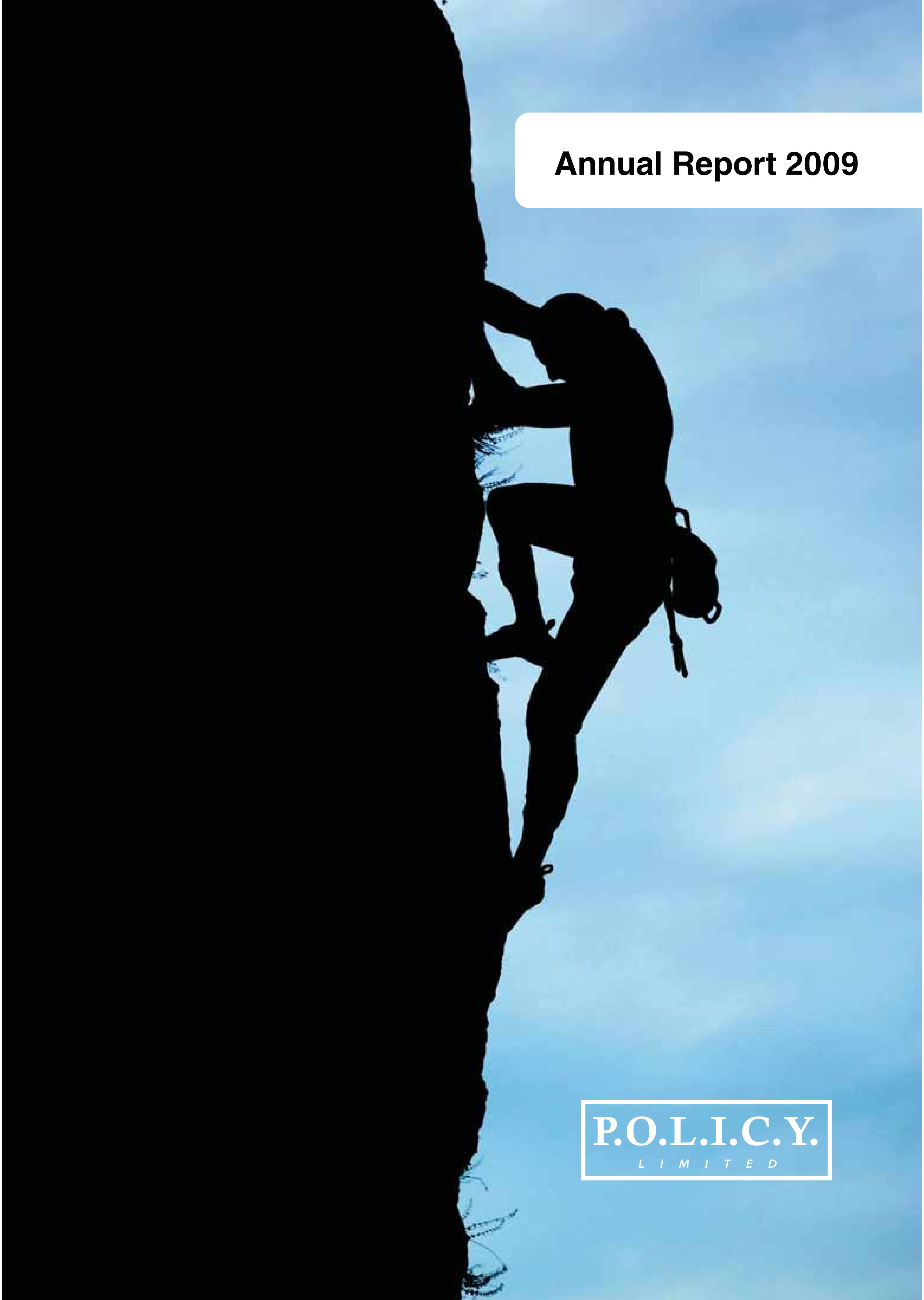
Annual Report 2009



P.O.L.I.C.Y.
LIMITED

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ANNUAL REPORT

Dear Shareholder,

The Board of Directors is pleased to present the Annual Report of P.O.L.I.C.Y. Limited for the year ended 31 December 2009. This report was approved by the Board on 04 March 2010.

On behalf of the Board of Directors, we invite you to join us at the Annual Meeting of the Shareholders which will be held as follows:

Date: Friday, 11 May 2010
Time: 10.00 a.m.
Place: The Sirius Conference Room
Labourdonnais Waterfront Hotel
Caudan Waterfront
Port Louis

We look forward to seeing you.

Sincerely,

Me. Georges A. Robert, O.B.E., S.A.
Chairperson

Mr. René Leclézio
Vice Chairperson

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

Notice is hereby given that the Annual Meeting of Shareholders of P.O.L.I.C.Y. Limited will be held at Labourdonnais Waterfront Hotel, Caudan Waterfront, Port Louis, on Tuesday, 11 May 2010 at 10.00 a.m. to transact the following business in the manner required for the passing of ORDINARY RESOLUTIONS:

AGENDA

1. To receive, approve and adopt the minutes of proceedings of the preceding Annual Meeting held on 15 May 2009.

2. To consider and adopt the financial statements, to receive the auditors' report and to consider the Annual Report for the year ended 31 December 2009.

3. To re-elect Me. Georges André Robert, O.B.E., S.A., in accordance with Section 138 (6) of the Companies Act 2001.

4. To re-elect Mr. René Leclézio, director retiring and who is eligible for re-election.

5. To re-elect Mr. Vincent Ah Chuen, director retiring and who is eligible for re-election.

6. To re-elect Mr. Pierre Yves Pougnet, director retiring and who is eligible for re-election.

7. To re-elect Mr. Pierre Arthur de Chasteigner du Mée, director retiring and who is eligible for re-election.

8. To re-elect Mr. Olivier Lagesse, director retiring and who is eligible for re-election.

9. To re-elect Mr. Bernard Mayer, director retiring and who is eligible for re-election.

10. To re-elect Mr. Richard Arlove, director retiring and who is eligible for re-election.

11. To note that BDO & Co; having indicated their willingness to continue in office, will be automatically re-appointed as auditors and to authorise the directors to fix their remuneration.

BY ORDER OF THE BOARD

SECRETARY
ABAX CORPORATE ADMINISTRATORS LTD
04 March 2010

A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of him and that proxy need not also be a member.

Proxy forms are available with the secretary at Abax Corporate Administrators Ltd, 6th Floor, Tower A, 1 CyberCity, Ebène.

Completed proxy forms should be delivered at Abax Corporate Administrators Ltd, 6th Floor, Tower A, 1 CyberCity, Ebène on Monday 10th May 2010 at 10.00 a.m. at latest.

COMPANY PROFILE & BOARD OF DIRECTORS

P.O.L.I.C.Y. Limited was incorporated as a public company on 15 June 1979. It is an investment company with a long-term investment strategy. It is listed on the Stock Exchange of Mauritius since 1992.

Milestones

2009	Cumulative total return since listing exceeds 2,500% during the year; reaches 2,608.24% at year end. Dividends worth just over Rs. 300 million paid to shareholders. Share price trades at a premium to net asset value of 21.7% at year end.
2008	Cumulative total return since listing exceeds 2,000% (in February)
2007	Shareholders' Funds pass the Rs. 1.5 billion mark. Cumulative total return since listing exceeds 1,000% during the year; reaches 1,686.05% at year end.
2006	Shareholders' Funds pass the Rs. 1 billion mark.
2004	Shareholders' Funds pass the Rs. 500 million mark. Cumulative total return since listing exceeds 500% during the year. Share Capital: Rs. 170.24 million.
2001	Share Capital: Crosses Rs. 100 million; Shareholders' Funds pass Rs. 300 million.
2000	Share Capital: Crosses Rs. 50 million; Shareholders' Funds attain Rs. 275 million.
1992	Listing on the Stock Exchange of Mauritius. Shareholders' Funds pass the Rs. 50 million mark.
1988	Share Capital: Rs. 1.5 million; Shareholders' Funds Rs. 2 million.
1979	P.O.L.I.C.Y. Limited was set-up in 1979. P.O.L.I.C.Y. means Property Ownership and Land Investment Company. Share Capital: Rs. 20,000

BOARD OF DIRECTORS

Chairperson
Me. Georges André Robert O.B.E., S.A.

Vice Chairperson
Mr. René Leclézio

Members
Mr. Pierre de Chasteigner du Mée
Mr. Vincent Ah Chuen
Mr. Pierre Yves Pougnet
Mr. Olivier Lagesse
Mr. Bernard Mayer
Mr. Richard Arlove
Mrs. Priscille Koenig – Alternate to Mr. Richard Arlove

Administrator and Company Secretary
Abax Corporate Administrators Ltd.
6th Floor, Tower A
1 CyberCity
Ebène

Fund Manager
IPRO Fund Management Ltd.
3rd Floor, Ebène Skies
Rue de L'Institut
Ebène

COMMITTEES OF THE BOARD & CORPORATE INFORMATION

COMMITTEES OF THE BOARD

Corporate Governance Committee and Remuneration Committee
Me. Georges André Robert O.B.E., S.A. (Chairperson)
Mr. René Leclézio
Mr. Olivier Lagesse

Audit & Risk Committee
Mr. Pierre de Chasteigner du Mée (Chairperson)
Mr. Vincent Ah Chuen
Mr. Olivier Lagesse

Investment Committee
Me. Georges André Robert O.B.E., S.A. (Chairperson)
Mr. René Leclézio
Mr. Bernard Mayer

CORPORATE INFORMATION

Registered Office (As from 26 March 2010)
c/o Abax Corporate Administrators Ltd.
6th Floor, Tower A
1 CyberCity
Ebène

(Previously)
c/o Abax Corporate Administrators Ltd.
Level 6, One Cathedral Square
Jules Koenig Street
Port Louis

Registrar (As from 26 March 2010)
Abax Corporate Administrators Ltd.
6th Floor, Tower A
1 CyberCity
Ebène

(Previously)
Abax Corporate Administrators Ltd.
Level 6, One Cathedral Square
Jules Koenig Street
Port Louis

Auditors
BDO & Co (BDO De Chazal Du Mée up to 31 December 2009).
10, Frère Félix de Valois Street
Port Louis

Bankers
The Mauritius Commercial Bank Ltd.
Barclays Bank Plc.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for the preparation of financial statements which give a true and fair view of the financial position, financial performance and cash flows of the Company and which comply with the Companies Act 2001 and the International Financial Reporting Standards.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether International Financial Reporting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The Board acknowledges its responsibility for ensuring the preparation of the financial statements in accordance with International Financial Reporting Standards and the responsibility of external auditors to report on these financial statements. The Board also acknowledges its responsibility for ensuring the maintenance of adequate accounting records and an effective system of internal controls and risk management.

Me. Georges A. Robert, O.B.E., S.A.
Chairperson

Mr. René Leclézio
Vice Chairperson

CHAIRPERSON'S REPORT

Dear Shareholder,

The downward trend in markets for 2008 continued into the first quarter of 2009. However, as investor confidence around the globe improved, international financial markets, including the Mauritian stock market, staged a powerful rebound. Over 2009, the SEMTRI and SEM-7 rose by 45.7% and 35.0% respectively. In this highly volatile environment, the Directors took some measures aimed at allowing shareholders to immediately benefit from the changes made to the portfolio, stemming from the sale of the shares of the General Construction Co. Group (GCC) last year.

On 31st December 2008, primarily as a result of the sale of the GCC shares, P.O.L.I.C.Y. Limited (the Company) held Rs. 204.7 million in net current assets. The Board of Directors resolved to increase the dividend per share from Re. 0.60 in 2008 to Re. 0.70 in 2009 and total cash distributions for the year under review amounted to Rs. 119.1 million, leaving Rs. 85.6 million of cash for investment activity.

On 15th May 2009, the Board of Directors declared a dividend in specie of 1,702,400 shares of The Mauritius Commercial Bank Ltd. (MCB), on the basis of one share of MCB for every 100 shares in the Company. At the time of declaration, the share price of MCB stood at Rs. 107; hence valuing the distribution in specie at Rs. 182.1 million. Shareholders of P.O.L.I.C.Y. Limited, who kept their shares in MCB through to 31st December 2009 have also received two dividends declared by MCB in 2009, representing a total of Rs. 5.25 per share of MCB. As at 31st December 2009, the share price of MCB stood at Rs.140.00. Taking this into account, the Re. 0.70 cash dividends paid and the evolution of the Company's share price over the year, the total return for P.O.L.I.C.Y. Limited shareholders over 2009 was 63.6%.

The distribution of MCB shares also served to reduce the weighting of the portfolio held in MCB to below 50% and to increase the allocation to State Bank of Mauritius Ltd. (SBM) without adding to the Company's exposure to the Banks & Insurance sector overall. SBM is now the 3rd largest portfolio holding of the Company. P.O.L.I.C.Y. Limited was also one of the very few buyers of shares of MCB at the three-year-low price of Rs. 82 at the end of February 2009. The Company also took advantage of the low market prices, especially until the end of May 2009, to take positions in other stocks.

2010 will be a challenging year for the Mauritian stock market and for P.O.L.I.C.Y. Limited. Cash has now been reduced to its historical weighting. It is important to note that, as at 31st December 2009, Group Retained Earnings stood at Rs. 343.9 million.

Despite the very difficult markets of 2008 and early 2009, the total return for P.O.L.I.C.Y. Limited shareholders over the past two years was 48.0%. In the context of the above, I wish to thank my fellow Directors and members of the Investment Committee as well as the Fund Manager for their valuable contributions towards achieving that result; one that should be very pleasing to shareholders.

Yours sincerely,

Me. Georges A. Robert, O.B.E., S.A.
(Chairperson)

CORPORATE GOVERNANCE REPORT

Annual Report 2009 - P.O.L.I.C.Y. LIMITED


M E R

STATEMENT OF COMPLIANCE

The Report on Corporate Governance for Mauritius, published in 2003 and revisited in July 2004, provides that companies listed on the official list of the Stock Exchange of Mauritius, amongst others, shall comply with the provisions of the Code of Corporate Governance. The Company has not adopted a Code of Ethics, as such but the Board bases itself on the Code of Corporate Governance as guideline.

The Board of Directors of the Company (The “Board”) considers that the Group is in compliance with the provisions set out in the Code of Corporate Governance for the reporting year ended 31 December 2009.

The Board recognises corporate governance as a matter of priority beyond the mere steps taken for legal compliance, and regulatory and listing requirements. The Board considers that good corporate governance can contribute in terms of growth, financial stability and performance.

The Company being an investment holding entity does not have any employees. It has two main service providers; IPRO Fund Management Ltd. (Fund Manager) and Abax Corporate Administrators Ltd. (Administrator and Corporate Secretary). Mr. Richard Arlove, CEO and director of Abax sits on the Board of that Company and hence qualifies as an Executive Director. The Company is thus comprised of 8 directors, amongst whom seven are Independent Non-Executive Directors and one is an Executive Director. The Board ensures that the directors disclose their interests at each Board meeting.

The directors continuously review the implications of corporate governance best practices to ensure strategic guidance of the Group, by formulating appropriate risk policies, corporate strategies, plans of action and performance objectives.

In accordance with the provisions of the Code, all directors will stand for re-election at the next Annual Meeting of Shareholders.

HOLDING STRUCTURE AND COMMON DIRECTORS

The Company holds 100% of the issued shares of UNION AND P.O.L.I.C.Y. INVESTMENT CO. LTD.

P.O.L.I.C.Y. LIMITED

↓ 100%

UNION AND P.O.L.I.C.Y. INVESTMENT CO. LTD.

