SBM PERPETUAL FUND LTD

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE 2019

SBM PERPETUAL FUND LTD

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DIRECTORS	Date of Appointment	Date of resignation
Mr. Heberden Edward Vaughan	01 September 2015	-
Mr. Kwet Chee Li Chun Fong	27 July 2015	-
Mr. Mario Gebert	27 July 2015	31 October 2018
Mr. Parvataneni Venkateswara Rao	09 March 2016	11 September 2018
Mr. Lakshmana Lutchmenarraidoo	17 February 2017	-

INVESTMENT MANAGER

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

REGISTRAR & ADMINISTRATOR

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

BANKER

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

REGISTERED OFFICE

SBM Tower
1, Queen Elizabeth II Avenue
Port Louis
Mauritius

AUDITOR

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

CUSTODIAN

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

Manager's Statement

Dear Shareholders,

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

Financial year 2019 has been marked by falling yields on the local market after a pick-up in 2018 driven by excess liquidity on the market, low inflation and global economic slowdown. As an indication, yields on 1-year Government of Mauritius (GoM) securities declined from 3.78% to 2.64% while yields on 10-year GoM bonds fell from 5.58% to 4.35%.

Despite the challenges posed by the low interest rate environment, the Fund registered a net return of 3.6% during the financial year against a benchmark (SBM savings rate +1%) performance of 2.8%. The fund size grew from MUR 2,417.2Mn to MUR 2,598.5Mn. The performance of the Fund is mainly the result of an established investment strategy and process, adapted to the current environment.

The second half of 2019 is likely to shed more light on the direction of foreign monetary policy. In the meantime, the Monetary Policy Committee in Mauritius cut the Repo Rate by 15 basis points from 3.50% to 3.35% in August. The economic backdrop remains challenging among low inflationary pressures and interest rates but we remain confident on the Fund's performance over the long-term.

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

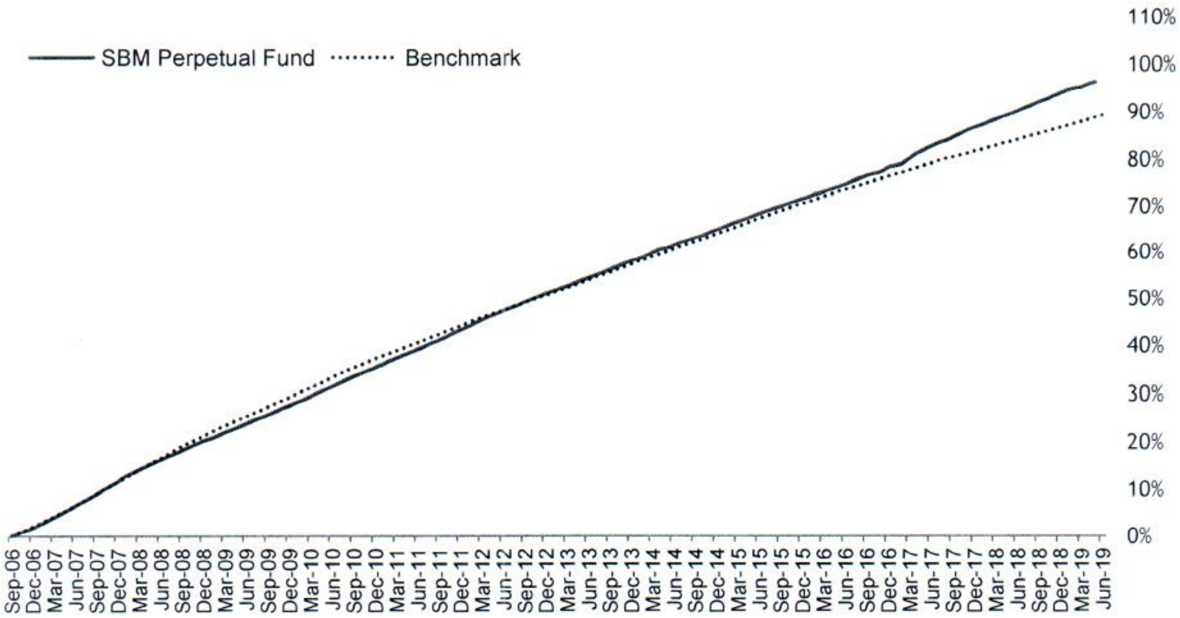
SBM Mauritius Asset Managers Ltd

23 September 2019

1. Performance review

The net assets of SBM Perpetual Fund Ltd grew from MUR 2,417.2Mn to MUR 2,598.5Mn in June 2019 with Net Asset Value (NAV) per unit increasing from MUR 195.10 to MUR 196.47. The Fund registered a return of 3.6% during the period under review while its reference index (SBM Savings rate + 1%) yielded 2.8%.

Cumulative performance



Cumulative return

	1 M	3 M	6 M	1 Y	3 Y	5 Y	Inception	Annualized
SBM Perpetual Fund	0.2%	0.7%	1.5%	3.6%	12.8%	22.2%	96.5%	5.7%
SBM Savings + 1%	0.2%	0.7%	1.4%	2.8%	9.0%	17.9%	89.3%	5.4%

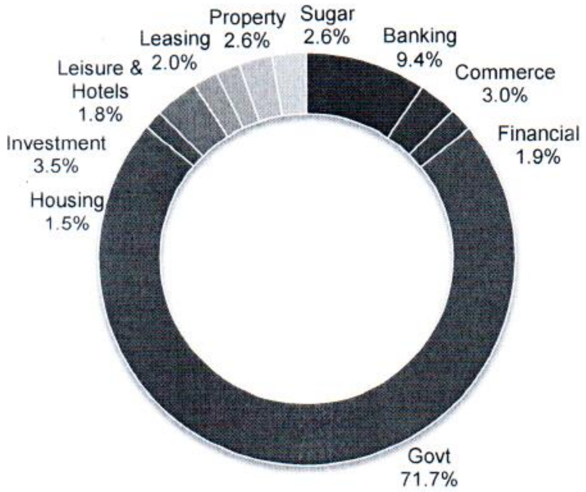
Yearly return (Financial Year)

	2011	2012	2013	2014	2015	2016	2017	2018	2019
SBM Perpetual Fund	5.9%	5.8%	5.0%	4.4%	4.4%	3.8%	4.5%	4.2%	3.6%
SBM Savings + 1%	5.4%	4.9%	4.5%	4.2%	4.2%	3.7%	3.2%	2.8%	2.8%

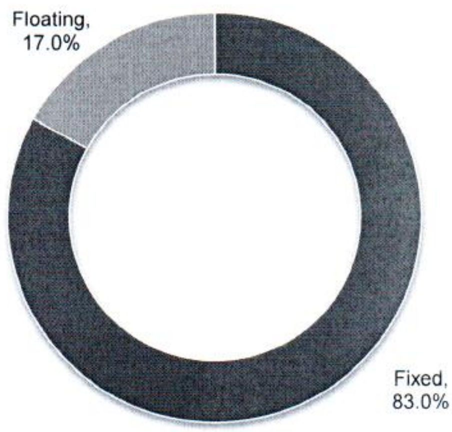
2. Breakdown

SBM Perpetual Fund is well-diversified across different securities, maturities and sectors. Exposure to Government of Mauritius (GoM) securities represents 71.7% of the portfolio as at 30 June 2019. Exposure to floating-rate instruments remained stable during the year given low market supply and downtrend in market rates.

