

SICOM General Fund

2017

ANNUAL REPORT



SICOM UNIT TRUST - SICOM GENERAL FUND

MANAGER'S REPORT AND FINANCIAL STATEMENTS

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SICOM UNIT TRUST - SICOM GENERAL FUND**MANAGEMENT AND ADMINISTRATION****MANAGER AND REGISTRAR**

SICOM Financial Services Ltd

Directors of SICOM Financial Services Ltd

Sakurdeep S
Bhoojedhur-Obeegadoo K G (Mrs)
Boodhoo B (up to 30 September 2016)
Gopy D K
Hussenee N E S S (as from 03 November 2016)
Nemchand S
Ramdhonee B I R (as from 03 November 2016)
Yip Wang Wing Y S, C.S.K (up to 04 July 2017)

Registered Office

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Email Address: sfsl@sicom.intnet.mu
Website : www.sfsl.mu

TRUSTEE

The Mauritius Commercial Bank Limited
9-15 Sir William Newton Street
Port Louis

AUDITORS

BDO & Co
10, Frère Félix de Valois Street
Port Louis

BANKER

The Mauritius Commercial Bank Limited
SBI (Mauritius) Limited

SICOM UNIT TRUST - SICOM GENERAL FUND

MANAGER'S INVESTMENT REPORT

We are pleased to present our report of the SICOM General Fund for the financial year ended 30 June 2017.

Investor Profile

The SICOM General Fund is an open-ended Fund, which invests primarily in equities (local and overseas), government stocks/ bonds and cash/ short-term instruments. Investment in the Fund should be regarded as a long-term investment.

The Fund is exposed to a certain number of risks such as fluctuations in the value of investments and currency risks.

Investment Objectives & Approach

The overall objectives of the SICOM General Fund are as follows:

- To maximise returns whilst acting prudently at all times, and
- Diversify its portfolio with a long-term view.

SICOM Financial Services Ltd, the Manager of the Fund, has set up an Investment Committee, a sub-Committee of its Board of Directors, to define investment objectives and strategies of the Fund. Investment strategy and key investment decisions are made with reference to the overall objectives of the portfolio of the Fund as a whole, available investment opportunities and instruments on financial markets, cash flow availability and the need for diversification of a well-balanced portfolio.

Governance

SICOM General Fund is a Collective Investment Scheme with SICOM Financial Services Ltd carrying out the investment function as per the terms and conditions of the Trust Deed. The assets of the Fund are registered in the name of and held by the Trustee whose responsibility is to safeguard unit-holders and ensure that the Manager carries out its duties. Therefore, through this governance structure, the best interests of unit-holders are maintained.

SICOM UNIT TRUST - SICOM GENERAL FUND

Economic and Market Review

According to the International Monetary Fund, world growth is projected to rise to 3.5% in 2017 supported by buoyant financial markets and a long-awaited cyclical recovery in investment, manufacturing and trade. Economic activity in both advanced economies and emerging and developing economies is forecast to accelerate by 2.0% and 4.6% respectively in 2017. In advanced economies, the pickup is primarily driven by higher projected growth in the United States, where activity was held back in 2016 by inventory adjustment and weak investment. The gradual improving conditions of commodity exporters as a result of the partial recovery in commodity prices should see markedly higher activity in emerging market and developing economies, while growth is projected to remain strong in China and many other commodity importers. Headline inflation, which has generally softened with the fading impact of the commodity price rebound experienced in the second half of 2016, remains at levels well below central bank targets in most advanced economies. A few emerging economies have also witnessed strong declines in inflation.

Despite the improved global outlook, binding structural obstacles continue to hold back a stronger recovery and the balance of risks remains skewed to the downside, more so over the medium term. On the upside, the cyclical rebound could be stronger and more sustained in Europe, where political risk has diminished. On the downside, rich market valuations and very low volatility in an environment of high policy uncertainty raise the likelihood of a market correction, which could dampen growth and confidence. Moreover, tightening global market conditions as a result of faster-than-anticipated monetary policy normalisation, a more protracted period of policy uncertainty, financial tensions, a turn toward inward-looking policies and geopolitical risks threaten the strength and durability of the recovery.

Receding political uncertainties and further indications of a more synchronized recovery in the global economy triggered a global rally of risk assets. Market sentiment has generally been strong, with notable gains in equity markets in both advanced and emerging market economies. During the financial year ended 30 June 2017, the S&P 500 and the MSCI World Index recorded a gain of 15.5% and 15.9% respectively. The MSCI Europe, DAX, CAC 40, FTSE 100 and Nikkei 225 were up by 17.8%, 27.3%, 20.8%, 12.4% and 28.6% respectively during the same period. Similarly, the MSCI Emerging Markets, MSCI China and MSCI India rose by 21.2%, 30.3% and 15.9% respectively.

According to Statistics Mauritius, the domestic economy grew at a higher rate of 3.8% in 2016 compared to the 3.6% growth in 2015 on the back of higher growth rates from most sectors. Compared to the prior year, the savings rate increased to 11.0% in 2016 while the investment rate decreased slightly to 17.3%. After several years of contraction, total investment rebounded by 3.7% in 2016, buoyed by private investment. The headline inflation rate was 2.4% for the twelve months ended 30 June 2017 compared to 0.9% for the corresponding period ended 30 June 2016. During the financial year to date, there was appreciation of the AUD, ZAR and NZD compared to the MUR while the local currency appreciated against the USD, GBP and EUR. The SEMDEX, SEM-10 and the DEMEX gained by 21.1%, 22.3% and 9.8% respectively over the financial year ended 30 June 2017.

SICOM UNIT TRUST - SICOM GENERAL FUND

Economic and Market Review (cont'd)

In its June 2017 National Account Estimates, Statistics Mauritius has estimated the 2017 GDP forecast at 3.9% taking into account policy measures announced in the budget 2017/2018. In fact, higher growth rate is expected from sectors such as manufacturing, construction, information and communication, and professional, scientific and technical activities. The investment rate in 2017 is expected to increase to 17.6% while the saving rate is projected to reach 11.1%. Private sector investment is expected to post a lower growth rate of 2.8% in 2017, while a rebound of 12.8% is anticipated in public sector investment.

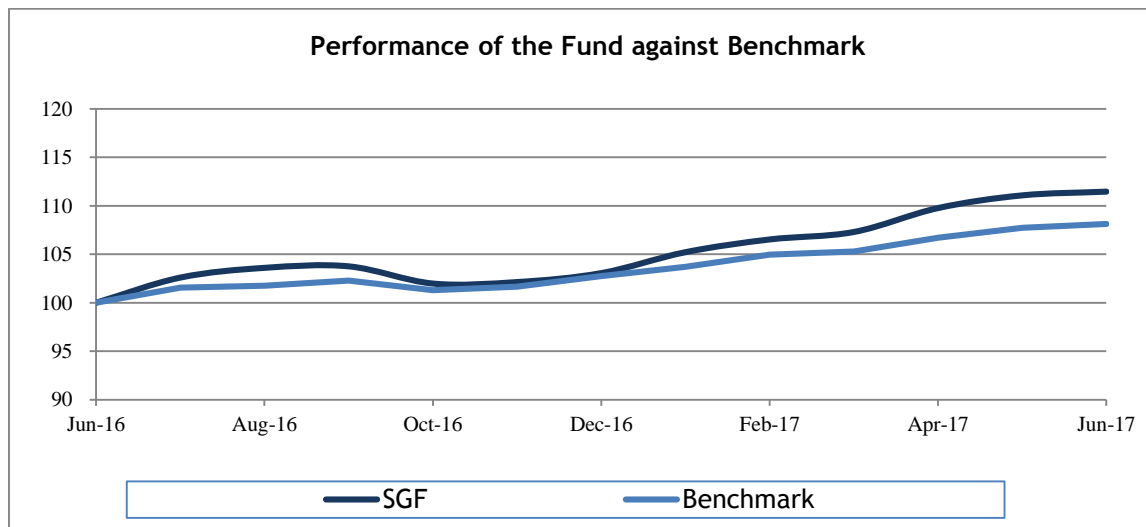
Fund Review

Total Value & Total Assets

As at 30 June 2017, the total value of the SICOM General Fund stood at Rs 156.7 million as compared to Rs 146.0 million last year. The total assets of the Fund increased over the financial year to reach Rs 165.3 million as at 30 June 2017 as compared to Rs 152.5 million last year. The increase in total value and total assets were primarily due to the positive performances of local and overseas financial markets.

