SBM UNIVERSAL FUND

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE 2019

CONTENTS

INVESTMENT MANAGER	SBM Mauritius Asset Managers Ltd SBM Tower 1, Queen Elizabeth II Avenue Port Louis Mauritius
REGISTRY	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 Bank (Mauritius) Ltd SBM Tower 1, Queen Elizabeth II Avenue Port Louis Mauritius
AUDITOR	Ernst & Young 9th Floor, Tower 1, NeXTeracom Cybercity Ebene Mauritius
TRUSTEE	DTOS Trustees Ltd 10th Floor, Standard Chartered Tower 19, Cybercity Ebene Mauritius
INVESTMENT COMMITTEE	Mr. Alain Eric Koo Khen Heong Venpin Mr. Roshan Ramoly Mr. Richard Robinson Mr. Edward Vaughan Heberden Mr. Assad Abdullatiff
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 Universal Fund (the "Fund") for the year ended 30th June 2019.

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

During the year, the Fund's Net Asset Value (NAV) per unit fell from Rs 27.56 in June 2018 to Rs 27.34 in June 2019 after paying a dividend of MUR 0.4414 per share. This corresponds to a total return of 0.3% for the financial year. As an indication, the SEMDEX and MSCI World registered MUR performances of -5.2% and 6.7%, respectively.

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

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

SBM Mauritius Asset Managers Ltd
23 September 2019

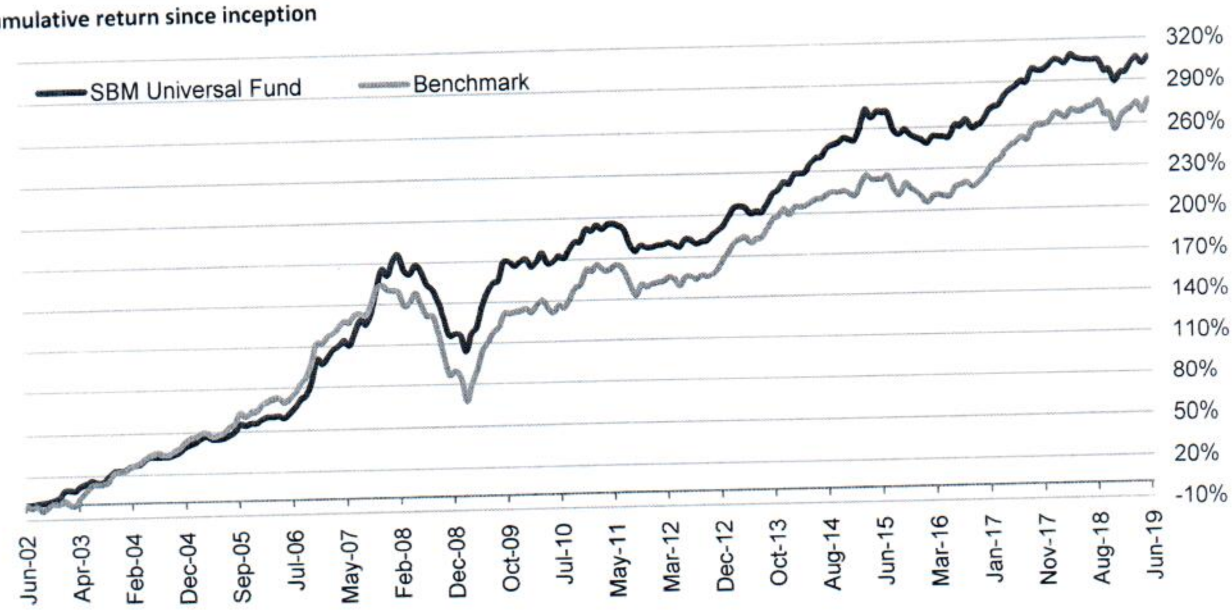
1. Performance

1.1 Performance review

SBM Universal Fund registered a return of 0.3% against a benchmark performance of 1.8% for the year ended June 2019. Performance was led by foreign holdings which recovered after the market sell-off in Q4 2018; on account of optimism over a US-China trade, strong economic data, positive corporate earnings report and dovish stance of the Federal Reserve ("the Fed").

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

Cumulative return since inception



Note: 1. Composite benchmark made up of 35% SEMDEX, 35% MSCI World (MUR terms) and 30% 1yr Govt of Mauritius Bill

Cumulative return

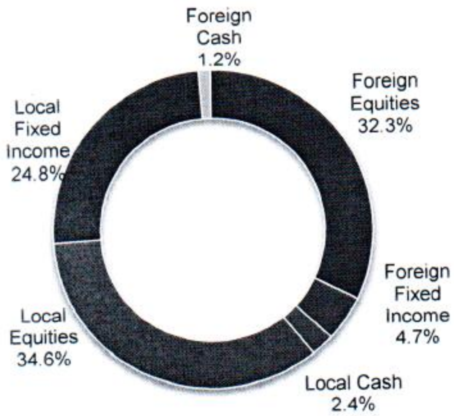
	1 M	3 M	6 M	1 Yr	3 Yr	5 Yr	Inception
SBM Universal Fund	1.2%	1.0%	4.4%	0.3%	15.2%	19.7%	306.4%
Benchmark*	2.2%	1.5%	5.6%	1.8%	21.4%	21.4%	276.0%

2. Breakdown of assets

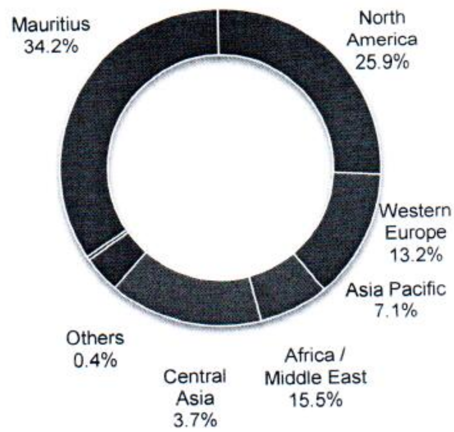
2.1 Portfolio decomposition

The Fund's asset allocation is based on its investment objective of long-term capital growth and tolerance to risk. The Fund invested 34.6% in local equities, 32.3% in foreign equities, 24.8% in local fixed income and 4.7% in foreign fixed income instruments and the remaining 3.6% was held as cash and cash equivalents.

