

**SBM GROWTH FUND**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**30 JUNE 2019**

## SBM GROWTH FUND

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**SBM GROWTH FUND  
CORPORATE INFORMATION**

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1.

<b>FUND MANAGER</b>	SBM Mauritius Asset Managers Ltd SBM Tower 1, Queen Elizabeth II Avenue Port Louis Mauritius
<b>FUND ADMINISTRATOR</b>	SBM Fund Services Ltd SBM Tower 1, Queen Elizabeth II Avenue Port Louis Mauritius
<b>REGISTRAR &amp; TRANSFER AGENT</b>	SBM Fund Services Ltd SBM Tower 1, Queen Elizabeth II Avenue Port Louis Mauritius
<b>BANKER</b>	SBM Bank (Mauritius) Ltd SBM Tower 1, Queen Elizabeth II Avenue Port Louis Mauritius
<b>REGISTERED OFFICE</b>	SBM Tower 1, Queen Elizabeth II Avenue Port Louis Mauritius
<b>TRUSTEE</b>	DTOS Trustees Ltd 10th Floor Standard Chartered Tower 19 Cybercity Ebene Mauritius
<b>CUSTODIAN</b>	SBM Bank (Mauritius) Ltd SBM Tower 1, Queen Elizabeth II Avenue Port Louis Mauritius
<b>AUDITORS</b>	Ernst & Young 9th Floor, Tower 1, NeXTeracom Cybercity Ebene Mauritius

**Manager's Statement**

Dear Shareholders,

We are pleased to present you with the annual report together with the audited financial statements of SBM Growth Fund (the "Fund") for the year ended 30th June 2019.

Equity markets experienced elevated volatility during the financial year following the on-going trade dispute between US and China, uncertainty surrounding Brexit, global economic slowdown and interest rate hikes by the Federal Reserve. In December, global equities lost 7.7% over 1-month bring 6-months return to -0.1% after the Fed raised the Fed Fund rate by 0.25% to reach a range of 2.25%-2.50%. However, US equities bounced back to record levels in the first half of 2019 after the Fed turned more dovish. Bond prices shot up and with markets factoring higher recession risks, the spread between short- and long-term yields tightened significantly. The local market did not correlate with foreign markets as the SEMDEX lost 3.7% during the 6-month period ending June 2019, dragged down by hotel stocks mainly.

The Net Asset Value (NAV) per unit stood at Rs 11.50 in June 2019 compared to Rs 11.76 in June 2018. This corresponds to a total return of -2.2% for the financial year. As an indication, the SEMDEX and MSCI World registered MUR performances of -5.2% and 6.7%, respectively.

The current market environment remains highly challenging as investors shift to safe haven assets such as gold but at the same time, US equities are trading near record levels while the bull trend continues in US fixed income securities. Markets have started pricing a higher risk of recession in the US and policymakers may step up their fiscal efforts to extend the economic cycle. However, with single-digit earnings growth projections and potential downside risks posed by trade disputes, the Fund is likely to reduce its exposure to equities in managing market risks. With a balanced strategy, downside risk from equity markets is cushioned through investments in quality fixed income securities.

We would like to recognize the contribution of all our stakeholders who continue to accompany us in the success of the fund.



**SBM Mauritius Asset Managers Ltd**  
23 September 2019





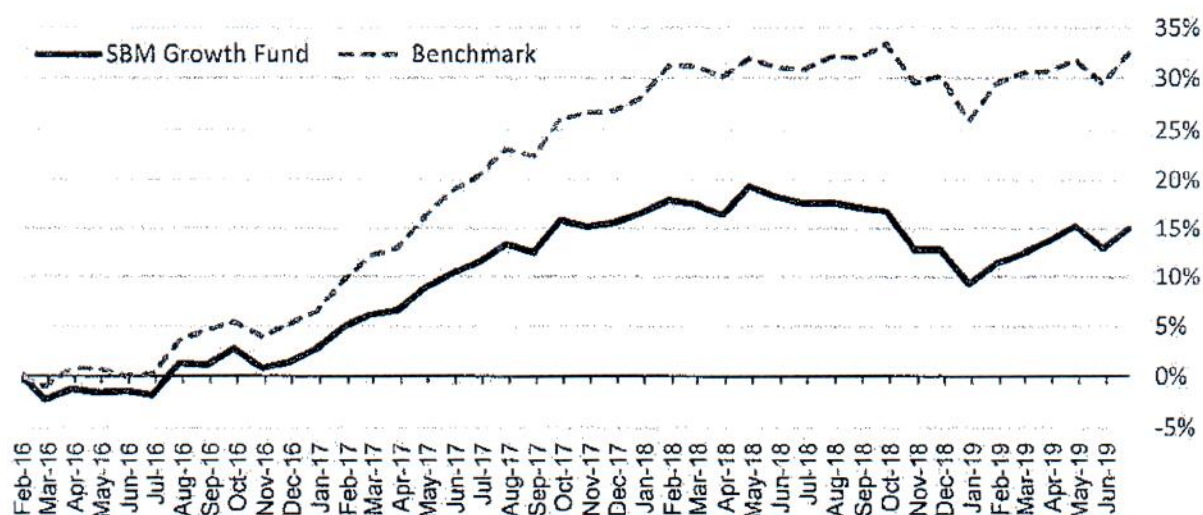
## 1. Performance

### 1.1 Performance review

For the year ended 30th June 2019, SBM Growth Fund registered a return of -2.2% against a benchmark return of 1.3%. Performance was led by foreign holdings which recovered after the market sell-off in Q4 2018; on account of optimism over a US-China trade, strong economic data, positive corporate earnings report and dovish stance of the Federal Reserve ("the Fed").

Overall, the MSCI World index gained 4.3% in USD terms during the year, equivalent to 6.7% in MUR terms. On the local front, equity indices posted negative returns over the year with the SEMDEX and DEMEX returning -5.2% and -4.8% respectively following the downtrend of few blue chips companies.

#### Cumulative return since Inception



Note: 1. Composite benchmark made up of 60% SEMTRI and 40% MSCI World All Countries (MUR terms)

#### Cumulative return

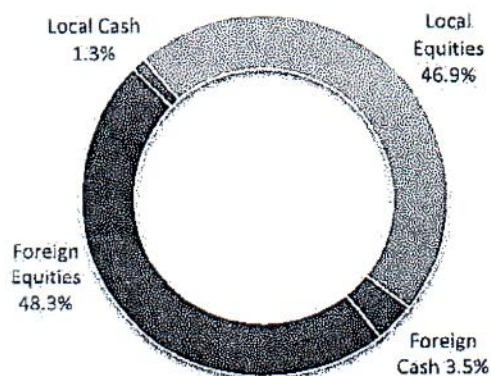
	1 M	3 M	6M	1Y	3Y	Inception	Annualised
Fund	1.8%	1.1%	5.3%	-2.2%	17.2%	15.0%	4.2%
Benchmark	2.4%	1.4%	5.2%	1.3%	32.3%	32.5%	8.6%

## 2. Breakdown of assets

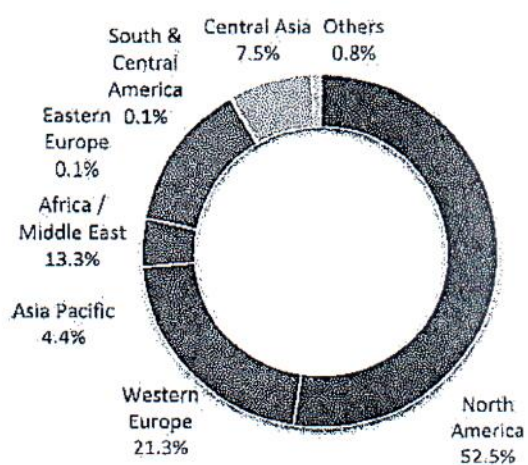
### 2.1 Portfolio decomposition

The Fund's asset allocation is based on its investment objective of long-term capital growth and tolerance to risk. The Fund has invested 46.9% in local equities, 48.3% in foreign equities and the remaining 4.8% was held as cash and cash equivalent. US and Europe were the largest foreign equity constituents. The remaining was distributed in regions with untapped opportunities and strong growth potential.