The directors of UNION AND P.O.L.I.C.Y. INVESTMENT CO. LTD. are as follows:

Me. Georges André Robert O.B.E., SA (Chairperson)
Mr. René Leclézio (Vice – Chairperson)
Mr. Vincent Ah-Chuen
Mr. Pierre de Chasteigner Du Mée
Mr. Pierre Yves Pougnet
Mr. Olivier Lagesse
Mr. Bernard Mayer

BOARD OF DIRECTORS AND ATTENDANCE AT MEETINGS HELD IN 2009

In 2009, the Board met four times. During that year, the Board, amongst other matters, approved the final accounts for the year ended 31 December 2008, the interim condensed financial statements for the quarters ended 31 March, 30 June and 30 September 2009, the payment of an interim and of a final dividend, as well as of a dividend in specie.

The overall attendance record at Board and Committee meetings is set out in the table below:

DIRECTORS	Category	Board meeting (4)	Audit and Risk Committee (4)	Corporate Governance Committee (1)	Investment Committee (2)	Remuneration Committee (1)
Me. Georges André Robert O.B.E., S.A. (Chairperson)	a	4 out of 4		1 out of 1	4 out of 4	1 out of 1
Mr. René Leclézio (Vice Chairperson)	a	4 out of 4		0 out of 1	4 out of 4	0 out of 1
Mr. Vincent Ah Chuen	a	3 out of 4	4 out of 4			
Mr. Pierre Arthur de Chasteigner du Mée (Chairperson – Audit & Risk Committee)	a	4 out of 4	4 out of 4			
Mr. Pierre Yves Pougnet	a	4 out of 4				
Mr. Olivier Lagesse	a	4 out of 4	3 out of 4	1 out of 1		1 out of 1
Mr. Bernard Mayer	a	4 out of 4			3 out of 4	
Mr. Richard Arlove	b	3 out of 4				
Mrs. Priscille Koenig (Alternate to Mr. Richard Arlove)	b	1 out of 1				

Category
a : Independent Non-Executive
b : Executive

DIRECTORS' PROFILES

(i) Me. Georges André Robert, O.B.E., S.A.

Georges André Robert, 70, holder of an honours degree in Jurisprudence from Oxford University, is a qualified attorney at law since 1966 and has in July 2008 retired from his attorney practice. He has been involved in civil and commercial cases, accordingly advising sugar estates, banks, insurance companies, trading companies and offshore companies. In 1995, he was appointed Senior Attorney and in 2004 an honorary O.B.E. was bestowed upon him. In 2005, the University of Mauritius conferred an Honorary Fellowship in Law upon Me. Robert.

(ii) Mr. René Leclézio

René Leclézio, 53, holder of an MBA from London Business School, is the Chief Executive Officer of Promotion and Development Ltd since 1988. Mr. Leclézio serves on the Board of a number of public and private companies which are involved in different sectors of the economy spanning investment, leisure, manufacturing, logistics, tourism, sugar and commerce.

(iii) Mr. Vincent Ah Chuen

Vincent Ah Chuen, 65, is the Managing Director of ABC Group of Companies. In addition to being a Director on the Board of Mauritius Union Assurance Company Limited, Mr. Ah Chuen is also a member of the Board of Les Moulins de la Concorde Ltée. He is also involved in various social activities.

(iv) Mr. Pierre de Chasteigner du Mée

Pierre de Chasteigner du Mée, A.C.E.A., 57, is the Estate General Manager of Constance La Gaieté Company Limited, since January 1993. He is an active stockbroker on the Stock Exchange of Mauritius, a licensed Company Secretary and a member of the Chartered Management Institute (England). Mr. du Mée is also a director of the Mauritius Union Assurance Company Limited, and of Investec Bank (Mauritius) Ltd, a member of The National Pension Fund Board, National Savings Fund Technical Committee & National Pension Fund/National Savings Fund Investment Committee and was previously Group Financial Controller of Constance Group of Companies and executive director of Constance Hotels Services Ltd.

(v) Mr. Olivier Lagesse

Olivier Lagesse, 52, was involved in the Insurance Industry for some 30 years. He was the Chief Executive of a General Insurance Company during 20 years and was President of The Insurers' Association for 4 years when he represented the Association on the Joint Economic Council (JEC) and at The Mauritius Employers' Federation (MEF). He now serves on the Board of a number of Companies operating in the Financial Services Sector.

(vi) Mr. Pierre Yves Pougnet

Pierre Yves Pougnet, 67, an accountant by profession, is the Executive Vice-President of Food and Allied group of Companies. He was appointed to the Board of P.O.L.I.C.Y. Limited in 1981. Mr. Pougnet also sits on the board of Livestock Feed Ltd, Tropical Paradise Ltd, Mauritius Union Assurance Co. Ltd and Food & Allied Industries Ltd. Mr. Pougnet is also the Chairman of Les Moulins de la Concorde Ltée.

(vii) Mr. Bernard Mayer

Bernard Mayer, 57, qualified as a Certified Accountant in 1980. Former partner of PricewaterhouseCoopers Mauritius for some 20 years, Mr. Mayer became a Director of P.O.L.I.C.Y. Limited in March 2006.

(viii) Mr. Richard Arlove

Richard Arlove, 46, is the Chief Executive Officer of Abax Corporate Services Ltd, a Management Company in the Global Services sector. He is a Fellow member of the Association of Chartered Certified Accountants since 1992. Mr. Arlove worked in the Audit and Business Advisory Services department of Price Waterhouse in the UK and in Mauritius and left as a manager. He has also occupied the post of General Manager in the Happy World Group and in a pay TV company.

(ix) Mrs. Priscille Koenig

Priscille Koenig, ACIS, 50, headed the offshore and company secretarial department of PricewaterhouseCoopers Mauritius for 20 years, and is currently Senior Executive at Abax Corporate Services Ltd and a director at Abax Corporate Services Ltd. She acts as company secretary of several companies listed on the Stock Exchange of Mauritius and as director on a number of Global Business companies.

The directorships of the directors of P.O.L.I.C.Y. Limited in other listed companies as at 31 December 2009 are as follows:

Directors	Listed Companies
Me. Georges Robert O.B.E., S.A. (Chairperson)	The Mauritius Union Assurance Co. Ltd., Robert Le Maire Ltd., IPRO Growth Fund Ltd.
Mr. René Leclézio (Vice Chairperson)	ALMA Investments Co. Ltd, Black River Investments Co. Ltd., Caudan Development Limited, Mauritius Freeport Development Co. Ltd., Medine Limited, Promotion and Development Limited, Tropical Paradise Co Ltd.
Mr. Vincent Ah Chuen	The Mauritius Union Assurance Co. Ltd, Les Moulins de la Concorde Ltée., ABC Motors Co Ltd.
Mr. Pierre de Chasteigner du Mée	The Mauritius Union Assurance Co. Ltd.
Mr. Pierre Yves Pougnet	The Mauritius Union Assurance Co. Ltd.,Les Moulin de la Concorde Ltée., Livestock Feed Ltd, Tropical Paradise Co. Ltd.
Mr. Olivier Lagesse	IPRO Growth Fund Ltd.
Mr. Bernard Mayer	None
Mr. Richard Arlove	None
Mrs. Priscille Koenig (Alternate to Richard Arlove)	None

BOARD COMMITTEES

The Board has delegated specific responsibilities to three Committees.

The Audit and Risk Committee, the Corporate Governance Committee and the Investment Committee, which operate within clearly defined terms of reference, report regularly to the Board and recommend specific matters to the Board for approval.

AUDIT AND RISK COMMITTEE

The Audit and Risk Committee supports the Board in fulfilling its responsibilities in ensuring the integrity of the Company's financial management and reporting.

The Current Audit and Risk Committee is composed of the following members:-

- Mr. Pierre de Chasteigner Du Mée – Chairperson
- Mr. Vincent Ah-Chuen
- Mr. Olivier Lagesse

The Audit & Risk Committee met four times in 2009. During the year 2009, the Committee reviewed mainly the management contracts of the service providers, the amended Terms of Reference of the Investment Committee, the final accounts for the year ended 31 December 2008, the interim condensed financial statements for the quarters ended 31 March, 30 June and 30 September 2009, the remuneration package for the auditors, and the audit planning in relation to reporting requirements.

The activities and functions of the Audit and Risk Committee include the following:

(a) Financial Reporting

- Ascertain the integrity of the annual audited financial statements by reviewing significant financial reporting issues and judgements which they contain;
- Review the financial statements where necessary;
- Review the significant assumptions, estimates and judgements used in the preparation of the financial statements;
- Ensure whether the Company has followed appropriate accounting standards taking into account the view of the external auditor;
- Ensure the maximum transparency in the financial statements; and
- Ensure the effectiveness of the Company's internal audit function and the appointment, compensation and replacement of the company's internal auditor.

(b) External Audit

- Review and assess the external audit plans;
- Review and monitor management's responsiveness to the findings and recommendations of the external auditors;
- Review and monitor the effectiveness of the external audit function;
- Consider the risk areas of the Company's operations to be covered in the scope of the external audits;
- Consider and make recommendations to the Board, on the appointment and reappointment of the Company's external auditors;
- Approve the level of remuneration of the auditors and the terms of their engagement; and
- Assess annually the independence and objectivity of the auditors.

(c) Internal Audit

The ultimate responsibility of the internal audit function lies with the directors of the Company. As the Company does not have any employee, all the functions which would have been performed by its employees are delegated to its service providers. The directors have ensured that the service providers have adequate internal audit procedure in place.

The terms of Reference of the Audit Committee consist mainly of the following:

- The functioning of the internal control system;
- The risk areas of the company's operations and of its service providers;
- The reliability and accuracy of the financial information provided by management to the board and other users of financial information;

- Whether the company should continue to use the services of the current external auditors;
- Any accounting or auditing concerns identified as a result of the external audit;
- The company's compliance with legal and regulatory requirements with regard to financial matters;
- The scope and results of the external audit and its cost effectiveness, as well as the independence and objectivity of the external auditors;
- The nature and extent of non-audit services provided by the external auditors, where applicable; and
- The financial information to be published by the board.

Shareholders, on request, should be able to obtain a copy of the current terms of reference of the Audit Committee at the registered office of the company.

CORPORATE GOVERNANCE COMMITTEE

The functions and mandate of the Corporate Governance Committee are to assist the Board in fulfilling its responsibilities to ensure that the Company complies with the prevailing corporate governance principles.

The Current Corporate Governance Committee is composed of the following members:

- Me. Georges André Robert – Chairperson
- Mr. René Leclézio
- Mr. Olivier Lagesse

The Corporate Governance Committee, which also acts as Remuneration Committee is devoted to the continuing review and articulation of the governance structure of the Board. The Corporate Governance Committee met in February 2009 to review the Corporate Governance Report for the year 2008 before due recommendation to the Board. It also met as Remuneration Committee in February 2009 to consider any change in the directors' fees as well as the fees of the members of the various committees.
The Terms of Reference of the Corporate Governance Committee consist mainly of the following:

- Review the composition of the Board as a whole and recommend, if necessary, measures to be taken so that the Board reflects the appropriate balance of professional experience, diversity of backgrounds, skills and perspectives;

- Review the governance structure of the Board and recommend changes when necessary in order to reflect sound governance practices;

- Make recommendations in relation to the composition, functions and duties of the Board Committees;

- Ensure that the Annual Report complies with the disclosure provisions of the Code of Corporate Governance;

- Make regular reports to the Board and maintain minutes of its meetings and records relating to the meetings. The minutes of the meetings are circulated to all members of the Committee and are made available on request to all members of the Board; and

- Approve contracts with external service providers.

INVESTMENT COMMITTEE

The main purpose of the Investment Committee is to ensure that the Company's investment plan delivers decent performance against benchmarks. The Committee participates in the diligent implementation of the Company's Investment Plan and has a major role in overseeing investment selection decisions.

The Current Investment Committee is composed of the following members:

- Me. Georges André Robert – Chairperson
- Mr. René Leclézio
- Mr. Bernard Mayer

INVESTMENT COMMITTEE (CONT'D)

The Fund Manager also attends the Committee meetings. The Committee has met twice during the year 2009, where the Committee mainly reviewed the Company's portfolio, investment strategy, investment plan and the methods of evaluation for its investments; it also recommended, for Board ratification, the purchases and disposals of various securities.

The Terms of Reference of the Investment Committee consist mainly of the following:

- Review and approve periodically the investment policies and overall strategies of the Company. In doing so, the following should be considered:

a. General economic and environmental trends and predictions;
b. Sector and country specific performance and forecasts; and
c. Changes or alterations to current legislation having an effect on investments.

- Determine an appropriate investment strategy, including asset mix;
- Set asset portfolio performance targets;
- Set performance targets for the investment manager;
- Review, decide and approve investment choices based on advice provided by the investment manager as and when necessary. In doing so, the committee should perform the following:

a. Verify that all necessary steps and controls have been performed prior to investment proposal being formulated by the investment manager;
b. Verify adherence to investment policy;
c. Discuss and consider relevant issues (returns, volatility and absolute risk) to decide whether to invest or not in specific assets;
d. Consider whether adding specific assets in the portfolio will reduce risk and volatility due to possible diversification effect resulting from a lower correlation with other assets; and
e. Decide whether any excess expected return over and above average returns justifies investing in the specific asset given the potential increased level of risks involved.

- Monitor the performance of the asset portfolio and the investment manager against the agreed benchmarks and targets, seeking all necessary explanations to perform appropriate analysis;
- Review and report to the Board of Directors all matters relating to the administration, supervision and management of the plan;
- Review the diligent implementation by management of the repurchase of Company securities under any repurchase program set down by the Board of Directors;
- Oversee the risk management activities of the Treasury function with respect to the Company's existing investments;
- Have full access to the Company's executives as necessary to carry out these responsibilities; and
- Perform any other activities or responsibilities from time to time assigned to such Committee by action of the Board which are consistent with this Charter, the Company's Bylaws and governing law as the Committee or the Board of Directors deems necessary or appropriate.

RISK MANAGEMENT

The Company, being an investment company and having no employees, does not have any physical, human resources or technology risk exposures. Compliance is taken care of by Abax Corporate Administrators Ltd pursuant to a Service Agreement between the Company and Abax Corporate Administrators Ltd.

However as an investment company, the Company faces a number of risks which have to be effectively managed so as to protect its long term sustainability and its strength and to safeguard its assets and the interests of the stakeholders.

MARKET RISK

The financial markets are influenced by numerous unpredictable factors including economic conditions, monetary and fiscal policies, natural disaster and investor sentiment. The Group may incur losses as a result of increased market volatility as these fluctuations may adversely impact the valuation of its trading and investment positions. The management of market risk is part of the fund management process and is typical of equity investment. The portfolio is managed with an awareness of the effects of adverse price movements through detailed and continued analysis with the objective of maximising overall return to shareholders.

INTEREST RATE RISK

Changes in the level of interest rates have an inverse impact on the return of equities, that is, equity prices are generally expected to decrease in an environment of increasing interest rates.

LIQUIDITY RISK

Liquidity risk is the risk associated with the particular market in which a security trades. An investment that cannot be bought or sold quickly and without significant price concession is considered illiquid.

COUNTRY RISK

Country risk is an important risk for investors today. With more investors investing globally, the political and economic stability and viability of a country's economy is gaining increased importance in the risk management process. In the case of the Company, the main country risk is that of the Republic of Mauritius and the economic outlook of Mauritius is regularly reviewed at Investment Committee Meetings.

DIRECTORS' EMOLUMENTS

Total emoluments and other benefits paid by the Company to the Directors in 2009 amounted to Rs 564,000 (Rs 564,000 for 2008). The 2009 payments were made as follows:

	Amount (Rs)
Me. Georges André Robert	111,000
Mr. René Leclézio	74,000
Mr. Vincent Ah-Chuen	65,000
Mr. Pierre Yves Pougnet	50,000
Mr. Pierre Arthur de Chasteigner du Mee	75,000
Mr. Olivier Lagesse	77,000
Mr. Bernard Mayer	62,000
Mr. Richard Arlove	50,000
Mrs. Priscille Koenig (Alternate to Mr. Richard Arlove)	N/A

REMUNERATION OF BOARD AND COMMITTEE MEMBERS

The annual fees were agreed upon in November 2007, and have not changed since then:

(a) Board Meeting
- Chairperson – Rs 75,000
- Director – Rs 50,000

(b) Audit Committee
- Chairperson – Rs 25,000
- Committee member – Rs 15,000

(c) Investment Committee
- Chairperson – Rs 18,000
- Committee member – Rs 12,000

(d) Corporate Governance Committee
- Chairperson – Rs 18,000
- Committee member – Rs 12,000

CORPORATE GOVERNANCE REPORT

STATEMENT OF REMUNERATION POLICY

All remuneration policy is reviewed and decided by the Remuneration Committee.