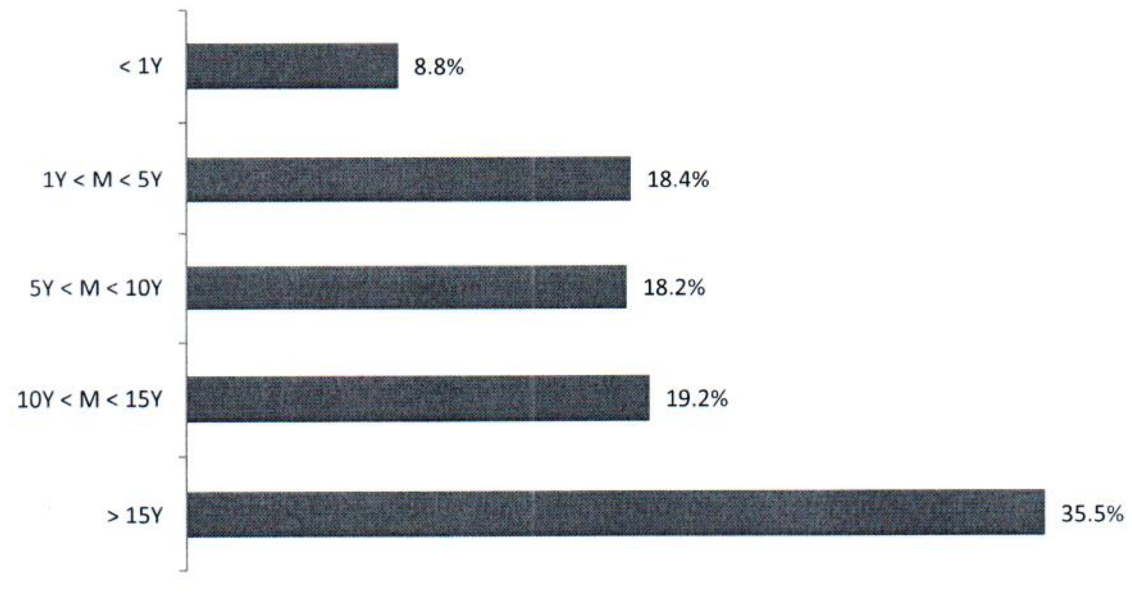
Sector allocation



Fixed/Floating allocation



Maturity pattern



3. Market review

In its latest report, Statistics Mauritius projects real GDP to grow by 3.9% in 2019 driven by construction sector (+8.5%), financial services sector (+5.2%) and tourism sector (+3.6%). The tourist sector has faced difficulties in the first quarter of 2019 but arrivals picked up by June with a year-on-year growth of 9.5%. 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 given 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%.

Sovereign yield curve

4. Outlook

Statistics Mauritius forecasts growth momentum to remain broadly positive and expand at 3.9% in 2019 compared to 3.8% in 2018 while growth for 2020 is estimated to reach 4.0%. Consumption is expected to grow by 3.1% while gross domestic savings is projected at 9.5% compared to 9.0% in 2018. Investment is forecasted to advance by 6.6% in 2019 compared to 10.9% in 2018 as a result of a lower growth in private sector investment and a 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 projected 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 (MPC) cut the Key Repo Rate (KRR) by 15 basis points to 3.35% in August 2019.

The Fund is not immune from foreign policy decisions and downtrend in yields raises interest rate and reinvestment risks. However, the current investment strategy aims at mitigating such risks but performance would certainly depend on supply of securities on the market. The premium of corporate bonds on GoMs has decreased in financial year 2019 and may impact the current strategy.

Corporate Governance Report

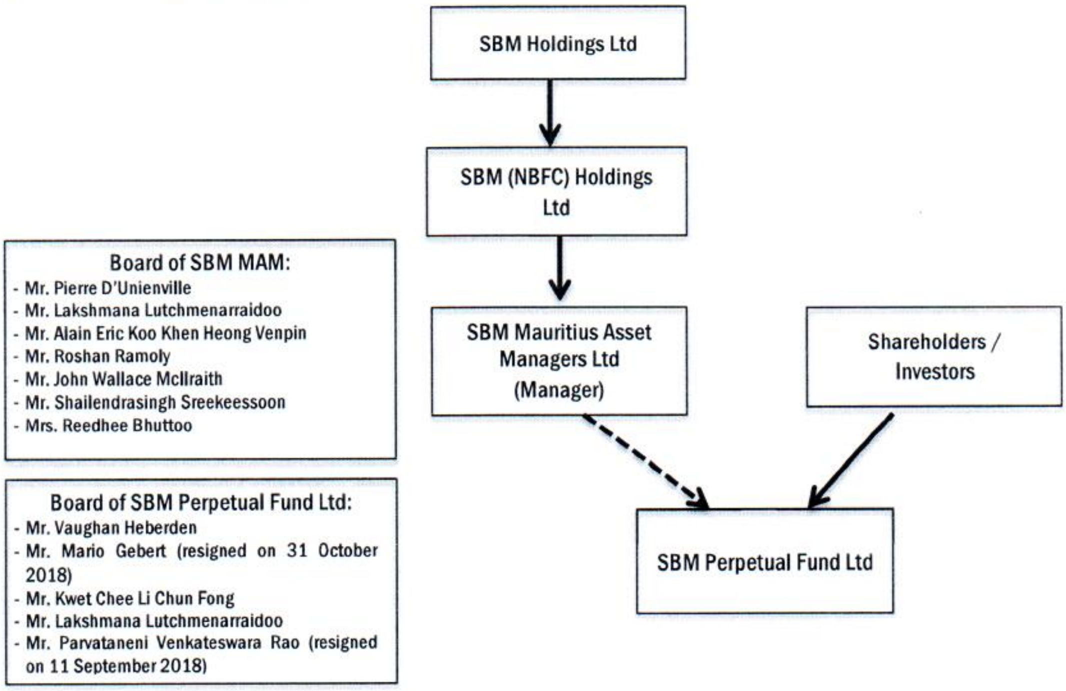
The Board of Directors of SBM Perpetual Fund Ltd (the "Fund") has the pleasure in submitting the Corporate Governance Report for the financial year ended 30 June 2019, inclusive of other Statutory Disclosures.

INTRODUCTION

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

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

The organisation's structure is as follows:



The Fund is a public interest entity.