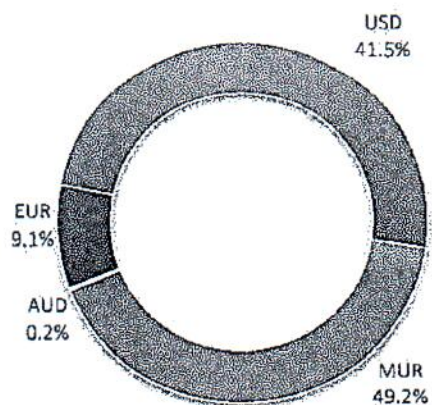
**Asset allocation**



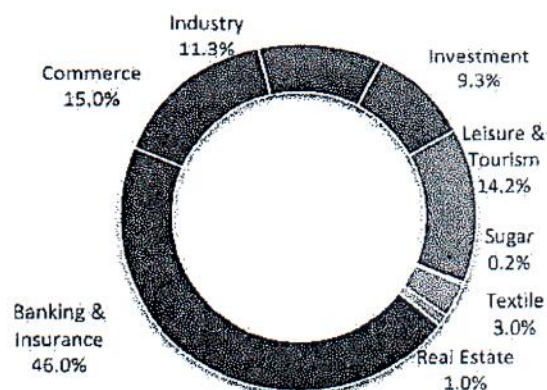
**Regional allocation (Foreign Equities)**



**Currency Mix**



**Sector Allocation (Local Equities)**





## 2. Breakdown of assets

### 2.2 Top 5 Holdings

The top five holdings represented 36.1% of the total portfolio as at June 2019 with approximately 19.7% invested in MCB Group Ltd and SBM Holdings Ltd.

Holdings	MUR 'M	% Net Assets
MCB Group Ltd	16.62	14.3%
SPDR S&P 500 ETF	6.60	5.7%
Vanguard S&P 500 ETF	6.60	5.7%
SBM Holdings Ltd	6.22	5.4%
IBL Ltd	5.80	5.0%
<b>Total</b>	<b>41.84</b>	<b>36.1%</b>

## 3. Market review

### 3.1 Local review

In its latest report, Statistics Mauritius projects real GDP to grow by 3.9% in 2019 driven by the construction sector (+8.5%), the financial services sector (+5.2%) and the tourism sector (+3.6%). The tourism sector has faced difficulties in the first quarter of 2019 but the level of arrivals picked up by June with a 9.6% growth to 650,082. Headline inflation stood at 1.0% as at June 2019 compared to 4.3% a year ago and the Key Repo Rate was maintained at 3.50% p.a. by the Bank of Mauritius throughout the year.

After a pick-up in 2018, yields fell in 2019 as a result of the persistent excess liquidity and lower inflationary pressures. The weighted average yield from the primary issue of 91-day GoM T-Bills decreased from 3.64% to 3.45% while that of 182-day GoM T-Bills moved from 3.59% to 2.98%; 364-day GoM T-Bills fell from 3.78% to 2.64%. The yield on the 3-year GoM Note declined from 4.25% to 3.69% while the 5-year GoM Notes fell 145 basis points from 4.87% and 3.42% respectively. Primary yields on the 15-year rose stood at 5.98% as at June 2019 compared to 5.21% a year ago whereas 20-year GoM Bond yields fell from 6.22% to 6.04%.

Local equity indices posted negative returns over the financial year with SEMDEX and DEMEX registering respective returns of -5.2% and -4.8%, mainly attributable to the poor performance of the hotel stocks. The main leading movers, that is, the companies which contributed to the positive performance of the SEMDEX were MCB Group Limited, Rogers & Company Limited and Vivo Energy Mauritius Limited. On the downside the lagging movers were the SBM Holdings Ltd, New Mauritius Hotels Ltd and Sun Limited. The top price gainers over the financial year were Plastic Industry (Mauritius) Ltd (+28.1%), Automatic Systems Ltd (+26.6%) and Eagle Insurance Limited (+26.4%). The SEMDEX price-earnings ratio and dividend yield stood at 17.20x and 3.27%, respectively as at 28 June 2019 compared to corresponding figures of 15.84x and 3.20% as at June 2018.



### **3.2 Foreign market review**

Equities have been subject to high volatility during the year on concerns of slowing global growth and geopolitical tensions. Markets suffered major sell-off in December 2018 but rebounded in the first half of 2019. Over the financial year, the MSCI World Index returned 4.3% in USD terms and 6.7% in MUR terms. Emerging markets underperformed developed ones as the heightened geopolitical tensions and a strong dollar dragged commodity prices and dimmed economic outlook. The MSCI Emerging Markets Index registered a corresponding USD and MUR performances of -1.4% and 1.0%.

The S&P 500 outperformed global markets during the financial year with a USD performance of 8.2%, equivalent to 10.8% in MUR terms. Despite a slowdown in economic activity and weakness in the manufacturing sector - Manufacturing Purchasing Managers' Index (PMI) fell from 54.6 in June-18 to 50.6 - the labour market remained strong with jobless rate stable at 3.1%.

EuroStoxx 50 index returned 2.3% in local currency terms and 1.9% in MUR terms over the period with DAX and CAC recording corresponding returns of 0.8% and 4.1% in local currency terms (0.3% and 3.6% in MUR terms). The Eurozone composite PMI index stood at 52.2 as at June-19 compared to 54.8 a year ago - as manufacturing output from large economies, including Germany and France, slowed following large drop in new orders. On policy front, the European Central Bank suggested it may provide more stimulus if inflation does not pick up. Core inflation in the Eurozone remained subdued at 1.2% in June, well below the headline ECB target of 2%.

The Nikkei 225 registered a return of -4.6% in local currency terms and 0.3% in MUR terms over 1-year in June. Manufacturing PMI edged down from 53.1 in June-18 to 49.5 in June-19, reflecting a further loss of momentum across the manufacturing sector. Consumer price inflation fell to 0.7% YoY in June-19 (0.9% June-18) while unemployment rate rose slightly to 2.5% in June-19 to 2.3% in June-18. Japan's core inflation slowed to its weakest in about 2 years in June 2019 to 0.6%, adding to speculation that the Bank of Japan could deliver more stimulus.

### **4. Market Outlook**

According to the IMF, global economic growth is forecast to ease to a weaker-than-expected 3.2% in 2019 and 3.5% in 2020 owing to intensification of the U.S.-China trade and technology tensions, continued Brexit uncertainty and rising geopolitical tensions. Advanced markets are expected to grow by 1.9% and 1.7%, in 2019 and 2020 respectively while the corresponding growth rates for emerging are 4.1% and 4.7%.

As US fiscal stimulus winds down in the US, real GDP is expected to grow by 2.6% in 2019 and moderating to 1.9% in 2020. Upward revision of 2019 growth reflects the stronger-than-anticipated Q1 2019 performance. Growth in the euro area is projected at 1.3% in 2019 and 1.6% in 2020. 2019 forecast has been revised down slightly on account of Germany's weaker-than-expected external demand and Italy's fiscal outlook. Japanese economic data has been disappointing as the economy contracted twice in the last four quarters of 2018. Despite the challenges posed by the demographic dynamics, the economy is projected to grow by 0.9% in 2019 and 0.4% in 2020.

In emerging economies, growth in China has been revised downwards by the IMF to 6.2% in 2019 and 6.0% in 2020 despite fiscal stimulus. The escalation of the China-U.S. trade war has put pressure on growth, which suggests there will be further Chinese government stimulus measures that should benefit the region. India's economy is expected to grow by 7.0%, supported by improved confidence, robust investment and slowing inflation. Investment growth is projected to remain robust as benefits of recent policy reforms further materialize.

Locally, Statistics Mauritius forecasts growth momentum to remain broadly positive and to expand at 3.9% in 2019 compared to 3.8% in 2018 while growth for 2020 is estimated at 4.0%. Consumption is projected to grow by 3.1% while gross domestic savings is expected to be 9.5% compared to 9.0% in 2018. Investment is expected to grow by 6.6% in 2019 compared to 10.9% in 2018 as a result of a lower growth in private sector investment and higher growth in public sector investment. The global economic slowdown and downtrend in global commodity prices are expected to exert downward pressure on inflation. The Bank of Mauritius forecasts headline inflation to be at 0.5% in 2019 and around 1.5% in 2020. Interest rates are expected to maintain their downtrends in the short-term as global central banks turn their monetary policy into accommodative. In the light of weakened global growth and muted inflation prospects, the Monetary Policy Committee cut the Key Repo Rate by 15 basis points to 3.35% in August 2019.

Given the challenging environment, the Fund is expected to reduce exposure to certain growth assets and highly volatile regions in managing downside risks. With the downward projection of earnings growth and potential rise in market volatility, allocations in defensive sectors and fixed income securities may be raised. Stock-picking on the local market will be based on companies having strong fundamentals and growth potential driven by macroeconomic, policy and sectorial drivers.



The Trustee and Manager of SBM Growth Fund ("the Fund") have the pleasure in submitting their Corporate Governance Report for the year ended 30 June 2019, inclusive of other statutory disclosures.