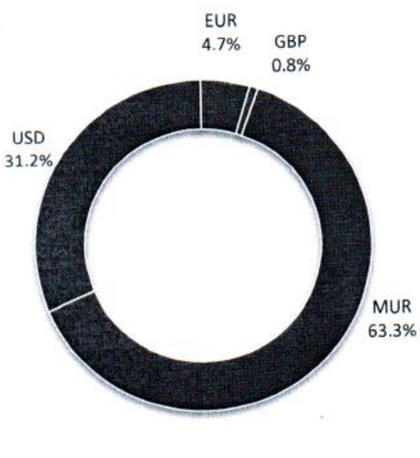
Asset allocation



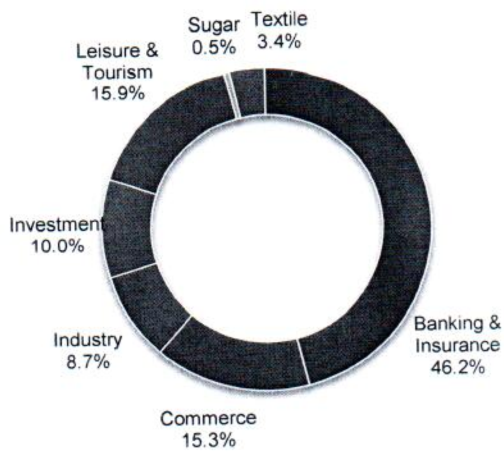
Regional allocation



Currency exposure



Sector allocation (Local Equities)



2. Breakdown of assets (cont'd)

2.2 Top Holdings

The top five holdings represented 32.2% of the total portfolio as at June 2019 with 10.8% invested in MCB Group Ltd and 7.1% in Mutual Aid – Fixed Deposit.

Holdings	MUR 'M	% Net Assets
MCB Group Limited	44.57	10.8%
Mutual Aid - Fixed Deposit	29.26	7.1%
SIT Bond	20.00	4.9%
MHC - Fixed Deposit	20.00	4.9%
Afrexim Depository Receipts	18.50	4.5%
Total	**132.33**	**32.2%**

3. Market review

3.1 Local review

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

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

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

3. Market review (continued)

3.2 Foreign market review

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

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

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

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

On fixed income front, the Fed maintained rates but signaled its openness to a more dovish stance. As a result, US 10Y Treasury yield fell to 2.00% in June 2019 against 2.86% in June 2018. In Europe, the European Central Bank (ECB) maintained rates, with interest rate on the main refinancing operations, the marginal lending facility and the deposit facility standing at 0.00%, 0.25% and -0.40% respectively. German 10-year yields remained in the sub-zero territory, as yields fell from -0.202% to -0.327% after comments from the ECB buoyed expectations for monetary policy easing, with the aim of boosting inflation in the Eurozone. 10-year UK Gilts yields also fell from 0.886% to 0.833% following the Bank of England's decision to hold interest rates steady amid the possibility of a no-deal Brexit still looming over the UK. Italian 10-year yields dropped to 2.102% from its preceding reading of 2.67%.

4. Market Outlook

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

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

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

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

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

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

1. INTRODUCTION

SBM Universal Fund was authorised by the Financial Services Commission under the Unit Act, 1989 as amended, and established as a Unit Trust by a trust deed of the SBM Unit Trust dated 7 June 2002 between SBM Mauritius Asset Managers Ltd (The manager) and Sun Insurance Co. Ltd (The Trustee) and subsequently governed by the Supplemental Deed dated 30 November 2012, Supplemental Deed No. 1 dated 14 November 2013 and Supplemental Deed No. 2 dated 20th October 2017. It is an open-ended Collective Investment Scheme established under Section 3 of the Unit Trust Act. 1989, authorised and regulated under the Trust Act, 2001, Securities Act, 2005 and the Securities (Collective Investment Schemes and Closed-end Funds) Regulation, 2008 by the Financial Services Commission.

The Fund's objectives are to maximise returns on a long term basis and to provide regular income to its unitholders whilst keeping a balanced-risk strategy.

2. STATEMENT OF COMPLIANCE

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

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

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

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

3. TRUST DEED AND SUPPLEMENTAL DEEDS

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

Salient features of the documents are:

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

4. SHAREHOLDING

(i) Holding Structure – 30 June 2019

As at 30 June 2019, the Fund had issued 15,075,544 units for a total fund size of Rs. 412,225,417.89. The NAV per unit of the Fund as at 30 June 2019 was Rs. 27.3440.

4. **SHAREHOLDING (CONTINUED)**

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

Year	NAV per unit
June 2015	26.17
June 2016	24.63
June 2017	26.66
June 2018	27.56
June 2019	27.3440

(ii) **Analysis of ownership**

The Fund had 1,145 unit-holders as at 30 June 2019. A breakdown of the category of unit-holders and the unit ownership as at 30 June 2019 are set out below:

Market Value (MUR)	Number of Unitholders	Number of shares owned	% Holdings
0-59,999	430	286,078.14	1.90%
60,000 - 99,999	87	241,504.14	1.60%
100,000 - 124,999	49	199,296.52	1.32%
125,000 - 199,999	97	553,778.99	3.68%
200,000 - 499,999	280	2,982,482.27	19.78%
500,000 - 999,999	137	3,367,413.60	22.34%
1M - 1,499,999	22	971,408.91	6.44%
1.5M - 1,999,999	9	565,336.21	3.75%
2M - 2,999,999	12	1,033,059.98	6.85%
3M - 5,999,999	12	1,785,354.23	11.84%
6M - 10M	8	2,234,014.00	14.82%
10M-20 M	2	855,816.98	5.68%
Total	**1,145**	**15,075,543.97**	**100.00%**

(iii) **Unit-holder's Agreement**

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

(iv) **Unit-holders' Relations and Communication**

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

(v) **Unit-holders' Calendar**

The Fund has planned the following forthcoming events:

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

4. SHAREHOLDING (CONTINUED)

(vi) Dividend Policy

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

For financial year 2018/2019, it was agreed to payout an amount of MUR 6,659,345.10 as dividend which resulted in a dividend per unit of MUR 0.4414.

5. THE TRUSTEE AND THE MANAGER

(i) Corporate Profile of the Trustee – DTOS Trustees Ltd

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

(ii) Role of the Trustee

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

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

- **Accounts and risk management**
Reviewing and, where appropriate, approving risk policy, financial statements, annual budgets, business plans and internal reports;

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

(iii) Corporate Profile of the Manager – SBM MAM

SBM Mauritius Asset Managers Ltd ("SBM MAM") is the investment management arm of the SBM Group. The SBM Group is a public company listed on the Stock Exchange of Mauritius. SBM MAM specialises in providing investment management services for mutual funds and institutional investors. It additionally distributes a wide range of financial products. SBM MAM is licensed by the Financial Services Commission to act as an Investment Adviser (Unrestricted), CIS Manager and Distributor of Financial Products. It currently has a total asset under management close to MUR. 416,218,000.

