the results for that period. In preparing such financial statements, they are required to:

- select suitable accounting policies and apply them on a consistent basis using reasonable and prudent judgment;
- state whether or not the Companies Act 2001, Financial Reporting Act 2004 and International Financial Reporting; Standards (IFRS) have been adhered to and explain material departures thereto
- use the going concern basis unless it is inappropriate.

The Board acknowledges its responsibility for ensuring the preparation of the annual financial statements in accordance with IFRS and the responsibility of external auditors to report on these financial statements. The Board is responsible for ensuring the maintenance of adequate accounting records and an effective system of internal controls and risk management.

Nothing has come to the Board's attention, to indicate any material breakdown in the functioning of the internal controls and systems during the period under review, which could have a material impact on the business. The financial statements are prepared from the accounting records on the basis of consistent use of appropriate accounting records supported by reasonable and prudent judgments and estimates that fairly present the state of affairs of the Fund.

The financial statements have been prepared on a going concern basis and there is no reason to believe that the Fund will not continue as a going concern in the next financial year.

The Directors confirm that in preparing the financial statements, they have:

- selected suitable accounting policies and applied them consistently
- made judgments and estimates that are reasonable and prudent
- followed the International Financial Reporting Standards
- prepared the financial statements on the going concern basis
- adhered to the Code of Corporate Governance in all material aspects and reasons have been provided for non-compliance.

The Directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund and to enable them to ensure that the financial statements comply with the Mauritius Companies Act 2001, the Financial Reporting Act 2004, the Securities Act 2005, the Securities (Collective Investment Schemes and Closed-end Funds) Regulations 2008 and the International Financial Reporting Standards. They are also responsible for safeguarding the assets of the Fund and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The reporting on Environmental, Health and Safety, Social and Corporate Social Responsibility issues as well as Charitable and Political contributions is made at the Manager's level.

The Annual report is published in full on the website of the Manager of the Fund, SBM Mauritius Asset Managers Ltd.

8. PRINCIPLE SEVEN: AUDIT

Internal Audit

The Non-Banking Financial cluster has its own permanent Internal Audit function reporting to the Audit and Risk Committee of the cluster. The internal audit team comprises of three fully qualified accountants. The internal auditors provide assurance about the effectiveness of the risk management and control processes in place and they maintain their independence by reporting to the Audit and Risk Committee. The Head of Internal Audit has regular access to the Chairperson of the Board and the chairperson of the Audit and Risk Committee.

The Audit and Risk Committee reviews and approves Internal Audit's plan and resources and evaluates the effectiveness of the function. The Audit and Risk Committee ensures that a consistent risk-based audit methodology is applied. The audit reports are thereafter tabled at the Committee and the findings and methodologies are reviewed and discussed by the Audit and Risk Committee.

External Audit

Ernst & Young were appointed as statutory auditors of the Fund for the financial year ending 30 June 2018. The Board assesses and reviews on a regular basis the independence of the external auditor.

The fees paid to the external auditors for audit services were Rs. 92,000 for the financial year 2017 (FY 2016: Rs. 92,000).

The Audit & Risk Committee has met regularly with the external auditors in the presence of Management. No significant issues have been identified during the Audit and Risk Committee in relation to the Financial Statements.

9. PRINCIPLE EIGHT: RELATIONS WITH SHAREHOLDERS AND OTHER KEY STAKEHOLDERS

The Manager interacts with key stakeholders on a regular basis to discuss the performance of the Fund.

Holding structure - 30 June 2018

As at 30 June 2018, the Fund had issued 12,743,694.06 shares for a total fund size of Rs 2,417,204,381.77. The NAV per share of the Fund as at 30 June 2018 was Rs 189.679.

The NAV per share for the past five years are as follows:

Year	NAV per share
June 2014	160.786
June 2015	167.903
June 2016	174.225
June 2017	182.075
June 2018	189.679

8. PRINCIPLE SEVEN: AUDIT (CONTINUED)

Analysis of ownership

The Fund had 1027 holders of participating shares as at 30 June 2018. A breakdown of the category of holders of participating shares and the share ownership as at 30 June 2018 are set out below:

Market Value (MUR)	Number of shareholders	Number of shares owned	% Holding
0-59,999	-	-	-
60,000 - 99,999	4	2,101.47	0.02
100,000 - 124,999	40	22,473.24	0.18
125,000 - 199,999	30	25,355.87	0.20
200,000 - 499,999	193	332,603.70	2.61
500,000 - 999,999	180	620,353.24	4.87
1M - 1,499,999	217	1,290,483.10	10.13
1.5M - 1,999,999	65	584,406.11	4.59
2M - 2,999,999	96	1,157,043.61	9.08
3M - 5,999,999	130	2,846,005.51	22.33
6M - 10M	26	983,500.40	7.72
10M-20 M	33	2,141,961.93	16.81
ABOVE 20 M	13	2,737,405.88	21.46
	1,027	12,743,694.06	100.00

Prospectus

The Fund has a Prospectus in relation to the issuance of its participating shares. The Prospectus is available for inspection at the registered office of the Fund during business hours situated at SBM Tower, 1 Queen Elizabeth II Avenue, Port Louis, Mauritius. The Fund has two class of shares, namely ordinary shares held by the Manager and participating shares.