Performance

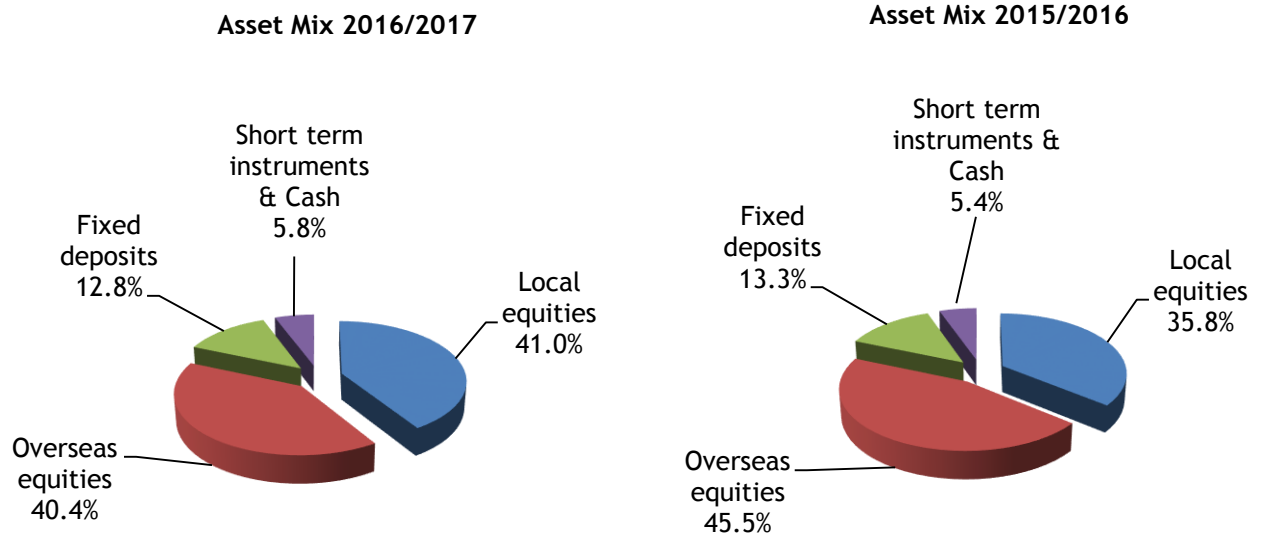
The return of the Fund stood at 11.5% for the year under review as compared to a decrease of 6.9 % last year and the Fund also outperformed its benchmark.



SICOM UNIT TRUST - SICOM GENERAL FUND

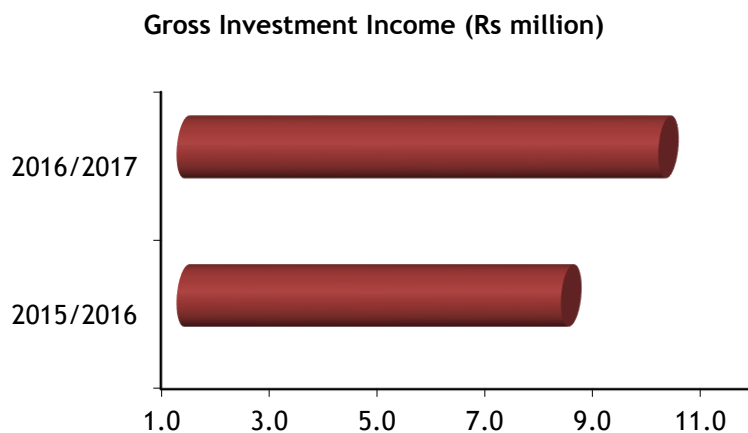
Asset Mix

The asset mix of the investment portfolio of the Fund as at 30 June 2017 as compared to 30 June 2016 is illustrated below:



Investment Income

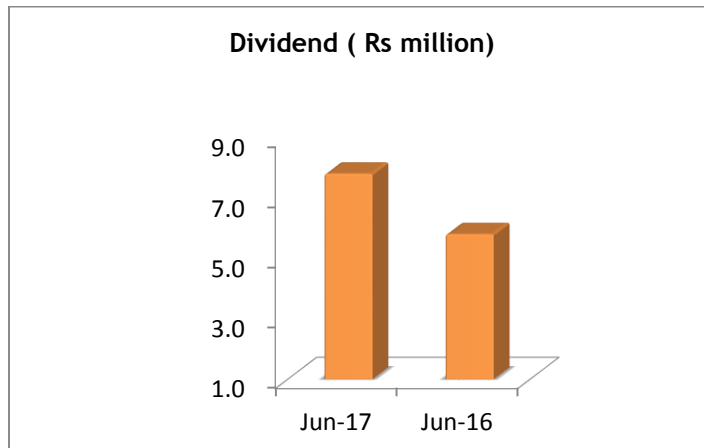
During the financial year under review, the gross investment income of SICOM General Fund increased to Rs 9.9 million, as compared to Rs 8.1 million last year on the back of higher gains from disposal of shares. Consequently, the net income from operating activities was Rs 7.9 million for the financial year ended 30 June 2017 as compared to Rs 6.1 million last year.



SICOM UNIT TRUST - SICOM GENERAL FUND

Dividend

The income available for distribution for the financial year ended 30 June 2017 stood at Rs 7.8 million as compared to Rs 5.8 million last year. The dividend per unit stood at Re 0.6891 for the year under review as compared to Re 0.5155 last year, that is an increase of 33.7%.



Prospects

In 2017, Statistics Mauritius expects real GDP growth of 3.9% taking into account policy measures announced in the budget 2017/2018. In fact, higher growth rate is expected from sectors such as manufacturing, construction, public administration, information and communication, and professional and administrative support activities which are forecast to benefit from the implementation of such measures, especially the initiation of major infrastructure projects. It is to be noted that the IMF is expecting real GDP in Mauritius to grow at a rate of 3.9% in 2017.

The global recovery is likely to gain further momentum in 2017 on the back of faster U.S. growth, stable developed markets growth and rebounding emerging markets momentum. Monetary policy continues to be broadly accommodative, while inflation remains low. Against this backdrop, earnings have rebounded in developed and emerging markets, with revenue growth coming from a pickup in global economic activity. While growth becomes more balanced, material risks emanate from late-cycle fiscal stimulus, rich market valuations, faster Fed rate hikes and a broad globalisation backlash. In general, market and policy realities such as full valuations, legislative bottlenecks and diminishing excess economic capacity point towards lower annualised returns from risk assets.