## INTRODUCTION

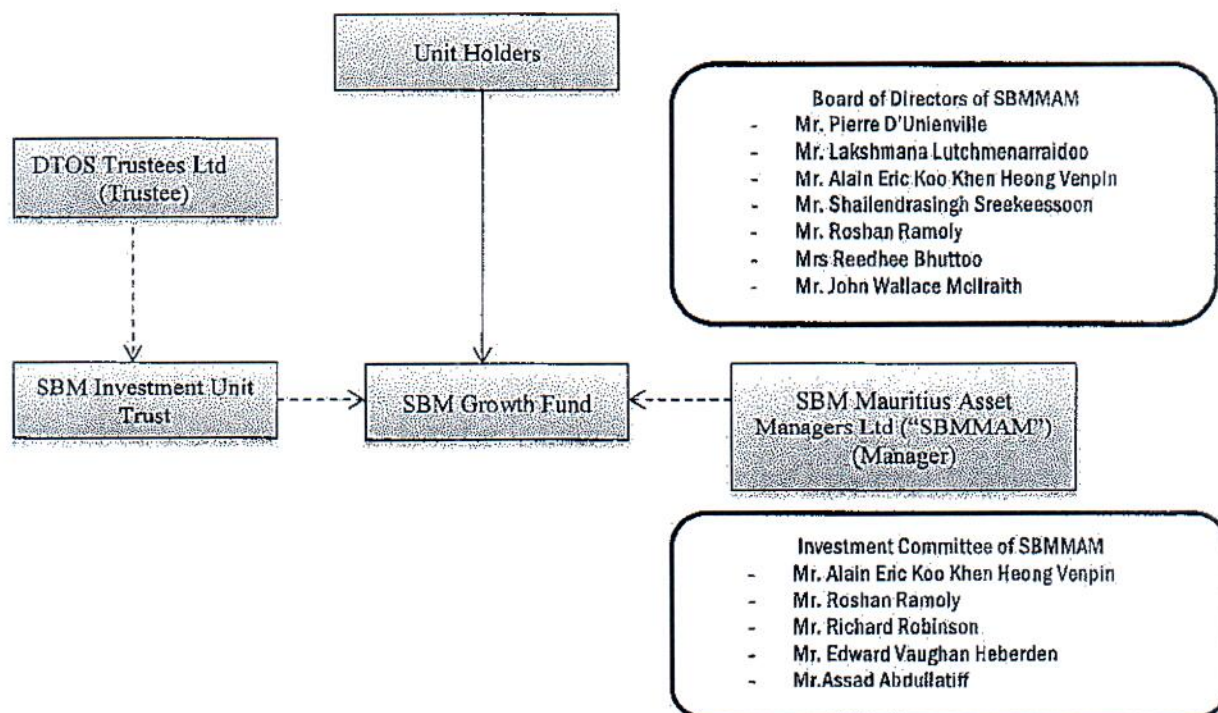
SBM Growth Fund is authorised by the Financial Services Commission under the Unit Trust Act, 1989 (as amended); and established as a Unit Trust by a Trust Deed of the SBM Investment Unit Trust dated 5 June 2006 between SBM Mauritius Asset Managers Ltd (The Manager) and DTOS Trustees Ltd (The Trustee) and subsequently by the Supplemental Deeds dated 20 June 2007, No. 5 dated 9 December 2015 and No. 6 dated 4 December 2017. It is an open-ended Collective Investment Scheme established under Section 3 of the Unit Trust Act, 1989, authorised and regulated under the Trust Act, 2001, Securities Act, 2005 and the Securities (Collective Investment Schemes and Closed-end Funds) Regulation, 2008 by the Financial Services Commission.

The investment objective of the Fund is to seek significant long-term capital growth by investing in a broadly diversified portfolio comprising of equity and equity related securities in both the local and foreign stock markets.

The Fund is a public interest entity.

SBM Growth Fund's corporate governance framework includes its Trustee, Investment Committee, Manager, the board of the Manager and Unit-holders.

The organisation's structure is as follows:



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

In addition, the Trustee, the Manager and the board of the Manager of the Fund continuously review the implications of corporate governance principles and practices in light of their experience, regulatory requirements and investor expectations. They hereby confirm that the Fund, as set out in this report, has strived to comply in all material aspects with the following legal and regulatory framework:

- Trust deed and subsequent Supplemental Deeds;
- Terms of reference of the Trustee and sub-committee;
- Disclosures required under the Code of Corporate Governance for Mauritius (the "Code");
- Trust Act, 1989;
- Trust Act, 2001;
- Securities Act, 2005; and
- The Securities (Collective Investment Schemes and Closed-end Funds) Regulations, 2008.



The Board of the Trustee and Manager is composed of skilled, knowledgeable and experienced professionals, carefully selected to be highly effective in the governance of the Fund. They assume full responsibility for leading and controlling the Fund and for meeting all legal and regulatory obligations.

The Trust Deed and subsequent Supplemental Deeds of the Fund comply with the provisions of the Trust Act, 1989, the Trust Act, 2001, The Securities Act, 2005 and The Securities (Collective Investment Schemes and Closed-end Funds) Regulations, 2008. A copy is available upon written request to the Manager at the Registered Office of the Fund.

Salient features of the documents are:

- No unit-holder shall be entitled to:
  - require the transfer to him of any of the assets comprised in the Fund;
  - interfere with or question the exercise or non-exercise by the Trustee or the Manager of the rights and powers of the Trustee and the Manager in their dealings with the Fund or its assets or any part thereof;
  - attend meetings whether as unit-holders or otherwise, or to vote or to take part in or consent to any action concerning any property of any entity in which the Fund holds an interest;

A unit-holder is entitled to any distribution as approved and declared by the Manager as per provisions of the Trust Deed.

## **GOVERNANCE STRUCTURE**

### **Corporate Profile of the Trustee – DTOS TRUSTEES LTD**

DTOS Trustees Ltd is a private company incorporated in Mauritius on 23rd May 2003. DTOS Trustees Ltd is a wholly owned subsidiary of DTOS Ltd and is duly licensed by the Financial Services Commission to act as a qualified trustee. It offers a complete and comprehensive range of trust services including trust formation / migration, corporate trusteeship, advice on tax, regulatory and statutory matters, accounting, administration and tax filings, where required.

### **Role of the Trustee**

The Trustee has been appointed in order to ensure that the affairs of the Fund are being managed and administered for the benefit of the unit-holders and to their best interests along the following principles:

- International best standards and regulatory compliance.

Overseeing the conduct of the Fund's business and monitoring whether the business is being properly managed at all levels according to international best standards and in accordance to provisions of its regulatory regime.

- Accounts and risk management

Reviewing and, where appropriate, approving risk policy, financial statements, annual budgets, business plans and internal reports.

- Supervision of fund intermediaries

Supervising the fund intermediaries in their delivery of services to the Fund and ensure that such delivery is done diligently and creates most value for the unit-holders of the Fund.

### **Corporate Profile of the Manager – SBM MAM**

SBM Mauritius Asset Managers Ltd ("SBM MAM") is the fund management arm of the SBM Group. The SBM Group is a public company listed on the Stock Exchange of Mauritius. The company specializes in conducting asset management services for mutual funds and institutional investors. It additionally distributes a wide range of financial products including foreign funds and fixed income securities. SBM MAM is licensed by the Financial Services Commission to act as an Investment Adviser (Unrestricted) CIS Manager and Distributor of Financial Products. It currently has a total asset under management close to MUR. 9.2 billion.

### **The Investment Committee**

The Trust Deed provides for the establishment of an Investment Committee composed of at least 3 persons and not more than 6 persons. The main purpose of the committee is to issue guidelines and advise the Manager on investments.

Currently, the committee is composed of 5 members and meets on a quarterly basis. It reviews the performance of the Fund, ensures that the investment strategy complies with the provisions of the Trust Deed and Prospectus.



## **THE TRUSTEE AND THE MANAGER**

### **Role of the Manager and its obligations**

The Manager is appointed by the Trustee and under the supervision of the Trustee, manages and administers the Fund for the benefit of the unit-holders of the Fund in accordance of the Trust Deed and Prospectus of the Fund.

Its obligations cover but are not restricted to the following:

### **Conduct of Business**

It shall conduct its business in a proper and efficient manner to ensure that any undertaking in the affairs of the Fund is carried out in a proper, ethical and efficient manner.

### **Supervision of assets**

The Manager shall manage and supervise all assets of the Fund to the best interest of the unit-holders.

### **Trade in units of the Fund**

It shall sell and issue units of the Fund in accordance to the provisions of the Trust Deed and Prospectus and in so doing shall ensure that the interests of unit-holders are protected at all times.

### **Managing Conflict of Interest and Related Party Transactions**

The Fund adheres to the Group Conflict of Interest and Related Party Transactions policy to assist the Board of the Trustee and Manager 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 18 of the Financial Statements.

### **Information, information technology and information security policy**

The Trustee and Manager confirm that information, information technology and information security policy exists within the Group.

## **RISK GOVERNANCE AND INTERNAL CONTROL**

### **RISK MANAGEMENT**

The Trustee and Manager are responsible for the risk management practice and procedures in place within the operating structure of the Fund for risk management. They also define the overall strategy for risk tolerance and are 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. Part of the responsibility to monitor the framework and processes has been delegated to the Investment Committee which conducts reviews on a quarterly basis.

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 on-going 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 of the Manager;
- Compliance reports are prepared and presented to the board of the Manager on a quarterly basis; and
- Internal audit functions exist at the level of the Manager and Fund Administrator whereby the processes pertaining to the affairs of the Fund are scrutinised and undergo audit reviews. Quarterly reports are prepared and presented to the boards of the Manager and Fund Administrator.