DIRECTORS DEALING IN COMPANY'S SHARES

With regards to directors dealing in the shares of their own company, the directors confirm that they have followed the absolute prohibition principles as detailed in Appendix 6 of the Mauritius Stock Exchange Listing Rules.

The directors traded in the company's shares in 2009, as follows:

Name of Director	**No. of shares - During 2009**	
	Bought	**Sold**
Me. Georges André Robert, O.B.E., S.A (Chairperson)	-	-
Mr. René Leclézio (Vice Chairperson)	-	-
Mr. Vincent Ah Chuen	-	-
Mr. Pierre Arthur de Chasteigner du Mée	44,300 (Indirect)	-
Mr. Pierre Yves Pougnet	4,999 (Direct)	-
Mr. Olivier Lagesse	500,000 (Direct)	-
Mr. Bernard Mayer	220,000 (Indirect)	-
Mr. Richard Arlove	-	-
Mrs. Priscille Koenig (Alternate to Mr. Richard Arlove)	-	-

DIRECTORS' SHARE INTEREST

The Directors' direct and indirect interests in the shares of the Company in 2009 are as follows:

Name of Director	**No. of shares – 31 December 2009**	
	Direct	**Indirect**
Me. Georges André Robert, O.B.E., S.A (Chairperson)	1,799,833	297,170
Mr. René Leclézio (Vice Chairperson)	-	-
Mr. Vincent Ah Chuen	1,989,219	1,600
Mr. Pierre Arthur de Chasteigner du Mée	-	315,800
Mr. Pierre Yves Pougnet	872,308	-
Mr. Olivier Lagesse	6,536,363	160,000
Mr. Bernard Mayer	1,311,631	25,336,914
Mr. Richard Arlove	126,178	-
Mrs. Priscille Koenig (Alternate to Mr. Richard Arlove)	40,000	-
Beneficial interest only; no non-beneficial interest		

SHAREHOLDERS' AGREEMENTS

As far as the Board is aware, there was no such Agreement in place during 2009.

THIRD PARTY MANAGEMENT CONTRACTS

IPRO Fund Management Ltd, being the Company's Fund Manager, and Abax Corporate Administrators Ltd., being the Company's Administrator and Secretary respectively, had third party management contracts with the Company during the year under review.

MATERIAL CLAUSES

Clause 20.8 of the Constitution of the Company was amended in May 2009 to allow the directors more flexibility and enable them to declare dividends without having to seek the approval of the shareholders at each dividend declaration.

RELATED PARTY TRANSACTIONS

During the year under review, Mr. Richard Arlove, Mr. Bernard Mayer and Mrs. Priscille Koenig, being also directors of the service providers are deemed to have had related party transactions with the Company.

DATA ANALYSIS ON SHAREHOLDINGS AS AT 31DECEMBER 2009

Size of Shareholding	**Number of Shareholders**	**Number of shares owned**	**Percentage Shareholding**
1 - 5,000 shares	1,069	1,441,018	0.846
5,001 - 10,000 shares	235	1,764,103	1.036
10,001 - 50,000 shares	435	10,036,578	5.896
50,001 - 100,000 shares	108	7,709,449	4.529
100,001 - 250,000 shares	92	13,654,253	8.021
250,001 - 500,000 shares	52	17,821,866	10.469
500,001 - 15,000,000 shares	50	117,812,737	69.204
Total	2,041	170,240,004	100.000

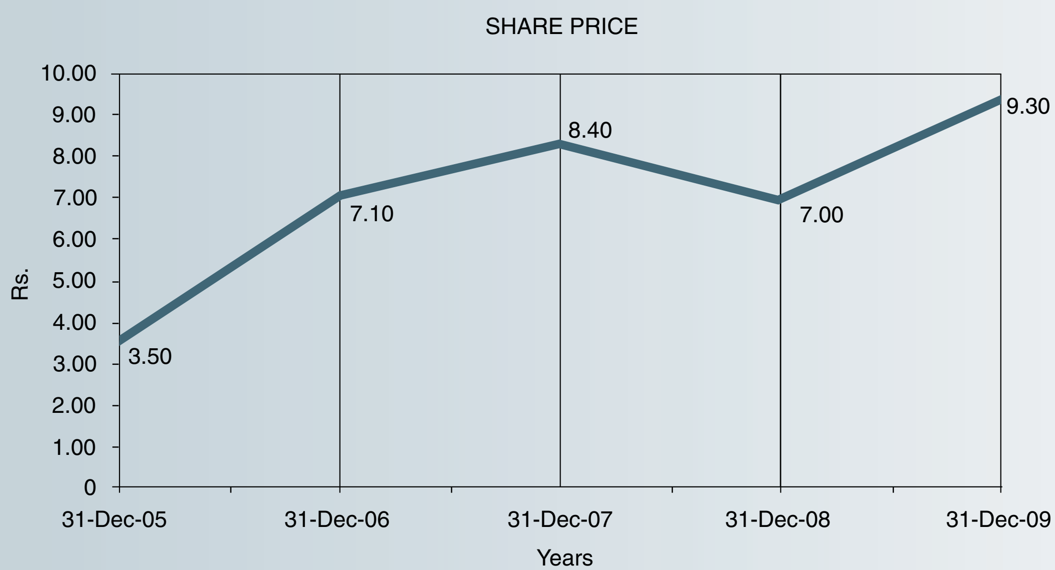
Shareholder Category	**Number of Shareholders**	**Number of shares owned**	**Percentage Shareholding**
Individuals	1,904	127,344,756	74.803
Insurance & Assurance Cos	4	169,924	0.100
Pension & Providence Funds	14	6,816,715	4.004
Investment & Trust Cos	15	2,155,467	1.266
Other Corporate Bodies	104	33,753,142	19.827
Total	2,041	170,240,004	100.000

SUBSTANTIAL SHAREHOLDERS

Shareholders holding at least 5% of the Company's shares as at 31 December 2009 were as follows:

- Société Roger de Chazal – 8.03%
- Mr. Chien Si Pui – 5.98%

SHARE PRICE INFORMATION



Year	**12/31/2005**	**12/31/2006**	**12/31/2007**	**12/31/2008**	**12/31/2009**
Share price (Rs.)	3.50	7.10	8.40	7.00	9.30

AUDITORS' FEES

	THE GROUP		**THE COMPANY**	
	2009	2008	**2009**	2008
	Rs'000	Rs'000	**Rs'000**	Rs'000
Audit fees paid to:				
- BDO & Co	**230**	258	**184**	184
(BDO DCDM up to 31 Dec 09)				
Fees paid for other services provided by:				
- BDO & Co	**152**	286	**125**	189
(BDO DCDM up to 31 Dec 09)				
Total	**382**	613	**309**	442

DIVIDEND POLICY

The Company aims at a regular dividend return to shareholders, subject to the solvency test being satisfied under S 61(2) of the Companies Act 2001. Consideration is also given to the Company's funding requirements in determining the level of dividends.

DIVIDENDS

	2009		2008	
	Per share	**Dividends**	**Per share**	**Dividends**
	Rs	Rs	**Rs**	Rs
Dividend in specie	1.07	182,156,800	-	-
Interim (May)	0.20	34,048,000	0.15	25,536,000
Final (November)	0.50	85,120,002	0.45	76,608,001
TOTAL	**0.70**	**301,324,802**	**0.60**	**102,144,001**

SHARE OPTION PLAN

P.O.L.I.C.Y. Limited does not have any employee share option plan.

SOCIAL ETHICS

Though the Company does not have any employee, it has a caring policy vis-à-vis the society whereby it contributes to charitable and educational actions.

DONATIONS

Charitable Donations made by the Company during the year to 3 recipients amounted to Rs 646,824, out of which Rs 616,824 under Corporate Social Responsibility. (2008: Rs 110,000)

IMPORTANT EVENTS

The Calendar for the year ending 31 December 2010 is as follows:

	EVENTS	DATES
1	Quarterly Board meetings to approve Annual and quarterly accounts	March, May, August and November
2	Declaration of dividend	May and November
3	Annual Meeting	May

MANAGER'S REPORT

Annual Report 2009 - P.O.L.I.C.Y. LIMITED


Recession
2 - 22
Recovery
20 - 23

MANAGER'S REPORT

Local Market Performance

The freefall in global financial markets witnessed in 2008 continued into the first quarter of 2009. Our local stock market also succumbed to further selling pressure; the SEMTRI shedding 22.0% from its year-end value to its 2009 nadir on March 3, 2009. The blue-chip SEM-7 Index fared worse; falling 26.5% as investors sought to reduce their positions and raise cash by offloading the more liquid counters. However, in the first week of March, investor risk appetite began to return and opportunistic bargain hunting set in as investors on our bourse took comfort in resurging confidence around the world over measures by central banks and governments to unfreeze credit markets and eventually spur growth. As a consequence, local stock prices rallied strongly over the next eight months; the SEMTRI powering up 94.5% from the March low stated above to reach a 2009 high on October 19 of 4,903.50; just 11.3% shy of its February 2008 all-time-high of 5,526.96. The SEM-7 did better still, leaping 100.81% over the same period. From those October highs, over the last 1 ½ months of the calendar year, some weakness set in (the broader SEMTRI gave up 3.9% while the SEM-7 shed 8.5%) but these indices nevertheless closed 2009 with gains of 45.7% and 35.0% respectively.

Performance (Total Return)

For calendar year 2009, based on P.O.L.I.C.Y. Limited's (POLICY's) share price at December 31, 2009 of Rs. 9.30 and Rs. 7.00 one year earlier, performance stood at 32.9% (net [1] of dividends paid to shareholders during the course of the year). However, adjusting for (adding back) the Re. 0.70 in cash dividends per share paid during the year and factoring in one-hundredth of the market price of a share of The Mauritius Commercial Bank Ltd. (MCB) at December 31, 2009 (Rs. 140) and one-hundredth of the dividends paid by MCB in 2009 (Rs. 5.25), the total return to shareholders was 63.6%; markedly better than the returns of the SEMTRI and SEM-7 in 2009.

Total Return for POLICY from March 3, 2009 to October 19, 2009.
(SEM Indices 2009 Trough / Peak)

The total return to POLICY shareholders over the above period stood at 178.4%, based on:

i) POLICY's closing share prices on the above dates;
ii) POLICY's Re. 0.20 cash dividend declared in May 2009;
iii) The dividend in specie of one MCB share for every 100 POLICY shares declared in May 2009 (and an MCB share price of Rs. 150 at October 19, 2009);
iv) MCB's final dividend of Rs. 3.00 paid in July 2009.

Performance (NAV)

As at December 31, 2009, POLICY's net asset value (NAV) per share stood at Rs.7.64, compared to Rs.7.56 as at December 31, 2008, representing an increase of 1.1%. Adjusted for the Re. 0.70 cash dividends per share and the dividend in specie of one MCB share for every 100 POLICY shares paid during the year (but based on MCB's share price of Rs. 107 on the date of declaration of May 15, 2009), NAV performance over the year stood at 24.5%.

Total Portfolio

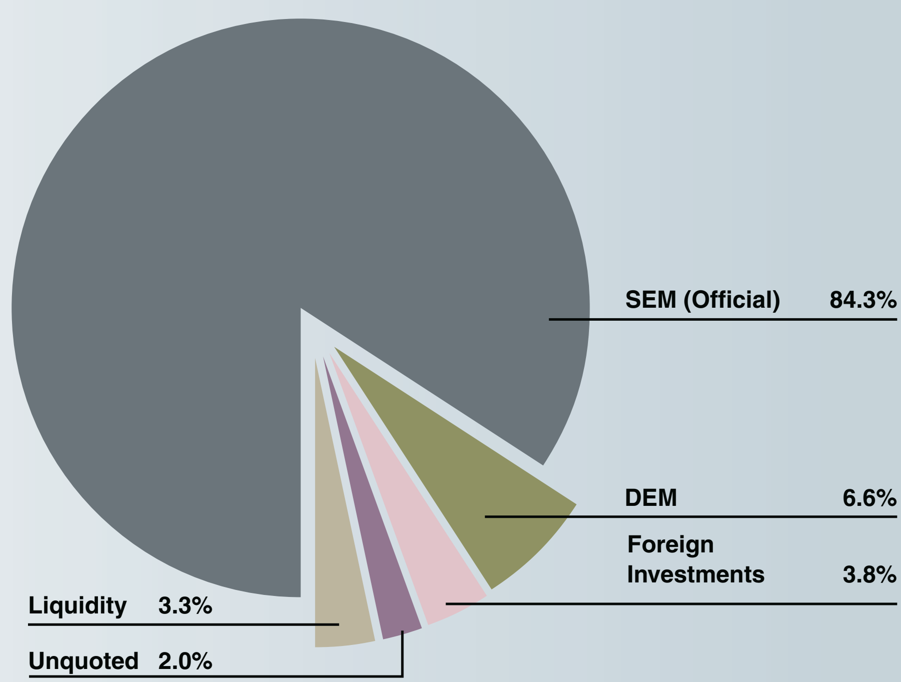
At year-end, the local portfolio represented 96.2% of the Company's net assets. The local portfolio was largely invested in stock counters listed on the Official Market of the Stock Exchange of Mauritius (84.3% of net assets) with the remainder comprised of investments in DEM and unquoted shares (6.6% and 2.0% respectively) and liquidity (3.3%). The foreign portfolio, representing 3.8% of net assets, was comprised of foreign equity and property mutual funds.

[1] *i.e. based on ex-dividend market prices.*

Net Asset Mix as at December 31, 2009

	Rs.(Million)	% of Total
Non-current assets		
LISTED		
SEM	1,097.1	84.3%
DEM	85.4	6.6%
	1,182.5	90.9%
UNQUOTED		
Investment in Subsidiary Company	16.8	1.3%
Other Unquoted	8.7	0.7%
	25.5	2.0%
FOREIGN		
Mutual Funds	49.0	3.8%
Current assets		
Other net current assets	44.3	3.3%
Total	**1,301.3**	**100.0%**

Portfolio composition as at December 31, 2009



Sector Allocation

At December 31, 2009, despite significant purchases of State Bank of Mauritius Ltd. (SBM) during the year, the Company's exposure to the Banks & Insurance sector stood at 50.7%; down from 54.1% one year earlier. This is due to the fact that, during the year, the Company distributed 1,702,400 shares of MCB in specie, representing a total value of Rs. 182 million, based on the market price of MCB of Rs. 107 per share on the date of declaration of May 15, 2009. POLICY's weighing in MCB, which stood at 52.9% last year, was thereby reduced to 43.5% of net assets. In contrast, SBM, which did not figure in the top five holdings at the end of last year, was the third largest holding at December 31, 2009; representing 5.3% of net assets. At year end, POLICY remained overweight in the Banks & Insurance sector (relative to the Semdex weighting of 42.4%).

POLICY's exposure to the Hotel and Leisure sector stood at 24.0% at year end, compared to only 14.1% at December 31, 2008; the increase due to a combination of organic growth (in hotel stock share prices) and selective purchases. New Mauritius Hotels Ltd., the Company's second largest holding, represented 21.0% of net assets; up from 12.6% at previous year-end. At year end, POLICY was a tad over 2% overweight in the Hotel and Leisure sector (cf. 2% underweight one year earlier).