Shareholder's agreement

To the best knowledge of the Fund, there has been no such agreement with any of its shareholders for the year under review.

Shareholders' relations and communication

Shareholders are strongly encouraged to visit the website of the Manager to remain updated on the Fund's initiatives/projects and goals. The Board confirms that the relevant stakeholders have been involved in the organisational position, performance and outlook.

Shareholders' calendar

The Fund has planned the following forthcoming events:

Reporting date	30 June
Publication of year end results	Within 90 days from end of 30 June 2018

Dividend Policy

No dividend policy is currently envisaged but the Board of the Fund has the discretion to change the distribution policy and distributes any profits earned to shareholders in future in terms of dividends or bonus shares. For the year ended 30 June 2018, the Board did not recommend the payment of any dividend. Currently, all profits will be reflected in the net asset value of the share of the Fund.

8. PRINCIPLE SEVEN: AUDIT (CONTINUED)

Dealings in the Fund's shares

On the 03rd of March 2017, Mr. Lakshmana Lutchmenarraidoo, Executive Director of the Fund, subscribed to 16,740.8099 units for a total amount of MUR 3 million. No other director dealt in the Fund shares during the year under review and no other director held shares in the Fund.

Employee Share Option Scheme

The Fund has no share option plans.

9. OTHER STATUTORY DISCLOSURES

Significant Contracts

The following agreements have been approved and renewed by the Board during the financial year ended 30 June 2018 and they are still effective:

- Custody Agreement with the SBM Bank Limited.
- Administration Agreement with SBM Fund Services Ltd.
- Fund Management Agreement with SBM Mauritius Asset Managers Ltd.

Directors and Officers Liability Insurance

The Fund has subscribed to a Directors and Officers Liability Insurance policy in respect of legal actions or liability which may arise against its Directors and officers. The cover does not provide insurance against fraudulent, malicious or wilful acts or omissions.

Director	Director
Mr. Vaughan Heberden	Mr. Mario Gebert
Date: 21 SEP 2018	

STATEMENT OF COMPLIANCE
(Section 75 (3) of the Financial Reporting Act)

Name of PIE: The SBM Perpetual Fund Ltd

Reporting Period: Year ended 30 June 2018

Throughout the year ended 30 June 2018 to the best of the Board's knowledge the SBM Perpetual Fund Ltd (the "Fund") has complied with the Code of Corporate Governance for Mauritius (2016), except for the following:

1. Principle Two which requires all organisations to have directors from both genders. The Fund has no female director on its Board.
2. Principle Four, Directors fees have not been disclosed on an individual basis for confidentiality reasons

....
Director
Mr. Vaughan Heberden
Date: 21 SEP 2018

....
Director
Mr. Mario Gebert.

I certify that, to the best of my knowledge and belief, SBM Perpetual Fund Ltd has filed with the Registrar of Companies, for the year ended 30 June 2018 all such returns as are required of the Fund under Section 166(d) of the Companies Act 2001 as applicable.

....
Rubina Jhuboo Madhour (Mrs.)
Company Secretary

Date: 21 SEP 2018

Building a better
working world

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SBM PERPETUAL FUND LTD

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of SBM Perpetual Fund Ltd (the "Fund") set out on pages 8 to 30 which comprise the statement of financial position as at 30 June 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Fund as at 30 June 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Companies Act 2001 and the Financial Reporting Act 2004.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The directors are responsible for the other information. The other information comprises the Manager's Report and Corporate Governance Report and the Company Secretary's Certificate as required by the Companies Act 2001, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act 2001 and the Financial Reporting Act 2004, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intends to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SBM PERPETUAL FUND LTD (CONTINUED)

Report on the Audit of the Financial Statements (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Use of our report

This report is made solely to the Fund's members, as a body, in accordance with Section 205 of the Companies Act 2001. Our audit work has been undertaken so that we might state to the Fund's members 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 Fund and the Fund's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Building a better
working world

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SBM PERPETUAL FUND LTD (CONTINUED)

Report on Other Legal and Regulatory Requirements

Companies Act 2001

We have no relationship with or interests in the Fund other than in our capacity as auditors, tax advisors and dealings in the ordinary course of business.

We have obtained all the information and explanations we have required.

In our opinion, proper accounting records have been kept by the Fund as far as it appears from our examination of those records.

Financial Reporting Act 2004

The directors are responsible for preparing the Corporate Governance Report. Our responsibility is to report on the extent of compliance with the Code of Corporate Governance as disclosed in the annual report and whether the disclosure is consistent with the requirement of the Code.

In our opinion, the disclosure in the Annual Report is consistent with the requirements of the Code.