Depending on market conditions, we shall continue to research for attractive investment opportunities locally and overseas and invest for the long-term in identified markets.

SICOM UNIT TRUST - SICOM GENERAL FUND**Acknowledgements**

The Directors would like to place on record their appreciation of the support given to the SICOM General Fund by the Financial Services Commission, its valued Unitholders, its Trustee, Registrar, Investment Dealers and the dedication of staff and Management.



SICOM Financial Services Ltd
Manager

Date: 22 SEP 2017

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of SICOM Unit Trust - SICOM General Fund

This report is made solely to the members of SICOM Unit Trust - SICOM General Fund (the "Fund"), as a body, in accordance with Section 205 of the Companies Act 2001. Our audit work has been undertaken so that we might state to the Fund's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund and the Fund's members as a body, for our audit work, for this report, or for the opinions we have formed.

Report on the audit of the Financial Statements

Opinion

We have audited the financial statements of SICOM Unit Trust - SICOM General Fund (the "Fund"), on pages 9 to 35 which comprise the statement of financial position as at June 30, 2017, 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 a summary of significant accounting policies.

In our opinion, the financial statements on pages 9 to 35 give a true and fair view of the financial position of the Fund as at June 30, 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Companies Act 2001.

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)* together with the ethical requirements that are relevant to our audit of the financial statements in Mauritius, and we have fulfilled our other ethical responsibilities in accordance with these requirements and 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 information included in the Management and Administration and Manager's Investment Report, but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, 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.

INDEPENDENT AUDITOR'S REPORT (Continued)

To the Shareholders of SICOM Unit Trust - SICOM General Fund

Responsibilities of Directors and Those Charged with Governance for the Financial Statements

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

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

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

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 judgment and maintain professional skepticism 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 directors.
- Conclude on the appropriateness of directors' 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.



SICOM UNIT TRUST - SICOM GENERAL FUND

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INDEPENDENT AUDITOR'S REPORT (Continued)

To the Shareholders of SICOM Unit Trust - SICOM General Fund

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- 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 those charged with governance 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.

Report on Other Legal and Regulatory Requirements

Companies Act 2001

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

We have obtained all 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.




BDO & Co
Chartered Accountants


Port Louis,
Mauritius

Per Georges Chung Ming Kan, FCCA
Licensed by FRC

22 SEP 2017

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2017

	Notes	2017		2016	
		Rs.	% of Fund	Rs.	% of Fund
ASSETS					
Non-current assets					
Mauritian quoted equities	5	67,634,770	43.15	54,507,926	37.32
Mauritian unquoted equities	6	151,631	0.10	151,631	0.10
Overseas quoted equities	7	66,815,117	42.63	69,368,156	47.50
		<u>134,601,518</u>	<u>85.88</u>	<u>124,027,713</u>	<u>84.92</u>
Current assets					
Local currency denominated deposits	8	21,193,909	13.52	20,208,332	13.84
Other receivables	9	690,309	0.44	857,092	0.59
Foreign currency denominated deposits	10	1,159	0.00	1,203	0.00
Bank balances		8,849,840	5.65	7,438,144	5.09
		<u>30,735,217</u>	<u>19.61</u>	<u>28,504,771</u>	<u>19.51</u>
TOTAL ASSETS		<u>165,336,735</u>	<u>105.49</u>	<u>152,532,484</u>	<u>104.44</u>
CURRENT LIABILITIES					
Other payables	11	672,246	0.43	495,268	0.34
Dividend payable	12	7,842,870	5.00	5,802,869	3.97
Current tax liabilities	13(i)	92,439	0.06	187,149	0.13
TOTAL CURRENT LIABILITIES		<u>8,607,555</u>	<u>5.49</u>	<u>6,485,286</u>	<u>4.44</u>
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS		<u>Rs. 156,729,180</u>	<u>100.00</u>	<u>146,047,198</u>	<u>100.00</u>
NET ASSET VALUE PER UNIT					
- Before distribution		Rs. <u>14.46</u>		<u>13.49</u>	
- After distribution		Rs. <u>13.77</u>		<u>12.97</u>	
These financial statements have been approved for issue by the Manager on <u>22 SEP 2017</u>					
Signed on behalf of the Manager by:					
					
.....S. Sakurdeep	DK Gopy			

The notes on pages 14 to 35 form an integral part of these financial statements.
Auditors' report on pages 8 to 8(b).

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED
30 JUNE 2017

	Notes	2017 Rs.	2016 Rs.
GROSS INVESTMENT INCOME	14	<u>9,926,378</u>	<u>8,060,190</u>
FUND EXPENSES			
Manager's fees	15	(1,554,633)	(1,572,938)
Trustee's fees	16	(233,195)	(240,861)
Auditors' remuneration		(186,300)	(179,400)
Other operating expenses		(7,668)	(14,331)
		<u>(1,981,796)</u>	<u>(2,007,530)</u>
PROFIT FROM OPERATING ACTIVITIES		<u>7,944,582</u>	<u>6,052,660</u>
EQUALISATION	3(d)		
<u>Add:</u> Income received on units created		441	3,911
<u>Less:</u> Income paid on units liquidated		(10,356)	(66,538)
		<u>(9,915)</u>	<u>(62,627)</u>
Profit before taxation		7,934,667	5,990,033
Taxation	13(ii)	(92,439)	(187,134)
Profit after taxation		7,842,228	5,802,899
Income brought forward		852	822
PROFIT FOR DISTRIBUTION		7,843,080	5,803,721
Dividend - distribution to unitholders	12	(7,842,870)	(5,802,869)
PROFIT BEFORE NET UNREALISED GAINS/(LOSSES) ON INVESTMENTS		210	852
Net increase/(decrease) in fair value of held-for-trading investments		15,502,684	(13,241,921)
PROFIT/(LOSS) AFTER NET GAINS/(LOSSES) ON INVESTMENTS	Rs.	<u>15,502,894</u>	<u>(13,241,069)</u>

The notes on pages 14 to 35 form an integral part of these financial statements.
Auditors' report on pages 8 to 8(b).

STATEMENT OF MOVEMENTS IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2017

	Investments	Other Net Assets	Income and Distribution Account	Total
	Rs.	Rs.	Rs.	Rs.
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AT 1 JULY 2016	144,236,046	1,810,300	852	146,047,198
MOVEMENT IN UNITS				
Cash receivable for units created	-	3,472,859	-	3,472,859
Cash payable for units liquidated	-	(1,791,183)	-	(1,791,183)
Net cash movement from units	-	1,681,676	-	1,681,676
MOVEMENT IN INVESTMENTS				
Cost of investments purchased	47,272,405	(47,272,405)	-	-
Proceeds of investments sold/matured	(51,147,768)	51,147,768	-	-
Net cash movement in investments	(3,875,363)	3,875,363	-	-
GAINS ON DISPOSAL/MATURITY OF INVESTMENTS				
Gains on disposal of shares	6,433,797	(6,433,797)	-	-
Transfer to gross investment income	(6,501,736)	-	-	(6,501,736)
	(67,939)	(6,433,797)	-	(6,501,736)
Profit after net gains on investments	-	15,502,684	210	15,502,894
Transfer of net gains on investments	15,502,684	(15,502,684)	-	-
	15,502,684	-	210	15,502,894
	155,795,428	933,542	1,062	156,730,032
Income and distribution account	-	-	(852)	(852)
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AT 30 JUNE 2017	Rs. 155,795,428	933,542	210	156,729,180

The notes on pages 14 to 35 form an integral part of these financial statements.
Auditors' report on pages 8 to 8(b).