Sector allocation as at December 31, 2009

BANKS & INSURANCE	50.7%
LEISURE & HOTELS	24.0%
INVESTMENTS	7.3%
FOREIGN INVESTMENTS	3.8%
INDUSTRY	4.5%
SUGAR	1.7%
COMMERCE	2.3%
OTHERS	2.3%
LIQUIDITY	3.4%
Total	**100.0%**

Statistics: Company vs. Local Market

		2004	2005	2006	2007	2008	2009	SIMPLE AVERAGE
P.O.L.I.C.Y. LIMITED	Share Price [1]	26.7%	-0.8%	114.3%	25.4%	-9.5%	63.6%	36.6%
	Net Asset Value [1]	28.7%	29.2%	48.4%	55.7%	-24.8%	24.5%	27.0%
	Dividend (Re.)	0.18	0.17	0.40	0.50	0.60	1.77	60.3%
	Dividend Yield [2]	4.9%	4.9%	5.6%	6.0%	8.6%	19.0%	8.2%
	Portfolio Turnover Ratio [3]	13.1%	8.3%	12.0%	6.4%	31.4%	32.7%	17.3%
	Share Turnover Ratio	5.5%	8.5%	7.4%	3.9%	11.5%	6.2%	7.2%
Local Market	SEMTRI	35.6%	20.5%	56.8%	59.1%	-33.6%	45.7%	30.7%
	SEM-7	25.4%	17.2%	50.7%	80.6%	-44.0%	35.0%	27.5%
	Dividend Yield [4]	4.9%	4.6%	3.7%	2.8%	5.1%	3.5%	4.1%
	Market Turnover Ratio [5]	4.2%	5.7%	5.1%	6.8%	10.4%	6.9%	6.5%
	Market Turnover Ratio [6]	4.8%	6.2%	6.1%	8.2%	8.1%	8.0%	6.9%

Notes to the above table:

1 Share price and net asset value performance is adjusted for dividends paid to shareholders*.

2 Total dividends paid during the year divided by the share price at year end.

3 Total value of purchases and sales divided by the average net asset value (NAV) [i.e. {NAV at year-end + NAV at previous year-end} ÷ 2].

4 Source: Stock Exchange of Mauritius Factbook.

5 Annual turnover divided by the market capitalisation at year-end.

6 Annual turnover divided by the average market capitalisation (Mkt Cap) [i.e. {Mkt Cap at year-end + Mkt Cap at previous year-end} ÷ 2].

* The figure for the 2009 share price total return is also based on one-hundredth of the market price of a share of The Mauritius Commercial Bank Ltd. (MCB) at December 31, 2009 (Rs. 140) and one-hundredth of the dividends paid by MCB in 2009 (Rs. 5.25) pursuant to POLICY's dividend in specie of one MCB share for every 100 POLICY shares declared on May 15, 2009.

2009 Transactions

Purchases-Local	**Rs.(Million)**
The Mauritius Commercial Bank Ltd.	78.9
State Bank of Mauritius Ltd.	69.0
New Mauritius Hotels Ltd.	36.5
Naiade Resorts Ltd.	16.1
Rogers & Co. Ltd.	14.5
Ciel Investment Ltd.	10.7
Sun Resorts Ltd.	6.0
Deep River-Beau Champ Ltd.-Ordinary	3.8
	235.5

Purchase-Foreign	**Rs.(Million)**
India (RPS) Fund USD	9.4
Back To Basics Fund	4.1
	13.5
Total Purchases	**249.0**

Sales-Local	**Rs.(Million)**
The Mauritius Commercial Bank Ltd.	95.7
New Mauritius Hotels Ltd.	53.0
Medine Ltd.-Ordinary	4.8
Shell Mauritius Ltd.	3.5
	157.0

Sales-Foreign	**Rs.(Million)**
Equity (i) Fund USD	9.6
Principal Protected Commodities Fund USD	4.1
Back To Basics Fund	4.1
	17.8
Total Sales	**174.8**

Highlights:

- Over the past five years, the annualised total return (based on growth in the Company's share price and adjusted for dividends paid to shareholders) stands at 31.5% compared to 23.8% for the SEMTRI. The Company's cumulative return over that five-year period stands at 293.9% (cf. 190.9% for the SEMTRI).

- Over the past five years, the annualised growth of the Company's net asset value stands at 22.8% compared to 23.8% for the SEMTRI. The cumulative growth in net asset value over that five-year period stands at 179.6% (cf. 190.9% for the SEMTRI).

- Based solely on the total cash dividends per share of Re. 0.70 and the year-end share price of Rs. 9.30, POLICY's 2009 cash dividend yield was 7.5%; superior to that of the local market, which was 3.5%. However, based on both the total cash dividends paid and the distribution in specie of MCB shares (using the market price of MCB shares on the date of declaration of May 15, 2009 (Rs. 107), the dividend yield rises to 19.0%.

- Over the past six years, the Company's dividend yield has equalled or exceeded that of the local market. Over the past three years, the cash dividend paid to shareholders has increased by an average of 20.6%.

- At December 31, 2008, the discount of the Company's share price to its net asset value stood at 7.4% while the average discount to net asset value over 2008 was 22.2%. In the 2008 Annual Report, we stated that *"In addition to formulating and orientating the investment strategy with a view to fulfilling the Company's long-term growth objectives, we consider that the reduction of the share price discount to net asset value is also a worthwhile and priority objective."* We are pleased to report that, since March 30, 2009, POLICY's shares have traded at a premium to its last published net asset value. Over the last three quarters of 2009, the average premium to net asset value was 12.6%. At December 31, 2009, the premium stood at 21.7%.

- Although in 2009, the Company's shares were slightly less liquid than the overall local market, over the past six years, the Company's shares have been more liquid than the overall market with an average annual share turnover / velocity ratio of 7.2% vs. 6.9% of the market.

- In 2009, purchase and sale transaction activity within the Company's portfolio was particularly significant totalling Rs. 423.8 million (representing 32.7% of the Company's average net assets during the year). Taking advantage of depressed share prices and POLICY's hefty cash balance (which stood at Rs. 204 million or 15.9% of the Company's net asset value at December 31, 2008), we redeployed cash in an opportunistic manner (taking both tactical and strategic positions over the course of the year).

  The most notable tactical positions were the purchases of Rs. 78.9 million worth of MCB (two-thirds of which was purchased in the first half of the year at an average price of under Rs. 96) and Rs. 36.5 million worth of NMH (98.1% of which was purchased in the first half of the year at an average price of under Rs. 92).

  The most notable strategic position was the purchase of Rs. 69.0 million worth of SBM; taking POLICY's weighting in that company to 5.3% of its net assets and making SBM the Company's third largest holding at December 31, 2009.

  As stock prices continued to rise, we lightened POLICY's positions in its key holdings; namely, MCB and NMH with sales of Rs. 95.7 million of MCB and Rs. 53.0 million of NMH. The majority of these sales took place in the fourth quarter at an average price of over Rs. 143 for MCB and over Rs. 136 for NMH.

  At December 31, 2009, POLICY's net current assets (liquidity) stood at Rs. 44.3 million, representing only 3.3% of net assets.

Top Holdings

The top five holdings of P.O.L.I.C.Y. Limited represented 77.9% of the portfolio as at December 31, 2009. An overview of each company is provided below:

Top 5 Holdings as at December 31, 2009

	Rs.(Million)	% of Net Assets
The Mauritius Commercial Bank Ltd.	565.6	43.5%
New Mauritius Hotels Ltd.	273.3	21.0%
State Bank of Mauritius Ltd.	68.8	5.3%
United Basalt Products Ltd.	59.2	4.5%
Promotion and Development Ltd.	46.8	3.6%
	1,013.7	**77.9%**

The Mauritius Commercial Bank Ltd. (MCB)

MCB is the leading domestic bank, with market shares of some 40% in respect of credit to the economy and local currency deposits and of around 50% of cards issued in Mauritius. As at December 31, 2009, it had a market capitalization of Rs.33 billion, the highest of the Mauritius Stock Exchange. MCB's Moody's ratings are Baa2 for foreign currency deposits and D+ for financial strength. During the financial year 2008/09, the MCB Group results reached Rs.3,964 million, representing an increase of 7.3% compared to the previous year. However, the results as at December 31, 2009 have shown a decline of 13% at Group level. The profits for 2009/10 are expected to be lower than those of 2008/09.

New Mauritius Hotels Ltd. (NMH)

NMH owns and manages seven hotels in Mauritius and one in Seychelles, all marketed under the Beachcomber brand. Profits for the financial year ended on September 30, 2009 declined to Rs.1.2 billion, compared to Rs.1.8 billion the year before. Market conditions for the tourism industry remain challenging, although tourist arrivals went up during the last quarter of 2009.

State Bank of Mauritius Ltd. (SBM)

SBM achieved profits of more than Rs.2 billion during the financial year 2008/09 and the return on average Tier 1 capital stood at 25.5%. SBM has a low cost-to-income ratio of 38.4%. SBM's Moody's ratings in July 2009 were Baa2 for foreign currency deposits and C- for financial strength. Results as at December 31, 2009 have shown a new declining trend and, given current business conditions, it will be difficult for SBM to achieve in 2009/10 its long-term profit target of 15% per annum.

United Basalt Products Ltd. (UBP)

UBP produces and sells building materials, mainly aggregates, rocksand and hollow concrete blocks. UBP is also engaged in DIY activities, under the Marbella Espace Maison brand. On the basis of its results as at December 31, 2009, UBP is expected to post a commendable growth in profits. The stock delivered a return of 122% in 2009.

Promotion and Development Ltd. (PAD)

PAD is a listed closed-end investment company, which focuses on property development and management. Its two main investments are Medine Limited, a sugar company based on the west coast and promoter of the Tamarina Integrated Resort, as well as Caudan Development Ltd; the largest commercial and office complex in Mauritius.

MANAGER'S REPORT

Outlook

Loose monetary conditions in 2009 supported equity markets and boosted economic data, suggesting a recovery may be imminent. Year-on-year statistics have now become positive but the state of final demand remains unclear. In the main export countries of Mauritius, growth will continue to be muted. In the Eurozone, unemployment is likely to rise further as companies try to keep costs down.

We hope that the Mauritius stock-market will benefit from new listings in 2010, namely Mauritius Telecom and stocks / SEM-7 futures. The portfolio will remain focused on blue chips and these new listings would allow POLICY to strengthen its leadership position in this segment.

IPRO Fund Management Ltd.
Fund Manager
March 4, 2010

SECRETARY'S CERTIFICATE

P.O.L.I.C.Y. LIMITED
AS PER SECTION 166 (d) OF THE COMPANIES ACT 2001

We certify that, based on the records and information made available to us by the directors and shareholders of the Company, the Company has filed with the Registrar of Companies, for the financial year ended 31 December 2009, all such returns as are required of the Company under the Companies Act 2001.

CORPORATE SECRETARY
Abax Corporate Administrators Ltd

04 March 2010

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

This report is made solely to the members of P.O.L.I.C.Y. Limited (the "Company"), 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 Company's members those matters we are required to state to them in an auditors' 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 Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

REPORT ON THE FINANCIAL STATEMENTS

We have audited the group financial statements of P.O.L.I.C.Y. Limited and its subsidiary (the Group) and the Company's separate financial statements on pages 36 to 80 which comprise the statements of financial position at December 31, 2009, the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in compliance with the requirements of the Companies Act 2001. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation and fair presentation of the financial statements 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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

REPORT ON THE FINANCIAL STATEMENTS (CONTINUED)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements on pages 36 to 80 give a true and fair view of the financial position of the Group and of the Company at December 31, 2009, and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Companies Act 2001.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Companies Act 2001

We have no relationship with, or interests in, the Company or its subsidiary, other than in our capacity as auditors, tax and business advisers 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 Company as far as it appears from our examination of those records.

BDO & Co
(Formerly BDO De Chazal Du Mée & Co)
Chartered Accountants

Port Louis,
Mauritius.
Abdullah Ramtoola F.C.C.A

04 March 2010

FINANCIAL STATEMENTS

Annual Report 2009 - P.O.L.I.C.Y. LIMITED

STATEMENTS OF COMPREHENSIVE INCOME
YEAR ENDED 31 DECEMBER 2009

	Note		THE GROUP		THE COMPANY	
			2009	2008	**2009**	2008
			Rs'000	Rs'000	**Rs'000**	Rs'000
Revenue						
Investment income	4		**50,322**	57,848	**48,223**	69,235
Net gain on investments	5		**121,740**	250,152	**118,520**	253,318
Other income	6		**161,468**	-	**161,468**	-
			333,530	308,000	**328,211**	322,553
Administrative expenses	7		**(13,436)**	(13,088)	**(12,552)**	(11,547)
Profit before finance income			**320,094**	294,912	**315,659**	311,006
Finance income	8		**493**	5,315	**493**	5,315
Profit before taxation			**320,587**	300,227	**316,152**	316,321
Taxation	9		**(780)**	(1,321)	**(780)**	(1,321)
Profit for the year			**319,807**	298,906	**315,372**	315,000
Other comprehensive income:						
Available-for-sale financial assets	10		**(2,822)**	(755,375)	**488**	(773,541)
Loss on property	10		**-**	(582)	**-**	-
Currency translation differences	10		**(1,125)**	(1,538)	**-**	-
Other comprehensive income for the year, net of tax			**(3,947)**	(757,495)	**488**	(773,541)
Total comprehensive income for the year			**315,860**	(458,589)	**315,860**	(458,541)
Profit attributable to :						
Owners of the parent			**319,807**	298,916	**315,372**	315,000
Minority interest			**-**	(10)	**-**	-
			319,807	298,906	**315,372**	315,000
Total comprehensive income attributable to:						
Owners of the parent			**315,860**	(458,540)	**315,860**	(458,541)
Minority interest			**-**	(49)	**-**	-
			315,860	(458,589)	**315,860**	(458,541)
Earnings per share	11	Rs.	**1.88**	1.76	**1.85**	1.85

The notes on pages 42 to 80 form an integral part of these financial statements.
Auditors' report on pages 32 and 33.

STATEMENTS OF FINANCIAL POSITION
31 DECEMBER 2009

		THE GROUP		THE COMPANY	
	Note	**2009**	2008	**2009**	2008
ASSETS EMPLOYED		**Rs'000**	Rs'000	**Rs'000**	Rs'000
Non-current assets					
Investment in subsidiary	12	**-**	-	**16,799**	13,489
Investment in joint venture	13	**-**	-	**-**	3,069
Investment in financial assets	14	**1,240,240**	1,066,309	**1,240,240**	1,066,309
		1,240,240	1,066,309	**1,257,039**	1,082,867
Current assets					
Held-for-trading financial assets	15	**16,908**	10,423	**-**	-
Trade and other receivables	16	**572**	109,115	**1,405**	108,768
Cash and cash equivalents	17	**50,611**	105,557	**49,104**	99,078
		68,091	225,095	**50,509**	207,846
Total assets		**1,308,331**	1,291,404	**1,307,548**	1,290,713
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	18	**170,240**	170,240	**170,240**	170,240
Share premium		**61,964**	61,964	**61,964**	61,964
Other reserves		**725,255**	729,202	**728,565**	728,077
Retained earnings		**343,921**	325,439	**340,611**	326,564
Shareholders' interest		**1,301,380**	1,286,845	**1,301,380**	1,286,845
Non-current liability					
Deferred tax liability	19	**-**	809	**-**	809
Current liabilities					
Trade and other payables	20	**5,413**	3,228	**4,630**	2,537
Taxation	9	**1,538**	522	**1,538**	522
		6,951	3,750	**6,168**	3,059
Total equity and liabilities		**1,308,331**	1,291,404	**1,307,548**	1,290,713

These financial statements have been approved for issue by the Board of Directors on :

Me. Georges A. Robert, O.B.E., S.A. (Chairperson)	**Mr. René Leclézio** (Vice Chairperson)	) DIRECTORS

The notes on pages 42 to 80 form an integral part of these financial statements.
Auditors' report on pages 32 and 33.