ERNST & YOUNG
Ebène, Mauritius

LI KUNE LAN POOKIM, F.C.A, F.C.C.A
Licensed by FRC

Date: 21 SEP 2018

	Notes	2018	2017
		MUR'000	MUR'000
ASSETS			
Cash and cash equivalents		44,279	42,771
Other receivables	4	75	75
Loans and receivables	5	2,138,477	1,528,099
Available-for-sale investments	6	269,524	48,187
TOTAL ASSETS		2,452,355	1,619,132
LIABILITIES			
Other payables	7	30,020	2,827
Application for participating shares	9(c)	-	1,391
Income tax liability	8(a)	5,131	3,274
		35,151	7,492
Net assets attributable to shareholders		2,417,204	1,611,640
Represented by:			
Management shares	9(a)	-	-
Net assets attributable to redeemable participating shareholders	9(b)	2,417,204	1,611,640
		2,417,204	1,611,640

Approved by the Board of Directors and authorised for issue on 21. September 2018

DIRECTORS
Mr. Vaughan Heberden

DIRECTORS
Mr. Mario Gabert

	Notes	2018	2017
		MUR'000	MUR'000
Income			
Interest Income	10	106,415	83,765
Gain on disposal of investment		7,397	11,622
Net movement in fair value of investment		(1,418)	-
		112,394	95,387
Fund Expenses			
Management fees	11	14,423	10,904
Audit fees		92	97
Administrator's fees	12	2,858	843
Custodian fees	13	969	2,181
Registry fees	14	1,454	1,090
Director fees		536	536
General expenses		436	1,418
		20,768	17,069
Profit before taxation		91,626	78,318
Income tax expense	8(b)	(14,165)	(13,695)
Change in net assets attributable to holders of redeemable participating shares		77,461	64,623

The notes on pages 12 to 30 form part of these financial statements.

	Net assets attributable to holders of redeemable participating shares
	MUR'000
At 01 July 2016	**1,176,919**
New issue of redeemable participating shares	432,524
Redemption of redeemable participating shares	(62,426)
Changes in net assets attributable to holders of redeemable participating shares from transaction in shares	370,098
Changes in net assets attributable to holders of redeemable participating shares from operations	64,623
At 30 June 2017	**1,611,640**
At 01 July 2017	**1,611,640**
New issue of redeemable participating shares	**989,494**
Redemption of redeemable participating shares	**(261,391)**
Changes in net assets attributable to holders of redeemable participating shares from transaction in shares	**728,103**
Changes in net assets attributable to holders of redeemable participating shares from operations	77,461
At 30 June 2018	2,417,204

The notes on pages 12 to 30 form part of these financial statements.

	Notes	2018	2017
		MUR'000	MUR'000
Cash flows from operating activities			
Profit before taxation		91,626	78,318
Adjustment for:			
Interest Income		(106,415)	(83,765)
Gain on disposal of investment		(7,397)	(11,622)
Net movement in fair value of investment		1,418	-
Operating loss before working capital changes		(20,768)	(17,069)
Decrease in other receivables		-	174
Increase in other payables		27,193	354
Purchase of investment		(1,558,039)	(1,107,914)
Proceeds on disposal or maturity of investment		724,278	608,338
Interest received		114,438	127,862
		(712,898)	(388,255)
Tax paid	8(a)	(12,308)	(11,692)
Net cash used in operating activities		(725,206)	(399,947)
Cash flows from financing activities			
Issue of redeemable shares		989,494	432,524
Participating shares converted into redeemable shares		(1,391)	(23,641)
Redemption of redeemable shares		(261,389)	(62,426)
Net cash generated from financing activities		726,714	346,457
Net increase/(decrease) in cash and cash equivalents		1,508	(53,490)
Cash and cash equivalents at start of year		42,771	96,261
Cash and cash equivalents at end of year		44,279	42,771

1. LEGAL FORM AND PRINCIPAL ACTIVITY

SBM Perpetual Fund Ltd is a public company incorporated as a domestic company and domiciled in Mauritius. Its registered office is situated at State Bank Tower, 1 Queen Elizabeth II Avenue, Port Louis, Mauritius. The Fund is a Fund with limited liability.

The Fund has been authorised to operate as a Collective Investment Scheme under Section 97 of the Securities Act 2005.

The principal activity of the Fund is to invest in long term securities and other instruments.

The Fund's investment activities are managed by SBM Mauritius Asset Managers Ltd.

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The financial statements have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss, which are measured at fair value.

The financial statements are presented in Mauritian Rupee ("MUR'000") and all values are rounded to the nearest thousand, except when otherwise indicated.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Foreign currency translation

The financial statements are presented in MUR'000 (presentation currency) which is also the currency of the primary economic environment in which the Fund operates (functional currency). The Fund determines its own functional currency and items included in the financial statements of the Fund are measured using that functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Fund at their respective functional currency spot rates prevailing at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. All differences arising on settlement or retranslation of monetary items are taken to profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

b) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Fund and the revenue can be reliably measured, regardless of when payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding value added tax or duty. The Fund assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Fund has concluded that it is acting as a principal in all of its revenue arrangements.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Revenue recognition (Continued)

Interest income

Interest revenue and expense are recognised in the statement of profit or loss and other comprehensive income for all interest-bearing financial instruments using the effective interest method.

Dividend income

Dividend income is recognised when the Fund's right to receive the payment is established.

c) Taxes

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, by the reporting date.