STATEMENT OF MOVEMENTS IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2017

	Investments	Other Net Assets	Income and Distribution Account	Total
	Rs.	Rs.	Rs.	Rs.
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AT 1 JULY 2015	165,593,939	(2,534,541)	822	163,060,220
MOVEMENT IN UNITS				
Cash receivable for units created	-	3,199,908	-	3,199,908
Cash payable for units liquidated	-	(2,985,122)	-	(2,985,122)
Net cash movement from units	-	214,786	-	214,786
MOVEMENT IN INVESTMENTS				
Cost of investments purchased	32,025,766	(32,025,766)	-	-
Proceeds of investments sold/matured	(39,369,762)	39,369,762	-	-
Net cash movement in investments	(7,343,996)	7,343,996	-	-
GAINS ON DISPOSAL/MATURITY OF INVESTMENTS				
Gains on disposal of shares	3,213,941	(3,213,941)	-	-
Transfer to gross investment income	(3,985,917)	-	-	(3,985,917)
	(771,976)	(3,213,941)	-	(3,985,917)
(Loss)/profit after net (losses)/gains on investments	-	(13,241,921)	852	(13,241,069)
Transfer of net loss on investments	(13,241,921)	13,241,921	-	-
	(13,241,921)	-	852	(13,241,069)
	144,236,046	1,810,300	1,674	146,048,020
Income and distribution account	-	-	(822)	(822)
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AT 30 JUNE 2016 Rs.	144,236,046	1,810,300	852	146,047,198

The notes on pages 14 to 35 form an integral part of these financial statements.
Auditors' report on pages 8 to 8(b).

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2017

	2017	2016
	Rs.	Rs.
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(loss) before taxation (after dividend and net gains/(losses) on investments)	15,594,481	(13,054,757)
Adjustments for:		
Gain on disposal of investments	(6,433,797)	(3,213,941)
Net (increase)/decrease in fair value of HFT investments	(15,502,684)	13,241,921
Distributions to unitholders	7,842,870	5,802,869
Operating profit before working capital changes	1,500,870	2,776,092
Decrease in other receivables	166,783	325,262
Increase/(decrease) in other payables	176,978	(510,778)
CASH GENERATED FROM OPERATING ACTIVITIES	1,844,631	2,590,576
Dividend paid	(5,802,869)	(5,431,772)
Tax paid	(187,149)	(68,541)
Cost of investments purchased	(47,272,405)	(32,025,766)
Proceeds of investments sold/matured	51,147,768	39,369,762
Net cash (used in)/generated from operating activities	(270,024)	4,434,259
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds on movement in units	1,681,676	214,786
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,411,652	4,649,045
CASH AND CASH EQUIVALENTS AT 1 JULY	7,439,347	2,790,302
CASH AND CASH EQUIVALENTS AT 30 JUNE	Rs. 8,850,999	7,439,347

The notes on pages 14 to 35 form an integral part of these financial statements.
Auditors' report on pages 8 to 8(b).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

1. GENERAL INFORMATION

SICOM General Fund is an open ended Collective Investment Scheme established as a Unit Trust with its registered office situated at SICOM Building, Sir Celicourt Antelme Street, Port Louis. It was authorised under Section 3(1)(a) of the Unit Trust Act 1989 and established by a Trust Deed dated 11 June 2001 between SICOM Financial Services Ltd (The Manager) and The Mauritius Commercial Bank Ltd (The Trustee). The SICOM General Fund is constituted under the SICOM Unit Trust.

A Unit Trust is a Collective Investment Fund requiring two parties, a Manager to carry out the investment function, and a Trustee which performs a fiduciary role on behalf of the investors.

The overall objective of the SICOM General Fund is to maximise returns whilst acting prudently at all times and diversifying its portfolio with a long term view.

2. STANDARDS, AMENDMENTS TO PUBLISHED STANDARDS AND INTERPRETATIONS EFFECTIVE IN THE REPORTING PERIOD

IFRS 14 Regulatory Deferral Accounts provides relief for first-adopters of IFRS in relation to accounting for certain balances that arise from rate-regulated activities ('regulatory deferral accounts'). IFRS 14 permits these entities to apply their previous accounting policies for the recognition, measurement, impairment and derecognition of regulatory deferral accounts. The standard is not expected to have any impact on the Fund's financial statements.

Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11). The amendments clarify the accounting for the acquisition of an interest in a joint operation where the activities of the operation constitute a business. They require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a business. Existing interests in the joint operation are not remeasured on acquisition of an additional interest, provided joint control is maintained. The amendments also apply when a joint operation is formed and an existing business is contributed. The amendment has no impact on the Fund's financial statements.

Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38). The amendments clarify that a revenue-based method of depreciation or amortisation is generally not appropriate. Amendments clarify that a revenue-based method should not be used to calculate the depreciation of items of property, plant and equipment. IAS 38 now includes a rebuttable presumption that the amortisation of intangible assets based on revenue is inappropriate. This presumption can be overcome under specific conditions. The amendment has no impact on the Fund's financial statements.

Equity method in separate financial statements (Amendments to IAS 27). The amendments allow entities to use the equity method in their separate financial statements to measure investments in subsidiaries, joint ventures and associates. IAS 27 currently allows entities to measure their investments in subsidiaries, joint ventures and associates either at cost or at fair value in their separate FS. The amendments introduce the equity method as a third option. The election can be made independently for each category of investment (subsidiaries, joint ventures and associates). Entities wishing to change to the equity method must do so retrospectively. The amendment has no impact on the Fund's financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

2. STANDARDS, AMENDMENTS TO PUBLISHED STANDARDS AND INTERPRETATIONS EFFECTIVE IN THE REPORTING PERIOD (CONT'D)

Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41). IAS 41 now distinguishes between bearer plants and other biological asset. Bearer plants must be accounted for as property plant and equipment and measured either at cost or revalued amounts, less accumulated depreciation and impairment losses. The amendment has no impact on the Fund's financial statements.

Annual Improvements to IFRSs 2012-2014 cycle

- IFRS 5 is amended to clarify that when an asset (or disposal group) is reclassified from 'held for sale' to 'held for distribution' or vice versa, this does not constitute a change to a plan of sale or distribution and does not have to be accounted for as such. The amendment has no impact on the Fund's financial statements.
- IFRS 7 amendment provides specific guidance for transferred financial assets to help management determine whether the terms of a servicing arrangement constitute 'continuing involvement' and, therefore, whether the asset qualifies for derecognition. The amendment has no impact on the Fund's financial statements.
- IFRS 7 is amended to clarify that the additional disclosures relating to the offsetting of financial assets and financial liabilities only need to be included in interim reports if required by IAS 34. The amendment has no impact on the Fund's financial statements.
- IAS 19 amendment clarifies that when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important and not the country where they arise. The amendment has no impact on the Fund's financial statements.
- IAS 34 amendment clarifies what is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report' and adds a requirement to cross-reference from the interim financial statements to the location of that information. The amendment has no impact on the Fund's financial statements.