STATEMENT OF COMPLIANCE

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

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

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

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

STATEMENT OF COMPLIANCE (CONTINUED)

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

The Constitution of SBM Perpetual Fund Ltd complies with the provisions of the Companies Act 2001. A copy is available upon written request to the Company Secretary at the Registered Office of the Company.

Its salient features are:

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

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

1. PRINCIPLE ONE: GOVERNANCE STRUCTURE

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

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

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

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

2. PRINCIPLE TWO: THE STRUCTURE OF THE BOARD

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

The profile of the current Board members is as follows:

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

- **Mr. Mario Gebert** (resigned on 31 October 2018) is the founder & Managing Director of Fine Foods Marketing Ltd incorporated in 2003. He has valuable commercial & financial experience having served in senior managerial positions in a few Mauritian conglomerates prior to setting up his own business in 2003. Mr. Gebert holds an MBA from Napier University & has been nominated for the World Entrepreneur Award of Ernst & Young South Africa in 2011. In the same year, he was also a nominee of the Eco Austral Best Entrepreneur Award in Mauritius. He is also a member of the Mauritius Institute of Directors. Mr. Gebert joined the Board of SBM Perpetual Fund Ltd as an independent and non-executive director in August 2015.

PRINCIPLE TWO: THE STRUCTURE OF THE BOARD (CONTINUED)

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

- **Mr. Parvataneni Venkateshwara Rao (resigned on 11 September 2018)** has more than 30 years' experience in Retail Banking, International Banking, Financial Markets, and Banking Book investments across Public and private sectors in both India and Mauritius. Mr. Rao holds a B.Sc in Agriculture and MBA. He is also CAIIB, DBM, DIB & DTIRM from Indian Institute of Bankers, Mumbai. He has received intensive trainings in currency swaps from Euro Money UK, Technical Analysis from National Institute of Bank Management, India, Bourse Training Programme by Syndicate Bank and, Financial Engineering and Derivatives Training Programme from the Bankers Training College Reserve Bank of India. His competencies include Treasury & Risk Management and Managing the Bank's Investments.

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

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

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

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

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

Board committee meetings and attendance

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

		Board	Annual Meeting 2018
No. of meetings held		4	1
Directors	***Note:***		
Mr. V Heberden	a	4	1
Mr. M Gebert*	a	2	-
Mr. Kwet Chee Li Chun Fong	a	3	1
Mr. L. Lutchmenarraidoo	c	3	1
Mr. P Rao **	b	-	-

PRINCIPLE TWO: THE STRUCTURE OF THE BOARD (CONTINUED)

Board committee meetings and attendance (Continued)

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

* Resigned on 31th October 2018
** Resigned on 11th September 2018.

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

Company Secretary

The Company Secretary is appointed by the Board in accordance with its Constitution. Mrs. Rubina Jhuboo Madhour is the holder of a degree in Accounting and Finance with specialization in Accounting. She is an Associate of the Institute of Chartered Secretaries and Administrators, since 2008 and a Trust and Estate Practitioner, since 2010. She started her career in the Company Secretarial field in 2003 and joined the SBM Corporate Affairs department in July 2016. She also oversees the Company Secretarial functions of the Non-Banking Financial cluster and Non-Financial cluster of the SBM Group.

3. PRINCIPLE THREE: DIRECTORS APPOINTMENT PROCEDURES

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

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

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

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

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

Whilst the induction process is designed to assist new Board Members, a comprehensive training plan has also been defined in partnership with renowned International Institutes and SBM Academy to ensure that the Board members fulfil their key roles regarding strategic development. The plan has been defined with relevant topics for developing and updating the directors' knowledge and capabilities with focus on Strategy, Risk and Governance.

In the process of continuous learning and professional development, the Corporate Affairs Team attended regular trainings to provide guidance to Board Directors on Governance, Compliance and Fiduciary responsibilities.

During the year 2019,in-house training workshops were organized for all directors of the SBM Group to update their knowledge and capabilities. The following topics were covered during the workshops:

- Effective Board Committees
- The changing standards and benchmarks
- Challenges of the following committees (Audit Committee, Risk Committee, Nomination, Remuneration and Governance Committee)
- Compliance, Fraud & Whistleblowing
- Liability, Delegations and General powers of committees and their members
- The relationship with other committees across the organization
- Evaluation & succession Techniques & Issues
- Records & reporting by committees

3. PRINCIPLE THREE: DIRECTORS APPOINTMENT PROCEDURES (CONTINUED)

- Derivatives & Risk Associated with derivatives
- Project Risk: Operational & Financial Risks
- Primary Risks as well as mechanisms for structuring risks including hedging mechanisms and hedging instruments
- Sensitivity Analysis and Scenario Analysis
- Cross-border issues in Project financing
- Collateral / guarantee and enforceability
- Implications of Basel Accord
- Insight into the latest tools and techniques to measure, manage and monitor credit risk
- Classification, measurement and disclosure of financial instruments in terms of IFRS 9 and IFRS 7

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

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

Remuneration philosophy and remuneration of Directors

The non-executive directors and independent directors are remunerated for their knowledge, experience and insight provided to the Board as well as contribution to helping and assisting the intermediaries of the Fund in the performance of their duties. Fees paid to the Directors amounted to Rs. 460,000 for the year ended 30 June 2019 (2018: Rs. 535,781). Director's fees have not been disclosed on an individual basis for confidentiality reasons.

Continuous Development Programme

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

Annual evaluation of the Board

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

During the reporting year, no Board evaluation has been conducted in view of the ongoing restructuring of the Fund, which will be set up as a sub-fund of SBM Investment Unit Trust.

Managing Conflict of Interest and Related Party Transactions

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

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

For the related party transaction, please refer to Note 19 of the Financial Statements.

Information, information technology and information security policy

The Board confirms that information, information technology and information security policy exists within the Group. Significant expenditures on information technology are approved and monitored at Board level.

5. PRINCIPLE FIVE: RISK GOVERNANCE AND INTERNAL CONTROL

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

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

Risk Management

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

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

The risk management mechanisms in place include:

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

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

Operational risks

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

Compliance risks

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

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

PRINCIPLE FIVE: RISK GOVERNANCE AND INTERNAL CONTROL (CONTINUED)

Risk Management (Continued)

Political, economic and financial markets risks

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

Reputational risks

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

Business continuity risks

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

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

Whistleblowing policy

In order to enhance good governance and transparency, the Group has a Whistleblowing policy. The main 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 and Complaints;
- Process and Procedures;
- Hotline, Email and PO Box facilities

Reports can be made through the following channels:

Hotline (Toll free numbers)

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

E-mail: whistleblowing@sbmgroup.mu

PO Box: 11, Caudan, Port Louis, Mauritius

6. PRINCIPLE SIX: REPORTING WITH INTEGRITY

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

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

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

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

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

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

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

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

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

The reporting on Environmental, Health and Safety, Social and Corporate Social Responsibility issues as well as Charitable and Political contributions is made at the level of the ultimate holding company, SBM Holdings Ltd.