Current income tax relating to items recognised directly in equity is recognised in equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Taxes (Continued)

Deferred tax (Continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it incurred during the measurement period or in profit or loss.

d) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Fund commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at fair value through profit or loss
- Loans and receivables
- Held-to-maturity investments
- Available-for-sale financial investments

The Fund does not hold any financial assets classified as fair value through profit or loss investments and available-for-sale investments.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Financial instruments (Continued)

(i) Financial assets (Continued)

Subsequent measurement (Continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate ('EIR') method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in statement of profit or loss and other comprehensive income. The losses arising from impairment are recognised in finance costs for loans and in other operating expenses for receivables.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Fund has the positive intention and ability to hold them to maturity. After initial measurement, held to maturity investments are measured at amortised cost using the EIR, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance income in the statement of profit or loss and other comprehensive income. The losses arising from impairment are recognised in statement of profit or loss and other comprehensive income as finance costs.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a Fund of similar financial assets) is primarily derecognised (i.e. removed from the statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or
- The Fund has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Fund has transferred substantially all the risks and rewards of the asset, or (b) the Fund has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Fund has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Fund continues to recognise the transferred asset to the extent of the Fund's continuing involvement. In that case, the Fund also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Fund has retained.

Impairment of financial assets

The Fund assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Financial instruments (Continued)

(i) Financial assets (Continued)

Impairment of financial assets (Continued)

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Fund first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Fund determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income, included in finance income, continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Fund. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to profit or loss.

(ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings including payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Fund's financial liabilities include other payables and net assets attributable to holders of redeemable participating shares.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Loans and borrowings

After initial recognition, loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in statement of profit or loss and comprehensive income.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Financial instruments (Continued)

(ii) Financial liabilities (Continued)

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

(iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

The fair value for financial instruments traded in active markets at reporting date is based on their quoted price or binding dealer price quotations.

For all other financial assets not traded in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include: using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis making as much use of available and supportable market data as possible.

(iv) Determination of fair value

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorisation(based on the lowest level input that is significant to the fair value measurement as a whole) at the beginning of each reporting period.

e) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash at bank.

f) Provisions

Provisions are recognised when the Fund has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Fund expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss net of any reimbursement.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Provisions (Continued)

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

g) Redeemable participating shares

Redeemable participating shares are redeemable at the option of the shareholders and are classified as financial liabilities.

The movement in value is shown in the statement of profit or loss and other comprehensive income as an increase or decrease in net assets attributable to holders of redeemable participating shares.

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in these financial statements are consistent with those of the previous financial year. There were a number of new standards and interpretations which were effective for this financial year, none of which have an impact on the Fund.

2.4 ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following standards, amendments to existing standards and interpretations were in issue but not yet effective. They are mandatory for accounting periods beginning on the specified dates, but the Fund has not early adopted them and intends to adopt those standards when they become effective.

	Effective for accounting period beginning on or after
New or revised standards	
IFRS 9 Financial Instruments	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2018
IFRS 16 Leases	1 January 2019
IFRS 17 Insurance Contracts	1 January 2021
IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
Amendments	
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	Deferred indefinitely
Transfers of Investment Property (Amendments to IAS 40)	1 January 2018
Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)	1 January 2018
Clarifications to IFRS 15 'Revenue from Contracts with Customers'	1 January 2018
Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (Amendments to IFRS 4)	1 January 2018
IFRS 1 First-time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters	1 January 2018
IAS 28 Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment - by - investment choice	1 January 2018
IFRIC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
Prepayment Features with Negative Compensation (Amendments to IFRS 9)	1 January 2019
Long-term Interests in Associates and Join Ventures-Amendments to IAS 28	1 January 2019
Plan Amendments, Curtailment or Settlement-Amendments to IAS 29	1 January 2019
IFRS 3 Business Combinations- Previously held interest in a joint operation	1 January 2019

2.4 ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

Amendments	Effective for accounting period beginning on or after
IFRS 11 Joint Arrangements- Previously held interests in a joint operation	1 January 2019
IAS 12 Income Taxes- Income tax consequences of payments on financial instruments classified as equity	1 January 2019
IAS 23 Borrowing Costs- Borrowings costs eligible for capitalisation	1 January 2019

The new standards and interpretations that are expected to have an impact are disclosed below.

IFRS 9 Financial Instruments - Classification and measurement of financial assets, Accounting for financial liabilities and derecognition

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement and will be effective as from 1 January 1 2018. IFRS 9 includes requirements for the classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting. The impairment requirements will lead to significant changes in the accounting for financial instruments for the Fund. The Fund will not restate comparatives on initial application of IFRS 9 on 1 January 2018 but will provide detailed transitional disclosures in accordance with the amended requirements of IFRS 7 Financial Instruments: Disclosures. Any change in the carrying value of financial instruments upon initial application of IFRS 9 will be recognised in equity.

IFRS 9 introduces new requirements for classifying and measuring financial assets, as follows:

(a) Classification and measurement of financial assets

IFRS 9 will require financial assets to be classified on the basis of two criteria:

1) The business model within which financial assets are managed; and
2) Their contractual cash flow characteristics (whether the cash flows represent 'solely payments of principal and interest').