STATEMENTS OF CHANGES IN EQUITY
YEAR ENDED 31 DECEMBER 2009

	Note	Attributable to owners of the company								
(a) THE GROUP		**Share capital**	**Share premium**	**Available - for-sale fair value reserve**	**Revaluation surplus on property**	**Translation of foreign operations**	**Retained earnings**	**Total**	**Minority interest**	**Total Equity**
		Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
At 1 January 2009		170,240	61,964	728,077	-	1,125	325,439	1,286,845	-	1,286,845
Total comprehensive income for the year	10	-	-	(2,822)	-	(1,125)	319,807	315,860	-	315,860
		170,240	61,964	725,255	-	-	645,246	1,602,705	-	1,602,705
Dividends	21	-	-	-	-	-	(301,325)	(301,325)	-	(301,325)
At 31 December 2009		**170,240**	**61,964**	**725,255**	**-**	**-**	**343,921**	**1,301,380**	**-**	**1,301,380**
At 1 January 2008		170,240	61,964	1,472,262	3,888	2,663	136,512	1,847,529	286	1,847,815
Total comprehensive income for the year	10	-	-	(755,375)	(543)	(1,538)	298,916	(458,540)	(49)	296,786
		170,240	61,964	716,887	3,345	1,125	435,428	1,388,989	237	1,389,226
Transfer to retained earnings		-	-	-	(3,345)	-	3,345	-	-	-
Distribution of surplus assets of subsidiary		-	-	-	-	-	-	-	(49)	(49)
Consolidation adjustment		-	-	11,190	-	-	(11,190)	-	-	-
Dividends	21	-	-	-	-	-	(102,144)	(102,144)	(188)	(102,332)
At 31 December 2008		**170,240**	**61,964**	**728,077**	**-**	**1,125**	**325,439**	**1,286,845**	**-**	**1,286,845**

The notes on pages 42 to 80 form an integral part of these financial statements.
Auditors' report on pages 32 and 33.

STATEMENTS OF CHANGES IN EQUITY

THE COMPANY	Note	Share capital	Share premium	Available-for-sale fair value reserve	Retained earnings	Total
		Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
At 1 January 2009	10	170,240	61,964	728,077	326,564	1,286,845
Total comprehensive income for the year	21	-	-	488	315,372	315,860
		170,240	61,964	728,565	641,936	1,602,705
Dividends		-	-	-	(301,325)	(301,325)
At 31 December 2009		170,240	61,964	728,565	340,611	1,301,380
At 1 January 2008	10	170,240	61,964	1,501,618	113,708	1,847,530
Total comprehensive income for the year	21	-	-	(773,541)	315,000	(458,541)
		170,240	61,964	728,077	428,708	1,388,989
Dividends		-	-	-	(102,144)	(102,144)
At 31 December 2008		170,240	61,964	728,077	326,564	1,286,845

The notes on pages 42 to 80 form an integral part of these financial statements.
Auditors' report on pages 32 and 33.

STATEMENTS OF CASH FLOWS
YEAR ENDED 31 DECEMBER 2009

	Note	THE GROUP		THE COMPANY	
		2009	2008	**2009**	2008
		Rs'000	Rs'000	**Rs'000**	Rs'000
Cash flows from operating activities					
Profit before taxation		**320,587**	300,227	**316,152**	316,321
Adjustments for :					
Changes in value of held-for-trading financial assets		**(2,468)**	13,871	**-**	-
Net gain on disposal of investments in financial assets	5	**(118,905)**	(265,278)	**(118,905)**	(265,278)
Impairment of investments	5	**-**	-	**385**	11,960
Fair value gain on distribution of dividend in specie		**(161,468)**	-	**(161,468)**	-
Dividend in specie received		**(4,217)**	-	**(2,830)**	-
Operating profit before working capital changes		**33,529**	48,820	**33,334**	63,003
Changes in working capital:					
Decrease in held-for-trading financial assets		**(5,365)**	(11,685)	**-**	-
Decrease/(increase) in trade and other receivables		**108,543**	(94,091)	**108,512**	(93,910)
Increase/(decrease) in trade and other payables		**2,190**	(2,282)	**2,093**	(2,107)
Cash generated from/(absorbed in) operations		**138,897**	(59,238)	**143,939**	(33,014)
Tax paid		**(573)**	(567)	**(573)**	(260)
Net cash generated from/(used in) operating activities		**138,324**	(59,805)	**143,366**	(33,274)
Cash flows from investing activities					
Purchase of investment in financial assets		**(249,278)**	(128,785)	**(249,278)**	(128,785)
Proceeds on disposal of investments in financial assets		**175,107**	318,388	**175,107**	318,388
Proceeds from capital reduction in joint venture		**-**	-	**-**	35,668
Proceeds on disposal of non-current asset held-for-sale		**-**	2,648	**-**	-
Distribution of surplus assets of subsidiary		**-**	-	**-**	700
Net cash (used in)/from investing activities		**(74,171)**	192,251	**(74,171)**	225,971
Cash flows from financing activities					
Distribution of surplus assets to minority interest		**-**	(49)	**-**	-
Dividends paid to shareholders	21	**(119,169)**	(102,144)	**(119,169)**	(102,144)
Dividends paid to minority interest		**-**	(188)	**-**	-
Loan recovered		**-**	4,862	**-**	5,311
Net cash used in financing activities		**(119,169)**	(97,519)	**(119,169)**	(96,833)
(Decrease)/increase in cash and cash equivalents		**(55,016)**	34,927	**(49,974)**	95,864
Cash and cash equivalents at 1 January		**105,557**	72,324	**99,078**	3,214
Effect of exchange rate changes		**70**	(1,694)	**-**	-
(Decrease)/increase in cash and cash equivalents		**(55,016)**	34,927	**(49,974)**	95,864
Cash and cash equivalents at 31 December	17	**50,611**	105,557	**49,104**	99,078

The notes on pages 42 to 45 form an integral part of these financial statements.
Auditors' report on pages 32 and 33.

2009

NOTES TO THE FINANCIAL STATEMENTS

Annual Report 2009 - P.O.L.I.C.Y. LIMITED

1. CORPORATE INFORMATION

P.O.L.I.C.Y. Limited is a limited company incorporated as a public company on 15 June 1979 and is listed on the Stock Exchange of Mauritius since 1992. The registered office is located c/o Abax Corporate Administrators Ltd, Level 6, One Cathedral Square, Jules Koenig Street, Port Louis.

The principal activity is to act as an investment company with a long-term investment strategy.

2. 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 P.O.L.I.C.Y. Limited and its subsidiary comply with the Companies Act 2001 and have been prepared in accordance with International Financial Reporting Standards (IFRS). Where necessary, comparative figures have been amended to conform with changes in presentation in the current year. The financial statements are prepared under the historical cost convention, except that:

- investments held-for-trading, available-for-sale investments and relevant financial assets and financial liabilities are stated at fair value; and
- relevant financial assets and financial liabilities are carried at amortised cost.

Estimates and judgements are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

There were no major estimates and assumptions made during the year that have a significant risk of causing material adjustment to the carrying amounts of the Group's assets and liabilities within the next financial year.

Amendments to published standards, Standards and Interpretations effective in the reporting period

IFRIC 13, 'Customer Loyalty Programmes (effective July 1, 2008)' clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple element arrangement, and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. This IFRIC will not have any impact on the Group's financial statements.

Amendments to IAS 39 and IFRS 7 Reclassification of Financial Assets (effective July 1, 2008) permit an entity to reclassify non-derivative financial assets (other than those designated at fair value through profit or loss by the entity upon initial recognition) out of the fair value through profit or loss category in particular circumstances. The amendments also permit an entity to transfer from the available-for-sale category to the loans and receivables category a financial asset that would have met the definition of loans and receivables (if the financial asset had not been designated as available-for-sale), if the entity has the intention and ability to hold that financial asset for the foreseeable future. The amendments will not have any impact on the Group's financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of preparation (cont'd)

IFRIC 16, 'Hedges of a Net Investment in a Foreign Operation' clarifies that the net investment hedging relates to differences in functional currency not presentation currency, and hedging instruments may be held anywhere in the Group. This IFRIC will not have any impact on the Group's financial statements.

IAS 1 'Presentation of Financial Statements' (Revised 2007), prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in either one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). As the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

IAS 23 'Borrowing Costs' (Revised 2007), requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. This IAS is currently not applicable to the Group as there are no qualifying assets.

IFRS 8 'Operating Segments', requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. In addition, the segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker. Comparatives for 2008 have been restated.

Amendments to IAS 32 and IAS 1 'Puttable financial instruments and obligations arising on liquidation', require entities to classify puttable financial instruments and instruments, or components of instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation as equity, provided the financial instruments have particular features and meet specific conditions. The amendment is not expected to have any impact on the Group's financial statements.

Amendments to IFRS 2 'Vesting conditions and cancellations', clarify that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions.
These features would need to be included in the grant date fair value for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The amendment is not expected to have any impact on the Group's financial statements.

Amendments to IFRS 7 'Improving Disclosures about Financial Instruments', requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share.

IFRIC 15, 'Agreements for the Construction of Real Estate', clarifies whether IAS 18, 'Revenue', or IAS 11,
Construction contracts', should be applied to particular transactions. IFRIC 15 is not relevant to Group's operations as all revenue transactions are accounted under IAS 18 and not IAS 11.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of preparation (cont'd)

Improvements to IFRSs (issued 22 May 2008)

IAS 1 (Amendment), 'Presentation of Financial Statements', clarifies that some rather than all financial assets and liabilities classified as held for trading in accordance with IAS 39, 'Financial instruments: Recognition and measurement' are examples of current assets and liabilities respectively. This amendment is not expected to have any impact on the Group's financial statements.

IAS 8 (Amendment), 'Accounting Policies, Changes in Accounting Estimates and Errors' clarifies that application of the guidance issued with IFRSs that is not an integral part of the Standard is not mandatory in selecting and applying accounting policies. This amendment is unlikely to have an impact on the Group's financial statements.

IAS 10 (Amendment), 'Events after the Reporting Period' reinforces the clarification of the explanation as to why a dividend declared after the reporting period does not result in the recognition of a liability.

IAS 16 (Amendment), 'Property, Plant and Equipment' requires entities whose ordinary activities comprise renting and subsequently selling assets to present proceeds from the sale of those assets as revenue and transfer the carrying amount of the asset to inventories when the asset becomes held for sale. Consequential amendment to IAS 7 requires that cash flows arising from purchase, rental and sale of those assets to be classified as cash flows from operating activities. The amendment will not have an impact on the Group's operations.

IAS 18 (Amendment), 'Revenue', removes the inconsistency between IAS 39 and the guidance in IAS 18 relating to the definition of costs incurred in originating a financial asset that should be deferred and recognised as an adjustment to the effective interest rate.

IAS 19 (Amendment), 'Employee Benefits', clarifies that a plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service gives rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation. The definition of return on plan assets has been amended to state that plan administration costs are deducted in the calculation of return on plan assets only to the extent that such costs have been excluded from measurement of the defined benefit obligation. This amendment will not have an impact on the Group's operations.

IAS 20 (Amendment) 'Government Grants and Disclosure of Government Assistance, clarifies that the benefit of a below market rate government loan is measured as the difference between the carrying amount in accordance with IAS 39, 'Financial instruments: Recognition and measurement', and the proceeds received with the benefit accounted for in accordance with IAS 20. This amendment will not have an impact on the Group's operations.

IAS 23 (Amendment), 'Borrowing Costs', has amended the definition of borrowing costs so that interest expense is calculated using the effective interest method defined in IAS 39 'Financial instruments: Recognition and measurement'. This amendment is currently not applicable to the Group as there are no qualifying assets.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of preparation (cont'd)

IAS 27 (Amendment), 'Consolidated and Separate Financial Statements' requires an investment in a subsidiary that is accounted for under IAS 39, 'Financial instruments: recognition and measurement', and is classified as held for sale under IFRS 5, 'Non-current assets held-for-sale and discontinued operations', to continue to apply IAS 39. The amendment will not have an impact on the Group's operations.

IAS 28 (Amendment), 'Investments in Associates' clarifies that an investment in associate is treated as a single asset for the purposes of impairment testing. Any impairment loss is not allocated to specific assets included within the investment, for example, goodwill. Reversals of impairment are recorded as an adjustment to the investment balance to the extent that the recoverable amount of the associate increases. Where an investment is an investment in an associate that is accounted for under IAS 39, 'Financial instruments: recognition and measurement', only certain rather than all disclosure requirements in IAS 28 need to be made. This amendment will not have an impact on the Group's operations.

IAS 29 (Amendment), 'Financial Reporting in Hyperinflationary Economies' has amended the guidance to reflect the fact that a number of assets and liabilities are measured at fair value rather than historical cost. This amendment will not have an impact on the Group's operations.

IAS 31 (Amendment), 'Interests in Joint Ventures' requires where an investment in joint venture is accounted for in accordance with IAS 39, only certain rather than all disclosure requirements in IAS 31 need to be made. The amendment will not have an impact on the Group's operations.

IAS 34 (Amendment), 'Interim Financial Reporting' clarifies that the presentation of basic and diluted earnings per share in interim financial reports is required only when the entity is within the scope of IAS 33.

IAS 36 (Amendment), 'Impairment of Assets' clarifies that where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made.

IAS 38 (Amendment), 'Intangible Assets' clarifies that a prepayment may only be recognised in the event that payment has been made in advance of obtaining right of access to goods or receipt of services. Advertising and promotional activities includes mail order catalogues. The amendment will not have an impact on the Group's operations.

IAS 39 (Amendment), 'Financial Instruments: Recognition and Measurement', clarifies that it is possible for there to be movements into and out of the fair value through profit or loss category where a derivative commences or ceases to qualify as a hedging instrument in cash flow or net investment hedge. The definition of financial asset or financial liability at fair value through profit or loss as it relates to items that are held for trading is also amended. This clarifies that a financial asset or liability that is part of a portfolio of financial instruments managed together with evidence of an actual recent pattern of short-term profit taking is included in such a portfolio on initial recognition. When remeasuring the carrying amount of a debt instrument on cessation of fair value hedge accounting, the amendment clarifies that a revised effective interest rate (calculated at the date fair value hedge accounting ceases) is used. The amendment will not have an impact on the Group's operations.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of preparation (cont'd)

IAS 40 (Amendment) 'Investment Property', clarifies that property under construction or development for future use as investment property is within the scope of IAS 40. Where the fair value model is applied, such property is, therefore, measured at fair value. However, where fair value of investment property under construction is not reliably measurable, the property is measured at cost until the earlier of the date construction is completed and the date at which fair value becomes reliably measurable. The amendment will not have an impact on the Group's operations, as there are no investment properties held by the Group.

IAS 41 (Amendment), 'Agriculture', requires the use of a market-based discount rate where fair value calculations are based on discounted cash flows and the removal of the prohibition on taking into account biological transformation when calculating fair value. The amendment replaces the terms 'point-of sale costs' and 'estimated point-of-sale costs' with 'costs to sell'. The amendment will not have an impact on the Group's operations, as no agricultural activities are undertaken.

IFRS 7 (Amendment), 'Financial Instruments: Disclosures, clarifies that interest income is not a component of finance costs.

Amendments to published standards, 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 1 January 2010 or later periods, but which the Group have not early adopted.