The Audit and Risk Committee of the Non-Banking Financial Cluster reviews the systems of internal controls to ascertain its adequacy and effectiveness and ensures that there is appropriate structure for identifying, monitoring, managing compliance risk as well as reporting system to advise the Committee of non-compliance on a timely basis. The Committee also recommends additional procedures to enhance the system of internal controls, if considered necessary.

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

7. PRINCIPLE SEVEN: 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 Chairperson of the Board 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 Company for the financial year ended 30 June 2019. The Board assesses and reviews on a regular basis the independence of the external auditor and the Audit and Risk Committee assesses the effectiveness of the external audit process. The Audit and Risk Committee has discussed accounting policies for the year under review with the external auditor.

The last tender was conducted in 2015 and Ernst & Young have been acting as external auditors for the last 4 years. The Corporate Shareholder appoints/re-appoints the external auditor on an annual basis at the Annual General Meeting of the Company.

The fees to the external auditors for audit services were MUR 122,155, inclusive of VAT for the financial year 2019 (FY 2018: MUR 172,500). EY also provides tax services and the amount was MUR 21,858 for the financial year 2019 (FY 2018: 11,500). The external auditors do not provide any non-audit services.

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

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

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

Holding structure – 30 June 2019

As at 30 June 2019, the Fund had issued 13,226,238 shares for a total fund size of Rs 2,598,510,050. The NAV per share of the Fund as at 30 June 2019 was Rs 196.466.

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

Year	NAV per share
June 2015	167.903
June 2016	174.225
June 2017	182.075
June 2018	189.679
June 2019	196.466

8. PRINCIPLE EIGHT: RELATIONS WITH SHAREHOLDERS AND OTHER KEY STAKEHOLDERS (CONTINUED)

Analysis of ownership

The Fund had 1,251 holders of participating shares as at 30 June 2019. A breakdown of the category of holders of participating shares and the share ownership as at 30 June 2019 are set out below:

Market Value (MUR)	Number of shareholders	Number of shares owned	% Holding
0-59,999	-	-	-
60,000 - 99,999	2	1,016.65	0.01
100,000 - 124,999	61	33,193.39	0.25
125,000 - 199,999	43	35,284.30	0.27
200,000 - 499,999	227	366,905.13	2.77
500,000 - 999,999	255	828,678.25	6.27
1M - 1,499,999	242	1,397,540.28	10.57
1.5M - 1,999,999	76	640,780.57	4.84
2M - 2,999,999	134	1,555,162.47	11.76
3M - 5,999,999	143	3,051,724.33	23.07
6M - 10M	31	1,193,527.19	9.02
10M-20 M	27	1,733,540.54	13.11
ABOVE 20 M	10	2,388,884.44	18.06
	1,251	13,226,237.54	100.00

Prospectus

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

Shareholder's agreement

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

Shareholders' relations and communication

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

Shareholders' calendar

The Fund has planned the following forthcoming events:

Reporting date	30 June
Publication of year end results	Within 90 days from end of 30 June 2019

Dividend Policy

No dividend policy is currently envisaged but the Board of the Fund has the discretion to change the distribution policy and distributes any profits earned to shareholders in future in terms of dividends or bonus shares. For the year ended 30 June 2019, the Board did not recommend the payment of any dividend. Currently, all profits will be reflected in the net asset value of the share of the Fund.

Dealings in the Fund's shares

On the 30th November 2018, Mr. Lakshmana Lutchmenarraidoo, Executive Director of the Fund, redeemed units held amounting to 16,740.8099 for a total amount of MUR 3 million. No other director dealt in the Fund shares during the year under review and no other director held shares in the Fund.

Employee Share Option Scheme

The Fund has no share option plans.

9. OTHER STATUTORY DISCLOSURES

Significant Contracts

The following agreements have been approved and renewed by the Board during the financial year ended 30 June 2019 and they are still effective:

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

Directors and Officers Liability Insurance

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

Director

Director

Date: 23 September 2019

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

Name of PIE: The SBM Perpetual Fund Ltd

Reporting Period: Year ended 30 June 2019

Throughout the year ended 30 June 2019 to the best of the Board's knowledge the SBM Perpetual Fund Ltd (the "Fund") has complied with the Code of Corporate Governance for Mauritius (2016), except for the following:

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

....
Director

....
Director

Date: 23 September 2019

I certify that, to the best of my knowledge and belief, SBM Perpetual Fund Ltd has filed with the Registrar of Companies, for the year ended 30 June 2019 all such returns as are required of the Fund under Section 166(d) of the Companies Act 2001 as applicable.

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

Date: 23 September 2019

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SBM PERPETUAL FUND LTD

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of SBM Perpetual Fund Ltd (the "Fund") set out on pages 8 to 36 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 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 comply with the Companies Act 2001 and the Financial Reporting Act 2004.

Basis for Opinion

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

Other Information

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

Our opinion on the financial statements does not cover the other information (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 PERPETUAL FUND LTD (CONTINUED)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Responsibilities of the Directors for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SBM PERPETUAL FUND LTD (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, in accordance with Section 205 of the Companies Act 2001. Our audit work has been undertaken so that we might state to the Fund's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund and the Fund's members, as a body, for our audit work, for this report, or for the opinions we have formed.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Companies Act 2001

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

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

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

Ernst & Young

ERNST & YOUNG
Ebène, Mauritius

Date: 23 SEP 2019

ANJAALA RAMKHELAWON, F.C.A
Licensed by FRC

	Notes	2019	2018
		MUR'000	MUR'000
ASSETS			
Cash and cash equivalents		**22,950**	44,279
Other receivables	4	**3,122**	75
Loans and receivables	5	-	2,138,477
Available-for-sale Investments	6	-	269,524
Financial assets held at amortised cost	7	**2,153,579**	-
Financial assets measured at fair value through other comprehensive income	8	**490,293**	-
TOTAL ASSETS		**2,669,944**	2,452,355
LIABILITIES			
Other payables	10	**63,767**	30,020
Income tax liability	11(a)	**7,667**	5,131
		71,434	35,151
Net assets attributable to shareholders		**2,598,510**	2,417,204
Represented by:			
Management shares	12(a)	-	-
Net assets attributable to redeemable participating shareholders	12(b)	**2,598,510**	2,417,204
		2,598,510	2,417,204

Approved by the Board of Directors and authorised for issue on **23 September 2019**

DIRECTORS

DIRECTORS

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

	Notes	2019	2018
		MUR'000	MUR'000
Income			
Interest Income	13	**136,817**	106,415
Gain on disposal of investment		-	7,397
Fair value loss on investments		-	(1,418)
		136,817	112,394
Fund Expenses			
Management fees	14	**19,090**	14,423
Audit fees		**122**	92
Custodian fees	16	**1,419**	969
Administrator's fees	15	**3,795**	2,858
Registry fees	17	**1,909**	1,454
Director fees		**460**	536
Expected credit losses	9	**3,222**	-
General expenses		**354**	436
		30,371	20,768
Profit before taxation		**106,446**	91,626
Income tax expense	11 (b)	**(17,001)**	(14,165)
Profit after taxation		**89,445**	77,461
Other comprehensive gain that will not be reclassified to profit or loss			
Net gain on disposal of investment		**2,974**	-
Fair value gain on financial assets at FVOCI		**623**	-
Change in net assets attributable to holders of redeemable participating shares from operations		**93,043**	77,461

The notes on pages 12 to 36 form part of these financial statements.