Financial assets will be measured at amortised cost if they are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and their contractual cash flows represent solely payments of principal and interest.

Financial assets will be measured at fair value through other comprehensive income if they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and their contractual cash flows represent solely payments of principal and interest.

Other financial assets are measured at fair value through profit and loss. There is an option to make an irrevocable election for non-traded equity investments to be measured at fair value through other comprehensive income, in which case dividends are recognised in profit or loss, but gains or losses are not reclassified to profit or loss upon derecognition and impairment is not recognised in profit or loss.

The accounting for financial liabilities is largely unchanged.

An assessment of potential changes to financial assets has been conducted, including an assessment of business models across various portfolios, and a review of contractual cash flow features for complex financial assets.

The initial application of the Fund's new classification and measurement policies on January1, 2018 is not expected to result in any material changes to the measurement of the Fund's financial assets and financial liabilities.

2.4 ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

IFRS 9 Financial Instruments - Classification and measurement of financial assets, Accounting for financial liabilities and derecognition (Continued)

(b) Impairment

IFRS 9 introduces a revised impairment model which requires entities to recognise Expected Credit Losses ('ECL') based on unbiased forward-looking information. This replaces the existing IAS 39 incurred loss model which only recognises impairment if there is objective evidence that a loss is already incurred and would measure the loss based on the most probable outcome. The IFRS 9 impairment model will be applicable to all financial assets at amortised cost, lease receivables, debt financial assets at fair value through other comprehensive income, loan commitments and financial guarantee contracts. This presents a change from the scope of the IAS 39 impairment model which excludes loan commitments and financial guarantee contracts (these were covered by IAS 37: Provisions, Contingent Liabilities and Contingent Assets).

The measurement of expected credit loss will involve increased complexity and judgement including estimation of probabilities of default, loss given default, a range of unbiased future economic scenarios, estimation of expected lives, estimation of exposures at default and assessing increases in credit risk.

Exposures would be divided into 3 stages as follows:

Stage 1: Exposures for where a significant increase in credit risk has not occurred since origination. For these exposures a 12 months expected credit loss will be recognised.

Stage 2: Exposures for which a significant increase in credit risk has occurred since origination. The Bank will assess whether a significant increase in credit risk has occurred based on qualitative and quantitative drivers; as well as exposures that are more than 30 days past due contractual payment date. Lifetime expected credit losses will be recognised for these assets.

Stage 3: Exposures which meet the definition of default. The Fund has aligned its definition of default with the guideline issued by the Bank of Mauritius on Credit Impairment Measurement and Income Recognition, which considers exposures that are more than 90 days past due, forbearance, as well as indicators that an exposure is unlikely to pay. Lifetime expected credit losses will be recognized for these assets.

The revised impairment model is expected to have a material financial impact on the recognition of impairment losses going forward, as well as existing impairment provisions previously recognised in terms of the requirements of IAS 39. Impairment provisions are expected to increase from IAS 39 provisioning as a result of:

- The removal of the emergence period that was necessitated by the incurred loss model of IAS 39. All stage 1 assets will carry a 12 months expected credit loss provision. This differs from IAS 39 where unidentified impairments were typically measured with an emergence period of between 3 to 12 months.
- The provisioning for lifetime expected credit losses on stage 2 assets; where some of these assets would not have attracted a lifetime expected credit loss measurement per IAS 39.
- The implementation of a default definition for exposures that are more than 90 days past due, as well as for certain indicators that an exposure or obligor is unlikely to pay.
- The inclusion of forecasted macroeconomic scenarios into the expected credit losses of a portfolio;
- The inclusion of expected credit losses on items that typically would not have been impaired under IAS 39, such as loan commitments.

The Fund has appointed a consultant in connection with the Group's IFRS 9 implementation project and the impact is currently being assessed.

(c) Hedge accounting

As IFRS 9 does not change the general principles of how an entity accounts for effective hedges, this will not have an impact on the Fund as it does not have any hedge.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Fund's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities. Uncertainties about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgements

In the process of applying the Fund's accounting policies, management has made the following judgement, which has the most significant effect on the amounts recognised in the financial statements:

a) Determination of functional currency

The primary objective of the Fund is to generate returns in MUR, its capital-raising currency. The liquidity of the Fund is managed on a day-to-day basis in MUR. The Fund's performance is evaluated in MUR. Therefore, the management considers MUR as the currency that most faithfully represents the economic effect of the underlying transactions, events and conditions.

b) Going concern

The Manager of the Fund has made an assessment of its ability to continue as a going concern and is satisfied that the Fund has the resources to continue in business for the foreseeable future. Furthermore, the Manager is not aware of any material uncertainty that may cast significant doubt upon the Fund's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

4. OTHER RECEIVABLES

	2018	2017
	MUR'000	MUR'000
Prepayments	75	75
	75	75

5. LOANS AND RECEIVABLES

	2018	2017
At 01 July	1,528,099	1,052,339
Additions	1,332,316	1,107,914
Disposals	(714,029)	(588,244)
Interest ammortised	(8,034)	(43,910)
Fair value adjustment	125	-
At 30 June	2,138,477	1,528,099

The breakdown of loans and receivables are as follows:

	Interest rate	Maturity	2018	2017
			MUR'000	MUR'000
Government bonds	2.90% - 11.75%	Feb 2020 - May 2038	1,460,441	967,966
Other local bond	6.31% - 6.81%	Dec 2019 - June 2023	236,540	273,008
Term deposits with banks	7.51% - 7.65%	May 2018	-	69,925
Term deposits with other financial institutions	5.65% - 8.25%	Feb 2020 - Feb 2025	441,496	217,200
			2,138,477	1,528,099

Details of the maturity profiles of the deposits are given in Note 15.