Risk exposure of the Fund falls within the following areas or 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.

**RISK GOVERNANCE AND INTERNAL CONTROL (CONTINUED)**

**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.

**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.

**Cybersecurity risks**

These risks can be defined as the unique risks that individuals and businesses face as a result of using interconnected technological systems.

**Business continuity risks**

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

**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.

**Financial 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. (see note 19)

**INTERNAL CONTROL**

The Trustee, the Manager and the board of the Manager acknowledge their responsibility for internal control and work closely together and with the Fund Administrator to put in place a system of internal controls which is designed to provide the Trustee 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 Investment Committee and Board of the Manager on a quarterly basis for their review, following which recommendations are made to the Manager on an on-going basis. Preventive and corrective actions are then duly implemented to address internal control deficiencies and opportunities for improving the systems.



#### **WHISTLEBLOWING POLICY**

In order to enhance good governance and transparency, the Group has a Whistleblowing policy. The main aim of the policy is 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;
- Processes 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](mailto:whistleblowing@sbmgroup.mu)
- 
- PO Box: 11, Caudan, Port Louis, Mauritius

#### **REPORTING WITH INTEGRITY**

The Trustee and Manager are 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 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 Trust Act, 1989, the Trust Act, 2001 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 Trustee and Manager acknowledge their responsibility for ensuring the preparation of the financial statements in accordance with IFRS and the responsibility of external auditors to report on these financial statements. The Trustee and Manager are responsible for ensuring the maintenance of adequate accounting records and an effective system of internal controls and risk management and the selection of appropriate accounting policies.

Nothing has come to the Trustee's and Manager'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.

#### **REPORTING WITH INTEGRITY (CONTINUED)**

The Trustee and Manager 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 Trustee and Manager are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund and also enable them to ensure that the financial statements comply with the Trust Act 1989, the Trust Act 2001, the Securities Act 2005, the Securities (Collective Investment Schemes and Closed-end Funds) Regulations 2008 and that these have been prepared in accordance with the International Reporting Standards. They are also responsible for safeguarding the assets of the Fund and hence this enables them to take reasonable steps for the prevention and detection of fraud and other irregularities.

The Annual report is published in full on the website of the Manager of the Fund.

#### **AUDIT**

##### **Internal Audit**

The Non-Banking Financial cluster ('NBFC') 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 Trustee and Manager and the chairperson of the Audit and Risk Committee. There were no restrictions on access by the internal auditors to records or members of the management team.

The Audit and Risk Committee of NBFC is chaired by a Chartered Accountant and the Committee comprises of independent members with more than 30 years experience in the Financial Services Industry. 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.

As the third line of defense, the role of Internal audit is to provide independent, objective assurance services designed to add value and improve NBFC entities' operations. Audits are carried out to review the adequacy and effectiveness of the group's system of internal controls, as per the Board approved risk-based audit plan. In conducting reviews, the Internal Auditors are alert to indicators of fraud and opportunities that could allow fraud, such as control weaknesses. In doing so, the Internal Auditors obtain reasonable assurance that business objectives for the process under review are being achieved and material control deficiencies are detected. Upon completion of each review, a formal report detailing the audit findings and the appropriate recommendations are issued to the chairperson of audit committee and the Chief Executive Officer. Any deviation in policies and non-performance of internal controls are duly reported and discussed at Audit Committee levels. Corrective actions are promptly taken and regular follow ups as well as reporting performed by Internal Audit until complete resolution.

##### **External Audit**

EY were appointed as statutory auditors of the Fund for the financial year ended 30 June 2019. The Trustee and Manager assess and review on a regular basis the independence of the external auditor.

The fees paid to the external auditors for audit services were Rs. 104,595 (2018: Rs. 74,951).



**RELATIONS WITH SHAREHOLDERS AND OTHER KEY STAKEHOLDERS**

**Holding Structure – 30 June 2019**

As at 30 June 2019, the Fund had issued 10,078,829 units for a total fund size of Rs. 115,883,674. The NAV per unit of the Fund as at 30 June 2019 was Rs. 11.4977.

The NAV per unit since launch are as follows:

Year	NAV per unit
Launch (4 <sup>th</sup> February 2016)	10.00
June 2016	9.81
June 2017	11.15
June 2018	11.76
June 2019	11.50

**Analysis of ownership**

The Fund had 235 unit-holders as at 30 June 2019. The increased in the number of units during the financial year 2018/2019 was mainly attributed to the merger of the SBM Global Fund with the SBM Growth Fund. A breakdown of the category of unit-holders and the unit ownership as at 30 June 2019 are set out below:

Market Value (Rs)	Number of shareholders	Number of shares owned	% Holdings
0-59,999	148	359,561.08	3.57%
60,000 - 99,999	4	23,599.62	0.23%
100,000 - 124,999	34	332,221.66	3.30%
125,000 - 199,999	9	127,555.88	1.27%
200,000 - 499,999	28	777,520.32	7.71%
500,000 - 999,999	4	246,437.64	2.45%
1M - 1,499,999	2	196,952.12	1.95%
1.5M - 1,999,999	2	299,146.04	2.97%
2M - 2,999,999	1	175,458.04	1.74%
6M - 10M	1	600,000.00	5.95%
ABOVE 20M	2	6,940,376.34	68.86%
<b>Total</b>	<b>235</b>	<b>10,078,828.74</b>	<b>100.00%</b>

**Unit-holder's Agreement**

To the best knowledge of the Manager and Trustee, there has been no such agreement with any of its unit-holders for the year under review.

**Unit-holders' Relations and Communication**

Unit-holders are strongly encouraged to visit the website of the Manager to remain updated on the Fund's initiatives/projects, goals and prices.

#### RELATIONS WITH SHAREHOLDERS AND OTHER KEY STAKEHOLDERS (CONTINUED)

##### Unit-holders' Calendar

The Fund has planned the following forthcoming events:

Reporting date	30 June 2019
Publication of year end results	Within 90 days from end of 30 June 2019
Declaration of dividend	Within 2 months from end of 30 June 2019

#### SHAREHOLDING

##### Dividend Policy

The objective of the Fund is to pay out all income available for distribution on a yearly basis. In that respect, income excludes capital gains, both realised and unrealised. While fixing the dividend rate, the Trustee and Manager also take into account other considerations that might affect the economic interests and proper long term running of the Fund.

For financial year 2018/2019, SBM Growth Fund did not pay any dividend due to no distributable income.

##### Employee Share Option Scheme

The Fund has no share option plans.

#### OTHER STATUTORY DISCLOSURES

The following agreements have been approved by the Trustee and Manager and are still effective as at end of the financial year 2018-2019:

- Custody Agreement with the SBM Bank (Mauritius) 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 Trustee, Manager and officers. The cover does not provide insurance against fraudulent, malicious or wilful acts or omissions.

##### Ethics and Business Conduct

Under 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 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.

  
On behalf of the Trustee  
Date: 23 September 2019

  
On behalf of the Manager





STATEMENT OF COMPLIANCE

(Section 75 (3) of the Financial Reporting Act)

Name of PIE: The SBM Growth Fund

Reporting Period: Year ended 30 June 2019

We, the Trustee and Manager of the SBM Growth Fund (the "Fund") confirm that to the best of our knowledge, the Fund has complied with most of its obligation and requirements under the Code of Corporate Governance except for Principle 2, 3 and 4 of the Code of Corporate Governance.

The reason for non-compliance is that the Fund is set-up as a Trust and not a company. In this context, it does not have any directors, no board of directors, no board committees and no company secretary.

However, the main roles as described under Principle 2, 3 and 4 of the Code of Corporate Governance are fulfilled by the Trustee, the Manager and the Board of the Manager as described above.

On behalf of the Trustee and Manager



Date: 23 September 2019

On behalf of the Manager

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF SBM GROWTH FUND**

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

*Opinion*

We have audited the financial statements of SBM Growth Fund (the "Fund") set out on pages 7 to 34 which comprise the statement of financial position as at 30 June 2019, 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 SBM Growth Fund as at 30 June 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards 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 Company 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 manager and the trustee are responsible for the other information. The other information comprises the Manager's Report and the Corporate Governance report and the trustees and Manager's responsibilities, 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 (other than the Corporate Governance Report) 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.

*Corporate Governance Report*

The Directors are responsible for preparing the Corporate Governance Report. Our responsibility under the Financial Reporting Act is to report on the compliance with the Code of Corporate Governance ("the Code") disclosed in the annual report and assess the explanations given for non-compliance with any requirement of the Code. From our assessment of the disclosures made on corporate governance in the annual report, the Company has, pursuant to section 75 of the Financial Reporting Act, complied with the requirements of the Code.





## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF SBM GROWTH FUND (CONTINUED)

#### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

##### *Responsibilities of the Manager and the Trustee for the Financial Statements*

The manager and the trustee are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the Financial Reporting Act 2004, and for such internal control as the manager and the trustee 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 manager and the trustee 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 manager and the trustee either intends to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

##### *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 manager and the trustee.
- Conclude on the appropriateness of the manager's and the trustee'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 manager and the trustee 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.