Disclosure Initiative (Amendments to IAS 1). The amendments to IAS 1 provide clarifications on a number of issues. An entity should not aggregate or disaggregate information in a manner that obscures useful information. Where items are material, sufficient information must be provided to explain the impact on the financial position or performance. Line items specified in IAS 1 may need to be disaggregated where this is relevant to an understanding of the entity's financial position or performance. There is also new guidance on the use of subtotals. Confirmation that the notes do not need to be presented in a particular order. The share of OCI arising from equity-accounted investments is grouped based on whether the items will or will not subsequently be reclassified to profit or loss. Each group should then be presented as a single line item in the statement of other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

2. STANDARDS, AMENDMENTS TO PUBLISHED STANDARDS AND INTERPRETATIONS EFFECTIVE IN THE REPORTING PERIOD (CONT'D)**Annual Improvements to IFRSs 2012-2014 cycle (cont'd)**

Investment entities: Applying the consolidation exception (Amendments to IFRS 10, IFRS 12 and IAS 28). The amendments clarify that the exception from preparing consolidated financial statements is also available to intermediate parent entities which are subsidiaries of investment entities. An investment entity should consolidate a subsidiary which is not an investment entity and whose main purpose and activity is to provide services in support of the investment entity's investment activities. Entities which are not investment entities but have an interest in an associate or joint venture which is an investment entity have a policy choice when applying the equity method of accounting. The fair value measurement applied by the investment entity associate or joint venture can either be retained, or a consolidation may be performed at the level of the associate or joint venture, which would then unwind the fair value measurement. The amendment has no impact on the Fund's financial statements.

Standards, Amendments to published Standards and Interpretations issued but not yet effective

Certain standards, amendments to published standards and interpretations have been issued that are mandatory for accounting periods beginning on or after January 1, 2017 or later periods, but which the Fund has not early adopted.

At the reporting date of these financial statements, the following were in issue but not yet effective:

IFRS 9 Financial Instruments

IFRS 15 Revenue from Contract with Customers

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)

IFRS 16 Leases

Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)

Amendments to IAS 7 Statement of Cash Flows

Clarifications to IFRS 15 Revenue from Contracts with Customers

Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)

Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4)

Annual Improvements to IFRSs 2014-2016 Cycle

IFRIC 22 Foreign Currency Transactions and Advance Consideration

Transfers of Investment Property (Amendments to IAS 40)

IFRS 17 Insurance Contracts

IFRIC 23 Uncertainty over Income Tax Treatments

Where relevant, the Fund is still evaluating the effect of these Standards, amendments to published Standards and Interpretations issued but not yet effective, on the presentation of its financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

3. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented unless otherwise stated.

(a) Basis of preparation

The financial statements of SICOM General Fund comply with the Trust Deed and have been prepared in accordance with International Financial Reporting Standards (IFRS). Where necessary, comparative figures have been amended to conform with change in presentation in the current year. The financial statements are prepared under the historical cost convention except that held-for-trading financial assets are stated at their fair value and held-for-maturity securities are carried out at amortised cost.

(b) Financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Fund has become party to the contractual provisions of the financial instruments.

Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL) and 'held-for-maturity'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

(i) *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant year. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or where appropriate, a shorter period.

(ii) *Financial assets at FVTPL*

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- on initial recognition it is a part of an identified portfolio of financial instruments that the Fund manages together and has any recent actual pattern of short-term profit-taking.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Fund's documented risk management and investment strategy, and information about the grouping is provided internally on that basis.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

2. STANDARDS, AMENDMENTS TO PUBLISHED STANDARDS AND INTERPRETATIONS EFFECTIVE IN THE REPORTING PERIOD (CONT'D)**(b) Financial instruments (cont'd)****Financial assets (cont'd)***(ii) Financial assets at FVTPL (cont'd)*

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend on the financial asset. Fair value is determined in the manner described in note 3(g).

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Fund's management has positive intention and ability to hold to maturity. Held-to-maturity investments are recognised initially at fair value plus directly attributable transaction costs. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less impairment.

(iv) Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets. If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(v) Derecognition of financial assets

The Fund derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Fund neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Fund recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Fund retains substantially all the risks and rewards of ownership of a transferred financial asset, the Fund continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**(b) Financial instruments (cont'd)****Financial liabilities**

Financial liabilities are classified as other financial liabilities.

Other financial liabilities

Other financial liabilities, including borrowings and other payables, are initially measured at fair value, net of transaction costs. Subsequently they are measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

(i) Derecognition of financial liabilities

The Fund derecognises financial liabilities when, and only when, the Fund's obligations are discharged, cancelled or they expire.

(ii) Units

Units issued by the Fund are recorded at the proceeds received net of direct issue costs. They are redeemable at any time at the option of the unitholder for cash and do not have a par value and an unlimited number of units may be issued. The units are financial liabilities and therefore the net assets attributable to unitholders are classified within liabilities in the statement of financial position and distributions to unitholders are included as dividend in profit or loss.

(c) Dividend and interest income

Interest receivable from bank, foreign deposits, loan and treasury bills are credited to profit or loss on an accrual basis. Dividends receivable from securities are accounted for in profit or loss when the right for payment is established.

(d) Equalisation

Accrued income included in the issue and repurchase prices of units are dealt with in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**(e) Taxation***Current tax*

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Fund's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

(f) Foreign currency translation

Monetary assets and monetary liabilities denominated in foreign currencies at the end of the reporting period are translated into Mauritian rupees at the rate of exchange ruling at that date. Any exchange gains or losses arising are recognised in profit or loss. Foreign currency transactions are converted into Mauritian rupees at the exchange rate ruling at the dates of the transactions.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date of the transactions.

Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

(g) Fair value

Except where stated elsewhere, the carrying amounts of the Fund's financial assets and financial liabilities approximate their fair values due to the short-term nature of the balances involved.

The fair value of the financial instruments traded in active markets is based on quoted market prices at the reporting date. The quoted market price used for financial assets and financial liabilities is the current market price.

(h) Provisions

A provision is recognised when there is a present obligation (legal or constructive) as a result of a past event, and 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. Provisions are reviewed at each financial reporting date and adjusted to reflect the current best estimate.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**(i) Cash and cash equivalents**

Cash and cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. They are measured at fair value, based on the relevant exchange rates at the reporting date.

(j) Related parties

Related parties are individuals and companies where the individual or company has the ability directly or indirectly, to control the other party or exercise significant influence over the other party in making operating and financial decisions.

(k) Transactions costs

Transactions costs are costs incurred to acquire financial assets or liabilities at fair value through profit or loss. They include fees and commissions paid to agents and brokers. Transactions costs, when incurred, are immediately recognised in profit or loss as an expense.

(l) Distributions payable to unitholders

Proposed distributions to unitholders are recognised in profit or loss when they are appropriately authorised and the decision is deemed irrevocable. The distribution on the units is recognised as dividend in profit or loss.

(m) Increase/decrease in net assets attributable to unitholders

Income not distributed is included in net assets attributable to unitholders. Movements in net assets attributable to unitholders are recognised in the statement of movements in net assets.

4. ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements in accordance with IFRS requires management to exercise judgement in the process of applying the accounting policies. It also requires the use of accounting estimates and assumptions that may affect the reported amounts and disclosures in the financial statements. Judgements and estimates are continuously evaluated and are based on historical experience and other factors, including expectations and assumptions concerning future events that are believed to be reasonable under the circumstances. The Fund makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Areas where management has applied a higher degree of judgement that have a significant effect on the amounts recognised in the financial statements, or estimations and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

(a) Units in issue

The Fund has classified the units in issue as financial liabilities on the basis that apart from the contractual obligation to redeem the units, the Fund has a contractual obligation to distribute income to the unitholders either by way of dividend, bonus issue or in whatever form the Manager may think fit.