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

Amendments to IFRIC 9 and IAS 39 Embedded Derivatives
IAS 27 Consolidated and Separate Financial Statements (Revised 2008)
IFRS 3 Business Combinations (Revised 2008)
Amendments to IAS 39 Eligible hedged items
Amendments to IFRS 1 and IAS 27 Cost of an Investment in a Subsidiary
IFRIC 17 Distributions of Non-cash Assets to Owners
IFRIC 18 Transfers of Assets from Customers
Amendments to IFRS 1 Additional Exemptions for First-time Adopters
Amendments to IFRS 2 Group Cash-settled Share-based Payment Transactions
Classification of Rights Issues (Amendment to IAS 32)
IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments
Amendments to IFRIC 14 Prepayments of a Minimum Funding Requirement
IAS 24 Related Party Disclosures (Revised 2009)
IFRS 9 Financial Instruments

Improvements to IFRSs (issued 22 May 2008)

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of preparation (cont'd)

Improvements to IFRSs (issued 16 April 2009)

IFRS 2 Share-based Payment
IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
IFRS 8 Operating Segments
IAS 1 Presentation of Financial Statements
IAS 7 Statement of Cash Flows
IAS 17 Leases
IAS 18 Revenue
IAS 36 Impairment of Assets
IAS 38 Intangible Assets
IAS 39 Financial Instruments: Recognition and Measurement
IFRIC 9 Reassessment of Embedded Derivatives
IFRIC 16 Hedges of a Net Investment in a Foreign Operation

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

(b) Consolidation

The Group financial statements consolidate the financial statements of the Company, its subsidiary company and its joint venture up to 30 November 2009.

Inter-group transactions and balances are eliminated on consolidation.

Where necessary, appropriate adjustments are made to the financial statements of subsidiary and joint venture to bring the accounting policies used in line with those adopted by the Group.

(c) Investment in subsidiary

The Company has one subsidiary namely Union and P.O.L.I.C.Y. Investment Co. Ltd. as at 31 December 2009 in which it holds 100% of the voting rights and it controls the operations.

Separate financial statements of the investor
Investment in the subsidiary company is carried at fair value. The carrying amount is reduced to recognise any impairment in the value of individual investments.

Consolidated financial statements
The consolidated financial statements incorporate the financial statements of the Company and enterprise controlled by the Company and (its subsidiary) made up to 31 December, each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee enterprise generally accompanying a shareholding of more than one half of the voting rights so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the year are included in the consolidated statements of comprehensive income from the effective date of their acquisition or up to the effective date of their disposal. The financial statements of the subsidiaries have been consolidated in accordance with the purchase method.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Investment in subsidiary (cont'd)

Consolidated financial statements (cont'd)

The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the statement of comprehensive income as negative goodwill in the year of acquisition.

(d) Joint venture

In the Company's separate financial statements, investment in joint venture is initially recorded at cost and remeasured at fair value at subsequent reporting date and classified under non-current assets.

The fair value is determined on the basis of the net assets of the joint venture. The difference between the value at year-end and the carrying amount is included in fair value reserves. The Group's interest in joint venture is accounted for by proportionate consolidation. Under this method, the Group includes its share of the joint venture's individual income, expenses, assets and liabilities in the relevant component of the financial statements of the Group.

Where the Group transacts with its jointly controlled entity, unrealised profits and losses are eliminated to the extent of the Group's interest in the joint venture, except when realised losses provide evidence of an impairment of the assets transferred.

Summarised financial information relating to the joint venture is detailed in note 13.

(e) Financial instruments

The Group classifies its financial assets in the following categories:- available-for-sale financial assets,
financial assets through profit and loss and non-current receivables.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investment at initial recognition.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Financial instruments (cont'd)

The accounting policies in respect of the financial instruments are set out below:

(i) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets when maturity is within twelve months after the end of reporting period or non-current assets for maturities greater than twelve months.

(ii) Available-for-sale financial assets
Available-for-sale financial assets are non-derivatives that are included in non-current assets unless management intends to dispose of the investment within twelve months after the end of the reporting period.

Purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset.

Available-for-sale financial assets are initially recorded at cost plus transaction cost and re-measured at fair value at the year end.

In accordance with the provisions of IAS 39, unrealised gains and losses arising on the difference between the fair value of available-for-sale financial assets and their cost are recognised directly in other comprehensive income, until the financial assets are disposed of or found to be impaired, at which time the accumulated fair value adjustments previously recognised in equity are included in the statement of comprehensive income for the year as gain or loss from investment in financial assets.

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of financial assets classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss, measured as the difference between acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the statement of comprehensive income is removed from equity and recognised in the statement of comprehensive income. If the fair value of a previously impaired debt security increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed and the reversal recognised in the statement of comprehensive income. Impairment losses for an investment in an equity instrument are not reversed through the statement of comprehensive income.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Financial instruments (cont'd)

(iii) Held-for-trading financial assets

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Assets in this category are classified as current assets.

Purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset.

Held-for-trading financial assets which are held through the subsidiary and the joint venture are initially recorded at cost and re-measured at fair value at the year-end.

Unrealised gains and losses arising from changes in the value of held-for-trading financial assets are included in the statements of comprehensive income.

(iv) Trade and other receivables

Trade and other receivables are recognised initially at cost and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of provision is recognised in the statements of comprehensive income.

(v) Trade and other payables

Trade payables are stated at fair value and subsequently measured at amortised cost using the effective interest method.

(vi) Borrowings

Borrowings are recognised initially at fair value being their issue proceeds net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statements of comprehensive income over the period of the borrowings using the effective interest method.

Finance charges are accounted for on an accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Financial instruments (cont'd)

(vii) Cash and cash equivalents

Cash and cash equivalents comprises of cash in hand, cash at bank, other short term investments with original maturities of, 3 months or less and bank overdraft. Cash equivalents are short highly liquid investments that are readily convertible to known amounts of cash and which are subject to any insignificant risk of change in value. Bank overdrafts are shown within borrowings in current liabilities in the statements of financial position.

(viii) Share capital

Ordinary shares are classified as equity.

(f) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment.
Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

(g) Foreign currencies

(i) Functional and presentation currency

Items included in the financial statements are measured using Mauritian rupees, the currency of the primary economic environment in which the entity operates ("functional currency"). The consolidated financial statements are presented in Mauritian rupees, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end, are recognised in the statements of comprehensive income.

(iii) Group companies

The results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting date;
(b) income and expenses for each statement of comprehensive income are translated at average exchange rates; and
(c) all resulting exchange differences are recognised in other comprehensive income.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Foreign currencies (cont'd)

On consolidation, exchange differences arising from the translation of the net investment in foreign entity are taken to shareholders' equity. Where a foreign operation is sold such exchange differences are recognised in the statement of comprehensive income as part of the gain or loss on sale.

(h) Revenue recognition

Investment income includes:

- Dividend income - when the shareholder's right to receive payment is established; and
- Interest income - on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate, and continues unwinding the discount as interest income.

Net gains or losses on investments include:

- Net gains or losses on the disposal of investments. This is equivalent to the difference between proceeds from the sale of investments net of brokerage fees and the cost or value of the investments disposed; and
- Unrealised gains or losses on the revaluation of held-for-trading investments.

(i) Deferred income tax

Deferred income tax is provided in full, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values in the financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transactions affects neither accounting nor taxable profit or loss, it is not accounted for.

Deferred income tax is determined using tax rates that have been enacted by the end of the reporting period and are expected to apply in the period when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets relating to deductible temporary differences are recognised to the extent that it is probable that future taxable profit will be available against which these can be utilised.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Alternative Minimum Tax (AMT)

Alternative Minimum Tax (AMT) is provided for, where an entity which has a tax liability of less than 7.5% of its book profit pays a dividend. AMT is calculated as the lower of 10% of the dividend paid and 7.5% of book profit.

(k) Provisions

Provisions are recognised when the Group has a present or constructive obligation as a result of past events, and when it is probable this obligation will result in an outflow of economic benefits that can be reasonably estimated.

(l) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the year in which the dividend is declared.

(m) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial Risk Factors

The Group's activities expose it to a variety of financial risks: market risk (currency risk, cash flow and fair value interest rate risk, price risk), credit risk and liquidity risk.

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

As an investment Group, P.O.L.I.C.Y. Limited faces a number of risks which have to be effectively managed so as to protect its long term sustainability and its strength and to safeguard the interests of the stakeholders.

(a) Market risk

(i) Currency risk

The Group has assets and liabilities in currencies other than Mauritian Rupee namely United States Dollar and Euro. Consequently, the Group is exposed to the risk that the exchange rate of the Mauritian Rupee relative to the United States Dollar or the Euro may change in a manner which has a material effect on the reported values of the Group's assets and liabilities which are denominated in United States Dollar and Euro. The Group has certain foreign investments, whose net assets are exposed to foreign currency translation risk. However, given that assets in currencies other than Mauritian Rupees are not significant, the Group is not substantially exposed to currency risk.

Currency profile

The currency profile of the Group's financial assets and liabilities is summarised below:

THE GROUP	MUR	EUR	USD	TOTAL
At 31 December 2009	Rs'000	Rs'000	Rs'000	Rs'000
Financial assets:				
Investment in financial assets	1,191,271	25,519	23,450	1,240,240
Held-for-trading financial assets	16,908	-	-	16,908
Trade and other receivables	572	-	-	572
Cash and cash equivalents	49,061	55	1,495	50,611
Total assets	1,257,812	25,574	24,945	1,308,331
Liabilities	5,301	-	112	5,413

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.1 Financial Risk Factors (cont'd)

(a) Currency profile (cont'd)

THE GROUP	MUR	EUR	USD	TOTAL
	Rs'000	Rs'000	Rs'000	Rs'000
At 31 December 2008				
Financial assets:				
Investment in financial assets	1,023,138	23,486	19,685	1,066,309
Held-for-trading financial assets	8,977	-	1,446	10,423
Trade and other receivables	101,900	-	7,215	109,115
Cash and cash equivalents	71,873	59	33,625	105,557
Total assets	1,205,888	23,545	61,971	1,291,404
Liabilities	2,917	-	311	3,228

THE COMPANY	MUR	EUR	USD	TOTAL
	Rs'000	Rs'000	Rs'000	Rs'000
At 31 December 2009				
Financial assets:				
Investment in financial assets	**1,191,271**	**25,519**	**23,450**	**1,240,240**
Trade and other receivables	**256**	**-**	**1,149**	**1,405**
Cash and cash equivalents	**48,936**	**55**	**113**	**49,104**
Total assets	**1,240,463**	**25,574**	**24,712**	**1,290,749**
Liabilities	**4,518**	**-**	**112**	**4,630**
At 31 December 2008				
Financial assets:				
Investment in financial assets	1,023,138	23,486	19,685	1,066,309
Trade and other receivables	101,561	-	7,207	108,768
Cash and cash equivalents	67,321	59	31,698	99,078
Total assets	1,192,020	23,545	58,590	1,274,155
Liabilities	2,537	-	-	2,537

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.1 Financial Risk Factors (cont'd)

(a) Currency profile (cont'd)

At 31 December 2009, if the rupee had weakened/strengthened by 5% against the following currencies with all other variables held constant, the impact on the results for the year would have been as shown in the table, mainly as a result of foreign exchange gains/losses on translation of foreign currency denominated financial assets and liabilities.

THE GROUP	2009		2008	
	Financial Assets	Financial Liabilities	Financial Assets	Financial Liabilities
	Rs'000	Rs'000	Rs'000	Rs'000
EUR	1,087	-	1,001	-
USD	1,060	5	2,634	13

THE COMPANY	2009	2008		
	Financial Assets	Financial Liabilities	Financial Assets	Financial Liabilities
	Rs'000	Rs'000	Rs'000	Rs'000
EUR	1,087	-	1,001	-
USD	1,050	5	2,490	-

(ii) Cash flow and fair value interest rate risk

(a) The Group's and the Company's interest rate risk arises mainly from bank deposits.

(b) At the end of reporting date, if variable interest rates on deposits at bank had been 50 basis point higher/lower with all variables held constant, post tax profit for the year would have changed as shown in the table below:

	THE GROUP		THE COMPANY	
	2009	2008	2009	2008
	Rs'000	Rs'000	Rs'000	Rs'000
	+/-	+/-	+/-	+/-
Impact on post tax profit	51	96	51	77

(c) At the end of reporting date, if fixed interest rates on deposits at bank had been 50 basis point higher/lower with all variables held constant, post tax profit for the year would have changed as shown in the table below:

	THE GROUP & THE COMPANY	
	2009	2008
	Rs'000	Rs'000
	+/-	+/-
Impact on post tax profit	259	162

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.1 Financial Risk Factors (cont'd)

(iii) Price risk

The Group is exposed to equity securities price risk because of investments held by the Group which are classified on the consolidated statements of financial position either as available-for-sale or held for trading financial assets.

The majority of the portfolio is invested on the Stock Exchange of Mauritius. A number of risks are associated with this market, among others climatic, social, and political and economic risks for Mauritius, in addition to the degree of correlation between the Stock Exchange of Mauritius and other international equity markets.

The Group is not exposed to commodity price risk.

Sensivity analysis

The table below summarises the impact of increases/decreases in the fair value of the investments on the Group's and Company's post-tax profit for the year and on equity.

The analysis is based on the assumption that the fair value had increased/decreased by 5%.

	Impact on post - tax profit		Impact on equity	
Categories of investments:	**THE GROUP**		**THE GROUP & THE COMPANY**	
	2009	2008	**2009**	2008
	Rs'000	Rs'000	**Rs'000**	Rs'000
Available-for-sale	**-**	-	**62,012**	53,315
Held-for-trading	**845**	521	**-**	-

(b) Credit risk

The Group has no significant concentration of credit risk.

(c) Liquidity risk

The Group holds quoted and unquoted investments, which are not regularly traded. Before any investment decision is made, the liquidity risk factor is taken into account. The Group also ensures that the percentage of investments which are not liquid does not exceed reasonable limits for a closed-end investment company.

The maturity analysis of financial assets and liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date are as follows:

THE GROUP	**Less than 1 year**	**1-5 years**	**Total**
At 31 December 2009	**Rs'000**	**Rs'000**	**Rs'000**
Assets			
Investment in financial assets	**-**	**1,240,240**	**1,240,240**
Held-for-trading financial assets	**-**	**16,908**	**16,908**
Trade and other receivables	**572**	**-**	**572**
Cash and cash equivalents	**50,611**	**-**	**50,611**
Total	**51,183**	**1,257,148**	**1,308,331**
Liabilities			
Trade and other payables	**5,413**	**-**	**5,413**

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.1 Financial Risk Factors (cont'd)

(c)Liquidity risk (cont'd)

	Less than 1 year	**1-5 years**	**Total**
	Rs'000	**Rs'000**	**Rs'000**
At 31 December 2008			
Assets			
Investment in financial assets	-	1,066,309	1,066,309
Held-for-trading financial assets	-	10,423	10,423
Trade and other receivables	109,115	-	109,115
Cash and cash equivalents	105,557	-	105,557
Total	214,672	1,076,732	1,291,404
Liabilities			
Trade and other payables	3,228	-	3,228

THE COMPANY	**Less than 1 year**	**1-5 years**	**Total**
At 31 December 2009	**Rs'000**	**Rs'000**	**Rs'000**
Assets			
Investment in financial assets	**-**	**1,240,240**	**1,240,240**
Trade and other receivables	**1,405**	**-**	**1,405**
Cash and cash equivalents	**49,104**	**-**	**49,104**
Total	**50,509**	**1,240,240**	**1,290,749**
Liabilities			
Trade and other payables	**4,630**	**-**	**4,630**

	Less than 1 year	**1-5 years**	**Total**
At 31 December 2008	**Rs'000**	**Rs'000**	**Rs'000**
Assets			
Investment in financial assets	-	1,066,309	1,066,309
Trade and other receivables	108,768	-	108,768
Cash and cash equivalents	99,078	-	99,078
Total	207,846	1,066,309	1,274,155
Liabilities			
Trade and other payables	2,537	-	2,537

3. FINANCIAL RISK MANAGEMENT (CONT'D)

3.2 Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. These instruments are included in level 1. Instruments included in level 1 comprise primarily quoted equity investments classified as available-for-sale.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:
- Quoted market prices or dealer quotes for similar instruments.
- Other techniques, such as discounted cashflow analysis, are used to determine fair value for the remaining financial instruments.
- Funds, listed, overseas and DEM-quoted investments are valued at the latest share exchange prices at year-end;
- Unquoted investments are valued by directors on the basis of net worth or latest traded/bid price at year-end.