(iv) Role of the Manager and its obligations

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

Its obligations cover but are not restricted to the following:

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

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

5. THE TRUSTEE AND THE MANAGER (CONTINUED)

(iv) Role of the Manager and its obligations (Continued)

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

(v) Dealing in the Fund's shares

On the 03rd of December 2018, Mr. Lakshmana Lutchmenarraidoo, Executive Member of the Board of SBM MAM, redeemed 19,530.6958 units for a total amount of MUR 521,555.51. No other director dealt in the Fund shares during the year under review and no other director held shares in the Fund.

6. THE INVESTMENT COMMITTEE

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

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

7. INTERNAL CONTROL

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

The Manager and Fund Administrator prepare compliance and risk monitoring reports that are submitted to the Investment Committee and Board of the Manager on a quarterly basis for their review, following which recommendations are made to the Manager on an on-going basis. Preventive and corrective actions are then duly implemented to address internal control deficiencies and opportunities for improving the systems.

8. EXTERNAL AUDIT

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

The fees paid to the external auditors for audit services were MUR 99,378.15(2018: MUR 71,073).

9. RELATED PARTY TRANSACTIONS

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

10. RISK MANAGEMENT

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

10. RISK MANAGEMENT (CONTINUED)

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

The risk management mechanisms in place include:

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

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

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

Compliance risks
Compliance risk is defined as risk of loss from failure to comply with regulations governing the conduct of an organisation's business. It is a composite risk made up of risk of legal or regulatory sanctions, financial loss, or loss of reputation.

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

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

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

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

Financial risks
The primary sources of financial risks faced by the Fund are risks inherent to its investment activities. Investment values and returns are dependent on the performance of financial markets and may adversely affect the Fund's financial results. The financial risks faced by the Fund and management of these risks are further discussed in the notes to the financial statements. (see Note 23)

11. SIGNIFICANT CONTRACTS

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

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

12. AUDITORS' REMUNERATION

The fees paid to the external auditors for audit services were MUR 99,378.15 (2018: MUR 71,073).

13. OTHER STATUTORY DISCLOSURES

(i) Employee Share Option Scheme

The Fund has no share option plans.

(ii) Ethics and Business Conduct

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

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

On behalf of the Trustee and Manager

The Common Seal of

Mr. ....

On behalf of the Trustee

Mr......................................

On behalf of the Manager

Date: 23 September 2019

Trustee's and Manager's Responsibilities in respect of the Financial Statements

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

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

- select suitable accounting policies and apply them on a consistent basis using reasonable and prudent judgment
- state whether or not the Trust Act, 1989, the Trust Act, 2001 and International Financial Reporting Standards (IFRS) have been adhered to and explain material departures thereto
- use the going concern basis unless it is inappropriate.

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

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

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

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

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

On behalf of the Trustee and Manager

The Common Seal of

Mr. .... Mr. ....

On behalf of the Trustee On behalf of the Manager

Date: 23 September 2019

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SBM UNIVERSAL FUND

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of SBM Universal Fund (the "Fund") set out on pages 7 to 41 which comprise the statement of financial position as at 30 June 2019, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the SBM Universal 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 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 the Corporate Governance report and the Trustee's and Manager's responsibilities, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information (other than the Corporate Governance Report) and we do not express any form of assurance conclusion thereon.

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

Corporate Governance Report

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SBM UNIVERSAL FUND (CONTINUED)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Responsibilities of the Manager and the Trustees for the Financial Statements

The manager and the trustee are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the Financial Reporting Act 2004, and for such internal control as the 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 manager and the trustee are responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the manager and the trustee either intends to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SBM UNIVERSAL FUND (CONTINUED)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Use of our report

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

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

Ernst & Young.

ERNST & YOUNG
Ebène, Mauritius

Date: 23 SEP 2019

ANJAALA RAMKHELAWON, F.C.A
Licensed by FRC

	Notes	2019 MUR'000	2018 MUR'000
ASSETS			
Cash and cash equivalents		**6,908**	9,934
Other receivables	5	**988**	748
Financial assets at fair value through profit or loss	6	-	305,640
Loan and receivables	7	-	119,423
Available-for-sale investments	9	-	2,034
Financial assets at fair value through other comprehensive income	8	**297,185**	-
Financial assets held at amortised cost	10	**111,030**	-
Income tax recoverable	14	**107**	122
TOTAL ASSETS		**416,218**	437,901
LIABILITIES			
Other payables	13	**3,993**	1,370
EQUITY			
Stated capital	4	**204,183**	224,755
Retained earnings		**5,649**	4,657
Fair value reserve		**202,393**	207,119
TOTAL EQUITY		**412,225**	436,531
TOTAL LIABILITIES AND EQUITY		**416,218**	437,901

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

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

The Common Seal of DTOS TRUSTEES LTD

The notes on pages 11 to 41 form part of these financial statements.

SBM UNIVERSAL FUND

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2019 MUR'000	2018 MUR'000
INCOME			
Dividend income	15	7,092	5,432
Interest income calculated using effective interest method	15	6,002	5,998
Net movement in fair value of investments		-	12,411
Gain on disposal on investments		-	607
Net exchange differences		528	433
Other Income		20	-
		13,642	24,881
FUND EXPENSES			
Manager's fees	16	4,198	4,137
Trustee's fees	17	540	284
Auditor's fees		99	71
Registry fees	18	525	568
Custodian fees	19	134	306
Administrator's fees	20	525	568
Brokerage fees		-	6
Expected credit losses	11	61	
Sundry expenses		448	199
		6,530	6,139
PROFIT FROM OPERATING ACTIVITIES		7,112	18,742
EQUALISATION			
Income received on units created		(14)	(395)
Income paid on units liquidated		49	153
		35	(242)
PROFIT BEFORE TAXATION		7,147	18,500
Income tax expense	14	(17)	(392)
PROFIT FOR THE YEAR		7,130	18,108
Other comprehensive loss :			
Items that will not be reclassified subsequently to profit or loss			
Gain on disposal on investments		816	-
Net fair value loss on financial assets measured through other comprehensive income		(6,070)	-
		(5,254)	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		1,876	18,108

The notes on pages 11 to 41 form part of these financial statements.