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6.

## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF SBM GROWTH FUND (CONTINUED)

#### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

##### *Use of our report*

This report is made solely to the Fund's members, as a body. 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.

##### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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.

*Ernst & Young.*

ERNST & YOUNG  
Ebène, Mauritius

23 SEP 2019

Date: .....

ANJAALA RAMKHELAWON, F.C.A  
Licensed by FRC






**SBM GROWTH FUND**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2019**

7.

	Notes	2019 MUR	2018 MUR
<b>ASSETS</b>			
Cash and cash equivalents		7,261,343	3,640,179
Other receivables and prepayments	5	295,635	245,250
Financial assets at fair value through profit or loss		-	112,304,969
Financial assets at fair value through other comprehensive income	7	110,293,679	-
<b>TOTAL ASSETS</b>		<b>117,850,657</b>	<b>116,190,398</b>
<b>LIABILITIES</b>			
Other payables	9	1,966,174	740,959
Income tax liability	10	809	-
<b>Total liabilities (excluding net assets attributable to unitholders)</b>		<b>1,966,983</b>	<b>740,959</b>
<b>Net assets attributable to unitholders</b>	4	<b>115,883,674</b>	<b>115,449,439</b>

Approved by the Trustee and the Manager and authorised for issue on 23 September 2019


 Signed on behalf of the Trustee: 
 Signed on behalf of the Manager: 

The notes on pages 11 to 34 form part of these financial statements.

**SBM GROWTH FUND**  
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30 JUNE 2019**

8.

	Not	2019	2018
		MUR	MUR
<b>INCOME</b>			
Dividend income	11	2,457,873	1,701,105
Gain on disposal of investments		-	1,775,932
Foreign exchange gain		770,822	-
Fair value gain on investments		-	2,534,190
		<b>3,228,795</b>	<b>6,011,227</b>
<b>FUND EXPENSES</b>			
Manager's fees	12	1,139,908	977,220
Trustee's fees	13	111,427	93,152
Auditors' fees		104,595	74,951
Registry fees	14	142,489	131,867
Custodian fees	15	109,275	129,982
Administrators' fees	16	142,111	131,867
Brokerage fees		-	10,588
Foreign exchange loss		-	134,553
Sundry expenses		233,032	84,084
		<b>1,982,837</b>	<b>1,768,264</b>
<b>PROFIT BEFORE TAXATION</b>		<b>1,245,958</b>	<b>4,242,963</b>
Income tax expense	10	(809)	-
<b>PROFIT AFTER TAXATION</b>		<b>1,245,149</b>	<b>4,242,963</b>
<b>Other Comprehensive income</b>			
<i>Other comprehensive gain that will not be reclassified to profit or loss</i>			
Gain on disposal of investments		112,816	-
Fair value loss on Financial assets at FVOCI		(3,871,347)	-
		<b>(3,758,531)</b>	<b>-</b>
<b>CHANGE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS</b>		<b>(2,513,382)</b>	<b>4,242,963</b>

The notes on pages 11 to 34 form part of these financial statements.



**SBM GROWTH FUND**  
**STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS**  
**FOR THE YEAR ENDED 30 JUNE 2019**

9.

	Net assets attributable to unitholders shares
	MUR
As at 01 July 2017	62,441,452
Issue of units	4,922,204
Redemption of units	(8,208,052)
Transfer of units and reserve from SBM Global Fund	52,050,872
Increase in net assets attributable to unitholders shares from transaction in units	48,765,024
Increase in net assets attributable to unitholders from operation	4,242,963
As at 30 June 2018	115,449,439
As at 01 July 2018	115,449,439
Issue of units	7,014,181
Redemption of units	(4,066,564)
Increase in net assets attributable to unitholders shares from transaction in units	2,947,617
Decrease in net assets attributable to unitholders from operation	(2,513,382)
As at 30 June 2019	115,883,674

The notes on pages 11 to 34 form part of these financial statements.

**SBM GROWTH FUND**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30 JUNE 2019**

10.

	Notes	2019 MUR	2018 MUR
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		1,245,958	4,242,963
Adjustments for:			
Dividend Income		(2,457,973)	(1,701,106)
Fair value gain on investments		-	(2,534,190)
Foreign exchange (gain)/loss		(770,822)	134,553
Gain on disposal of investments		-	(1,775,932)
<b>Operating loss before working capital changes</b>		<b>(1,982,837)</b>	<b>(1,633,711)</b>
(Increase) /Decrease in other receivables and prepayments		(2,393)	11,046
Increase in other payables		1,225,215	289,269
Addition of investments	7	(11,366,889)	(99,810,762)
Proceeds from disposal	7	9,619,580	49,174,448
Dividend received		2,410,049	1,711,729
		(97,275)	(50,257,981)
Tax paid	10	-	-
<b>NET CASH USED IN OPERATING ACTIVITIES</b>		<b>(97,275)</b>	<b>(50,257,981)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Issue of units		7,014,181	4,922,204
Transfer of units and reserve from SBM Global Fund		-	52,050,872
Redemption of units		(4,066,564)	(8,208,052)
<b>NET CASH FLOW FROM FINANCING ACTIVITIES</b>		<b>2,947,617</b>	<b>48,765,024</b>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH</b>		<b>2,850,342</b>	<b>(1,492,957)</b>
Foreign exchange gain / (loss)		770,822	(134,553)
<b>CASH AND CASH EQUIVALENTS AT START OF YEAR</b>		<b>3,640,179</b>	<b>5,267,689</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<b>7,261,343</b>	<b>3,640,179</b>

The notes on pages 11 to 34 form part of these financial statements.

**1. LEGAL FORM AND PRINCIPAL ACTIVITY**

The SBM Growth Fund was constituted under the SBM Investment unit Trust on 9<sup>th</sup> December 2015 in accordance with the terms of the Trust deed and the Supplemental deed 5 and the Securities Act of Mauritius. The SBM Growth Fund is a Collective investment scheme constituted as a trust which will invest primarily in local and foreign equity linked securities, unit trusts, mutual funds and other collective investment schemes, fixed income securities, bonds, money market instruments and cash.

**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") and all values are rounded to the nearest rupee, except when otherwise indicated.

**2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**(a) Foreign currency translation**

The financial statements are presented in MUR (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) 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.



2. ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Taxes (Continued)

*Current income tax (Continued)*

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.

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.

2. ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Financial Instruments

Policy applicable as from 01 July 2018

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

As a result of the adoption of IFRS 9, the Fund has adopted consequential amendments to IAS 1 Presentation of Financial Statements, which require:

- Impairment of financial assets to be presented in a separate line item in the statement of comprehensive income. Under IAS 39, impairment was recognised when losses were incurred.  
The Fund did not previously report any incurred losses; and
- Separate presentation in the statement of comprehensive income of interest revenue calculated using the effective interest method.

Additionally, the Fund has adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures, which are applied to disclosures about 2018 but have not generally been applied to comparative information.

The adoption of IFRS 9 had no material impact on the net assets attributable to holders of redeemable shares of the Fund.

**Financial assets**

**Initial recognition and measurement**

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Fund's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Fund has applied the practical expedient, the Fund initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Fund has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Fund's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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 amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss



2. ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Financial Instruments (Continued)

Policy applicable as from 01 July 2018 (continued)

*Financial assets at fair value through other comprehensive income (equity instruments)*

Upon initial recognition, the Fund can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Fund benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Fund has elected to classify irrevocably its listed and non-listed equity investments under this category.

*Financial assets at amortised cost*

The Fund measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows  
And
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Fund's financial assets at amortised cost include cash and cash equivalents and other receivables.

**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 Fund's 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 its 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.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Fund could be required to repay.



## 2. ACCOUNTING POLICIES (CONTINUED)

### 2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (d) Financial Instruments (Continued)

Policy applicable as from 01 July 2018 (continued)

##### Impairment of financial assets

The Fund recognises loss allowances for ECLs on financial assets measured at amortised cost.

The Fund measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are, measured at 12-months ECLs:

- financial assets that are determined to have low credit risk at the reporting date; and
- other financial assets for which credit risk (i.e the risk of default occurring over the expected life of the asset) has not increased significantly since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Fund considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Fund's historical experience and informed credit assessment and including forward-looking information.

The Fund assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Fund considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the Fund in full, without recourse by the Fund to cations such as realising security (if any is held); or
- The financial assets is more than 30 days past due

The Fund considers a financial asset to have low credit risk when the credit rating of the counterparty is equivalent to the globally understood definition of 'investment grade'. The Fund considers this to be Baa3 for Moody's rating or BBB- as per Standard and Poor's rating.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from the default events that are possible within the 12 months after the reporting date (or shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating the ECLs is the maximum contractual period over which the Fund is exposed to credit risk.

##### Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the entity in accordance with the contract and cash flows that the Fund expects to receive).