3.3 Capital risk management

The Group's objectives when managing capital is to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

4. INVESTMENT INCOME

	THE GROUP		THE COMPANY	
	2009	2008	**2009**	2008
(a) Dividend income from available-for-sale financial assets	**Rs'000**	Rs'000	**Rs'000**	Rs'000
Listed	**39,883**	46,067	**39,883**	46,067
DEM-quoted	**1,464**	1,388	**1,464**	1,388
Unquoted	**701**	4,465	**701**	4,465
	42,048	51,920	**42,048**	51,920
(b) Dividend income from held-for-trading financial assets				
Listed	**1,716**	308	**-**	-
DEM-quoted	**51**	5	**-**	-
	1,767	313	**-**	-
(c) Dividend income from Subsidiary	**-**	-	**-**	2,657
(d) Dividend income from Joint Venture	**-**	-	**-**	9,831
(e) Interest income	**6,507**	5,615	**6,175**	4,827
TOTAL	**50,322**	57,848	**48,223**	69,235

5. NET GAIN ON INVESTMENTS

	THE GROUP		THE COMPANY	
	2009	2008	**2009**	2008
(a) Net gain on disposal of available-for-sale financial assets	**Rs'000**	Rs'000	**Rs'000**	Rs'000
Listed	**116,608**	72,522	**116,608**	72,522
DEM-quoted	**1,523**	3,136	**1,523**	3,136
Unquoted	**-**	190,541	**-**	190,541
Foreign	**774**	(921)	**774**	(921)
	118,905	265,278	**118,905**	265,278

5. NET GAIN ON INVESTMENTS (CONT'D)

	THE GROUP		THE COMPANY	
	2009	2008	2009	2008
	Rs'000	Rs'000	Rs'000	Rs'000
(b) Net loss on disposal of held-for-trading financial assets				
Listed	**(606)**	(1,255)	**-**	-
(c) Changes in fair value of held-for-trading investments				
Listed	**2,468**	(2,879)	**-**	-
Foreign	**-**	(10,992)	**-**	-
	2,468	(13,871)	**-**	-
(d) Impairment of investments*				
Subsidiary	**-**	-	**-**	(2,682)
Joint Venture	**-**	-	**(385)**	(9,278)
	-	-	**(385)**	(11,960)
(e) Translation of foreign operations				
Currency translation difference	**973**	-	**-**	-
TOTAL	**121,740**	250,152	**118,520**	253,318

* Impairment resulted from a permanent diminution in value of these investments.

6. OTHER INCOME

	THE GROUP		THE COMPANY	
	2009	2008	2009	2008
	Rs'000	Rs'000	Rs'000	Rs'000
Fair value gain on distribution of dividend in specie	**161,468**	**-**	**161,468**	**-**

7. ADMINISTRATIVE EXPENSES

	THE GROUP		THE COMPANY	
	2009	2008	2009	2008
	Rs'000	Rs'000	Rs'000	Rs'000
Management fees (Note (a)(i))	**5,341**	6,303	**5,341**	6,303
Legal and professional fees	**846**	1,897	**710**	803
Administrator fees (Note (a)(ii))	**2,946**	2,627	**2,348**	2,331
General administrative expenses	**415**	360	**323**	329
Advertising	**1,543**	460	**1,543**	460
Printing and stationery	**786**	330	**786**	330
Corporate social responsibility contribution	**647**	-	**647**	-
Auditors' fees	**348**	547	**290**	427
Directors' fees	**564**	564	**564**	564
	13,436	13,088	**12,552**	11,547

(a) The company has signed agreements with the following providers of service:

7. ADMINISTRATIVE EXPENSES (CONT'D)

(i) Fund Manager

The Company entered into a new Management Agreement with IPRO Fund Management Ltd. ("IFML") as from January 2009. As Fund Manager, IFML shall review, evaluate and assess opportunities for investments, arrange and complete the sale and purchase of investments, and develop investment strategies. The Fund Manager received an annual fee of 0.35% of the Company's Net Asset Value as calculated at the end of each month from 01 January 2009 to 30 June 2009.

IFML and P.O.L.I.C.Y. Limited agreed on an amended Management Agreement, with effect from 01 July 2009. The Fund Manager received an annual fee of 0.70% of the Net Asset Value as calculated at the end of each month excluding the fair value of a defined number of shares held by the Company in The Mauritius Commercial Bank Ltd. which has been earmarked as a core investment.

(ii) Administrator

The Company entered into an Administration and Custody Agreement with Abax Corporate Administrators Ltd. As administrator, Abax Corporate Administrators Ltd. is responsible to carry out the general administration of the Company, to set up internal control, to keep accounting records and ledgers; to provide accounting services, to provide secretarial services and act as registry. Abax Corporate Administrators Ltd also acts as custodian for unquoted securities. The Administrator is entitled to receive an annual fee which shall be the greater of either Rs.900,000 or an amount calculated in accordance with the formula below:

(a) where Net Asset Value (NAV) of the Fund does not exceed Rs.1 billion in a given month, the variable fee for that month equals to the product of.
  (i) NAV as determined on the last valuation day of that month and (ii) one twelfth of 0.15%;

(b) where Net Asset Value (NAV) of the Fund exceeds Rs.1 billion in a given month, the variable fee for that month is one twelfth of the aggregate of:
  (i) Rs.1.5 million and (ii) 0.12% of any amount of the NAV which exceed Rs.1 billion as determined on the last valuation day of the month.

(b) There are no employees in the Company nor the Group.

8. FINANCE INCOME

	THE GROUP		THE COMPANY	
	2009	2008	**2009**	2008
	Rs'000	Rs'000	**Rs'000**	Rs'000
Net foreign exchange gain	**493**	5,315	**493**	5,315

9. TAXATION

	THE GROUP		THE COMPANY	
	2009	2008	**2009**	2008
	Rs'000	Rs'000	**Rs'000**	Rs'000
(a) Statements of comprehensive income:				
Current tax on the adjusted profit for the year @ 15% (2008:15%)	**1,424**	522	**1,424**	522
Deferred tax (credit)/charge	**(809)**	809	**(809)**	809
Adjustment for Alternative Minimum		-		-
Tax in previous year	**165**	-	**165**	-
Over provision in previous year	**-**	(10)	**-**	(10)
Tax charge	**780**	1,321	**780**	1,321
(b) Statements of financial position:				
At 1 January	**522**	270	**522**	270
Over provision in previous year	**-**	(10)	**-**	(10)
Adjustment for Alternative Minimum Tax in previous year	**165**	-	**165**	-
	687	260	**687**	260
Paid on account	**(229)**	(260)	**(229)**	(260)
Tax charge for the year	**1,424**	522	**1,424**	522
Advance payment scheme	**(344)**	-	**(344)**	-
At 31 December,	**1,538**	522	**1,538**	522

The tax on the Group's and the Company's profit before taxation differs from the theoretical amount that would arise using the basic tax rate as follows:

	THE GROUP		THE COMPANY	
	2009	2008	**2009**	2008
	Rs'000	Rs'000	**Rs'000**	Rs'000
Profit before taxation	**320,587**	300,227	**316,152**	316,321
Tax calculated at the rate of 15% (2008:15%)	**48,088**	45,035	**47,423**	47,448
Expenses not allowed for tax purposes	**2,354**	3,592	**2,308**	3,405
Income not subject to tax	**(49,276)**	(47,701)	**(48,307)**	(49,522)
Tax losses not recognised	**258**	405	**-**	-
Deferred income tax reversed	**(809)**	-	**(809)**	-
Adjustment for Alternative Minimum Tax in previous year	**165**	-	**165**	-
Over provision in previous year	**-**	(10)	**-**	(10)
Tax charge	**780**	1,321	**780**	1,321

10. OTHER COMPREHENSIVE INCOME

(a) THE GROUP	Available-for-sale fair value reserve	Revaluation surplus on property	Translation of foreign operations	Total
	Rs'000	Rs'000	Rs'000	Rs'000
2009				
Fair value changes on financial assets	**241,115**	**-**	**-**	**241,115**
Reclassification adjustment on disposal of financial assets	**(82,469)**	**-**	**-**	**(82,469)**
Reclassification adjustment on distribution of dividend in specie	**(161,468)**	**-**	**-**	**(161,468)**
Currency translation difference	**-**	**-**	**(152)**	**(152)**
Reclassification adjustment on winding up of joint venture	**-**	**-**	**(973)**	**(973)**
Other comprehensive income for the year 2009	**(2,822)**	**-**	**(1,125)**	**(3,947)**
2008				
Fair value changes on financial assets	(516,071)	-	-	(516,071)
Reclassification adjustment on disposal of financial assets	(239,304)	-	-	(239,304)
Loss on property	-	(582)	-	(543)
Currency translation difference	-	-	(1,538)	(1,538)
Other comprehensive income for the year 2008	(755,375)	(582)	(1,538)	(757,456)

10. OTHER COMPREHENSIVE INCOME (CONT'D)

(b) THE COMPANY	Available-for-sale fair value reserve	Total
	Rs'000	Rs'000
2009		
Fair value changes on financial assets	**244,425**	**244,425**
Reclassification adjustment on disposal of financial assets	**(82,469)**	**(82,469)**
Reclassification adjustment on distribution of dividend in specie	**(161,468)**	**(161,468)**
Other comprehensive income for the year	**488**	**488**
2008		
Fair value changes on financial assets	(534,237)	(534,237)
Reclassification adjustment on disposal of financial assets	(239,304)	(239,304)
Other comprehensive income for the year	(773,541)	(773,541)

11. EARNINGS PER SHARE

		THE GROUP		THE COMPANY	
		2009	2008	**2009**	2008
Earnings per share	Rs.	**1.88**	1.76	**1.85**	1.85

Earnings per share is calculated by dividing profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

Based on:					
Profit attributable to owners of the company	Rs'000	**319,807**	298,916	**315,372**	315,000
Number of shares in issue and ranking for dividends		**170,240,004**	170,240,004	**170,240,004**	170,240,004

12. INVESTMENT IN SUBSIDIARY

	2009	2008
	Rs'000	Rs'000
At 1 January	**13,489**	21,845
Loan recovered	**-**	(449)
Distribution of surplus assets of subsidiary	**-**	(700)
Impairment	**-**	(2,682)
Fair value changes	**3,310**	(4,525)
At 31 December	**16,799**	13,489

Details of the subsidiary are as follows :

Name of company	Country of incorporation	% holding **2009**	% holding 2008	Stated Capital **2009**	Stated Capital 2008	Principal activity
				Rs'000	Rs'000	
Union and P.O.L.I.C.Y. Investment Co. Ltd.	Republic of Mauritius	**100**	100	**15,000**	15,000	Trading in financial assets

Investment in subsidiary has been valued on a net assets basis.

13. INVESTMENT IN JOINT VENTURE

The results of the following Joint Venture have been included in the consolidated financial statements:

Name of company	Country of incorporation	% holding **2009**	% holding 2008	Principal activity
Union and Policy Offshore Ltd.	Republic of Mauritius	-	50%	Trading in financial assets outside Mauritius

On 30 December 2009, Union and Policy Offshore Ltd. made an application to the Registrar of Companies to be removed from the Register. Directors of the company have approved the winding up on 31 December 2009. The statement of affairs as at 30 November 2009 have been incorporated in the financial statements of the Group.

13. INVESTMENT IN JOINT VENTURE (CONT'D)

(a) The following table represents the Company's 50% share of the amounts from the financial statements of the Joint Venture which have been proportionately consolidated in the Group financial statements as at 30 November 2009.

	2009	2008
Statement of comprehensive income	**Rs'000**	Rs'000
Investment income	**-**	199
Net gain/(loss) on investments	**186**	(10,992)
Administrative expenses	**(419)**	(756)
Loss for the period/year	**(233)**	(11,549)
Statement of financial position		
Current assets	**1,382**	3,381
Current liabilities	**(233)**	(312)
	1,149	3,069
Net current assets	**1,149**	3,069

(b) THE COMPANY	2009	2008
	Rs'000	Rs'000
At 1 January ,	**3,069**	61,656
Capital reduction (note (1))	**-**	(35,668)
Impairment	**(385)**	(9,278)
Fair value changes	**-**	(13,641)
Net assets arising on winding up	**(1,149)**	-
Transferred to available-for-sale investments	**(1,535)**	-
At 31 December,	**-**	3,069

(1) Pursuant to the written resolution of the directors dated 27 March 2008, it was resolved that the Joint Venture would reduce its share capital by 2,600,000 shares.

14. INVESTMENT IN FINANCIAL ASSETS

	2009					2008
(a) THE GROUP AND THE COMPANY	Listed	DEM quoted	Unquoted	Overseas Investments	**Total**	Total
	Rs'000	Rs'000	Rs'000	Rs'000	**Rs'000**	Rs'000
At 1 January,	944,703	69,932	8,503	43,171	**1,066,309**	1,746,009
Additions	223,893	14,546	-	15,204	**253,643**	128,785
Distribution of dividend in specie	(182,156)	-	-	-	**(182,156)**	-
Disposals	(118,920)	(3,813)	-	(15,938)	**(138,671)**	(292,414)
Fair value changes	229,590	4,750	243	6,532	**241,115**	(516,071)
At 31 December,	1,097,110	85,415	8,746	48,969	**1,240,240**	1,066,309

(b) Available-for-sale financial assets are denominated in the following currencies

	2009	2008
	Rs'000	Rs'000
Currency		
MUR	**1,191,271**	1,023,138
USD	**23,450**	19,685
EUR	**25,519**	23,486
	1,240,240	1,066,309

14. INVESTMENT IN FINANCIAL ASSETS (CONT'D)

(c) The table below analyses the Group's assets that are measured at fair value in the statements of financial position at 31 December 2009.

	Level 1	Level 2	Level 3	Total
	Rs'000	Rs'000	Rs'000	Rs'000
At 31 December 2009				
Assets				
Available-for-sale financial assets				
– Equity securities	1,182,525	48,969	8,746	1,240,240
Total	1,182,525	48,969	8,746	1,240,240

There were no transfers within level 1, level 2 and level 3 during the period. There were no changes in level 3 instruments for the year ended 31 December 2009.

(d) The fair value of listed and DEM quoted available-for-sale financial assets is based on the Stock Exchange and DEM quoted prices at the close of business on the end of the reporting date. For unquoted investments, the fair value is estimated by reference to the future maintainable earnings, net asset value of the underlying assets. Overseas investments are valued at latest traded/bid price prevailing at the end of the reporting period.

14. INVESTMENT IN FINANCIAL ASSETS (CONT'D)

	2009			2008		
(e) Portfolio of investments of P.O.L.I.C.Y. Limited	**THE GROUP AND THE COMPANY**			THE GROUP AND THE COMPANY		
	Number of shares	**Fair value per share**	**Total value**	Number of shares	Fair value per share	Total value
		Rs.	**Rs'000**		Rs.	Rs'000
Listed investments						
The Mauritius Commercial Bank Limited	**4,040,178**	**140.00**	**565,625**	5,733,803	119.00	682,323
New Mauritius Hotels Limited	**2,037,365 ***	**134.00**	**273,329**	2,037,365	80.00	162,989
Promotion and Development Limited	**468,173**	**100.00**	**46,817**	468,173	71.50	33,474
United Basalt Products Limited	**734,826**	**80.50**	**59,153**	734,826	37.50	27,556
Naiade Resorts Ltd.	**331,501**	**36.00**	**11,934**	-	-	-
The Mauritius Union Assurance Company Limited	**204,980**	**97.50**	**19,986**	204,980	52.00	10,659
Mauritian Eagle Insurance Company Limited	**76,915**	**65.00**	**4,999**	76,915	45.50	3,500
Ireland Blyth Limited	**100,926**	**40.50**	**4,088**	100,926	45.00	4,541
Sun Resorts Limited	**164,844**	**69.00**	**11,374**	42,800	42.00	1,798
Rogers and Company Ltd.	**87,000**	**300.00**	**26,100**	39,800	265.00	10,547
United Docks Ltd.	**52,600**	**94.00**	**4,944**	52,600	80.00	4,208
State Bank of Mauritius Ltd.	**859,500**	**80.00**	**68,761**	-	-	-
Shell Mauritius Limited	**-**	**-**	**-**	37,000	84.00	3,108
			1,097,110			944,703

* 750,000 shares held in NMH have been pledged as security for an overdraft facility with the bank.