6. AVAILABLE-FOR-SALE INVESTMENTS

	2018	2017
	MUR'000	MUR'000
At 01 July	48,187	56,846
Additions	225,723	-
Disposals	(2,864)	(8,472)
Interest ammortised	21	(187)
Fair value adjustment	(1,543)	-
At 30 June	269,524	48,187

The breakdown of available for sale investments are as follows:

	Interest rate	Maturity	2018	2017
			MUR'000	MUR'000
SBM bonds	6.00%	March 2024	45,250	45,248
Other bond	3.50%- 6.00%	Nov 21 - June 2028	224,274	2,939
			269,524	48,187

Details of the maturity profiles of the bonds are given in Note 15.

7. OTHER PAYABLES

	2018	2017
	MUR'000	MUR'000
Audit fees	92	92
Management fee payable (Note 11)	1,443	1,010
Administrator fee payable (Note	289	256
Custodian fees payable (Note 13)	113	199
Registry fees payable (Note 14)	144	101
Other creditors	1,507	1,169
Redemption payable	26,432	-
	30,020	2,827

The carrying amount of other liabilities approximate their fair value.

Other payables are unsecured, interest free and repayble within 3 months.

8. TAXATION

Income tax is calculated at the rate of 15% on profit for the year as adjusted for income tax purposes (2017: 15%)

8(a). Income tax liability

	2018	2017
	MUR'000	MUR'000
At 1 July	3,274	1,847
Provision for the year	13,351	10,672
Under/(over) provision in prior year:	814	2,447
Tax paid during the year	(12,308)	(11,692)
At 30 June	5,131	3,274

8(b). Tax expense

	2018	2017
	MUR'000	MUR'000
Charge for the year	14,165	13,695

8(c). Reconciliation between tax expense and tax accounting profit

	2018	2017
	MUR'000	MUR'000
Profit before taxation	91,626	78,318
Tax expense at the tax rate of 15%.	13,744	11,748
Non-allowable expenses	(61)	(3,128)
Exempt income	(897)	-
Provision for Corporate Social Responsibility (CSR)	565	2,628
Under/(over) provision in prior year:	814	2,447
	14,165	13,695

9. CAPITAL MANAGEMENT

As a result of the ability to issue, repurchase and resell units, the capital of the Fund can vary depending on the demand for redemption and subscriptions to the Fund. The Fund is not subject to externally imposed capital requirements and has no legal restrictions on the issue, repurchase or resale of redeemable shares beyond those included in the Funds's prospectus.

The investment objective of the Fund is to achieve attractive risk-returns through a combination of long-term capital appreciation and current income by making portfolio investments.

The Fund's objectives for managing capital are:

- To invest the capital in investments, meeting the description, risk, exposure and expected return indicated in its prospectus.
- To maintain sufficient liquidity to meet the expenses of the Fund, and to meet redemption requests as they arise.
- To maintain sufficient size to make the operation of the Fund cost efficient.

9. CAPITAL MANAGEMENT (CONTINUED)

The capital of the Fund consist of management shares and redeemable participating shares denominated in Mauritian Rupees. The redeemable participating shares are redeemable at the option of the shareholder based on net asset value.

9(a). MANAGEMENT SHARES

Management shares were issued at no par value to SBM Mauritius Asset Managers Ltd and shall not be redeemed.

	2018	2017
Issued and fully paid	MUR	MUR
100 Management shares	100	100

Management shares shall confer on

(a) voting rights in any Members Meeting;

(b) the right to participate in so much only of the profits and assets of the company as are attributable to the Management shares;

(c) in a winding up the right only to receive an amount equal to its par value in accordance with Article 48, if there are sufficient assets to enable such payment.

9(b). REDEEMABLE PARTICIPATING SHARES

The participating shares, of no par value, are allotted on dealing days at the subscription price and are redeemable at the option of the shareholder based on the net value. The holders of the redeemable participating shares are entitled to receive dividend as decided by the directors.

(i) Movement in redeemable participating shares during the year

	Number of redeemable	
	2018	2017
	MUR'000	MUR'000
At 1 July	8,851,490	6,755,148
Shares issued	5,300,616	2,446,730
Shares redeemed	(1,408,412)	(350,388)
At 30 June	12,743,694	8,851,490

(ii) Net asset value per redeemable

	2018	2017
	MUR'000	MUR'000
Net asset attributable to holders of redeemable participating shares	2,417,204	1,611,640
Net assets value per redeemable participating share (MUR)	189.68	182.08

9(c). APPLICATION FOR PARTICIPATING SHARES

Application monies represent funds received from investors at reporting date for which shares were not yet allocated. No such application was made as at 30 June 2018.