(b) Held-to-maturity investments

The Fund follows the guidance of International Accounting Standards (IAS) 39 - "Recognition and Measurement" on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgement. In making this judgement, the Fund evaluates its intention and ability to hold such investments to maturity.

If the Fund fails to keep these investments to maturity other than for specified circumstances as explained in IAS 39, it will be required to reclassify the whole class as available-for-sale. The investments would therefore be measured at fair value not amortised cost.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

5. MAURITIAN QUOTED EQUITIES

(a) The movement in investments is as follows:

	2017	2016
	Rs.	Rs.
<i>Fair value through profit or loss - held for trading investments</i>		
At 1 July	54,507,926	57,420,368
Additions	3,044,160	5,310,918
Disposals	-	(468,700)
Fair value gains/(losses)	10,082,684	(7,754,660)
At 30 June	Rs. 67,634,770	54,507,926

(b) The Fund investments are summarised as follows:

	2017	2016	% of Fund	
	Rs.	Rs.	2017	2016
(i) <i>Official market Sector</i>				
Banking and Insurance	27,853,667	23,245,202	17.76	15.92
Leisure and Hotels	6,828,823	6,262,408	4.36	4.29
Investment	15,404,663	10,681,972	9.83	7.31
Industry	3,580,053	3,055,820	2.28	2.09
Commerce	5,627,930	3,968,862	3.59	2.72
Sugar	12,800	12,500	0.01	0.01
	59,307,936	47,226,764	37.83	32.34
(ii) <i>Development Enterprise Market Sector</i>				
Investment	806,544	614,028	0.51	0.42
Banking and Insurance	3,817,000	3,504,700	2.44	2.39
Leisure and Hotels	1,450,440	1,329,334	0.93	0.91
Sugar	63,250	57,500	0.04	0.04
Industry	2,189,600	1,775,600	1.40	1.22
	8,326,834	7,281,162	5.32	4.98
Rs.	67,634,770	54,507,926	43.15	37.32

The Mauritian quoted equities are stated at fair values, based on values of the Stock Exchange of Mauritius at 30 June 2017.

6. MAURITIAN UNQUOTED EQUITIES

(a) The movement in investments is as follows:

	2017	2016
	Rs.	Rs.
<i>Fair value through profit or loss - held for trading investments</i>		
At 1 July	151,631	-
Additions	-	112,566
Fair value gains	-	39,065
At 30 June	Rs. 151,631	151,631

The Mauritian unquoted equities are stated at fair values, based on bid prices of the units of the funds published at 30 June 2017.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

7. OVERSEAS QUOTED EQUITIES

(a) The movement in investments is as follows:

	2017	2016
	Rs.	Rs.
<i>Fair value through profit or loss - held for trading investments</i>		
At 1 July	69,368,156	81,973,588
Additions	13,034,336	6,393,949
Disposals	(21,007,375)	(13,473,055)
Fair value gains/(losses)	5,420,000	(5,526,326)
At 30 June	Rs. 66,815,117	69,368,156

The overseas equities are stated at fair values, based on bid prices of the units of the funds published at 30 June 2017.

(b) The Fund investments are summarised as follows:

	2017	2016	% of Fund	
	Rs.	Rs.	2017	2016
Mature Market	3,878,596	-	2.47	-
Alternatives-Hedge Funds	8,472,652	8,558,671	5.41	5.86
Mutual Funds:				-
Equity Funds	49,320,925	59,351,803	31.47	40.64
Mixed Allocation Funds	5,142,944	1,457,682	3.28	1.00
Rs.	66,815,117	69,368,156	42.63	47.50

The overseas equities are stated at fair value based on values of the overseas markets on 30 June 2017.

8. LOCAL CURRENCY DENOMINATED DEPOSITS

	2017	2016
	Rs.	Rs.
<i>Held-to-maturity financial assets</i>		
At 1 July	20,208,332	26,199,982
Additions	31,193,909	20,208,332
Maturity	(30,208,332)	(26,199,982)
At 30 June	Rs. 21,193,909	20,208,332

These consist of deposits with local banks and other financial institutions with interest rates in the range of 2.45 % to 3.85% (2016: 3.10 % to 4.80%) per annum maturing between September 2017 to April 2018.

9. OTHER RECEIVABLES

	2017	2016	% of Fund	
	Rs.	Rs.	2017	2016
Interest receivable on deposits	220,653	456,255	0.14	0.31
Dividend receivable on equities	469,656	400,837	0.30	0.28
Rs.	690,309	857,092	0.44	0.59

The carrying amount of other receivables approximates their fair values and are denominated in Mauritian rupee.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

9. OTHER RECEIVABLES (CONT'D)

The classes within other receivables do not contain impaired assets. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Fund does not hold any collateral as security.

10. FOREIGN CURRENCY DENOMINATED DEPOSITS

These comprise of the following:

	2017	2016	% of Fund	
	Rs.	Rs.	2017	2016
Cash and cash equivalents				
Call deposits denominated in USD and GBP	Rs. 1,159	1,203	-	-

11. OTHER PAYABLES

	2017	2016	% of Fund	
	Rs.	Rs.	2017	2016
Manager's fees	410,692	263,919	0.26	0.18
Trustee's fees	61,604	39,588	0.04	0.03
Auditors' remuneration	186,300	179,400	0.12	0.12
Other fees	13,650	12,361	0.01	0.01
Rs.	672,246	495,268	0.43	0.34

The carrying amount of other payables approximates their fair values.

12. DIVIDEND - DISTRIBUTION TO UNITHOLDERS

	2017	2016
	Rs.	Rs.
Final distribution of Re 0.6891 (2016: Re 0.5155) per unit	Rs. 7,842,870	5,802,869

Distribution is recognised as a liability because in terms of the Trust Deed, the Fund has to distribute its net income.

13. TAXATION

Income tax is calculated at the rate of 15% (2016: 15%) on net profit before taxation as adjusted for income tax purposes.

(i) Tax liability

	2017	2016
	Rs.	Rs.
At 1 July	187,149	68,556
Tax paid during the year	(187,149)	(68,541)
Over provision in previous years	-	(15)
Provision for the year	92,439	187,149
At 30 June	Rs. 92,439	187,149

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

13. TAXATION (CONT'D)

(ii) Tax expense	2017	2016
	Rs.	Rs.
Provision for the year	92,439	187,149
Over provision in previous years	-	(15)
Tax charge	Rs. 92,439	187,134

(iii) The tax on the Fund's profit before tax differs from the theoretical amount that would arise from using basic tax rates of the Fund as follows:

	2017	2016
	Rs.	Rs.
Profit before taxation	7,934,667	5,990,033
Tax calculated at 15% (2016: 15%)	1,190,200	898,505
Tax effects of:		
- Expenses not deductible for tax purposes	177,497	184,298
- Over provision in previous years	-	(15)
- Income not subject to tax	(1,275,258)	(895,654)
Tax charge	Rs. 92,439	187,134

14. GROSS INVESTMENT INCOME

	2017	2016
	Rs.	Rs.
<u>Loans and receivables</u>		
Interest on deposits	629,803	918,688
<u>Cash and cash equivalents</u>		
Interest and net exchange gains on bank balances	343,316	370,063
<u>Held for trading</u>		
Gain on disposal of investments	6,433,797	3,213,941
Dividend on Mauritian equities	2,067,924	2,894,833
Dividend on overseas securities	451,538	662,665
	8,953,259	6,771,439
Rs.	9,926,378	8,060,190

15. MANAGER'S FEES

Manager's fees are paid to SICOM Financial Services Ltd based on 1% p.a of the Net Asset Value of the Fund. The fees which are calculated on a daily basis are payable monthly in arrears.