14. INVESTMENT IN FINANCIAL ASSETS (CONT'D)

	2009			2008		
	THE GROUP AND THE COMPANY			THE GROUP AND THE COMPANY		
DEM - quoted investments	**Number of shares**	**Fair value per share**	**Total value**	Number of shares	Fair value per share	Total value
		Rs	**Rs'000**		Rs	Rs'000
Mauritius Freeport Development Company Ltd.	**981,645**	**6.70**	**6,577**	981,645	10.20	10,013
Medine Limited - Ordinary	**44,000**	**85.00**	**3,740**	102,663	65.00	6,673
Medine Limited - Preference	**7,816**	**78.00**	**610**	7,816	50.00	391
Medine Shareholding Co Ltd. - Ordinary	**1,853**	**2,550.00**	**4,725**	1,853	2,000.00	3,706
The Black River Investment Co Ltd.	**1,041**	**2,890.00**	**3,008**	1,041	3,500.00	3,644
Ciel Investment Limited	**3,952,900**	**4.35**	**17,195**	1,566,000	3.40	5,325
Deep River Beau Champ Ltd. - Ordinary	**29,693**	**276.00**	**8,195**	29,693	227.00	6,740
Deep River Beau Champ Ltd. - Preference	**36,759**	**270.00**	**9,925**	16,759	235.00	3,938
Alma Investments Co Ltd.	**7,872**	**120.00**	**945**	7,872	99.00	779
Phoenix Investment Company Ltd.	**8,644**	**114.00**	**985**	8,644	58.00	501
Hotelest Limited	**282,575**	**50.00**	**14,129**	282,575	40.00	11,303
Constance Hotels Ltd.	**307,616**	**50.00**	**15,381**	307,616	55.00	16,919
			85,415			69,932

14. INVESTMENT IN FINANCIAL ASSETS (CONT'D)

	2009			2008		
	THE GROUP AND THE COMPANY			THE GROUP AND THE COMPANY		
	Number of shares	**Fair value per share**	**Total value**	Number of shares	Fair value per share	Total value
		Rs	**Rs'000**		Rs	Rs'000
Unquoted investments						
Associated Brokers Limited	**68,833**	**37.52**	**2,583**	68,833	38.46	2,647
Atlas Communication Company Ltd.	**16,585**	**118.09**	**1,960**	16,585	120.62	2,001
Nouvelle Clinique du Bon Pasteur Ltée	**10,000**	**137.74**	**1,377**	10,000	132.37	1,324
Mauritours Ltd.	**513**	**100.00**	**51**	513	100.00	51
Mer Rouge Trading Limited	**1,080**	**9.27**	**10**	1,080	1.00	1
Les Relais Limited	**350,625**	**7.89**	**2,765**	350,625	7.07	2,479
			8,746			8,503
Overseas investments						
Principal Protected Commodities Fund USD	**-**	**-**	**-**	150	26,604.44	3,991
Equity (i) Fund EUR	**3,048**	**4,313.72**	**13,150**	3,048	3,482.42	10,616
Equity (i) Fund USD	**-**	**-**	**-**	2,837	2,738.20	7,769
German Property (i1) EUR	**2,609**	**4,740.61**	**12,368**	2,609	4,932.46	12,870
Equity Emerging Markets (i1) USD	**3,943**	**2,998.30**	**11,822**	3,943	2,010.08	7,925
London and Capital Satellites SPC USD	**389**	**4,837.79**	**1,880**	-	-	-
India (RPS) Fund USD	**3,141**	**3,103.33**	**9,749**	-	-	-
			48,969			43,171
Total			**1,240,240**			1,066,309

15. HELD-FOR-TRADING FINANCIAL ASSETS

	2009			2008
THE GROUP	Listed	Foreign	**Total**	Total
	Rs'000	Rs'000	**Rs'000**	Rs'000
At 1 January	8,977	1,446	**10,423**	12,402
Additions	21,290	-	**21,290**	23,229
Disposals	(15,827)	-	**(15,827)**	(11,373)
Translation difference	-	89	**89**	36
Fair value changes (per note 5(c))	2,468	-	**2,468**	(13,871)
Transfer to available-for-sale investments	-	(1,535)	**(1,535)**	-
At 31 December,	16,908	-	**16,908**	10,423

(a) Held-for-trading investments are valued at market value prevailing at the end of the reporting date.

(b) Held-for-trading investments are presented within "operating activities" as part of changes in working capital in the statements of cash flows. Changes in fair values of financial assets are recorded in net gain on investments in the statements of comprehensive income.

(c) The carrying amounts of the Group's held for trading financial assets are denominated in the following currencies:

	THE GROUP	
	2009	2008
	Rs'000	Rs'000
MUR	**16,908**	8,977
USD	**-**	1,446
	16,908	10,423

16. TRADE AND OTHER RECEIVABLES

	THE GROUP		THE COMPANY	
	2009	2008	**2009**	2008
	Rs'000	Rs'000	**Rs'000**	Rs'000
Trade receivables	**554**	414	**238**	414
Other receivables	**18**	108,701	**1,167**	108,354
	572	109,115	**1,405**	108,768

(a) The carrying amounts of the Group and the Company's trade and other receivables are denominated in the following currencies:

	THE GROUP		THE COMPANY	
	2009	2008	**2009**	2008
	Rs'000	Rs'000	**Rs'000**	Rs'000
MUR	**572**	101,900	**256**	101,561
USD	**-**	7,215	**1,149**	7,207
	572	109,115	**1,405**	108,768

16. TRADE AND OTHER RECEIVABLES (CONT'D)

(b) The carrying amount of trade and other receivables approximate their fair value.

(c) Trade and other receivables do not contain impaired assets.

(d) The maximum exposure to credit risk at the reporting date is the fair value of receivables mentioned above. The Group and the Company do not hold any collateral as security.

(e) Trade receivables are summarised as follows:	THE GROUP		THE COMPANY	
	2009	2008	**2009**	2008
	Rs'000	Rs'000	**Rs'000**	Rs'000
Neither past due nor impaired	**539**	399	**223**	399
Past due but not impaired	**15**	15	**15**	15
	554	414	**238**	414

(i) Neither past due nor impaired

At 31 December 2009 trade receivables of **Rs 539,000** (2008 - Rs 399,000) were fully performing.

(ii) Past due but not impaired

The ageing analysis of these receivables is as follows:

	THE GROUP AND THE COMPANY	
	2009	2008
	Rs'000	Rs'000
Over 6 months	**15**	15

17. CASH AND CASH EQUIVALENTS

	THE GROUP		THE COMPANY	
	2009	2008	**2009**	2008
	Rs'000	Rs'000	**Rs'000**	Rs'000
Bank and cash balances	**50,611**	105,557	**49,104**	99,078

Cash and cash equivalents are denominated in the following currencies:

	THE GROUP		THE COMPANY	
	2009	2008	**2009**	2008
	Rs'000	Rs'000	**Rs'000**	Rs'000
MUR	**49,061**	71,873	**48,936**	67,321
USD	**1,495**	33,625	**113**	31,698
EUR	**55**	59	**55**	59
	50,611	105,557	**49,104**	99,078

18. SHARE CAPITAL

	THE GROUP AND THE COMPANY	
	No. of shares	Rs'000
Issued and fully paid		
Ordinary shares of Rs.1 each	170,240,004	170,240
At 1 January and 31 December 2009	170,240,004	170,240

19. DEFERRED INCOME TAX

	THE GROUP AND THE COMPANY	
	2009	2008
	Rs'000	Rs'000
At 1 January	**809**	-
(Credit)/charge to statements of comprehensive income	**(809)**	809
At 31 December	**-**	809

Deferred income tax is calculated on all temporary differences under the liability method at 15% (2008: 15%).
Deferred tax movement in the statements of comprehensive income is attributable to the following items:

THE GROUP & THE COMPANY	1 January 2009	Movement in statements of comprehensive income	**31 December 2009**
	Rs'000	Rs'000	**Rs'000**
Deferred income tax liability			
Unrealised exchange difference	809	(809)	**-**

THE GROUP
No deferred tax asset has been recognised on tax losses of the subsidiary company amounting to Rs’000 2,905 (2008: Rs’000 1,720) due to unpredictability of future profit streams.

20. TRADE AND OTHER PAYABLES

	THE GROUP		THE COMPANY	
	2009	2008	**2009**	2008
	Rs'000	Rs'000	**Rs'000**	Rs'000
Accruals and other payables	**5,413**	3,228	**4,630**	2,537

(a) The carrying amounts of trade and other payables approximate their fair value.

20. TRADE AND OTHER PAYABLES (CONT'D)

(b) Trade and other payables are denominated in the following currencies:

	THE GROUP		THE COMPANY	
	2009	2008	**2009**	2008
	Rs'000	Rs'000	**Rs'000**	Rs'000
MUR	**5,301**	2,917	**4,518**	2,537
USD	**112**	311	**112**	-
	5,413	3,228	**4,630**	2,537

21. DIVIDENDS

	2009	2008
	Rs'000	Rs'000
Interim ordinary paid - 20% (2008 - 15%)	**34,049**	25,536
Final ordinary paid - 50% (2008 - 45%)	**85,120**	76,608
Dividend in specie (1,702,400 MCB shares at Rs. 107 each)(*)	**182,156**	-
	301,325	102,144

(*) MCB shares distributed in specie has been valued at Rs. 182 million, that is, the value of the shares as per the Stock Exchange official market closing price on the declaration date which was 15 May 2009 (i.e 1 MCB share for every 100 shares held in P.O.L.I.C.Y. Limited).

22. SEGMENT INFORMATION

(a) The Group is organised into the following main business segments:

(i) Investment in financial assets-classified as long-term investments.
(ii) Held-for-trading financial assets-classified as short-term investments.

"Other segments" comprise of other business activities and operating segments that are not reportable. Revenue included in this segment consists of Rs'000 6,507 (2008: Rs'000 5,615).

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies. The Group evaluates performance on the basis of profit or loss from operations before tax expense.

	Long-term investments	Short-term investments	Others	Total
(i) **2009**	Rs' 000	Rs' 000	Rs' 000	Rs' 000
Year ended 31 December 2009				
Investment income	42,048	1,767	6,507	50,322
Net gain on investments	119,878	1,862	-	121,740
Total revenue	161,926	3,629	6,507	172,062
Segment results				
Fair value release on distribution of dividend in specie	-	-	161,468	161,468
Administrative expenses	(12,564)	(872)	-	(13,436)
Finance income	-	-	493	493
Profit before taxation	149,362	2,757	168,468	320,587
Taxation	-	-	(780)	(780)
Profit for the year	149,362	2,757	167,688	319,807

	Long-term investments	Short-term investments	Others	Total
	Rs' 000	Rs' 000	Rs' 000	Rs' 000
Segment assets				
Investment in financial assets	1,240,240	-	-	1,240,240
Held-for-trading financial assets	-	16,908	-	16,908
Other assets	50,511	672	-	51,183
	1,290,751	17,580	-	1,308,331
Segment liabilities				
Other liabilities	4,630	788	1,533	6,951
	4,630	788	1,533	6,951
Capital Expenditure	246,103	19,903	-	266,006

22. SEGMENT INFORMATION (CONT'D)

	Long-term investments	Short-term investments	Others	Total
(ii) 2008	Rs' 000	Rs' 000	Rs' 000	Rs' 000
Year ended 31 December 2008				
Investment income	51,920	313	5,615	57,848
Net gain on investments	265,278	(15,126)	-	250,152
Total revenue	317,198	(14,813)	5,615	308,000
Segment results				
Administrative expenses	(11,547)	(1,359)	(182)	(13,088)
Finance income	-	-	5,315	5,315
Profit before taxation	305,651	(16,172)	10,748	300,227
Taxation	-	-	(1,321)	(1,321)
Profit after taxation	305,651	(16,172)	9,427	298,906
Minority interest				10
Profit attributable to owners of the company				298,916

	Long-term investments	Short-term investments	Others	Total
	Rs' 000	Rs' 000	Rs' 000	Rs' 000
Segment assets				
Investment in financial assets	1,066,309	-	-	1,066,309
Held-for-trading financial assets	-	10,423	-	10,423
Other assets	207,339	6,794	539	214,672
	1,273,648	17,217	539	1,291,404
Segment liabilities				-
Other liabilities	2,537	691	1,331	4,559
	2,537	691	1,331	4,559
Capital Expenditure	128,785	-	-	128,785

22. SEGMENT INFORMATION (CONT'D)

(b) Secondary reporting format - geographical segments

The Group's business segment is managed locally and operates overseas as well as shown below:

	Revenue		Total assets		Capital expenditure	
	2009	2008	**2009**	2008	**2009**	2008
	Rs' 000	Rs' 000	**Rs' 000**	Rs' 000	**Rs' 000**	Rs' 000
Mauritius	**170,903**	319,913	**1,306,949**	1,288,023	**252,681**	98,928
Other countries	**186**	(11,913)	**1,382**	3,381	**13,325**	29,857
	171,089	308,000	**1,308,331**	1,291,404	**266,006**	128,785

23. RELATED PARTY TRANSACTIONS

	THE GROUP		THE COMPANY	
	2009	2008	**2009**	2008
	Rs'000	Rs'000	**Rs'000**	Rs'000
Management fees- Fund Manager	**5,341**	6,303	**5,341**	6,303
Amount payable- Fund Manager	**997**	393	**997**	393
Service fees paid to company in which a director has a significant influence	**3,028**	3,442	**2,438**	2,679
Fees paid to a director	**50**	50	**50**	50

24. INCORPORATION

The Company is incorporated in the Republic of Mauritius under the Mauritian Companies Act 2001 as a public company with limited liability.

25. PRESENTATION CURRENCY

The functional and presentation currency is the Mauritian rupee and figures are stated to the nearest thousands in the financial statements.

26. THREE YEAR SUMMARY OF PUBLISHED RESULTS AND ASSETS AND LIABILITIES - GROUP

	2009	2008	2007
	Rs'000	Rs'000	Rs'000
Statements of comprehensive income			
Revenue	**333,530**	308,000	100,979
Share of comprehensive income of associated company	**-**	-	(237)
Profit before taxation	**320,587**	300,227	86,395
Taxation	**780**	1,321	477
Profit for the year	**319,807**	298,906	85,918
Minority interest	**-**	(10)	2
Profit attributable to owners of the company	**319,807**	298,916	85,916
Dividend per share:			
- Interim: Fully paid shares	**0.20**	0.15	0.12
- Final : Fully paid shares	**0.50**	0.45	0.38
Dividend in specie	**1.07**	-	-
Earnings per share	**1.88**	1.76	0.50

	2009	2008	2007
Statements of financial position	**Rs'000**	Rs'000	Rs'000
Non-current assets	**1,240,240**	1,066,309	1,750,871
Non-current asset classified as held-for-sale	**-**	-	3,230
Current assets	**68,091**	225,095	99,745
Total assets	**1,308,331**	1,291,404	1,853,846
Shareholders' interest	**1,301,380**	1,286,845	1,847,529
Minority interest	**-**	-	286
Non-current liability	**-**	809	-
Current liabilities	**6,951**	3,750	6,031
Total equity and liabilities	**1,308,331**	1,291,404	1,853,846
Net assets per share (Rs.)	**7.64**	7.56	10.85
Number of shares in issue (000's)	**170,240**	170,240	170,240

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