##### Credit-impaired financial assets

At each reporting date, the Fund assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as default or being more than 30 days past due; or
- It is probable that the borrower will enter bankruptcy or other financial reorganisation.

##### Presentation of allowances for ECLs in the statement of financial position

Presentation of allowances for financial assets measured at amortised cost, are deducted from the gross carrying amount of assets.

2. ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Financial Instruments (Continued)

Policy applicable as from 01 July 2018 (continued)

*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, 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 and payables, net of directly attributable transaction costs.

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

**Subsequent measurement**

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

*Loans and borrowings*

After initial recognition, interest-bearing 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 the statement of profit or loss. This category generally applies to interest-bearing loans and borrowings.

**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 the statement of profit or loss.

**Offsetting of financial instruments**

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

**Policy applicable prior to 01 July 2018**

**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.

*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.



## 2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### d) Financial Instruments (Continued)

#### Policy applicable as from 01 July 2018 (Continued)

##### *Financial assets (Continued)*

##### **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 available-for-sale investments and held-to-maturity investments.

##### ***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 profit or loss. The losses arising from impairment are recognised in finance costs for loans and in other operating expenses for receivables.

##### ***Financial assets at fair value through profit or loss***

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39.

Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the profit or loss.

Financial assets designated upon initial recognition at fair value through profit and loss are designated at their initial recognition date and only if the criteria under IAS 39 are satisfied. The Fund has designated its financial assets at fair value through profit or loss upon initial recognition.

##### **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)

Policy applicable as from 01 July 2018 (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.

#### **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 profit or loss.

##### **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.

##### **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.



## 2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### d) Financial Instruments (Continued)

#### Policy applicable as from 01 July 2018 (Continued)

##### **Determination of fair value**

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.

An analysis of fair value instruments and further details as to how they are measured are provided in Note 5.

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 statement of profit or loss and other comprehensive income net of any reimbursement.

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 units

#### ***Classification of redeemable units***

Redeemable units are classified as equity instruments when:

The redeemable units entitle the holder to a pro rata share of the Fund's net assets in the event of the Fund's liquidation.

The redeemable units are in the class of instruments that is subordinate to all other classes of instruments.

All redeemable units in the class of instruments that is subordinate to all other classes of instruments have identical features.

The redeemable units do not include any contractual obligation to deliver cash or another financial asset other than the holder's rights to a pro rata share of the Fund's net assets.

The total expected cash flows attributable to the redeemable units over the life of the instrument are based substantially on the profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the Fund over the life of the instrument.

## 2. ACCOUNTING POLICIES (CONTINUED)

### 2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Redeemable units (Continued)

#### *Classification of redeemable units (Continued)*

In addition to the redeemable units having all the above features, the Fund must have no other financial instrument or contract that has:

- Total cash flows based substantially on the profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the Fund
- The effect of substantially restricting or fixing the residual return to the holders of redeemable units.
- The Fund continuously assesses the classification of the redeemable units. If the redeemable units cease to have all the features or meet all the conditions set out to be classified as equity, the Fund will reclassify them as financial liabilities and measure them at fair value at the date of reclassification, with any differences from the previous carrying amount recognised in equity. If the redeemable units subsequently have all the features and meet the conditions to be classified as equity, the Fund will reclassify them as equity instruments and measure them at the carrying amount of the liabilities at the date of the reclassification.
- The issuance, acquisition and cancellation of redeemable units are accounted for as equity transactions. Upon issuance of shares, the consideration received is included in equity.
- Transaction costs incurred by the Fund in issuing or acquiring its own equity instruments are accounted for as a deduction from equity to the extent that they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.
- Own equity instruments which are acquired (treasury shares) are deducted from equity and accounted for at amounts equal to the consideration paid, including any directly attributable incremental costs. The Fund's policy is not to keep units in treasury, but rather to cancel them once repurchased.
- No gain or loss is recognised in profit or loss on the purchase, sale, issuance or cancellation of the Fund's own equity instruments.

### 2.3 CHANGES IN ACCOUNTING POLICIES

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.

The Fund applied IFRS 15 and IFRS 9 for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below. Several other amendments and interpretations apply for the first time in the reporting period, but did not have an impact on the financial statements of the Fund. The Fund has not early adopted any other standards, interpretations or amendments that have been issued but are not yet effective.

	<b>Effective for accounting period beginning on or after</b>
IFRS 9 Financial Instruments	1 January 2018
IFRS 15 Revenue from Contracts with customers	1 January 2018

#### **IFRS 9 Financial Instruments**

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 July 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Fund applied IFRS 9 prospectively, with an initial application date of 1 July 2018. The Fund has not restated the comparative information, which continues to be reported under IAS 39.



2. ACCOUNTING POLICIES (CONTINUED)

2.3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

IFRS 9 Financial Instruments (Continued)

(a) Classification and measurement

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale.

The classification and measurement requirements of IFRS 9 have been adopted retrospectively on 1 July 2018, however, the Fund has chosen to take advantage of the option not to restate comparatives. Therefore, the 30 June 2018 figures are presented and measured under IAS 39.

The following table shows the original measurement categories in accordance with IAS 39 and the new measurement categories under IFRS 9 for the Fund's financial assets and financial liabilities as at 1 July 2018.

The following table shows the original measurement categories in accordance with IAS 39 and the new measurement categories under IFRS 9 for the Fund's financial assets and financial liabilities as at 1 July 2018.

1 July 2018	IAS 39 classification	IAS 39 measurement	IFRS 9 classification	IFRS 9 measurement
<b>Financial assets</b>		<b>MUR</b>		<b>MUR</b>
Equity instruments	Financial assets at fair value through profit or loss	112,304,969	Financial assets at fair value through other comprehensive income	112,304,969
Cash and cash equivalents	Cash and cash equivalents	3,640,179	Amortised cost	3,640,179
Other receivables	Other receivables	197,776	Amortised cost	197,776
<b>Financial liabilities</b>		<b>MUR</b>		<b>MUR</b>
Other payables	Amortised cost	740,959	Amortised cost	740,959
Net assets attributable to holders of redeemable participating shares	Net assets attributable to holders of redeemable participating shares	115,449,439	Amortised cost	115,449,439

IFRS 9 has not resulted in changes in the carrying amount of the Fund's financial instruments due to changes in measurement categories. There was no change in the classification of the Fund's financial liabilities while there was change in the measurement from IAS 39 to IFRS 9. The financial assets at fair value through profit or loss have been designated as financial assets at fair value through other comprehensive income on the date of initial application.

(b) Impairment

IFRS 9 requires the Fund to record expected credit losses (ECLs) on all of its other receivables, either on a 12 month or lifetime basis. Given the limited exposure of the fund to credit risk, this amendment has not had a material impact on the financial statements.

(c) Hedge accounting

The Fund has not applied hedge accounting under IAS 39 nor will it apply hedge accounting under IFRS 9.

IFRS 15 Revenue from Contracts with Customers

The Fund adopted IFRS 15 Revenue from contracts with customers on 01 July 2018. IFRS 15 replaces IAS 18 Revenue and establishes a five step model to account for revenue arising from contracts with customers. In addition, guidance on interest and dividend income has been moved from IAS 18 to IFRS 9 without significant changes to the requirements. Therefore, there was no impact of adopting IFRS 15 for the Fund.

## 2.4 NEW AND REVISED STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The new and amended standards and interpretations that are issued, but not yet effective up to the date of issuance of the Fund's financial statements are listed below. The Fund intends to adopt these new and amended standards and interpretations when they become effective, if applicable.

	Effective for accounting period beginning on or after
<b><u>New or revised standards</u></b>	
IFRS 16 Leases	1 January 2019
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 Joint Ventures - Amendments to IAS 28	1 January 2019
Plan Amendment, Curtailment or Settlement - Amendments to IAS 19	1 January 2019
IFRS 3 Business Combinations - Previously held interests in a joint operation	1 January 2019
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 - Borrowing costs eligible for capitalisation	1 January 2019
IFRS 17 Insurance Contracts	1 January 2021

The adoption of the above standards is not expected to have any significant impact on the Fund's financial statements.

## 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 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.

#### (c) Estimate and Assumption

At the reporting date, there are no key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.



**4. CAPITAL MANAGEMENT**

The investment objective of the Fund is to seek significant long-term capital growth by investing in a broadly diversified portfolio comprising of equity shares and equity related securities in both the local and foreign stock markets.

The Manager will:

1. Ensure that investments are in all respects reasonable and proper.
2. Exercise high standard of diligence and act prudently with utmost good faith.
3. Seek proper and competent advice wherever deemed necessary.
4. Use appropriate risk management and risk controlled techniques to mitigate inherent risks.

The financial instruments in which the Fund may invest will include inter alia local or foreign equities, equity linked securities, unit trusts, mutual funds and other collective investment schemes, fixed income securities, money market instruments and cash.

The capital of the Fund consists of units denominated in Mauritian Rupee and are redeemable at the option of the Unit holder based on the net asset value.