	Net assets attributable to holders of redeemable participating shares
	MUR'000
At 01 July 2017	**1,611,640**
New issue of redeemable participating shares	989,494
Redemption of redeemable participating shares	(261,391)
Changes in net assets attributable to holders of redeemable participating shares from transaction in shares	728,103
Changes in net assets attributable to holders of redeemable participating shares from operations	77,461
At 30 June 2018	**2,417,204**
At 01 July 2018	**2,417,204**
Effect of adoption of IFRS 9 (Note 9)	**(4,117)**
At 01 July 2018 (restated)	**2,413,087**
New issue of redeemable participating shares	**396,157**
Redemption of redeemable participating shares	**(303,776)**
Changes in net assets attributable to holders of redeemable participating shares from transaction in shares	**92,381**
Changes in net assets attributable to holders of redeemable participating shares from operations	**93,043**
At 30 June 2019	**2,598,510**

The notes on pages 12 to 36 form part of these financial statements.

	Notes	2019	2018
		MUR'000	MUR'000
Cash flows from operating activities			
Profit before taxation		**106,446**	91,626
Adjustment for:			
Interest Income		**(136,817)**	(106,415)
Expected credit losses		**3,222**	-
Gain on disposal of investment		**-**	(7,397)
Fair value loss on investments		**-**	1,418
Operating loss before working capital changes		**(27,149)**	(20,768)
Increase in other receivables		**(3,047)**	-
Increase in other payables		**33,747**	27,193
Purchase of investment		**-**	(1,558,039)
Purchase of financial assets held at amortised cost	7	**(211,225)**	-
Purchase of financial assets measured at FVOCI	8	**(217,367)**	-
Proceeds on disposal or maturity of investment		**-**	724,278
Proceeds on disposal of financial assets held at amortised cost	7	**82,683**	-
Proceeds on disposal or maturity of of financial assets measured at FVOCI	8	**106,400**	-
Interest received		**136,490**	114,438
		(99,468)	(712,898)
Tax paid	11(a)	**(14,242)**	(12,308)
Net cash used in operating activities		**(113,709)**	(725,206)
Cash flows from financing activities			
Issue of redeemable shares		**396,157**	989,494
Participating shares converted into redeemable shares		**-**	(1,391)
Redemption of redeemable shares		**(303,776)**	(261,389)
Net cash generated from financing activities		**92,381**	726,714
Net (decrease)/increase in cash and cash equivalents		**(21,329)**	1,508
Cash and cash equivalents at start of year		**44,279**	42,771
Cash and cash equivalents at end of year		**22,950**	44,279

The notes on pages 12 to 36 form part of these financial statements.

1. LEGAL FORM AND PRINCIPAL ACTIVITY

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

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

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

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

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

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

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

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

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Foreign currency translation

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

Transactions and balances

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

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

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

c) Taxes

Current income tax

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

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

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Taxes (Continued)

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.

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 Presentatation 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. Previously, the Fund disclosed this amount in the notes to the financial statements.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Policy applicable as from 01 July 2018 (continued)

Additionally, the Fund has adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures, which are applied to 2018 disclosures 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. 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.

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.

Management has made an assessment on the basis of the facts and circumstances that existed at the date of initial application to determine whether to classify the debt instruments held at amortised cost or financial assets at fair value through OCI. The determination of the business model within which a financial asset is held at amortised cost needs to meet the objective ,which is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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 contract assets, cash and cash equivalents and investments in bonds.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Financial Instruments (Continued)

Policy applicable as from 01 July 2018 (Continued)

Financial assets (Continued)

Financial assets at fair value through OCI

The Funds measure debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling

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

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

The Fund' debt instruments at fair value through OCI include investments in quoted debt instruments.

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.

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.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Financial Instruments (Continued)

Policy applicable as from 01 July 2018 (Continued)

Financial assets (Continued)

Financial assets at amortised cost (Continued)

Impairment of financial assets (Continued)

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. (See Note 18)

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 (1.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

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.

Subsequent measurement

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

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Financial instruments (Continued)

Policy applicable as from 01 July 2018 (Continued)

Financial liabilities (Continued)

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.

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

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Financial Instruments (Continued)

Policy applicable prior to 01 July 2018 (continued)

Financial assets (Continued)

Subsequent measurement (Continued)

The Fund does not hold any financial assets classified as fair value through profit or loss investments and available-for-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 statement of profit or loss and other comprehensive income. The losses arising from impairment are recognised in finance costs for loans and in other operating expenses for receivables.

Held-to-maturity investments

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

Derecognition

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

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

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

Impairment of financial assets

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

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Financial instruments (Continued)

Policy applicable prior to 01 July 2018 (continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

Financial assets carried at amortised cost

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

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

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

Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Loans and borrowings

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

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

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.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Financial Instruments (Continued)

Policy applicable prior to 01 July 2018 (continued)

Financial liabilities (Continued)

Offsetting of financial instruments

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

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

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

Determination of fair value

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

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

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

e) Interest income calculated using effective interest method

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

f) Cash and cash equivalents

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

g) 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.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h) Redeemable participating shares

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.

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 AND DISCLOSURES

The accounting policies adopted in those 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 impacted the financial statement of 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 2018, 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.

	Effective for accounting period beginning on or after
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 January 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 as from 1 July 2018. The Fund has not restated the comparative information, which continued to be reported under IAS 39.

(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 as from 01 July 2018. The Fund has chosen to take advantage of the option not to restate comparatives. The 2017 figures are presented and measured under IAS 39. Accordingly, differences in the carrying amounts of the financial assets resulting from the adoption of IFRS 9 are recognised in the net asset attributable to holders of redeemable shares as at 01 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**
Financial assets		**MUR'000**		**MUR'000**
Debt instruments	Available-for-sale Investments	269,524	Fair value through other comprehensive income	269,524
Loans and receivables	Loans and receivables	2,138,477	Amortised cost	2,026,361
			fair value through other comprehensive income	112,116
Cash and cash equivalents	Amortised cost	44,279	Amortised cost	44,279
Other receivables	Other receivables	75	Amortised cost	75
Financial liabilities		**MUR'000**		**MUR'000**
Other payables	Amortised cost	30,020	Amortised cost	30,020

In line with the characteristics of the Fund's financial instruments as well as its approach to their management, the Fund neither revoked nor made any new designations on the date of initial application. 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.