SBM UNIVERSAL FUND
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2019

	Issued units MUR'000	Retained earnings MUR'000	Fair value reserve (Note A) MUR'000	Total MUR'000
As at 01 July 2017	187,506	5,133	193,668	386,307
Issue of units	55,941	-	-	55,941
Redemption of units	(18,692)	-	-	(18,692)
Total comprehensive income for the year	-	18,108	-	18,108
Distribution to unit holders (Note 22)	-	(5,133)	-	(5,133)
Transfer	-	(13,451)	13,451	-
As at 30 June 2018	224,755	4,657	207,119	436,531
As at 01 July 2018	**224,755**	**4,657**	**207,119**	**436,531**
Effect of adoption of IFRS 9 (see note 11)	**-**	**(953)**	**-**	**(953)**
	224,755	**3,704**	**207,119**	**435,578**
Issue of units	**12,094**	**-**	**-**	**12,094**
Redemption of units	**(32,666)**	**-**	**-**	**(32,666)**
Total comprehensive income for the year	**-**	**7,130**	**(5,254)**	**1,876**
Distribution to unit holders (Note 22)	**-**	**(4,657)**		**(4,657)**
Transfer	**-**	**(528)**	**528**	**-**
As at 30 June 2019	**204,183**	**5,649**	**202,393**	**412,225**

Note A:

As per the Fund's prospectus, capital gains arising from the changes in the value of investments, both realised and unrealised are credited to the capital reserve and shall not be available for distribution as dividends. Capital losses arising from changes in the value of investment will be debited to the said reserve and shall not be offset against income received.

The notes on pages 11 to 41 form part of these financial statements.

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

	Notes	2019 MUR'000	2018 MUR'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**7,147**	18,500
Adjustments for:			
Dividend income	15	**(7,092)**	(5,432)
Interest income calculated using effective interest method	15	**(6,002)**	(5,998)
Expected credit losses	11	**61**	-
Net movement in fair value of investments		**-**	(12,411)
Income equalisation		**(35)**	
Gain on disposal of investments		**-**	(607)
Operating loss before working capital changes		**(5,921)**	(5,948)
(Increase) /Decrease in other receivables		**(228)**	660
Increase/(Decrease) in other payables		**2,623**	(34)
Addition of investments	7	**(15,141)**	(107,401)
Proceeds from disposal of investments		**30,306**	62,629
Interest received		**3,484**	3,679
Dividend received		**7,080**	5,607
Net cash generated from/(used in) operations		**22,203**	(40,808)
Tax paid		**-**	(272)
NET CASH GENERATED/(USED IN) FROM OPERATING ACTIVITIES		**22,203**	(41,080)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of units		**12,094**	55,941
Redemption of units		**(32,666)**	(18,692)
Distributions to unitholders paid		**(4,657)**	(5,133)
NET CASH FLOW (USED IN) / GENERATED FROM FINANCING ACTIVITIES		**(25,229)**	32,116
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(3,026)**	(8,964)
CASH AND CASH EQUIVALENTS AT START OF YEAR		**9,934**	18,898
CASH AND CASH EQUIVALENTS AT END OF YEAR		**6,908**	9,934

The notes on pages 11 to 41 form part of these financial statements.

1. LEGAL FORM AND PRINCIPAL ACTIVITY

SBM Universal Fund ("the Fund") was authorised by the Financial Services Commission under the Unit Trust Act 1989 (repealed and replaced by the Trust Act 2001) and established as a Unit Trust by a Trust Deed dated 7 June 2002 between SBM Mauritius Asset Managers Ltd ("The Manager") and Sun Insurance Co Ltd ("The Trustee").

The Fund's objective is to provide regular income and maximise returns on a long term basis for the benefit of the unitholders.

The Trust's application made further to the transitional provisions set out under Section 160 of the Securities Act 2005, it has been authorised to operate as a Collective Investment Scheme under Section 97 of the Securities Act 2005.

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

Transactions and balances

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

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

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

(b) Taxes

Current income tax

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

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

Deferred tax

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

2. ACCOUNTING POLICIES

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Taxes (Continued)

Deferred tax (Continued)

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.

c) 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.

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

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

2. ACCOUNTING POLICIES

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Financial instruments

Policy applicable as from 01 July 2018

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 has applied the practical expedient, the Fund initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

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

(i) Financial assets at amortised cost

This category is the most relevant to the Fund. The Fund measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows

And

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

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

The Fund's financial assets at amortised cost include cash and cash equivalents and investments in fixed deposits.

2. ACCOUNTING POLICIES

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Financial Instruments (Continued)

Policy applicable as from 01 July 2018 (Continued)

Financial Assets (Continued)

(ii) Financial assets designated at fair value through OCI (equity instruments)

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

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

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

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 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. ACCOUNTING POLICIES

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Financial Instruments (Continued)

Policy applicable as from 01 July 2018 (Continued)

Financial Assets (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 23.5)

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.

2. ACCOUNTING POLICIES

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Financial instruments (Continued)

Policy applicable as from 01 July 2018 (Continued)

Financial liabilities (Continued)

Subsequent measurement

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

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

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss. This category generally applies to interest-bearing loans and borrowings.

Derecognition

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

Offsetting of financial instruments

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

Policy applicable prior to 01 July 2018

Financial instruments

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

Financial assets

Initial recognition and measurement

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

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

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. ACCOUNTING POLICIES

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Financial Instruments (Continued)

Policy applicable prior to 01 July 2018 (Continued)

Subsequent measurement (Continued)

Loans and receivables

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

Other financial liabilities

Financial liabilities, other than those classified as at FVPL, are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, as well as through the amortisation process. These relate to amount received from noteholders.

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.

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.

2. ACCOUNTING POLICIES

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Financial Instruments (Continued)

Policy applicable prior to 01 July 2018 (Continued)

Financial assets carried at amortised cost (Continued)

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 income statements, 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.

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

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

Financial liabilities designated upon initial recognition at fair value through profit and loss are designated at their initial recognition date and only if the criteria under IAS 39 are satisfied.

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.

Other financial liabilities

Financial liabilities, other than those classified as at FVPL, are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, as well as through the amortisation process.

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. ACCOUNTING POLICIES

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Financial instruments (Continued)

Policy applicable prior to 01 July 2018 (Continued)

Financial liabilities (Continued)

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 unobservabl

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.

d) Revenue recognition under IFRS 9

(i) Interest income calculated using effective interest method

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.