10. INTEREST INCOME

	2018	2017
	MUR'000	MUR'000
Bonds	82,558	58,649
Deposits with financial institutions	23,857	25,116
	106,415	83,765

Interest income earned on financial assets analysed by category of assets is as follows:

	2018	2017
	MUR'000	MUR'000
Loans and receivables	100,453	81,005
Available-for-sale Investments	5,962	2,760
	106,415	83,765

11. MANAGEMENT FEES

Management fees are computed daily based on 0.75% p.a of net asset value of the Fund and are payable monthly in arrears.

12. ADMINISTRATOR FEES

Administrator's fees are computed daily based on 0.15% p.a of net asset value of the Fund and are payable monthly in arrears.

13. CUSTODIAN FEES

Custodian's fees are computed daily based on 0.06% on investment value of the Fund and are payable monthly in arrears.

14. REGISTRY FEES

Registry's fees are computed daily based on 0.075% p.a of net asset value of the Company and are payable monthly in arrears.

15. FINANCIAL INSTRUMENTS

Categories of Financial Assets and Financial Liabilities

	2018	2017
Financial assets	MUR'000	MUR'000
Loans and receivables (including cash and cash	2,182,756	1,570,870
Available for sale investments	269,524	48,187
	2,452,280	1,619,057
Financial liabilities		
At amortised cost	2,447,224	1,615,858

15. FINANCIAL INSTRUMENTS

Significant accounting policies

Details of the significant accounting policies and methods adopted, (including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised) in respect of each class of financial asset and financial liability and equity instruments are disclosed in note 2 to the Financial Statements.

Financial risk management

Risk is inherent in the Company's activities and is managed by the directors through a process of ongoing identification, measurement and monitoring subject to risk limits and other controls put in place.The Company is exposed to market risk (which includes interest rate risk and currency risk), credit risk and liquidity risk arising from the financial instruments it holds. The Company has investment guidelines that set out its overall business strategies and its tolerance for risk.

Market risk

Market risk is the risk of loss resulting from adverse movement in market rates or prices such as interest rates, foreign exchange rates and equity prices.

Currency risk

At the reporting date, there were no financial assets or liabilities denominated in foreign currencies. As such, the Company is not exposed to currency risk.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair value of financial instruments.

The following table analyses the Fund's interest rate risk exposure:

	2018	2017
	MUR'000	MUR'000
Variable rate asset		
Deposits with financial institutions	505,857	143,609
Available-for-sale financial asset	224,274	2,939
Balance with bank	44,279	42,771
	774,410	189,319
Fixed rate assets		
Deposits with financial institutions	172,179	416,524
Available for sale investments	45,250	45,248
Government bonds	1,460,441	967,966
	1,677,870	1,429,738

The Fund is exposed to interest rate risk on its variable rate assets.

15. FINANCIAL INSTRUMENTS (CONTINUED)

Interest rate risk (Continued)

Interest rate sensitivity analysis (Continued)

The sensitivity analysis below assesses the impact of a change in interest rate over a 12-month period.

	Change in interest rate in	2018	2017
	%	MUR'000	MUR'000
Profit before tax	+1	7,744	1,893

A decrease in interest rate by 1% would have resulted in an equal but opposite impact on profit before tax and net assets.

Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. The Fund seeks to mitigate its exposure to credit and counterparty risk by placing its cash, transacting in securities, placing deposits and bonds with reputable financial institutions. The Fund also has exposure to credit risk through other receivables.

The carrying amount of financial assets as disclosed in the statement of financial position represents the maximum credit exposure.

Liquidity risk

Liquidity risk is defined as the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Exposure to liquidity risk arises because of the possibility that the Fund could be required to pay its liabilities or redeem its shares earlier than expected.

The Fund is exposed to cash redemptions of its redeemable shares on a regular basis. Shares are redeemable at the holder's option based on the Fund's NAV per share at the time of redemption, calculated in accordance with the Fund's prospectus. However, the maximum Net Asset Value of the Fund unless such limitation is waived by the directors in their sole direction.

15. FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk (Continued)

The Fund's policy is to satisfy redemption requests by the following means (in decreasing order of priority):

- Searching for new investors
- Withdrawal of cash deposits
- Disposal of highly liquid assets (i.e., short-term, low-risk debt investments)
- Disposal of other assets

The Fund invests primarily in fixed income securities and place deposits with financial institutions and other financial instruments which, under normal market conditions, are readily convertible to cash. In addition, the Fund's policy is to maintain sufficient cash and cash equivalents to meet normal operating requirements and expected redemption requests.

The following table summarises the maturity profile of the Fund's redeemable shares and other financial liabilities based on contractual undiscounted cash flows. The table also analyses the maturity profile of the Fund's financial assets (undiscounted where appropriate) in order to provide a complete view of the Fund's contractual commitments and liquidity.