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

IFRS 9 Financial Instruments (Continued)

(b) Impairment

The application of the ECL mode under IFRS 9 has not significantly changed the carrying amounts of the Fund's amortised cost financial assets. An ECL allowance of MUR 3.86 million has been recorded against the Fund's financial assets compared to no impairment recorded under IAS 39.

The carrying amounts of amortised cost instruments continued to approximate these instruments' fair values on the date of transition after transitioning to IFRS 9.

Set out below is the reconciliation of the ending impairment allowances in accordance with IAS 39 to the opening loss allowances determined in accordance with IFRS 9.

	Allowance for impairment under IAS 39 as at 30 June 2018	Remeasurement	**ECL under IFRS 9 as at 1 July 2019**
	MUR'000	MUR,000	**MUR,000**
Loans and receivables	-	4,117	**4,117**

IFRS 15 Revenue from Contracts with Customers

The Fund adopted IFRS 15 *Revenue from contracts with customers* as from 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.

<u>New or revised standards</u>	**Effective for accounting period beginning on or after**
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

<u>New or revised standards</u>	**Effective for accounting period beginning on or after**
IFRS 11 Joint Arrangements - Previously held interests in a joint operation	1 January 2019
IAS 12 Income taxes - Income tax consequences of payments on Financial instruments classified as equity	1 January 2019
IAS 23 Borrowing costs - Borrowing costs eligible for capitalisation	1 January 2019
IFRS 17 Insurance Contracts	1 January 2021

The adoption of the above standands 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, the management considers MUR as the currency that most faithfully represents the economic effect of the underlying transactions, events and conditions.

b) Going concern

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

c) Estimate

The Key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjournment to the carrying amounts of assets and liabilities within the next financial year, are discussed below. The company based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the company. Such changes are affected in the assumptions when they occur.

Expected credit losses (ECLs)

To calculate the ECL, the Fund has applied judgements that have a significant effect on the amounts recognised in the financial statements and include the classification of financial instruments into financial assets measured at amortised cost category. Estimated ratings have been used for the calculation (Note 18) .

4. OTHER RECEIVABLES

	2019	2018
	MUR'000	MUR'000
Prepayments	**3,122**	75
	3,122	75

5. LOANS AND RECEIVABLES

	2019	2018
At 01 July	**2,138,477**	1,528,099
Reclassified to Financial assets held at amortised costs as per IFRS 9 (Note 7)	**(2,026,361)**	-
Reclassified to Financial assets measured at fair value through other comprehensive income as per IFRS 9 (Note 8)	**(112,116)**	-
Additions	-	1,332,316
Disposals	-	(714,029)
Interest ammortised	-	(8,034)
Gain in fair value of investment	-	125
At 30 June	-	2,138,477

5. LOANS AND RECEIVABLES (CONTINUED)

The breakdown of loans and receivables are as follows:

	Interest rate	Maturity	2019	2018
			MUR'000	MUR'000
Government bonds	2.90% - 11.75%	Feb 2020 - May 2038	-	1,460,441
Other local bonds	6.31% - 6.81%	Dec 2019 - June 2023	-	236,540
Term deposits with other financial institutions	5.65% - 8.25%	Feb 2020 - Feb 2025	-	441,496
			-	2,138,478

Details of the maturity profiles of the deposits are given in Note 17.

6. AVAILABLE-FOR-SALE INVESTMENTS

	2019	2018
	MUR'000	MUR'000
At 01 July	269,524	48,187
Reclassified to Financial assets measured at fair value through other comprehensive income as per IFRS 9 (Note 8)	(269,524)	
Additions	-	225,723
Disposals	-	(2,864)
Interest ammortised	-	21
Loss in fair value of investment	-	(1,543)
At 30 June	-	269,524

The breakdown of available for sale investments are as follows:

	Interest rate	Maturity	2019	2018
			MUR'000	MUR'000
SBM bonds	6.00%	March 2024	-	45,250
Other bond	3.50%- 6.00%	Nov 21 - June 2028	-	224,274
			-	269,524

Details of the maturity profiles of the bonds are given in Note 17.

7. FINANCIAL ASSETS HELD AT AMORTISED COST

	2019	2018
	MUR'000	MUR'000
At 01 July		-
Reclassified from loans and receivables as per IFRS 9 (Note 5)	2,026,361	-
Additions	211,225	-
Disposals	(79,510)	-
Interest amortised	(592)	-
Allowance for expected credit loss (Note 9)	(3,983)	
Gain in fair value of investment	78	-
At 30 June	2,153,579	-
Disposal Proceeds	82,683	-

7. FINANCIAL ASSETS HELD AT AMORTISED COST (CONTINUED)

7(a). The breakdown of allowance for ECLs for bonds purchased before 01 July 2018, is as follows:

	Retained earnings	Profit and loss
Instrument name	**MUR'000**	**MUR'000**
20YRGOMBND150937 5.48% 15/09/2037	70	(1)
3.94%5YRGMBND151222	29	0
5.05%15YGOMBD220133	100	(1)
6.18%20YGOMB110538	83	1
MAURGB 11 3/4 05/25/27	21	0
MAURGB 2.9% 170217	2	(0)
MAURGB 2.90% 17022017	2	(0)
MAURGB 5.42 03/09/28	97	(1)
MAURGB 5.85% 16/09/2031	21	(0)
MAURGB 5.85% 16/09/31	10	(0)
MAURGB 5.95% 09/11/25	2	(0)
MAURGB 6.23 03/20/30	4	(0)
MAURGB 6.24% 17/03/2037	108	(2)
MAURGB 6.5% 22/07/2036	35	(1)
MAURGB 6.50% 11/13/30	66	1
MAURGB 6.50% 22/07/2036	21	(0)
MAURGB 6.50% 22/07/36	46	(1)
MAURGB 6.55 07/17/30	10	(0)
MAURGB 6.65 07/17/30	5	(0)
MAURGB 6.75 07/17/30	5	(0)
MAURGB 6.95% 15/04/36	40	1
MAURGB 7% 06/13/36	29	(1)
MAURGB 7% 15/01/2036	7	(0)
MAURGB 7% 15/01/36	22	(0)
MAURGB 7.00% 15/01/36	15	(0)
MAURGB 7.4 01/25/28	21	(6)
MAURGB 8 09/16/21	7	(0)
MAURGB 8.29% 03/08/27	21	(1)
MAURGB 9 1/4 01/20/27	6	(0)
MAURGB 9.25% 20/08/2025	1	(0)
MAURGB 9.25% 20/08/25	22	(1)
MAURGOMBD 6.24% 17/03/2037	21	(0)
MAURGOMBD 7% 15/01/36	37	(1)
15Y2029 Inflation Indexed Bond	53	(1)
15Y2033 Inflation Indexed Bond	49	2
Alpha Capital Protected Note - Series 1	136	1
ALTEO 6% 24/04/2021	276	(276)
Ciel Note	151	(2)
CIEL NOTES_5.83%_120517	376	2
SBM MASALA BOND NOTE-SERIES B MUR	638	7
LA PRUDENCE LEASING FINANCE CO LTD 6.15% 09/03/16	261	(4)
LA PRUDENCE LEASING FINANCE CO. LTD 5.80% 16/10/15	93	(1)
LA PRUDENCE LEASING FINANCE CO. LTD 6.25% 14/10/15	93	(2)
SIT_7 YR 6.50%_250424	410	6
MAURITIUS HOUSING COMPANY LTD 6.75 % 16/10/15	316	11
MCS MUTUAL AID ASSOCIATION_PF_03022020	279	8
5.95%20YGOMBN08.02.2039	-	7
MAURGB 4.82%_080623	-	20
MAURGB 5.87% 150525	-	10
5.95% 15 YR GOM BOND 9/11/33	-	28
5.95% 15 YR GOM BOND 9/11/34	-	14
	-	17
GOMBOND_20YR_070938	-	34
	4,117	**(134)**