(ii) Dividend income

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

e) Cash and cash equivalents

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

f) Provisions

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

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

g) Redeemable units

Classification of redeemable units

Redeemable units are classified as equity instruments when:

The redeemable shares 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 shares 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

2. ACCOUNTING POLICIES

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) Redeemable units (Continued)

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 shares are accounted for as equity transactions.
- Upon issuance of units, 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.

i) Reserve

As per the Fund's prospectus, capital gains arising from the changes in the value of investments, both realised and unrealised are credited to non-distributable reserve and shall not be available for distribution as dividends. Capital losses arising from changes in the value of investments will be debited to the said reserve and shall not be offset against income received.The exchange gain of MUR 527,550.87 not be available for distribution.

2.3 CHANGES IN ACCOUNTING POLICIES

IFRS 9 Financial Instruments

The Fund adopted IFRS 9 Financial Instruments on its effective date of 1 July 2018. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement and introduces new requirements for classification and measurement, impairment and hedge accounting. IFRS 9 is not applicable to items that have already been derecognised at 1 July 2018, the date of initial application.

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 applied for the first time at 1 July 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.

2. ACCOUNTING POLICIES

2.3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

IFRS 9 Financial Instruments (Continued)

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

(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 of the date of initial application on 1 July 2018, however, the Fund has chosen to take advantage of the option not to restate comparatives. Accordingly, the 2018 figures are presented and measured under IAS 39. Differences in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognised in net asset attributable to holders of redeemable shares as at 1 July 2018.

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

1 July 2018	IAS 39 classification	IAS 39 measurement	IFRS 9 classification	IFRS 9 measurement
Financial assets		**MUR('000)**		**MUR('000)**
Equity instruments	Available-for-sale investments	2,034	FVOCI	2,034
Equity instruments	FVTPL	305,640	FVOCI	305,587
Loans and receivables	Loans and receivables	119,423	Amortised cost	118,523
Cash & cash equivalents	Cash & cash equivalents	9,934	Amortised cost	9,934
Other receivables	Other receivables	668	Amortised cost	668
Financial liabilities		**MUR**		**MUR**
Other payables	Amortised cost	1,370	Amortised cost	1,370

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 from IAS 39 to IFRS 9.

(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 900,035 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.

2. ACCOUNTING POLICIES

2.3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

IFRS 9 Financial Instruments (Continued)

(b) Impairment (Continued)

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 2018**
	MUR'000	MUR'000	**MUR'000**
Loans and receivables	-	900	900

IFRS 15 Revenue from Contracts with Customers

The Fund adopted IFRS 15 *Revenue from contracts with customers* on its effective date 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.

New or revised standards	**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

New or revised standards	**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 ANSD ASSUMPTIONS

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

Judgements

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

a) Determination of functional currency

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

b) Going concern

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

c) Estimate

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 Fund 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 Fund. 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. [See Note 24.5(ii)]

4. CAPITAL MANAGEMENT

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
- 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 consists of units denominated in Mauritian Rupees and is redeemable at the option of the unit holder based on net asset value. The redeemable participation units have been classified as equity.

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

	2019 No of units	2019 MUR'000	2018 No of units	2018 MUR'000
At start of year	**15,838,076**	**224,755**	14,487,784	187,506
Units created	**446,992**	**12,094**	2,043,777	55,941
Units liquidated	**(1,209,524)**	**(32,666)**	(693,485)	(18,692)
At end of year	**15,075,544**	**204,183**	15,838,076	224,755

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

	2019	2018
Before distribution (MUR)	**27.34**	27.56
After distribution (MUR)	**26.99**	27.22
Before Distribution		
Net Asset Value	412,225,418	436,530,976
Units	15,075,544	15,838,076
Net Asset Value per unit	27.34	27.56
After Distribution		
Net Asset Value	396,488,969	432,384,765
Units	14,705,105	15,882,441
Net Asset Value per unit	26.96	27.22

(c) **Prices per unit**

	2019	2018
Issue price (MUR)	**27.62**	27.84
Repayment price (MUR)	**27.07**	27.29

5. OTHER RECEIVABLES

	2019 MUR'000	2018 MUR'000
Dividend receivable	**680**	668
Interest receivable	**140**	-
Other receivable	**73**	-
Prepayments	**95**	80
	988	748

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

6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

	Local	Foreign	Total
	MUR'000	MUR'000	MUR'000
At 01 July 2017	159,764	87,771	247,535
Additions	45,009	62,392	107,401
Disposals	(32,748)	(28,959)	(61,707)
Fair value adjustment	8,486	3,925	12,411
At 30 June 2018	**180,511**	**125,129**	**305,640**

	Local	Foreign	Total
	MUR'000	MUR'000	MUR'000
At 01 July 2018	180,511	125,129	305,640
Reclassified to financial assets at fair value through other comprehensive income as per IFRS 9(see note 9)	(180,511)	(125,129)	(305,640)
At 30 June 2019	-	-	-

7 LOANS AND RECEIVABLES

	Jun 19 MUR'000	Jun 18 MUR'000
At 01 July	119,423	-
Additions	-	-
Disposals	-	-
Reclassified to financial assets measured at fair value through other comprehensive income (see note 8)	(12,078)	119,423
Reclassified to financial assets held at amortised cost as per IFRS 9 (see note 10)	(107,345)	-
	-	119,423

Loans and receivables are further analysed as follows:

Details	Interest rate	Maturity	Debt	Deposits with financial institutions	TOTAL
			MUR'000	MUR'000	MUR'000
Corporate bonds	5.10% - 6.80%	Feb 2019 - Apr 2024	12,078	86,386	98,464
Structured Note	3.00% - 5.00%	Dec 2019	-	20,959	20,959
			12,078	107,345	119,423
Reclassified to financial assets measured at fair value through other comprehensive income			(12,078)	-	(12,078)
Reclassified to financial assets held at amortised cost as per IFRS 9			-	(107,345)	(107,345)
			-	-	-

8 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Local and foreign investments	Local Equities MUR'000	Foreign MUR'000	Debts MUR'000	Total MUR'000
At July 01, 2018	-	-	-	-
Reclassified from financial assets at fair value through profit or loss as per IFRS 9 (see note 6)	180,511	125,129	-	305,640
Reclassifications between local & foreign investments	15,348	(15,348)	-	-
Reclassified from loans and receivables as per IFRS 9 (see note 7)	-	-	12,078	12,078
Additions	5,372	9,769	-	15,141
Disposals	(1,930)	(28,376)	-	(30,306)
Expected credit losses [see note 9 (c)]	-	-	(114)	(114)
Fair value adjustment	(12,355)	6,574	527	(5,254)
At June 30, 2019	**186,946**	**97,748**	**12,491**	**297,185**