**(a) Movement in units during the year / period**

	2019	2018
	No of units	No of units
At 01 July	9,819,261	5,600,920
Units created	614,126	4,924,097
Units liquidated	(354,558)	(705,756)
At end of year	<u>10,078,829</u>	<u>9,819,261</u>

**(b) Net asset value per unit**

	2019	2018
Before distribution		
Net Asset Value (MUR)	115,883,673	115,449,439
Net units created	10,078,829	9,819,261
Net asset value per unit	<u>11.50</u>	<u>11.76</u>

**(c) Prices per unit**

Issue price	<u>11.61</u>	<u>11.88</u>
Repayment price	<u>11.38</u>	<u>11.64</u>

**5. OTHER RECEIVABLES AND PREPAYMENTS**

	2019	2018
	MUR	MUR
Dividend receivable	245,768	197,776
Prepayments	49,867	47,474
	<u>295,635</u>	<u>245,250</u>

The carrying value of dividend receivable approximates its fair value and is receivable within 3 months.

6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Local and foreign investments

	Local	Foreign	Total
	MUR	MUR	MUR
At 01 July 2018	64,940,624	47,364,345	112,304,969
Reclassified to financial assets at fair value through other comprehensive income as per IFRS 9 (Note 7)	(64,940,624)	(47,364,345)	(112,304,969)
At 30 June 2019	-	-	-

	Local	Foreign	Total
	MUR	MUR	MUR
At 01 July 2017	38,993,326	18,365,207	57,358,533
Additions	37,455,469	62,355,293	99,810,762
Disposals	(12,347,174)	(35,051,342)	(47,398,516)
Fair value adjustment	839,003	1,695,187	2,534,190
At 30 June 2018	64,940,624	47,364,345	112,304,969

Disposal proceeds	10,945,822	38,228,626	49,174,448
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Equities	Local	Foreign	Total
	MUR	MUR	MUR
Listed equity securities	51,483,408	47,364,345	98,847,753
Unlisted equity securities	13,457,216	-	13,457,216
	64,940,624	47,364,345	112,304,969



**SBM GROWTH FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2019**

25.

**7 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME**

	Local	Foreign	Total
	MUR	MUR	MUR
At 01 July 2018	-	-	-
Reclassified from financial assets at fair value through profit or loss as IFRS 9	65,177,066	47,127,903	112,304,969
Additions	8,318,401	3,048,488	11,366,889
Disposals	-	(9,506,831)	(9,506,831)
Loss in fair value	(6,500,636)	2,629,288	(3,871,348)
	-	-	-
At 30 June 2019	66,994,831	43,298,848	110,293,679
Disposal proceeds	-	9,619,580	9,619,580

7(a) Financial assets at fair value through other comprehensive income are further analysed as follows:

Local Equities	Fair Values MUR
ABC Banking Corporation Limited - ABCB MP Equity	688,500
Alteo Limited	1,220,120
Ascencia Ltd - ASCE MP EQUITY	203,175
Ciel Textile Ltd - FKL MP Equity	1,656,480
CIM Financial Services Ltd - CIM MP EQUITY	1,376,200
ENL LIMITED	954,841
Gamma Civic Ltd - GML MP Equity	2,231,100
IBL Ltd	5,791,392
INNODIS Ltd - HWF MP Equity	2,330,505
Lavastone Ltd	570,140
Lux Island Resorts Ltd - NRL MP Equity	1,792,200
MAURITIUS COMMERCIAL BANK LTD- MCBG MP EQUITY	16,617,500
Mauritius Oil Refineries Ltd - MOR MP Equity	1,075,585
New Mauritius Hotels Ltd - NMH MP EQUITY	3,799,120
Omnican Ltd - MTMD MP Equity	129,000
Rogers And Co Ltd - ROGERS MP EQUITY	2,461,800
SBM Bank (Mauritius) Ltd - SBMH MP EQUITY	6,221,700
Sun Resorts Ltd/Mauritius - SUN MP EQUITY	2,079,875
Terra Mauricia Ltd - TERA MP Equity	207,900
The Lux Collective Ltd	62,109
United Basalt Products/The - UBP MP Equity	2,848,125
Grit Real Estate Income Group	3,431,644
SBM Capital Protected Note - Asian Opportunities MUR	1,180,000
SBM Africa Value Fund Class A	3,951,170
SBM India Fund Class A 1FD00000016	4,114,650
	66,994,831

7(a) FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME are further analysed as follows: (Continued)

<u>Foreign</u>	<u>Fair Values</u>
	<u>MUR</u>
FIRST TRUST CLOUD COMPUTING ETF-SKYY US EQUITY	2,891,715
ISHARES CORE S&P 500 ETF-IVV US EQUITY	4,717,916
ISHARES GLOBAL INFRASTRUCTURE (USD)- IGF US Equity	1,957,211
IShares MSCI ACWI Index Fund (US) - ACWI US EQUITY	1,853,658
iShares U.S. Medical Devices	2,311,851
SPDR S&P 500 ETF Trust - SPY US Equity	6,597,132
TECHNOLOGY SELECT SECT SPDR - XLK US EQUITY	2,967,419
Vanguard S&P 500 ETF - VOO US Equity	6,596,255
VANGUARD UTILITIES ETF(U.S)-VPU US EQUITY	1,040,230
Amundi Equity Japan Target "AHE" (EUR) ACC	659,275
FIDELITY FDS-EUROPEAN SM-A	2,257,590
Fidelity Funds - European Larger Companies Fund A-ACC-Euro	2,540,007
KESTREL GLOBAL PORTFOLIO CLASS A USD	1,857,352
Templeton Euroland Fund Class A(Acc)	5,051,237
	<u>43,298,848</u>
<b>TOTAL</b>	<b><u>110,293,679</u></b>

#### 8 Fair value measurement hierarchy

IFRS 13 requires disclosures relating to fair value measurement using a three level fair value

- Level 1 fair value measurements are those derived from quoted (unadjusted)
- Level 2 fair value measurements are those derived from valuation techniques
- Level 3 fair value measurements are those derived from Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

The following table provides an analysis of local and foreign investments grouped into level 1 to 2 based on the degree to which the fair value is observable.

	<u>Level 1</u>	<u>Total</u>
	<u>MUR</u>	<u>MUR</u>
Financial assets at fair value through other comprehensive income:		
Local investments	66,994,831	66,994,831
Foreign investments	43,298,848	43,298,848
<b>At 30 June 2019</b>	<b><u>110,293,679</u></b>	<b><u>110,293,679</u></b>



**8 Fair value measurement hierarchy (Continued)**

Financial assets at fair value through profit or loss:

Local investments	64,940,624	64,940,624
Foreign investments	47,364,345	47,364,345
<b>At 30 June 2018</b>	<b>112,304,969</b>	<b>112,304,969</b>

There were no transfer between level 1 and 2 during the year

The following table analyses the Fund's concentration of equity price in the Fund's equity portfolio by geographical distribution:

Local and foreign investments	FVTOCI		FVTPL	
	2019	2019	2018	2018
	MUR	%	MUR	%
Mauritius	55,497,367	50.32%	64,940,624	57.83%
United States of America	44,288,203	40.15%	21,665,107	19.29%
Luxembourg	10,508,109	9.53%	25,699,238	22.88%
	<b>110,293,679</b>	<b>100.00%</b>	<b>112,304,969</b>	<b>100.00%</b>

**9. OTHER PAYABLES**

	2019	2018
	MUR	MUR
Manager's fees	95,673	95,567
Trustee's fees	19,790	19,929
Auditors' fees	83,793	67,865
Administrator's fees	11,959	11,946
Custodian's fees	5,289	6,284
Redemption payable	1,353,249	275,175
Other payables	396,421	264,193
	<b>1,966,174</b>	<b>740,959</b>

The carrying amount of other payables approximate their fair value.

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

10. TAXATION

Income tax is calculated at the rate of 15% on profit for the period as adjusted for income tax purposes.

(a) Reconciliation between tax expense and tax on accounting profit

	2019	2018
	MUR	MUR
Accounting Profit / (loss)	1,245,958	4,242,963
Tax on accounting profit at the tax rate of 15%	186,894	636,444
Exempt income	(248,914)	(182,636)
Non-taxable income	(115,623)	(609,917)
Non deductible expenses	200,797	188,862
Deferred tax asset not recognised	(11,794)	(32,753)
Under provision in current year	(10,551)	-
Tax expense	809	-

11. INCOME

	2019	2018
	MUR	MUR
Dividend income	2,457,973	1,701,105
Total	2,457,973	1,701,105

12. MANAGER'S FEES

Manager's fees are computed daily based on 1% p.a of net asset value of the Fund and are payable monthly in arrears.

13. TRUSTEE'S FEES

Trustee's fees are computed daily based on 0.15% p.a of net asset value of the Fund plus VAT up to 30 May 2017 and revised to 0.085% p.a of net asset value of the Fund plus VAT as from 1 June 2017 and the fees are payable monthly in arrears.