7. FINANCIAL ASSETS HELD AT AMORTISED COST (CONTINUED)

7(b). The breakdown of financial assets held at amortised cost is as follows:

	Interest rate	Maturity	2019	2018
			MUR'000	MUR'000
SBM bonds	5.00%	Dec-19	69,911	-
Government bond	5.05%-11.75%	Sept 21 - Feb 39	1,811,533	-
Term deposits with other financial institutions	5.65% - 6.75%	Feb 20 -Mar 23	117,104	-
Other local bond	4.30% - 6.50%	Jun 20 - Feb 23	155,030	-
			2,153,579	-

8. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2019	2018
	MUR'000	MUR'000
At 01 July	-	-
Reclassified from loans and receivables as per IFRS 9 (Note 5)	112,116	-
Reclassified from available-for-sale Investments as per IFRS 9 (Note 6)	269,524	-
Additions	217,367	-
Disposals	(106,600)	-
Interest accrued	697	-
Allowance for expected credit loss (Note 9)	(3,356)	
Gain in fair value of investment	545	-
At 30 June	490,293	-
Disposal Proceeds	106,400	-

8(a). The breakdown of financial assets measured at fair value through other comprehensive income is as follows:

	Interest rate	Maturity	2019	2018
			MUR'000	MUR'000
SBM bonds	5.75%	Mar 24 - Jun 28	119,760	-
Government bond	2.55% - 2.80%	Jul 19 - Aug 19	124,678	
Term deposits with other financial institutions	3.50%	Jan 23	45,941	
Other local bond	4.35% - 6.50%	Jun 21 - Jun 25	199,914	-
			490,293	-

8 . FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTINUED)

8(b). Details of financial assets measured at fair value through OCI are as follows:

	Maturity date	Fair value	Interest income recognised for the year	Allowance for ECLs
		MUR'000	MUR'000	MUR'000
364D BOM	12-Jul-19	34,966	2	-
182D TBILL_270619	19-Jul-19	34,947	3	-
182D TBill 230819 2.80%	23-Aug-19	54,765	4	-
IBL LTD_5%_SERIES 2	08-Sep-22	20,578	545	186
SBM MUR Note 5.75% Class A2 Series Bond	28-Jun-28	74,586	4,349	698
OMNICANE BOND_6.3%_060616	08-Jun-21	9,539	630	86
OMNICANE BOND_6.3%_080616	08-Jun-21	5,721	378	52
OMNICANE BOND_6.30%_080616	08-Jun-21	19,071	1,260	172
OMNICANE BOND_6.8%_060616	08-Jun-23	31,382	2,040	284
United Basalt Bond 4.7%	31-Oct-18		527	-
SBM BOND 6.00	10-Mar-24	45,174	2,194	423
MCB Group Ltd 3.5% 5Y	22-Jan-23	45,941	310	430
OMNICANE BOND_5.2%_080616	08-Jun-21	706	36	6
ASCENCIA LTD_6%	30-Jun-25	2,173	117	20
EVACO LTD 5YR NOTES	16-Jun-21	10,304	661	93
Sun Limited - Notes -	04-Nov-21	41,308	1,915	373
IBL Ltd - Series 5 -	08-Sep-24	54,084	2,464	489
NMHL 4.35% 5 YR NOTE	15-Nov-22	5,048	214	46
		490,293	17,648	3,356

9. Allowance for expected credit losses (ECLs)

	Financial assets held at amortised cost	Financial assets measured at fair value through other comprehensive income	Total allowance
	MUR'000	MUR'000	MUR'000
Effect of adoption of IFRS 9 on retained earni	4,117	-	4,117
Movement during the year	(134)	3,356	3,222
At 31 December	3,983	3,356	7,339

10. OTHER PAYABLES

	2019	2018
	MUR'000	MUR'000
Audit fees	**109**	92
Management fee payable (Note 14)	**1,515**	1,443
Administrator fee payable (Note 15)	**303**	289
Custodian fees payable (Note 16)	**118**	113
Registry fees payable (Note 17)	**152**	144
Other creditors	**3,694**	1,507
Redemption payable	**57,876**	26,432
	63,767	30,020

The carrying amount of other liabilities approximate their fair value. Other payables are unsecured, interest free and repayble within 3 months.

11. TAXATION

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

11(a). Income tax liability

	2019	2018
	MUR'000	MUR'000
At 1 July	**5,131**	3,274
Provision for the year	**17,001**	13,351
(Over)/under provision in prior years	**(223)**	814
Tax paid during the year	**(14,242)**	(12,308)
At 30 June	**7,667**	5,131

11(b). Tax expense

	2019	2018
	MUR'000	MUR'000
Charge for the year	**17,001**	14,165

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

	2019	2018
	MUR'000	MUR'000
Profit before taxation	**106,446**	91,626
Tax expense at the tax rate of 15%.	**15,967**	13,744
Non-allowable expenses	**22**	(61)
Exempt income	**(307)**	(897)
Provision for Corporate Social Responsibility (CSR)	**1,543**	565
(Over)/under provision in prior years	**(223)**	814
	17,001	14,165

12. CAPITAL MANAGEMENT

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

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

The Fund's objectives for managing capital are:

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

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

12(a). MANAGEMENT SHARES

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

	2019	2018
Issued and fully paid	**MUR**	MUR
100 Management shares	**100**	100

Management shares shall confer on the holders thereof:

(a) voting rights in any Members Meeting;

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

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

12(b). REDEEMABLE PARTICIPATING SHARES

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

(i) Movement in redeemable participating shares during the year

	Number of redeemable	
	2019	2018
At 1 July	**12,743,694**	8,851,490
Shares issued	**2,050,932**	5,300,616
Shares redeemed	**(1,568,389)**	(1,408,412)
At 30 June	**13,226,237**	12,743,694

12(b). REDEEMABLE PARTICIPATING SHARES (CONTINUED)

(ii) Net asset value per redeemable participating shares

	2019	2018
Net asset attributable to holders of redeemable participating shares (MUR'000)	**2,598,510**	2,417,204
Net assets value per redeemable participating share (MUR)	**196.47**	189.68