16. TRUSTEE'S FEES

Trustee's fees are paid to the Mauritius Commercial Bank Limited based on 0.15% p.a of the Net Asset Value of the Fund. The fees are calculated on a daily basis and are payable monthly in arrears.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

17. UNITS

(a) Movements in units during the year:

	2017		2016	
	No. of Units	Rs.	No. of Units	Rs.
Net assets of the Fund at 1 July	11,256,777.24	146,047,198	11,252,893.89	163,060,220
Units created	257,241.95	3,472,859	221,094.41	3,199,908
Units liquidated	(132,695.18)	(1,791,183)	(217,211.06)	(2,985,122)
Revaluation gain realised on disposal of investments	-	(6,501,736)	-	(3,985,917)
Profit/(loss) not distributed for the year	-	15,502,894	-	(13,241,069)
Income and distribution account brought forward	-	(852)	-	(822)
Net assets of the Fund at 30 June	11,381,324.01	156,729,180	11,256,777.24	146,047,198

(b) Net asset value per unit:

	2017	2016
	Rs.	Rs.
NAV per unit (cum-div)	Rs. 14.46	13.49
NAV per unit (ex-div)	Rs. 13.77	12.97

(c) Prices per unit:

	2017	2016
	Rs.	Rs.
Issue price (cum-div)	Rs. 14.71	13.64
Re-purchase price (cum-div)	Rs. 13.97	12.92

18. RELATED PARTY TRANSACTIONS

The Fund is making the following disclosures in accordance with IAS 24 (Related Party Disclosures):

(a) Investment Manager's Holding Company

	2017	2016
	Rs.	Rs.
Units in Fund held at end of year (fair value)	Rs. 55,772,006	50,337,984
At 1 July (ex-div)	48,414,345	52,549,519
Additions	1,820,006	1,533,369
Change in fair value	5,537,655	(3,744,904)
At 30 June (cum-div)	55,772,006	50,337,984
Dividend payable	(2,657,879)	(1,923,639)
At 30 June (ex-div)	Rs. 53,114,127	48,414,345

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

18. RELATED PARTY TRANSACTIONS (CONT'D)	2017	2016
	Rs.	Rs.
(b) <u>Investment Manager's shareholders (excluding the Holding Company)</u>		
(i) Units in Fund held at end of year (fair value)	Rs. 2,891,967	2,697,932
At 1 July (ex-div)	2,594,832	2,898,103
Change in fair value	297,135	(200,171)
At 30 June (cum-div)	2,891,967	2,697,932
Dividend payable to the shareholders	(137,820)	(103,100)
At 30 June (ex-div)	Rs. 2,754,147	2,594,832
(c) <u>Investment Manager</u>		
(i) Units in Fund held at end of year (fair value)	Rs. 17,773,082	16,254,276
(ii) Investment Manager's fees	Rs. 1,554,633	1,572,938
(iii) Dividend payable to the Manager	Rs. 889,429	646,035
(iv) Outstanding balances payable:		
- Manager's fees	410,692	263,919
- Entry and exit fees	1,600	312
	Rs. 412,292	264,231
(d) <u>Trustee</u>		
(i) Balances with local bank (Trustee)	Rs. 8,849,840	7,173,756
(ii) Trustee's fees	Rs. 233,195	240,861
(iii) Interest income from Trustee	Rs. 149,466	112,691
(iv) Bank charges	Rs. 5,519	24,767
(v) Outstanding balances payable:		
- Trustee's fees	Rs. 61,604	39,588

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

19. FINANCIAL RISK MANAGEMENT

19.1 Financial risk factors

The Fund's activities expose it to a variety of financial risks: market risk (including foreign currency risk, interest rate risk and market price risk), credit and counterparty risk and liquidity risk. The Fund's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Fund's financial performance.

A description of the significant risk factors is given below:

(a) Market price risk

The Fund trades in securities quoted on the Stock Exchange of Mauritius and overseas securities.

All securities investment present a risk of loss of capital. The Fund's investment securities are susceptible to market price risk from uncertainties about future prices of the instruments. The Fund Manager moderates this risk through a careful selection of securities, investment diversification and by having investment limits. The maximum risk resulting from investment securities is determined by the fair value of the financial instruments. The Fund's overall market positions are monitored on a regular basis by the Fund Manager.

The following table details the Fund's sensitivity to a 5% and 10% increase/decrease in prices of securities.

	<u>2017</u>	<u>2016</u>
	Rs.	Rs.
<i>Increase/decrease of 5% in the prices of securities</i>		
Increase/decrease in net assets attributable to Unitholders	Rs. <u>6,730,076</u>	<u>6,201,386</u>
<i>Increase/decrease of 10% in the prices of securities</i>		
Increase/decrease in net assets attributable to Unitholders	Rs. <u>13,460,152</u>	<u>12,402,771</u>

(b) Foreign currency risk

The Fund has deposits and overseas investments denominated in GBP and USD. The Manager monitors the Fund's currency position on a regular basis. The carrying amount of the Fund's foreign currency denominated assets and liabilities at the reporting date are as follows:-

	<u>2017</u>	<u>2016</u>
	Rs.	Rs.
Assets		
Concentration of assets under:		
US Dollars	60,235,922	43,545,501
GBP	<u>12,361,944</u>	<u>27,970,246</u>
	Rs. <u>72,597,866</u>	<u>71,515,747</u>

Liabilities

The Fund has no foreign currency denominated liabilities.

Consequently, the fund is exposed to risks that the exchange rate of the Rupee relative to those other currencies may change in a manner which has an adverse effect on the reported value of that portion of the Fund's assets which is denominated in currencies other than the Rupee.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

19. FINANCIAL RISK MANAGEMENT (CONT'D)

19.1 Financial risk factors (cont'd)

(b) Foreign currency risk (cont'd)**Liabilities (cont'd)**

The following table details the Fund's sensitivity to a 5% and 10% increase/decrease of the Rupee against the USD and GBP.

	<u>2017</u>	<u>2016</u>
	Rs.	Rs.
<i>Increase/decrease of 5% in rate of exchange</i>		
Increase/decrease in net assets attributable to Unitholders	Rs. <u>3,629,893</u>	<u>3,575,787</u>
<i>Increase/decrease of 10% in rate of exchange</i>		
Increase/decrease in net assets attributable to Unitholders	Rs. <u>7,259,787</u>	<u>7,151,575</u>

(c) Interest rate risk

The Fund is exposed to interest rate fluctuations on the international and domestic markets. The Manager monitors closely interest rate trends and related impact on investment income for performance evaluation and better fund management.

The interest rate profile of the Fund at 30 June was:

Financial assets	<u>2017</u>	<u>2016</u>
	% p.a	% p.a
<i>Loans and receivables</i>		
Fixed deposits	2.45 to 3.85	3.10 to 4.80
<i>Cash and cash equivalents</i>		
Bank balances	<u>1.30 to 2.30</u>	<u>1.75 to 2.75</u>

Financial liabilities

None of the Fund's financial liabilities are interest bearing.