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**14. REGISTRY FEES**

Registry's fees are computed daily based on 0.15% p.a of net asset value of the Fund up to 31 December 2017 and revised to 0.125% p.a of net asset value of the Fund as from 01 January 2018 and the fees are payable monthly in arrears.

**15. CUSTODIAN FEES**

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

**16. ADMINISTRATOR'S FEES**

Administrator's fees are computed daily based on 0.15% p.a of net asset value of the Fund up to 31 December 2017 and revised to 0.125% p.a of net asset value of the Fund as from 01 January 2018 and the fees are payable monthly in arrears.

**17. ENTRY FEE AND EXIT FEE**

On the issue of units, an entry fee of 1% of the net assets value of the Fund per unit is paid by the unitholder to the Fund and, on the repurchase of units, an exit fee of 1% of the net asset value of the Fund per unit is paid by the unitholder to the Fund. The sums collected are then remitted to the Manager.

**18. RELATED PARTY DISCLOSURES**

During the period ended 30 June 2019 the Fund transacted with related entities. Details of the nature, volume of transactions and balances with the entities are shown below.

	2019	2018
	MUR	MUR
<b>DTOS Trustees Ltd</b>		
Trustee fees payable	19,790	19,929
Trustee's fees expense	111,427	93,152
<b>SBM Mauritius Asset Managers Ltd</b>		
Management fees payable	95,673	95,567
Management fees expense	1,139,908	977,220
<b>SBM Fund Services Ltd</b>		
Administrator fees payable	11,959	11,946
Administrator's fees expense	142,111	131,867
Registry fees payable	11,959	11,946
Registry fees expense	142,489	131,867

No compensation was paid to key management personnel during the year.

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 receivable or payable.

**19. FINANCIAL INSTRUMENTS**

**19.1 Financial risk management**

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

**19.2 Significant accounting policies**

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the bases of measurement, and the bases for recognition of income and expenses), for each class of financial asset, financial liability and equity instrument are disclosed in notes to the financial statements.

**19.3 Fair value**

The carrying amount of the other receivables and other payables and distribution to unitholders approximate their fair value because of their short term nature.

**19.4 Categories of financial instruments**

	2019	2018
	MUR	MUR
<b>Financial assets</b>		
Fair value through profit or loss	-	112,304,969
Financial Assets through other comprehensive income	110,293,679	-
Cash and cash equivalents	7,261,343	3,640,179
Other receivables	245,768	197,776
	<u>117,800,790</u>	<u>116,142,924</u>
<b>Financial liabilities</b>		
Other payables	1,966,174	740,959

**19.5. Risk management**

The Fund's credit risk is managed by the Investment manager subject to the Fund's established policy, procedures and controls. The credit exposure is monitored by the investment team and reported to the Fund's board and Investment Committee on a quarterly basis. There are internal limits with respect to single issuer exposure, maximum sector exposure and the Fund will hold a diversified portfolio of securities in mitigating overall portfolio credit risk. Investment-grade securities are mostly targeted in managing credit risk but credit migration is monitored.

**19.6 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.

***Foreign currency risk***

The Fund invests in securities, including maintenance of cash that are denominated in such currencies other than in Mauritian Rupee ("MUR"). Accordingly, the value of the Fund's assets may be affected favourably or unfavourably by fluctuations in currency rates. Therefore, the Fund will necessarily be subject to foreign exchange risk.



19. FINANCIAL INSTRUMENTS (CONTINUED)

19.6 Market risk (Continued)

*Foreign currency risk (Continued)*

At the reporting date, the carrying amounts of foreign currency denominated monetary assets were as follows:

	2019	2018
	MUR	MUR
Monetary assets (Balances with local banks )		
USD	3,713,587	2,192,450
EUR	37,749	2,125
MUR	3,267,540	1,171,023
GBP	13,848	39,656
AUD	228,619	234,925
	2019	2018
	MUR	MUR
Monetary and Non-monetary assets (Balances with local banks and investments and other receivables)		
USD	48,134,684	45,257,544
EUR	10,545,858	11,444,421
MUR	58,927,648	57,828,928
GBP	13,848	1,424,580
AUD	228,619	234,925

**Foreign currency sensitivity analysis**

The following shows the Fund's sensitivity to a 10% appreciation/depreciation in the Mauritian Rupee (MUR) against the relevant foreign currencies. 10% represents management's assessment of a reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items (mainly bank balances) and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number below indicates an increase in profit where the MUR weakens by 10% against the relevant currency. For a 10% strengthening of the MUR against the relevant currency, there would be an equal but opposite impact on the profit and the balances below would be negative.

	2019	2018
	MUR	MUR
Monetary assets (Balances with local banks )		
Impact on profit before tax		
USD	371,359	219,245
EUR	3,775	212
GBP	1,385	3,966
AUD	22,862	23,492
	2019	2018
	MUR	MUR
Monetary and Non-monetary assets (Balances with local banks and investments )		
Impact on profit before tax		
USD	4,813,468	4,525,755
EUR	1,054,586	1,144,442
GBP	1,385	142,458
AUD	22,862	23,492

## 19. FINANCIAL INSTRUMENTS (CONTINUED)

### 19.7 Credit risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss for the Fund by failing to discharge an obligation. The Fund is exposed to the risk of credit-related losses that can occur as a result of a counterparty or issuer being unable or unwilling to honour its contractual obligations. These credit exposures exist within debt instruments, short-term trade receivables, and cash and cash equivalents.

The Investment Manager's policy is to closely monitor the creditworthiness of the Fund's counterparties by reviewing their credit ratings, financial statements and press releases on a regular basis.

Credit risk disclosures are segmented into two sections based on whether the underlying financial instrument is subject to IFRS 9's impairment disclosures or not.

#### Credit risk on cash and cash equivalents

Impairment on cash and cash equivalents, balances due from brokers and receivables from reverse sale and repurchase agreements has been measured on a 12-month expected loss basis and reflects the short maturities of exposures. The Fund considers that these exposures have low credit risk based on the external credit rating of the counterparties.

#### Financial assets not subject to IFRS 9's impairment

The Fund is not exposed to credit risk on its equity instruments. These classes of Financial assets are not subject to IFRS 9's requirements as they are measured at FVOCI. The carrying amount of these assets (MUR 110,293,679), under both IAS 39 (2018) and IFRS 9 (2019) represents the Fund's maximum exposure to credit risk on financial instruments not subject to IFRS 9 impairment requirements under respective reporting.

### 19.8 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 units earlier than expected. The Fund is exposed to cash redemptions of its redeemable units on a regular basis. Units are redeemable at the holder's option based on the Fund's NAV per unit at the time of redemption, calculated in accordance with the Fund's prospectus.

The manager may limit the total number of the units in the Fund that may be redeemed on any business day to 10% of the outstanding units in the Fund.

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 marketable securities 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 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.



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**19. FINANCIAL INSTRUMENTS (CONTINUED)**

**19.8 Liquidity risk (Continued)**

The following table summarises the maturity profile of the Fund's 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.

<u>2019</u>	<u>Less than 1 year</u>	<u>1 to 2 years</u>	<u>2 to 5 years</u>	<u>Over 5 years</u>	<u>No stated maturity</u>	<u>Total</u>
Cash and cash equivalents	7,261,343	-	-	-	-	7,261,343
Other receivables	245,768	-	-	-	-	245,768
Financial assets at fair value through Other comprehensive income	-	-	-	-	110,293,679	110,293,679
Total financial assets	7,507,111	-	-	-	110,293,679	117,800,790
Other payables	1,966,983	-	-	-	-	1,966,983
Net assets attributable to unitholders	115,883,674	-	-	-	-	115,883,674
Total financial liabilities	117,850,657	-	-	-	-	117,850,657
Liquidity gap	(110,343,546)	-	-	-	110,293,679	(49,867)
<u>2018</u>	<u>Less than 1 year</u>	<u>1 to 2 years</u>	<u>2 to 5 years</u>	<u>Over 5 years</u>	<u>No stated maturity</u>	<u>Total</u>
Cash and cash equivalents	3,640,179	-	-	-	-	3,640,179
Other receivables	197,776	-	-	-	-	197,776
Financial assets at fair value through profit or loss	-	-	-	-	112,304,969	112,304,969
Total financial assets	3,837,955	-	-	-	112,304,969	116,142,924
Other payables	740,959	-	-	-	-	740,959
Net assets attributable to unitholders	115,449,439	-	-	-	-	115,449,439
Total financial liabilities	116,190,398	-	-	-	-	116,190,398
Liquidity gap	(112,352,443)	-	-	-	112,304,969	(47,474)

**19. FINANCIAL INSTRUMENTS (CONTINUED)**

**19.9. 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 entered 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 economic 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 invest more than 20% of its Net Asset Value in securities issued by a single issuer (a company or other corporate entity including the subsidiaries thereof) at the time of purchase.

The Fund shall not hold more than 20% of any class of security listed or unlisted, issued by a single issuer.

**20. Events after reporting date**

There has been no material events after the reporting date which would require disclosure or adjustment to the financial statements for the year ended 30 June 2019.