13. INTEREST INCOME

	2019	2018
	MUR'000	MUR'000
Bonds	**125,028**	82,558
Deposits with financial institutions	**11,788**	23,857
	136,817	106,415

13. INTEREST INCOME (CONTINUED)

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

	2019	2018
	MUR'000	MUR'000
Loans and receivables	-	100,453
Available-for-sale Investments	-	5,962
Financial assets held at amortised cost	**124,682**	-
Financial assets measured at fair value through other comprehensive income	**12,135**	-
	136,817	106,415

14. MANAGEMENT FEES

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

15. ADMINISTRATOR FEES

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

16. CUSTODIAN FEES

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

17. REGISTRY FEES

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

18. FINANCIAL INSTRUMENTS

Categories of Financial Assets and Financial Liabilities

	2019	2018
Financial assets	**MUR'000**	MUR'000
Loans and receivables (including cash and cash equivalents)	-	2,182,756
Available for sale investments	-	269,524
Financial assets held at amortised cost	2,153,579	-
Financial assets measured at fair value through other comprehensive income	490,293	-
Cash and cash equivalents	22,950	-
Other receivables	3,122	-
	2,669,944	2,452,280
Financial liabilities		
At amortised cost	2,662,277	2,447,224

Significant accounting policies

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

Financial risk management

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

Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices. The Fund is exposed mostly to risk relating to changes in interest rates. This has been detailed under interest rate risk.

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.

Currency risk

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

18. FINANCIAL INSTRUMENTS (CONTINUED)

Interest rate risk

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

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

	2019	2018
	MUR'000	MUR'000
Variable rate asset		
Available-for-sale financial asset	**-**	224,274
Deposits with financial institutions	**159,215**	505,858
Government bonds	**149,077**	-
Other local bond	**111,452**	-
Balance with bank	**22,950**	44,279
	442,695	550,137
Fixed rate assets		
Available for sale investments	**-**	45,250
Deposits with financial institutions	**193,501**	172,179
Government bonds	**1,787,134**	1,460,441
Other local bond	**243,493**	-
	2,224,128	1,677,870

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

Interest rate sensitivity analysis (Continued)

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

	Change in interest rate in	**2019**	2018
	%	**MUR'000**	MUR'000
Profit before tax	+1	**4,427**	7,744

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

Credit risk

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

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

18. FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk (Continued)

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 subject to IFRS 9's impairment requirements

The Fund's financial assets subject to the expected credit loss model within IFRS 9 are financial assets at amortised cost and financial assets as FVOCI. At 30 June 2019, the total financial assets was MUR 2.64 billion, on which a loss allowance of MUR 3.22 million has been provided (30 June 2018: total of MUR 2.41 billion on which loss of MUR 4.12 million had been incurred).

There is not considered to be any concentration of credit risk within these assets. No assets are considered impaired and no amounts have been written off in the period.

Probabilities of default have been used to calculate the loss allowance. The 12-month and lifetime probabilities are based on historical data supplied by Moody or Standard and Poor for each credit rating and are recalibrated based on current market prices. Loss given default parameters generally reflect an assumed recovery rate of 55% to 65%. However, if the assets were credit-impaired, the estimate loss would be based on a specific assessment of expected cash shortfalls and on the original effectived interes rate. The loss on financial assets is detailed as follows:

30 June 2019

Financial assets	**Rating**	**PD_1**	**LGD_1**	**MUR'000**
Government Bonds	**Baa1**	**0.0015**	**45%**	**1,666**
Deposits with financial institutions	**Unrated**	**0.0242**	**37%**	**12**
Other local bonds	**Unrated**	**0.0242**	**37%**	**9**
Other local bonds	**Unsecured**	**0.0242**	**37%**	**1,805**
Other local bonds	**3 - 6**	**0.0125 - 0.0242**	**30% - 37%**	**(270)**
				3,222

30 June 2018

Financial assets	Rating	PD_1	LGD_1	MUR'000
Government Bonds	Baa1	0.0015	45%	1,088
Deposits with financial institutions	Unrated	0.0242	37%	1,042
Other local bonds	Unrated	0.0242	37%	774
Other local bonds	3 - 6	0.0125 - 0.0242	30% - 37%	1,213
				4,117

Liquidity risk

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

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

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

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

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

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

Financial liabilities

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

Financial assets

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

18. FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk (Continued)

Financial assets

2019	Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years	No stated maturity	Total
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Cash and cash equivalents	22,950	-	-	-	-	22,950
Financial assets held at amortised cost	69,911	144,652	187,956	1,751,060	-	2,153,579
Financial assets measured at fair value through other comprehensive income	124,678	45,342	189,430	130,843	-	490,293
Total financial assets	217,539	189,994	377,387	1,881,902	-	2,666,821
Net assets attributable to holders of redeemable participating shares	2,598,510	-	-	-	-	2,598,510
Other payables	63,767	-	-	-	-	63,767
Total financial liabilities	2,662,276	-	-	-	-	2,662,276
Liquidity gap	(2,444,737)	189,994	377,387	1,881,902	-	4,545

2018	Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years	No stated maturity	Total
	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000	MUR'000
Cash and cash equivalents	44,279	-	-	-	-	44,279
Loan and receivables	33,390	169,740	303,401	1,631,946	-	2,138,477
Available-for-sale financial assets	-	93,157	176,367	-	-	269,524
Total financial assets	77,668	262,896	479,768	1,631,946	-	2,452,280
Net assets attributable to holders of redeemable participating shares	2,417,204	-	-	-	-	2,417,204
Other payables	30,020	-	-	-	-	30,020
Total financial liabilities	2,447,224	-	-	-	-	2,447,224
Liquidity gap	(2,369,556)	262,896	479,768	1,631,946	-	5,056

18. FINANCIAL INSTRUMENTS (CONTINUED)

Excessive risk concentration

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

19. RELATED PARTY DISCLOSURES

During the years ended 30 June 2019 and 2018, the Fund transacted with related entities. Details of the nature, volume of transactions and balances with the entities are shown below.

	2019	2018
	MUR'000	MUR'000
SBM Mauritius Asset Managers Ltd		
Management fees payable	**1,515**	1,443
Management fees expense	**19,090**	14,423
SBM Fund Services Ltd		
Administrator's fees payable	**303**	289
Administrator's fees expense	**3,795**	2,858
Registry fees payable	**152**	144
Registry fees expense	**1,909**	1,454
SBM Bank (Mauritius) Ltd		
Custody fees payable	**118**	113
Custody fees expense	**1,419**	969

Terms and conditions of transactions with related parties

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

Compensation to key management personnel for the year ended 30 June 2019 amount to **MUR 460,000** (2018: MUR 535,781).

20. EVENTS AFTER REPORTING DATE

In July 2019, MUR 22 million was received as application monies and MUR 32 million shares were redeemed. 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.