The following table details the Fund's sensitivity to a 5% and 10% increase/decrease of the rate of interest of financial assets.

	<u>2017</u>	<u>2016</u>
	Rs.	Rs.
<i>Increase/decrease of 5% in interest rate</i>		
Increase/decrease in net assets attributable to Unitholders	Rs. <u>3,394</u>	<u>6,527</u>
Increase/decrease in profit available for distribution to Unitholders	Rs. <u>3,394</u>	<u>6,527</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

19. FINANCIAL RISK MANAGEMENT (CONT'D)

19.1 Financial risk factors (cont'd)

(c) Interest rate risk (cont'd)

Financial liabilities (cont'd)	2017	2016
<i>Increase/decrease of 10% in interest rate</i>	<u>Rs.</u>	<u>Rs.</u>
Increase/decrease in net assets attributable to Unitholders	Rs. 6,788	13,054
Increase/decrease in profit available for distribution to Unitholders	Rs. 6,788	13,054

The increase or decrease in the interest rate sensitivity is due to fluctuations in bank balances at 30 June 2017 as compared to 30 June 2016.

The interest rate sensitivity analysis excludes:

- Fixed deposits which have fixed interest rates and will not be affected by fluctuations in the level of interest rates.
- Foreign currency denominated deposits as no interest is paid by Banks for small foreign currency balances.

(d) Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivery of cash or another financial asset.

The Fund is exposed to daily cash redemptions of units and to repayment of other financial liabilities. Redemptions of units are permitted weekly. The Fund's other financial liabilities have contractual repayment ranging from on demand to six months. It therefore invests mostly in assets that are easily convertible into cash.

The Manager monitors the Fund's liquidity position on a regular basis. The Fund does not anticipate any significant liquidity concerns in funding redemption requests and other liabilities.

The Fund manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of the financial assets and liabilities. It includes the Fund's financial assets and trading liabilities at fair values, categorised by the earlier of contractual re-pricing or maturity dates.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

19. FINANCIAL RISK MANAGEMENT (CONT'D)

19.1 Financial risk factors (cont'd)

(d) Liquidity risk (cont'd)

The maturity profile of the financial instruments is summarised as follows:

At 30 June 2017	Less than 1 month Rs.	1 to 3 months Rs.	3 months to 1 year Rs.	1 to 5 years Rs.	On- Demand Rs.	Total Rs.
Assets						
<i>Held for trading</i>						
Mauritian quoted equities	-	-	-	-	67,634,770	67,634,770
Mauritian unquoted equities	-	-	-	-	151,631	151,631
Overseas quoted equities	-	-	-	-	66,815,117	66,815,117
	-	-	-	-	134,601,518	134,601,518
Local currency denominated deposits	-	10,040,562	11,153,347	-	-	21,193,909
Other receivables	-	542,846	147,463	-	-	690,309
	-	10,583,408	11,300,810	-	-	21,884,218
<i>Cash and cash equivalents</i>						
Foreign currency denominated deposits	1,159	-	-	-	-	1,159
Bank balances	8,849,840	-	-	-	-	8,849,840
	8,850,999	-	-	-	-	8,850,999
Total assets	Rs. 8,850,999	10,583,408	11,300,810	-	134,601,518	165,336,735
Liabilities						
Other payables	672,246	-	-	-	-	672,246
Dividend payable	-	7,842,870	-	-	-	7,842,870
Net assets attributable to unitholders	-	-	-	-	156,729,180	156,729,180
Total liabilities	Rs. 672,246	7,842,870	-	-	156,729,180	165,244,296
Total interest sensitivity gap	Rs. 8,178,753	2,740,538	11,300,810	-	(22,127,662)	92,439

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

19. FINANCIAL RISK MANAGEMENT (CONT'D)

19.1 Financial risk factors (cont'd)

(d) Liquidity risk (cont'd)

At 30 June 2016	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	On- Demand	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Assets						
<i>Held for trading</i>						
Mauritian quoted equities	-	-	-	-	54,507,926	54,507,926
Mauritian unquoted equities	-	-	-	-	151,631	151,631
Overseas quoted equities	-	-	-	-	69,368,156	69,368,156
	-	-	-	-	124,027,713	124,027,713
Local currency denominated deposits	4,000,000	-	16,208,332	-	-	20,208,332
Other receivables	176,318	400,837	279,937	-	-	857,092
	4,176,318	400,837	16,488,269	-	-	21,065,424
<i>Cash and cash equivalents</i>						
Foreign currency denominated deposits	1,203	-	-	-	-	1,203
Bank balances	7,438,144	-	-	-	-	7,438,144
	7,439,347	-	-	-	-	7,439,347
Total assets	Rs. 11,615,665	400,837	16,488,269	-	124,027,713	152,532,484
Liabilities						
Other payables	495,268	-	-	-	-	495,268
Dividend payable	-	5,802,869	-	-	-	5,802,869
Net assets attributable to unitholders	-	-	-	-	146,047,198	146,047,198
Total liabilities	Rs. 495,268	5,802,869	-	-	146,047,198	152,345,335
Total interest sensitivity gap	Rs. 11,120,397	(5,402,032)	16,488,269	-	(22,019,485)	187,149

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

19. FINANCIAL RISK MANAGEMENT (CONT'D)

19.1 Financial risk factors (cont'd)

(e) Credit and counterparty risk

Credit risk is the risk of financial loss to the Fund if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

Financial instruments which potentially expose the Fund to credit and counterparty risk consist principally of cash and cash equivalents and investments in equity securities. The Fund seeks to mitigate its exposure to credit and counterparty risk by placing its cash and transacting its securities with reputable financial institutions.

19.2 Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market price at the end of the reporting period. A market is regarded as active if quoted prices are readily available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions. The quoted market price used for financial assets held by the Fund is the last traded price. These instruments are included in level 1. Instruments included in level 1 comprise primarily quoted equity investments classified as held-for-trading.

Financial instruments that trade in markets that are not considered to be active but are valued based on observable inputs such as quoted market prices, dealer quotations or alternative pricing sources are classified within level 2. These include Mauritian unquoted equities. As level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

The fair value hierarchy of the Fund's financial assets (by class) measured at fair value is analysed as follows:

At 30 June 2017	Level 1	Level 2	Total
	Rs.	Rs.	Rs.
Assets			
Financial assets held-for-trading			
- Mauritian quoted equities	67,634,770	-	67,634,770
- Mauritian unquoted equities	-	151,631	151,631
- Overseas quoted equities	66,815,117	-	66,815,117
Rs.	<u>134,449,887</u>	<u>151,631</u>	<u>134,601,518</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

19. FINANCIAL RISK MANAGEMENT (CONT'D)

19.2 Fair value estimation (cont'd)

At 30 June 2016	Level 1	Level 2	Total
	Rs.	Rs.	Rs.
Assets			
Financial assets held-for-trading			
- Mauritian quoted equities	54,507,926	-	54,507,926
- Mauritian unquoted equities	-	151,631	151,631
- Overseas quoted equities	69,368,156	-	69,368,156
Rs.	<u>123,876,082</u>	<u>151,631</u>	<u>124,027,713</u>

Investments whose values are based on quoted market prices in active markets, and therefore classified within level 1, include Mauritian quoted equities and Overseas quoted equities. The Fund does not adjust the quoted price for these instruments.

During the year, the Fund has made no transfer between Level 1 and Level 2.



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