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

8(a) Equity at Financial assets measured at fair value through other comprehensive income

	Fair value 2019	Dividend Income Recognised during the year
	MUR'000	MUR'000
ABC Banking Corporation Limited - ABCB MP Equity	1,255	36
Afreximbank_AEIB MP Equity	18,496	939
Air Mauritius Ltd - AML MP EQUITY	45	-
Alteo Limited	2,737	109
ARK INNOVATION ETF	5,231	356
Ascencia Ltd - ASCE MP EQUITY	3,111	120
Ciel Textile Ltd - FKL MP Equity	4,900	332
CIM Financial	2,901	95
ENL LIMITED	2,553	62
Fidelity Funds -	16,392	-
Fidelity Funds -	6,189	36
Fidelity Funds - European Larger Companies Fund A-ACC-Euro	3,391	-
Gamma Civic Ltd - GML MP Equity	2,990	71
Grit Real Estate Income Group	6,410	511
IBL Ltd	13,994	155
INNODIS Ltd - HWF MP Equity	7,890	344
Invesco Dynamic Software ETF	2,233	-
ISHARES FTSE 100 UCITS ETF	3,200	-
ISHARES	3,894	67
ISHARES	1,860	79
ISHARES GLOBAL TECH ETF	6,463	47
ISHARES MSCI	4,819	-
iShares U.S. Medical Devices	2,312	-
KESTREL	7,626	-
Lavastone Ltd	1,202	8
Lux Island	6,183	297
MAURITIUS	44,568	1,542
Mauritius Oil	2,306	96
New Mauritius	7,803	102
NEW	3,007	178
Omnicane Ltd - MTMD MP Equity	763	-
Phoenix	2,146	49
PIMCO GIS-INCOME FUND-EEHA	8,902	-
Rogers And Co	4,480	119
SBM Africa Value Fund Class A	5,794	-
SBM Bank	17,133	921
SBM Capital	5,900	-
SBM India Fund	7,567	-
SPDR S&P 500	2,168	22
Sun Resorts	5,481	82
TECHNOLOGY	5,482	62
Templeton	11,299	-
Terra Mauricia	145	6
The Lux Collective Ltd	246	-
United Basalt	4,942	185
VANGUARD	6,285	64
	284,694	7,092

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

8(b) Debt at Financial assets measured at fair value through other comprehensive income	2019 Fair value	2019 Interest Income Recognised during the year	Maturity dates
	MUR'000	MUR'000	
OMNICANE BOND_6.8%_060616	10,461	98	Jun-23
SBM BOND 6.00 03/10/24	2,030	678	Mar-24
	12,491	**776**	
Total Financial assets measured at fair value through other comprehensi	**297,185**		

8(c) Allowance for expected credit losses (ECLs) on Fair value through other comprehensive income are analysed a:	2019
	MUR'000
Effect of adoption of IFRS 9 on retained earnings at 01 July 2018	
Movement during the year	
SBM BOND 6.00 03/10/24	19
OMNICANE BOND_6.8%_060616	95
	114

Year 2019	Local Equities	Foreign Equities	Debt	Total
	MUR'000	MUR'000	MUR'000	MUR'000
Listed equity securities	173,339	97,747	12,491	283,578
Unlisted equity securities	13,607	-	-	13,607
	186,946	**97,747**	**12,491**	**297,185**

Year 2018	Local Equities	Foreign Equities	Debt	Total
	MUR'000	MUR'000	MUR'000	MUR'000
Listed equity securities	174,201	116,260	-	290,461
Unlisted equity securities	6,310	8,869	-	15,179
	180,511	**125,129**	**-**	**305,640**

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

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

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

9 AVAILABLE-FOR-SALE INVESTMENTS

	Jun 19	Jun 18
	MUR'000	MUR'000
At 01 July	2,034	2,034
Reclassified to financial assets held at amortised cost as per IFRS 9 (See note 10)	(2,034)	-
	-	2,034

Available for sale investment consists of only SBM BOND 6.00 03/10/24

10 FINANCIAL ASSETS HELD AT AMORTISED COST

	Jun 19	Jun 18
	MUR'000	MUR'000
At 01 July		-
Reclassified from loans and receivables as per IFRS 9 (Note 7)	107,345	-
Interest income	4,863	-
Interest accrued	(278)	
Allowance for expected credit loss [Note 10(b)]	(900)	-
At 30 June	**111,030**	-

10 FINANCIAL ASSETS HELD AT AMORTISED COST (CONTINUED)

The investments are further analysed as follows:	Interest rate	Maturity	**Fair Value MUR'000**	Interest Income MUR'000
Term deposits with other financial institutions				
LA PRUDENCE LEASING FINANCE CO. LTD 5.9%	0.059	30-April-2020	**10,206**	588
MAURITIUS HOUSING COMPANY LTD 6.75 %	0.056	28-Sept-2020	**24,204**	1,117
MCS MUTUAL AID ASSOCIATION_UF_03022020	0.046	03-Feb-2020	**35,506**	1,342
SBM MASALA BOND NOTE - SERIES A USD	0.03	31-Dec-2019	**10,634**	0
SBM Masala Bond Note-Series B MUR..	0.05	31-Dec-2019	**10,407**	519
SIT_7 YR 6.50%_250424			**20,073**	1,296
			111,030	**4,863**

10.(a) Allowance for expected credit losses (ECLs) on amortised costs are further analysed as follows:

	Fair value (Exclude ECL) MUR'000	**ECL MUR'000**	**Fair value (Include ECL) MUR'000**
LA PRUDENCE LEASING FINANCE CO. LTD 5.9%	10,291	85	10,206
MAURITIUS HOUSING COMPANY LTD 6.75 %	24,405	202	24,203
MCS MUTUAL AID ASSOCIATION_UF_03022020	35,802	297	35,505
SBM MASALA BOND NOTE - SERIES A USD	10,722	87	10,635
SBM Masala Bond Note-Series B MUR..	10,496	89	10,407
SIT_7 YR 6.50%_250424	20,214	140	20,074
	111,930	**900**	**111,030**

11 ALLOWANCE FOR EXPECTED CREDIT LOSSES (ECLs)

	ECL on FVOCI 2019	**ECL on amortised cost** 2019	**TOTAL MUR'000**
Effect of adoption of IFRS 9 on retained earnings at 01 July 2018	-	953	953
Movement during the year	114	(53)	61
At 30 June	**114**	**900**	**1,014**

12. FAIR VALUE MEASUREMENT HIERARCHY

Fair value of the Fund's local and foreign investments that are measured at fair value on a recurring basis

IFRS 13 requires disclosures relating to fair value measurement using a three level fair value hierarchy. The level within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level of input that is significant to the fair value measurement. Assessing the significance of a particular input requires judgement, considering factors specific to the asset or liability.