Financial liabilities

The maturity grouping is based on the remaining period from the end of the reporting period to the contractual maturity date. When a counterparty has a choice of when the amount is paid, the liability is allocated to the earliest period in which the Fund can be required to pay.

Financial assets

Analysis of equity and debt securities into maturity groupings is based on the expected date on which these assets will be realised. For other assets, the analysis into maturity groupings is based on the remaining period from the end of the reporting period to the contractual maturity date or, if earlier, the expected date on which the assets will be realised.

15. FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk (Continued)

Financial assets

2018

	Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years	No stated maturity	Total
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Cash and cash equivalents	44,279	-	-	-	-	44,279
Loan and receivables	33,390	169,740	303,401	1,631,946	-	2,138,477
Available-for-sale financial assets	-	93,157	176,367	-	-	269,524
Total financial assets	77,669	262,897	479,768	1,631,946	-	2,452,280
Net assets attributable to holders of redeemable participating shares	2,417,204	-	-	-	-	2,417,204
Application for participating shares	-	-	-	-	-	-
Other payables	30,020	-	-	-	-	30,020
Total financial liabilities	2,447,224	-	-	-	-	2,447,224
Liquidity gap	(2,369,555)	262,897	479,768	1,631,946	-	5,056

2017

	Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years	No stated maturity	Total
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Cash and cash equivalents	42,771	-	-	-	-	42,771
Loan and receivables	58,153	69,925	342,902	1,057,119	-	1,528,099
Available-for-sale financial assets	-	2,939	45,248	-	-	48,187
Total financial assets	100,924	72,864	388,150	1,057,119	-	1,619,057
Net assets attributable to holders of redeemable participating shares	1,611,640	-	-	-	-	1,611,640
Application for participating shares	1,391	-	-	-	-	1,391
Other payables	2,827	-	-	-	-	2,827
Total financial liabilities	1,615,858	-	-	-	-	1,615,858
Liquidity gap	(1,514,934)	72,864	388,150	1,057,119	-	3,199

15. FINANCIAL INSTRUMENTS (CONTINUED)

Excessive risk concentration

Concentration indicates the relative sensitivity of the Fund's performance to developments affecting a particular industry or geographical location. Concentration of risks arises when a number of financial instruments or contracts are enterred into with the same counterparty or when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in econimic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic political or other conditions. Concentrations of liquidity risk may arise from repayment terms of financial liabilities. Concentrations of foreign exchange risk may arise if the Fund has a significant net open position in a single foreign currency. In order to avoid excessive concentration of risk, the Fund's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. The investment manager is instructed to reduce exposure to excessive risk concentrations. The Fund shall not purchase a security, other than a debt security issued by the Government of Mauritius or the Government of any other country, if, immediatley after the purchase more than 5% of its net assets, taken at market value at the time of purchase would be invested in securities of that issuer. The Fund shall also not purchase a security of an issuer where, immediately after the purchase, the Fund would hold more than 10% of a class of securities of that issuer.

16. RELATED PARTY DISCLOSURES

During the years ended 30 June 2018 and 2017, the Fund transacted with related entities. Details of the nature, volume of transactions and balances with the entities are shown below.

	2018	2017
	MUR'000	MUR'000
SBM Mauritius Asset Managers Ltd		
Management fees payable	1,443	1,010
Management fees expense	14,423	10,904
SBM Fund Services Ltd		
Administrator's fees payable	289	256
Administrator's fees expense	2,858	843
Registry fees payable	144	101
Registry fees expense	1,454	1,090
SBM Bank (Mauritius) Ltd		
Custody fees payable	113	199
Custody fees expense	969	2,181

Terms and conditions of transactions with related parties

Outstanding balances at the year end are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party payables.

Compensation to key management personnel for the year ended 30 June 2018 amount to MUR 535,781 (2017: MUR 536,211).

17. EVENTS AFTER REPORTING DATE

In July 2018, MUR 62 million was received as application monies and MUR 36 million shares were redeemed.

APPENDIX 1

SBM PERPETUAL FUND - NET ASSET VALUE

	30-Jun-18	30-Jun-17	30-Jun-16
	MUR'000	**MUR'000**	**MUR'000**
Net assets value at start of year	**1,611,640**	**1,176,919**	**879,534**
Total revenue	112,394	95,387	58,989
Total expenses	(34,933)	(30,764)	(20,103)
Total increase from operations	77,461	64,623	38,886
Subscription received	989,494	432,524	461,740
Redemption paid	(261,391)	(62,426)	(203,241)
Net movement in participating shares	728,103	370,098	258,499
Net Asset value at end of year	2,417,204	1,611,640	1,176,919

SBM PERPETUAL FUND - RATIOS & SUPPLEMENT DATA

	30-Jun-18	30-Jun-17	30-Jun-16
Net Assets (MUR'000)	2,417,204	1,611,640	1,176,919
Number of shares outstanding	12,743,694	8,851,490	6,755,148
Management expense ratio	0.75%	0.75%	0.75%
Total expense ratio	1.03%	1.20%	1.17%
Portfolio turnover rate	35.95%	42.80%	21.67%