Level 1 fair value measurements are those derived from quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 fair value measurements are those derived from valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable for the asset, either directly or indirectly.

Level 3 fair value measurements are those derived from Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable not based on observable market data.

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

	Level 1	Level 2	Total
	MUR'000	MUR'000	MUR'000
Financial assets at fair value through other compreh			
Equity investments	284,448	246	284,694
Debt investments	12,491	-	12,491
At 30 June 2019	296,939	246	297,185
Financial assets at fair value through profit or loss:			
Equity investments	305,640	-	305,640
Debt investments	-	-	-
At 30 June 2018	305,640	-	305,640

There was transfer between level 1 and 2 during the year.

12. FAIR VALUE MEASUREMENT HIERARCHY (CONTINUED)

Concentration of equity price risk

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

Local investments	**2019 MUR'000**	2018 MUR'000	**2019 %**	2018 %
Banks, insurance and other finance sector	**65,803**	68,968	**35.20%**	39.59%
Industry sector	**10,237**	8,068	**5.48%**	4.63%
Commerce sector	**24,030**	24,281	**12.85%**	13.94%
Leisure and Hotels sector	**22,720**	31,474	**12.15%**	18.07%
Sugar sector	**763**	1,144	**0.41%**	0.66%
Investment sector	**9,915**	10,562	**5.30%**	6.06%
Others	**53,478**	36,014	**28.61%**	17.05%
	186,946	180,511	**100.00%**	100.00%

Foreign investments	**2019 MUR'000**	2018 MUR'000	**2019 %**	2018 %
Consumer, Cyclical	**6,289**		**6.43%**	0.00%
Consumer, Non-cyclical	**20,195**	22,468	**20.66%**	17.96%
Financial	**38,698**	37,677	**39.59%**	30.11%
Government	**7,626**	6,984	**7.80%**	5.58%
Technology	**14,178**	12,165	**14.50%**	9.72%
Utilities	**1,860**	5,115	**1.90%**	4.09%
Others	**8,901**	40,720	**9.11%**	32.54%
	97,747	125,129	**100.00%**	100.00%

12. FAIR VALUE MEASUREMENT HIERARCHY (CONTINUED)

Concentration of equity price risk (Continued)

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

Local and foreign investments	2019 MUR'000	2018 MUR'000	2019 %	2018 %
Mauritius	**161,170**	180,511	54.23%	59.06%
United States of America	**113,307**	83,576	38.13%	27.34%
Luxembourg	**19,508**	41,553	6.56%	13.60%
Others	**3,200**	-	1.08%	0.00%
	297,185	305,640	**100.00%**	100.00%

13. OTHER PAYABLES

	2019 MUR'000	2018 MUR'000
Manager's fees	**669**	349
Trustee's fees	**58**	-
Auditors' fees	**88**	72
Administrator's fees	**84**	44
Custodian's fees	**30**	124
Entry and exit fee	**29**	83
Redemption payable	**2,383**	410
Other payables	**652**	288
	3,993	1,370

The carrying amount of other payables approximate their fair value.

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

14. TAXATION

Income tax is calculated at the rate of 15% on profit for the year as adjusted for income tax purposes (2018:15%).

(a) Income tax recoverable

	2019 MUR'000	2018 MUR'000
At 01 July	(122)	(241)
Provision for the year (Note 13(b))	136	124
Tax paid during the year	(2)	(272)
(Over) / under provision in previous year	(119)	267
At 30 June	**(107)**	(122)

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

	2019 MUR'000	2018 MUR'000
Accounting profit	7,147	18,500
Tax on accounting profit at the tax rate of 15%	1,072	2,775
Exempt income	(730)	(711)
Non-taxable income	(84)	(2,363)
Non deductible expenses	372	423
(Over) / under provision in previous year	(119)	268
Under provision in current year	(494)	-
Tax expense	17	392

	2019 MUR'000	2018 MUR'000
Tax expense		
Current tax provision for the year	136	124
Over provision in previous year	(119)	268
Tax expense	**17**	392

15. INTEREST INCOME CALCULATED USING EFFECTIVE INTEREST METHOD:

	2019 MUR'000	2018 MUR'000
Interest income calculated using effective interest method:		
Debt securities	6,002	-
Term deposits	-	5,998
	6,002	5,998
Dividend income	7,092	5,432
TOTAL	13,094	11,430

16. MANAGER'S FEES

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

17. TRUSTEE'S FEES

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

18. REGISTRY'S FEES

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

19. CUSTODIAN'S FEES

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

20. ADMINISTRATOR'S FEES

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

21. ENTRY FEE AND EXIT FEE

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

22. DISTRIBUTION TO UNITHOLDERS

	2019	2018
	MUR'000	MUR'000
Proposed distribution to unitholders at 30 June (MUR'000)	6,654	4,657
Proposed distribution per unit (MUR)	0.4414	0.2940

23. 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
Amount due to related party		
Trustee		
Trustee fees payable	58	-
Investment Manager		
Management fees payable	669	349
Entry and exit fees payable	29	83
Administrator fees		
Administrator fees payable	84	44
Custodian fees		
Custodian fees payable	30	124
Fund expenses		
Trustee		
Trustee's Fees	58	284
Investment Manager		
Manager fees	4,198	4,137
Registrar fees		
Registry fees	525	568
Administrator		
Administrator's fees	525	568
Custodian		
Custody fees	134	306

No compensation was paid to key management personnel during the year (2018: Nil).

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

24. FINANCIAL INSTRUMENTS

24.1 Financial risk management

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

24.2 Significant accounting policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the bases of measurement, and the bases for recognition of income and expenses), for each class of financial asset, financial liability and equity instrument are disclosed in note 2 to the financial statements.

24.3 Categories of financial instruments

	2019	2018
	MUR'000	MUR'000
Financial assets		
Fair value through profit or loss	**-**	305,640
Financial assets at fair value through other comprehensive income	297,185	-
Loans and receivables	**-**	119,423
Available-for-sale investments	**-**	2,034
Financial assets held at amortised cost	111,030	-
Cash and cash equivalents	6,908	9,934
Other receivables	988	748
Income tax recoverable	107	122
	416,218	437,901
Financial liabilities		
Other payables	**3,993**	1,370

24.4 Market risk

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

24.5 Risk management

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

24. FINANCIAL INSTRUMENTS (CONTINUED)

24.5 Risk management (Continued)

Foreign currency risk

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

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

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

Monetary assets (Balances with local banks)	**2019**	2018
	MUR'000	MUR'000
USD	**4,651**	1,088
EUR	**-**	99
GBP	**21**	21
AUD	**-**	406

Monetary and Non-monetary assets (Balances with local banks and Investments)	**2019**	2018
	MUR'000	MUR'000
USD	**128,679**	127,305
EUR	**19,508**	23,060
GBP	**3,220**	3,204
AUD	**-**	406

Foreign currency sensitivity analysis

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

Monetary assets (Balances with local banks)	**2019**	2018
	MUR'000	MUR'000
Impact on profit before tax		
USD	**465**	109
EUR	**-**	10
GBP	**2**	2
AUD	**-**	41

24. FINANCIAL INSTRUMENTS (CONTINUED)

24.4 Market risk (Continued)

Foreign currency sensitivity analysis (Continued)

Monetary and Non-monetary assets (Balances with local banks and investments)	**2019**	2018
	MUR'000	MUR'000
Impact on profit before tax		
USD	**12,868**	12,731
EUR	**1,951**	2,306
GBP	**322**	320
AUD	**-**	41

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 investments	**-**	2,034
Deposits with financial institutions	**62,238**	57,748
	62,238	59,782
Fixed rate assets		
Deposits with financial institutions	**62,182**	61,675
	62,182	61,675

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

Interest rate sensitivity analysis

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

	interest rate in	**2019**	2018
	%	**MUR'000**	MUR'000
Profit before tax	+ 2	**911**	769

A decrease in interest rate by 2% would have resulted in an equal but opposite impact on profit before tax and equity.

24. FINANCIAL INSTRUMENTS (CONTINUED)

24.5 (i) Credit risk

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

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

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

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 at FVOCI. At 30 June 2019, the total financial assets at amortised cost was MUR 111,929,706, on which a loss allowance of MUR 900,035 has been provided . The total financial assets through other comprehensive income was MUR 12,490,989 on which a loss allowance of MUR 113,518 has been provided. 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.

24.5 (ii) Credit risk on cash and cash equivalent

Impairment on cash and cash equivalents,balances due from brokers and receivables from reverse sale and repurchse 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.

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 effective interest rate. The loss on financial assets is detailed as follows:

2019	Rating	PD_1	LGD_1	MUR'000
Corporate Bond				
LA PRUDENCE LEASING FINANCE CO. LTD 5.9% 04/30/15	Unrated	0.0242	37%	85
MAURITIUS HOUSING COMPANY LTD 6.75 % 16/10/15	Unrated	0.0242	37%	202
MCS MUTUAL AID ASSOCIATION_UF_03022020	Unrated	0.0242	37%	297
SBM MASALA BOND NOTE - SERIES A USD	Unrated	0.0242	37%	87
SBM Masala Bond Note-Series B MUR..	Unrated	0.0242	37%	89
SIT_7 YR 6.50%_250424	6	0.0242	30%	140
SBM BOND 6.00 03/10/24	Baa1	0.0208	45%	19
OMNICANE BOND_6.8%_060616	unsecured	0.0242	37%	95
Total				**1,014**

24. FINANCIAL INSTRUMENTS (CONTINUED)

Financial assets not subject to IFRS 9's impairment requirements

24.5 Credit risk (Continued)

The Fund is not exposed to credit risk on its equity instruments. These classes of Financial assets are not subject to IFRS 9's requirements as they are measured at FVOCI. The Carrying amount of these assets (MUR284,694,011),under both IAS 39(2018) and IFRS 9 (2019) represents the Fund's maximum exposure to credit risk on financial instruments not subject to IFRS 9 impairment requirements under respective reporting.

24.6 Liquidity risk

Liquidity risk is defined as the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Exposure to liquidity risk arises because of the possibility that the Fund could be required to pay its liabilities or redeem its units earlier than expected. The Fund is exposed to cash redemptions of its redeemable units on a regular basis. Units are redeemable at the holder's option based on the Fund's NAV per unit at the time of redemption, calculated in accordance with the Fund's prospectus. However, the manager may limit the total number of units in the fund that may be redeemed on any business day to 10% of the outstanding units in the fund.

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

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

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.

24. FINANCIAL INSTRUMENTS (CONTINUED)

24.6 Liquidity risk (Continued)

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

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	6,908	-	-	-	-	6,908
Other receivables	988	-	-	-	-	988
Income tax recoverable	107					107
Financial assets at fair value through other comprehensive income	-	-	-	-	297,185	297,185
Financial assets held at amortised cost	-	-	-	-	111,030	111,030
Total financial assets	8,003	-	-	-	408,215	416,218
Other payables	3,993	-	-	-	-	3,993
Total financial liabilities	3,993	-	-	-	-	3,993
Liquidity gap	4,010	-	-	-	408,215	412,225

24. FINANCIAL INSTRUMENTS (CONTINUED)

24.6 Liquidity risk (Continued)

2018	Less than 1 year MUR'000	1 to 2 years MUR'000	2 to 5 years MUR'000	Over 5 years MUR'000	No stated maturity MUR'000	Total MUR'000
Cash and cash equivalents	9,934	-	-	-	-	9,934
Other receivables	748	-	-	-	-	748
Income tax recoverable	122					122
Financial assets at fair value through profit or loss	-	-	-	-	305,640	305,640
Available-for-sale investments	-	-	-	2,034	-	2,034
Loan and receivables	-	-	51,469	67,954	-	119,423
Total financial assets	10,804	-	51,469	69,988	305,640	437,901
Other payables	1,370	-	-	-	-	1,370
Total financial liabilities	1,370	-	-	-	-	-
Liquidity gap	9,434	-	51,469	69,988	305,640	436,531

24.7. 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 invest more than 20% of its Net asset Value in securities issued by single issuer (a company on other corporate entity including the subsidiaries thereof) at the time of purchase. The Fund shall not hold more than 20% of any class of security listed or unlisted, issued by a single issuer.

24.8. Events after reporting date

After the reporting date ,on 28 August 2019 an amount of MUR 3,744,870 was distributed as dividend to unitholders,with a remaining balance of MUR 2,909,475 re-invested on same date.

Apart from the dividend declaration,there has been no other material events after the reporting date which would require disclosure or adjustment to the Financial Statements for the year ended 30 June 2019.